STATE OF CALIFORNIA – CALIFORNIA NATURAL RESOURCES AGENCY **GAVIN NEWSOM,** *Governor*

DEPARTMENT OF WATER RESOURCES
1416 NINTH STREET, P.O. BOX 942836
SACRAMENTO, CA 94236-0001
(916) 653-5791

March 26, 2020

Filed with the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access (EMMA) website of the MSRB

Enclosed per the Continuing Disclosure Certificates and Continuing Disclosure Agreement referenced in the immediately following paragraph is the State of California Department of Water Resources' Annual Report for the fiscal year ended June 30, 2019.

Except as noted in Appendix A, the annual report is consistent with the requirements of the Continuing Disclosure Certificates with respect to State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series V, dated December 1, 1998, Series AH, dated November 9, 2010, Series AI, dated September 7, 2011, Series AJ, dated October 13, 2011, Series AK, dated March 13, 2012, Series AL, dated September 5, 2012, Series AN, dated September 27, 2012, Series AM, dated March 5, 2013, Series AP, dated March 26, 2013, Series AQ, dated June 18, 2013, Series AR, dated March 6, 2014, Series AS, dated October 30, 2014, Series AT, dated November 6, 2014, Series AU, dated September 2, 2015, Series AV, dated May 24, 2016, Series AW, dated October 20, 2016, Series AX, dated December 19, 2017, Series AY, dated December 19, 2017, Series AZ, dated October 18, 2018, and Series BA, dated April 16, 2019. Except as noted in Appendix A, the annual report is also consistent with the requirements of the Continuing Disclosure Agreement applicable to the Department of Water Resources with respect to the Northern California Power Agency Lodi Energy Center Revenue Bonds, Issue Two (California Department of Water Resources), 2010 Series B, dated June 24, 2010.

The audited report and Comprehensive Annual Financial Statements of the Department of Water Resources are expected to be filed on EMMA by June 30, 2020. See Appendix A.

If you require additional information, please contact me at (916) 653-9836 or Abby Hernandez at (916) 653-6083.

Sincerely,

Vinay Behl

Vinay Narjit Singh Behl, CPA
Comptroller & Chief Financial Officer
Chief, Division of Fiscal Services

State of California, Department of Water Resources S.E.C Rule 15c2 -12 Annual Report as of June 30, 2019

The State of California Department of Water Resources (the "Issuer") hereby provides its annual report for the fiscal year ended June 30, 2019 in connection with (1) the below described bonds issued by the Department of Water Resources, and (2) the below described Lodi Energy Center Revenue Bonds, Issue Two, issued by the Northern California Power Agency:

Bond Issues:

A. Bonds Issued by the Department of Water Resources that are covered by the Continuing Disclosure Certificate, dated December 1, 1995 and its supplements.

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series V, dated December 1, 1998 (the "Series V Bonds")

CUSIPs: 13067WLD2

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AH, dated November 9, 2010 (the “Series AH Bonds”)

CUSIPs: 13067WDH2 13067WDV1 13067WDW9 13067WDX7 13067WDY5

B. Bonds Issued by the Department of Water Resources that are covered by the Continuing Disclosure Certificate, dated September 7, 2011 and its supplements.

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AI, dated September 7, 2011 (the “Series AI Bonds”)

CUSIPs: 13067WFF4 13066KC80

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AJ, dated October 13, 2011 (the “Series AJ Bonds”)

CUSIPs: 13067WBM3 13067WBN1 13067WBP6 13067WFN7 13067WFP2
13067WFQ0 13067WFR8 13067WFZ0 13067WGA4 13067WGB2
13067WGC0 13067WMV1 13067WMW9

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AK, dated March 13, 2012 (the “Series AK Bonds”)

CUSIPs: 13066KQ69 13067WBX9 13067WGE6 13067WGF3 13067WHA3
13067WLK6 13067WMX7 13067WMY5 13067WNF5 13067WNG3

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AL, dated September 5, 2012 (the “Series AL Bonds”)

CUSIPs: 13067WHH8 13067WHJ4 13067WHK1 13067WHL9 13067WHM7

C. Bonds Issued by the Department of Water Resources that are covered by the Continuing Disclosure Certificate, dated September 27, 2012 and its supplements.

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AN, dated September 27, 2012 (the “Series AN Bonds”)

CUSIPs: 13067WCB6 13067WCC4 13067WCD2 13067WHR6 13067WHS4

13067WHT2 13067WMZ2 13067WNA6 13067WNB4 13067WNC2

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AM, dated March 5, 2013 (the "Series AM Bonds")

CUSIPs: 13066KV22 13066KV30 13066KV48 13066KV55 13066KV63 13066KV71

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AP, dated March 26, 2013 (the "Series AP Bonds")

CUSIPs: 13066K2L2 13066K2M0 13066K2N8 13066K3A5 13066K3B3

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AQ, dated June 18, 2013 (the "Series AQ Bonds")

CUSIPs: 13066K3H0 13066K3J6 13066K3K3 13066K3T4 13066K3U1

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AR, dated March 6, 2014 (the "Series AR Bonds")

CUSIPs: 13066K4A4 13066K4B2 13066K4C0 13066K4D8 13066K4N6 13066K4P1 13066K4Q9 13066K4R7

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AS, dated October 30, 2014 (the "Series AS Bonds")

CUSIPs: 13066K5E5 13066K5F2 13067WKL5 13067WKM3 13067WKN1 13067WKP6 13067WKQ4 13067WKR2 13067WKS0 13067WKT8 13067WKU5 13067WKV3 13067WKW1 13067WKZ4

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AT, dated November 6, 2014 (the "Series AT Bonds")

CUSIPs: 13067WCE0

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AU, dated September 2, 2015 (the "Series AU Bonds")

CUSIPs: 13067WCF7

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AV, dated May 24, 2016 (the "Series AV Bonds")

CUSIPs: 13067WCJ9 13067WCK6 13067WCL4 13067WCM2 13067WCN0 13067WCP5 13067WCQ3 13067WCR1 13067WCS9 13067WCT7 13067WCU4 13067WCV2 13067WCW0 13067WCX8 13067WCY6 13067WCZ3

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AW, dated October 20, 2016 (the "Series AW Bonds")

CUSIPs:	13067WLN0	13067WLP5	13067WLQ3	13067WLR1	13067WLS9
	13067WLT7	13067WLU4	13067WLV2	13067WLW0	13067WLX8
	13067WLY6	13067WLZ3	13067WMA7	13067WMB5	13067WMC3
	13067WMD1	13067WME9			

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AX, dated December 19, 2017 (the "Series AX Bonds")

CUSIPs:	13067WNK4	13067WNL2	13067WNM0	13067WNN8	13067WNP3
	13067WNQ1	13067WNR9	13067WNS7	13067WNT5	13067WNU2
	13067WNV0	13067WNW8	13067WNX6	13067WNY4	13067WNZ1
	13067WPA4				

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AY, dated December 19, 2017 (the "Series AY Bonds")

CUSIPs:	13067WPC0	13067WPD8	13067WPE6	13067WPF3	13067WPG1
	13067WPH9	13067WPJ5	13067WPK2	13067WPL0	13067WPM8

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AZ, dated October 18, 2018 (the "Series AZ Bonds")

CUSIPs:	13067WPP1	13067WPQ9	13067WPR7	13067WPS5	13067WPT3
	13067WPU0	13067WPV8	13067WPW6	13067WPX4	13067WPY2
	13067WPZ9	13067WQA3	13067WQB1	13067WQC9	13067WQD7
	13067WQE5				

D. Bonds Issued by the Department of Water Resources that are covered by the Continuing Disclosure Certificate, dated April 24, 2019 and its supplements.

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series BA, dated April 24, 2019 (the "Series BA Bonds")

CUSIPs:	13067WQF2	13067WQG0	13067WQH8	13067WQJ4	13067WQK1
	13067WQL9	13067WQM7	13067WQN5	13067WQP0	13067WQQ8
	13067WQR6	13067WQS4	13067WQT2	13067WQU9	13067WQV7
	13067WQW5				

E. Lodi Energy Center Bonds Issued by the Northern California Power Agency

Northern California Power Agency Lodi Energy Center Revenue Bonds, Issue Two (California Department of Water Resources), 2010 Series B dated June 24, 2010 (the "Lodi Energy Center Bonds Issue Two Series B")

CUSIPs:	664845DF8	664845DG6

Note: The CUSIP numbers specified above are as of December 31, 2019. The CUSIP numbers are provided for the convenience of Bondholders. The Issuer is not responsible for the accuracy or completeness of such numbers.

Annual Report

Attached hereto is the Issuer's "annual report" for the fiscal year ended June 30, 2019 as required by (1) the Continuing Disclosure Certificate, dated December 1, 1995, and all subsequent Supplemental Continuing Disclosure Certificates thereto and the Amended and Restated Continuing Disclosure Certificate dated December 2, 2009 and all subsequent Supplemental Continuing Disclosure Certificates thereto, (2) the Continuing Disclosure Certificate, dated September 7, 2011 and all subsequent Supplemental Continuing Disclosure Certificates thereto, (3) the Continuing Disclosure Certificate, dated September 27, 2012 and all subsequent Supplemental Continuing Disclosure Certificates thereto, and (4) the Continuing Disclosure Certificate dated April 24, 2019 and all subsequent Supplemental Continuing Disclosure Certificates thereto (collectively the “Department’s Bond Disclosure Certificates”) for the above listed Department Bonds. The attached annual report also satisfies the Department of Water Resources requirements under the Continuing Disclosure Agreement, dated June 24, 2010, for the above listed Lodi Energy Center Bonds (the “Lodi Energy Center Disclosure Certificate”). See Appendix A hereto.

Other Matters

This annual report is provided solely for purposes of the Department's Bond Disclosure Certificates, and the Lodi Energy Center Disclosure Certificate. The filing of this annual report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Issuer, the Series V, AH, AI, AJ, AK, AL, AN, AM, AP, AQ, AR, AS, AT, AU, AV, AW, AX, AY, AZ or BA Bonds, or the Lodi Energy Center Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this report), or that no other information exists, which may have a bearing on the Issuer's financial condition, the security for the Series V, AH, AI, AJ, AK, AL, AN, AM, AP, AQ, AR, AS, AT, AU, AV, AW, AX, AY, AZ or BA Bonds, or the Lodi Energy Center Bonds, or an investor's decision to buy, sell, or hold the Series V, AH, AI, AJ, AK, AL, AN, AM, AP, AQ, AR, AS, AT, AU, AV, AW, AX, AY, AZ or BA Bonds, or the Lodi Energy Center Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the Issuer. The information provided herein may relate to bonds or other obligations of the Issuer in addition to the ones listed above.

Dated: March 26, 2020

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By Vinay Behl
Chief, Division of Fiscal Services

State of California,
Department of Water Resources
S.E.C. Rule 15c-12 Annual Report as of June 30, 2019

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1 Unless otherwise indicated, the information provided for each Continuing Disclosure Certificate item is responsive to each of the two categories of continuing Disclosure Certificates referred to in this report (the Department's Bond Disclosure Certificates, and the Lodi Energy Center Disclosure Certificate).

UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (Continuing Disclosure Certificate, Item 1)

Notice to the Municipal Securities Rulemaking Board That a Complete Annual Report Has Not Been Filed attached hereto in Appendix A.

DEBT SERVICE RESERVE ACCOUNT (Continuing Disclosure Certificate, item 2a – Department's Bond Disclosure Certificates only)

As of December 31, 2019, the amount on deposit in the Debt Service Reserve Account was $201,444,900.57, which is at least equal to the Reserve Account Requirement for the outstanding bonds. Of this amount, $150,890,757.91 is invested in the State Treasurer's Pooled Money Investment Account (PMIA), and $50,554,142.66 is invested in U.S. Government securities.

INVESTMENTS (Continuing Disclosure Certificate, item 2b)

The Department uses the State's Centralized Treasury System. Moneys on deposit in the State's Centralized Treasury System are invested by the Treasurer in the Pooled Money Investment Account (the "PMIA"). As of December 31, 2019, the PMIA held approximately $62.2 billion of State moneys, and $26.7 billion of moneys invested for about 2,362 local governmental entities through the Local Agency Investment Fund. The assets of the PMIA as of December 31, 2019, are shown in the following table:

Type of Security	Amount (in millions)	Percent of Total
U.S. Treasury Bills and Notes	$ 47,915	53.88%
Federal Agency Debentures	4,348	4.89%
Certificates of Deposit	15,450	17.37%
Bank Notes	700	0.79%
Federal Agency Discount Notes	8,184	9.20%
Time Deposits	4,736	5.33%
Commercial Paper (corporate)	6,770	7.61%
FHLMC/REMICs	19	0.02%
AB 55 Loans	606	0.68%
Other	200	0.22%
Total	$ 88,928	100.00%

WATER SUPPLY (Continuing Disclosure Certificate, items 2c, 2d)

In the year ending December 31, 2018, the State Water Project delivered 35 percent of Contractor water requests. As of June 20, 2019, the Department approved deliveries for 75 percent of requested deliveries for the calendar year ending December 31, 2019.

SOURCE OF POWER FOR OPERATING THE STATE WATER PROJECT FOR THE YEAR ENDED DECEMBER 31, 2019 (Continuing Disclosure Certificate, item 2e)

(In Gigawatt Hours)

SOURCE:

State Water Project Hydroelectric Plants	
Gianelli (San Luis)	182
Castaic	335
Devil Canyon	1,245
William E. Warne (Pyramid)	212
Hyatt-Thermalito (Oroville)	2,685
Alamo	63
Thermalito Diversion Dam	14
Mojave Siphon	77
Total	4,813
State Water Project Thermal Plant (Reid Gardner)	0
Power Purchases	1,571
Energy via Exchanges	0
TOTAL SOURCES	**6,384**
POWER SALES	**852**
NET TRANSACTIONS THROUGH CAISO*	**-2,179**
SWP LOAD	**7,711**

*A negative amount implies net purchase transactions while a positive amount implies net sales transactions.

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State of California,
Department of Water Resources
S.E.C. Rule 15c-12 Annual Report as of June 30, 2019

CONTRACTOR WATER DELIVERIES FROM AND PAYMENTS TO STATE WATER PROJECT FOR THE YEAR ENDED DECEMBER 31, 2019
(Continuing Disclosure Certificate, items 2f and 2g)

	Deliveries (in acre-feet)	Payments (in thousands)
Alameda County Flood Control and Water Conservation District, Zone 7	52,296	$43,284
Alameda County Water District	21,731	10,288
Antelope Valley-East Kern Water Agency	78,057	38,781
City of Yuba City	1,655	786
Coachella Valley Water District	34,588	56,091
County of Butte	2,955	2,251
County of Kings	4,929	1,020
Crestline-Lake Arrowhead Water Agency	75	1,979
Desert Water Agency	13,938	18,342
Dudley Ridge Water District	33,030	5,334
Empire West Side Irrigation District	1,938	309
Kern County Water Agency	980,684	126,815
Littlerock Creek Irrigation District	226	572
The Metropolitan Water District of Southern California	1,347,162	570,450
Mojave Water Agency	21,930	28,626
Napa County Flood Control and Water Conservation District	11,285	10,167
Oak Flat Water District	2,184	559
Palmdale Water District	12,066	6,464
Plumas County Flood Control and Water Conservation District	436	242
San Bernardino Valley Municipal Water District	78,478	69,562
San Gabriel Valley Municipal Water District	23,220	9,944
San Gorgonio Pass Water Agency	14,329	25,790
San Luis Obispo County Flood Control and Water Conservation	2,642	9,152
Santa Barbara County Flood Control and Water Conservation District	20,557	59,231
Santa Clara Valley Water District	104,985	26,690
Santa Clarita Valley Water District*	48,345	26,661
Solano County Water Agency	31,482	12,961
Tulare Lake Basin Water Storage District	93,273	10,180
Ventura County Flood Control District	19,538	3,743
Total	**3,058,014**	**$1,176,274**

*Effective January 1, 2018, state law SB 634, reorganized the Castaic Lake Water Agency and the Newhall County Water District into a new agency named the Santa Clarita Valley Water Agency which has succeeded in interest to Castaic's water supply contract.

State of California,
Department of Water Resources
S.E.C. Rule 15c-12 Annual Report as of June 30, 2019

SELECTED FINANCIAL DATA FOR CERTAIN CONTRACTORS FOR THE YEAR ENDED JUNE 30, 2019 (Continuing Disclosure Certificate, Item 2h – Department's Bond Disclosure Certificates only)

B-1: Audited Financial Statements of Certain Contractors

The audited financial statements of the Metropolitan Water District of Southern California, Santa Barbara County Flood Control and Water Conservation District/Central Coast Water Authority, San Bernardino Valley Municipal Water District, Alameda County Flood Control and Water Conservation District Zone 7, Kern County Water Agency, and San Gorgonio Pass Water Agency for the year ended June 30, 2019 are attached in **Appendix B-1**. These financial statements are incorporated herein by this reference.

DWR did not prepare or assist in the preparation of such financial statements. No expressed or implied representation is made hereby as to the relative importance of the financial condition of any such water contractor to the creditworthiness of any of DWR's Central Valley Project Water System Revenue Bonds. Please refer to the most recent official statement relating to such bonds for a description of such relative importance.

B-2: Estimated Direct and Overlapping Debt of Certain Contractors

The data presented in **Appendix B-2** summarize certain information regarding taxes and tax-supported debt outstanding within the service territory of each of the six Contractors that are expected to provide the largest amounts of Revenue for payment of the Bonds based on projected payments to the Department through the final maturity of the Bonds. These six Contractors and the expected percentage contribution of each to such Revenues over the term of the Bonds are as follows (these percentages may change over time).

CVP Contractor	Projected Percentage Contribution
The Metropolitan Water District of Southern California	39%
Santa Barbara County Flood Control and Water Conservation District/Central Coast Water Authority	12%
San Bernardino Valley Municipal Water District	11%
Alameda County Flood Control and Water Conservation District - Zone 7 Water Agency	8%
Kern County Water Agency	7%
San Gorgonio Pass Water Agency	6%
Twenty-three other Contractors	17%
Total	**100%**

The Department has made no independent verification of the data contained in the Appendix and makes no representations as to its correctness, completeness, or comparability.

SELECTED FINANCIAL DATA FOR CERTAIN CONTRACTORS FOR THE YEAR ENDED JUNE 30, 2019 (Continuing Disclosure Certificate, Item 2i – Lodi Energy Center Disclosure Certificate only)

C-1: Audited Financial Statements of Certain Contractors

The audited financial statements of the Metropolitan Water District of Southern California for the year ended June 30, 2019 and Kern County Water Agency for the year ended June 30, 2019 are attached in **Appendix B-1**. The audited financial statements of the Coachella Valley Water District, for the year ended June 30, 2019 are attached in **Appendix C-1.** These financial statements are incorporated herein by this reference.

DWR did not prepare or assist in the preparation of such financial statements. No expressed or implied representation is made hereby as to the relative importance of the financial condition of any such water contractor to the creditworthiness of any of the Lodi Energy Center Bonds. Please refer to the most recent official statement relating to such bonds for a description of such relative importance.

C-2: Estimated Direct and Overlapping Debt of Certain Contractors

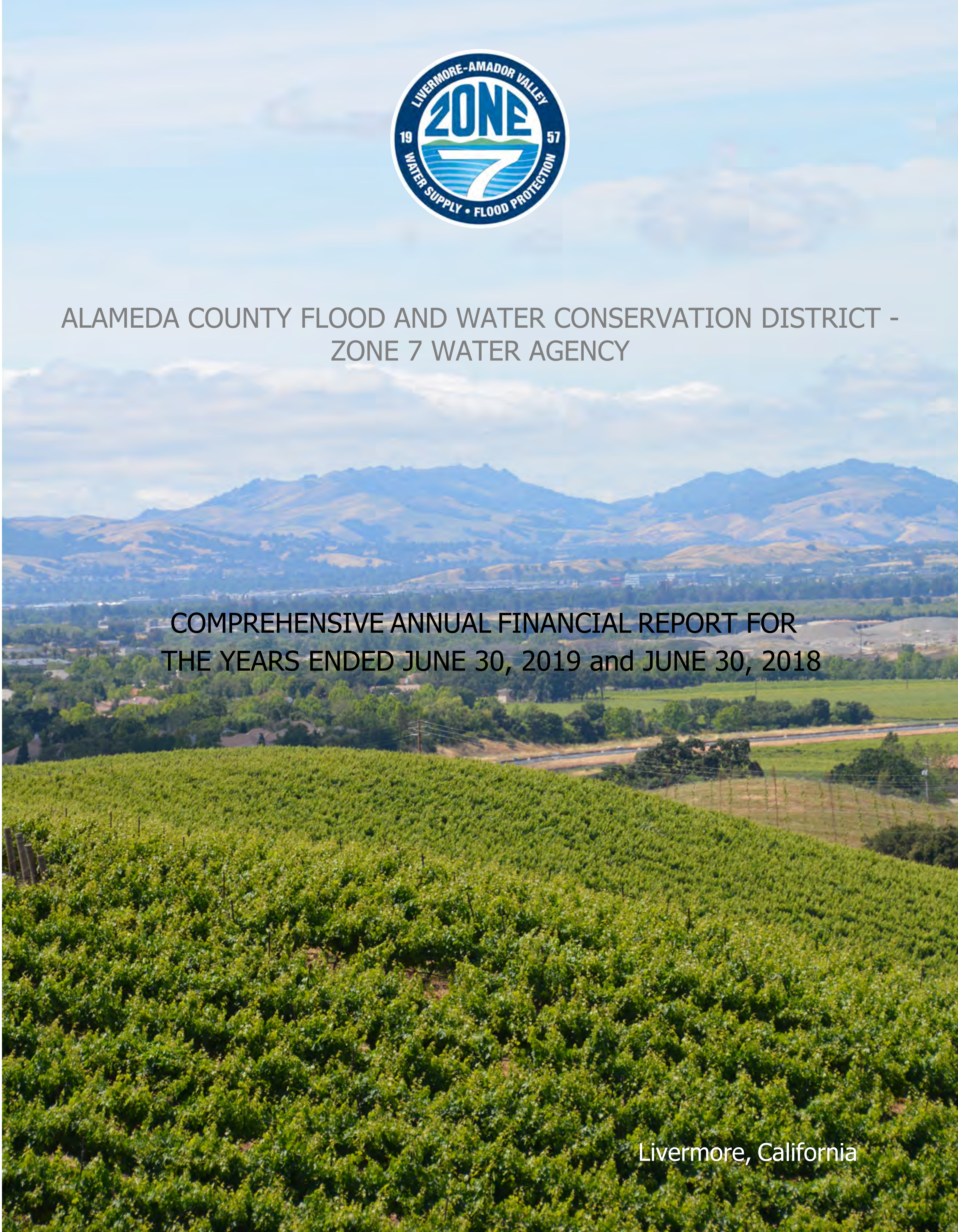
The data presented in **Appendix B-2** relating to the Metropolitan Water District of Southern California and Kern County Water Agency, and **Appendix C-2** relating to Coachella Valley Water District, summarize certain information regarding taxes and tax-supported debt outstanding within the service territory of each of the three Contractors that are expected to provide the largest payments (other than payments allocable to CVP Revenue Bond financed facilities) to the Department under the Water Supply Contracts. These three Contractors and their expected percentage of such payment to the Department under the Water Supply Contracts are as follows:

Lodi Energy Center

Contractor	Projected Percentage Contribution	Appendix Reference
The Metropolitan Water District of Southern California	55%	B-2
Kern County Water Agency	11%	B-2
Coachella Valley Water District	6%	C-2
Twenty-six other Contractors	28%	
Total	**100%**	

The Department has made no independent verification of the data contained in the Appendix and makes no representations as to its correctness, completeness, or comparability.

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED JUNE 30, 2019 and JUNE 30, 2018

Livermore, California

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT-ZONE 7 WATER AGENCY,

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

PREPARED BY THE FINANCE AND MANAGEMENT DEPARTMENT

OSBORN K. SOLITEI, TREASURER/ASSISTANT GENERAL MANAGER – FINANCE

PRINTED ON RECYCLED PAPER

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT– ZONE 7 WATER AGENCY
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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ALAMEDA COUNTY FLOOD CONTROL AND
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FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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STATISTICAL SECTION (CONTINUED)

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

November 25, 2019

To the Board of Directors:

The Comprehensive Annual Financial Report for the Zone 7 Water Agency

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Alameda County Flood Control and Water Conservation District, Zone 7, California (Agency), for the fiscal years ended June 30, 2019 and June 30, 2018.

The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB").

The intended purpose of the financial report is to provide the Board of Directors, the customers of the Agency, and other interested parties with reliable information on the finances of the Agency. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not surpass its benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements.

Maze & Associates, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the Agency financial statements for the year ended June 30, 2019. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2019, are free of material misstatement. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement and be read in conjunction with the MD&A.

The Comprehensive Annual Financial Report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA") and the Agency is submitting this CAFR to GFOA for review and certification.

Agency Profile

Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Act (Chapter 55 of the California

Water Code Appendix) was passed by the State Legislature in 1949. The Agency was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independent elected board to provide local control of integrated water resources. The Agency's Administrative Office is located in the City of Livermore in Alameda County. Livermore was founded in 1869 and is one of California's oldest wine regions. The Agency currently serves a population of over 260,000 people and it is responsible for providing wholesale treated (drinking) and untreated (agricultural) water, flood control and groundwater management throughout eastern Alameda County.

The Agency provides wholesale potable (treated) water to retail water suppliers, untreated irrigation water, and flood protection services. Its territory includes 425 square miles of eastern Alameda County. The Agency has broad power to finance, construct and operate a system for the transportation, storage, treatment and distribution of water.

The Agency imports water into the Valley from the State Water Project ("SWP"), operated by the Department of Water Resources ("DWR") of the State of California. The State issued bonds to finance the SWP. The Agency is one of 29 water contractors who share the cost of the debt service for the SWP bonds.

The Agency's four retail water customers are: the City of Livermore, the City of Pleasanton, Dublin-San Ramon Services District and California Water Service Company – Livermore District. These retailers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton, and through special agreement with Dublin-San Ramon Services District, the Dougherty Valley portion of San Ramon.

Aerial view of the South Bay Aqueduct and Dyer Reservoir.
Credit: Department of Water Resources

History and Services

Since long before the Agency was created, the critical issues of water supply, water quality and flood protection have shaped the region's ability to prosper. Although the Tri-Valley was far less populated during the first half of the 20th Century than it is today, a declining groundwater table and periods of drought in that period had local farmers, vintners and residents alike worried about their livelihoods, according to reports published in 1948. There was frequent flooding, particularly in northern Pleasanton, where Hacienda Business Park and various residential developments are now located.

The Agency was established in 1957 by local voters demanding local control over local water-resource planning, flood protection and financing. The Agency has taken the Tri-Valley a long way in resolving many of its most pressing water-supply, water-quality and flood-protection problems. The locally-elected, seven-member Board of Directors has continually formulated and implemented needed programs for flood protection and water-resource management, incorporating co-benefits of recreation, and environmental protection and enhancements where feasible. Many issues have persisted over the decades, and their implications on local land use, local control and local financing continue to surface. Indeed, challenges continue as the agency works to improve water reliability and quality, along with flood protection, in the most economical and environmentally sound ways possible, and to accommodate new development being approved by Tri-Valley cities and/or the County at no cost or harm to existing residents.

The Agency has long been known for its proactive groundwater basin stewardship. Continuing in that tradition, on December 21, 2016, the Agency Board of Directors adopted a resolution officially accepting the role of Groundwater Sustainability Agency ("GSA") for the Livermore Valley Groundwater Basin under the Sustainable Groundwater Management Act ("SGMA"). The Agency was one of several agencies recognized in the legislation as being a trusted groundwater basin manager and identified as the exclusive local agency eligible to perform the GSA role within its service area.

Through coordination with other local agencies in the region and neighboring groundwater basins, the Agency was able to notify the State that it will continue sustainable groundwater management for the entire portion of the Livermore Valley groundwater basin that is within the Agency's service area as well as a small portion that lies within Contra Costa County.

In July 2019, the Agency was recognized by the California Department of Water Resources (DWR) for being a leader in groundwater management. After extensive review, DWR identified the Agency's Alternative Groundwater Sustainability Plan as one of nine plans out of fifteen submitted by agencies across the state that met SGMA standards for management and protection of groundwater in California. DWR Director Karla Nemeth commended these nine agencies, which included Zone 7, for their work. Stating, "It is clear that a number of local agencies have been addressing groundwater issues in their basins for many years. Their continued commitment to sustainably manage their basins will help protect California's groundwater reserves as the state confronts critical water challenges."

Since its formation, the Agency has continued to take steps to expand its level of local control and autonomy. Most recently, in 2003, state legislation granted the Agency more authority over issues and projects of exclusive interest to the Agency, allowing the Board to improve economic efficiencies and reduce administrative duplication with the county.

Local control has allowed the Agency to develop master plans that sustainably integrate and optimize water supply reliability, water quality, flood management and environmental stewardship. Meanwhile, the Agency has participated with other water, recycled water, sewer and storm water utilities in the greater Bay Area to explore potential opportunities to pool services/equipment for increased efficiency.

The Agency's Service Area

The Agency supplies treated drinking water to retailers serving approximately 260,000 people and businesses in Pleasanton, Livermore, Dublin, and through special agreement with the Dublin-San Ramon Services District, the Dougherty Valley area in San Ramon. The Agency also supplies untreated irrigation water to local vineyards, farms and golf courses, and provides both flood protection and groundwater management in eastern Alameda County. Below is a map of the Agency's service area (shown in orange):

Mission

Zone 7 Water Agency is committed to providing a reliable supply of high-quality water and an effective flood-control system to the Livermore – Amador Valley. In fulfilling our present and future commitments to the community, we will develop and manage our water resources in a fiscally responsible, innovative, proactive, and environmentally sensitive way.

Vision

To be recognized as the platinum standard water and flood control district in which to live, work and do business by enhancing the quality of life, economic vitality and environmental health of the communities we serve.

Values

- **Open and Transparent –** The Board's meetings and communications shall be open and public, except when the Brown Act authorizes otherwise.
- **Customer Service** – Our commitment to the community requires prompt, respectful and courteous relations with our customers, both internal and external, as well as pursuing community partnerships and collaboration with other area public agencies when beneficial to the public.
- **Integrity –** We practice the highest ethical standards and maintain open, honest communications at all levels of the organization at all times.
- **Fiscally Responsible –** We will operate in a productive, cost effective, transparent and efficient manner to ensure sound financial stability.
- **Environmentally Sensitive** – In carrying out our mission, we are dedicated to preserving and enhancing the environment while complying with regulations.
- **Innovative/Proactive –** We encourage innovation, creativity and ingenuity, seeking constant improvement and keeping up with the latest economical technologies and management practices.
- **Safety –** We are committed to public and employee safety to maintain a healthy work environment. We work safely and provide safe products and services.
- **Employee Development –** We foster a respect for diversity, equality, a spirit of performance-based accountability and productivity along with personal and professional growth for all team members so as to achieve excellence through the collective energy that comes from a work environment where each employee can flourish and succeed to their highest potential.

Economic Condition and Fiscal Outlook

The Agency's Administrative Office is located in the City of Livermore, in Alameda County which is part of the Tri-Valley area of Dublin-Livermore-Pleasanton. The Tri-Valley is located 39 miles east of San Francisco, California and 28 miles north of Silicon Valley. This area is a crossroads, not only literally (for commuters traveling from the Central Valley to Silicon Valley and other employment destinations) but also figuratively (where major employers include both vineyards and high-tech firms.) With a combined population now over 260,000 residents, the Tri-Valley area is proving to be one of the fastest growing areas in the Bay Area.

The Livermore Valley is home to one of California's oldest wine regions with a rich winemaking tradition dating back to 1840. Capturing America's first international gold medal for wine in 1889 at the Paris Exposition thus putting California on the world wine map, Livermore Valley currently has 50 plus wineries and more than 5,000 acres of vineyards. Wineries vary in size from limited release, 100-case special reserves to 400,000-case mass produced operations. The region's climate is ideal for producing fully ripened, balanced grapes for winemaking. The Livermore Valley's long and rich tradition of winemaking makes it a true tourist destination for wine lovers.

The Agency service area is also home to the Lawrence Livermore National Laboratory (LLNL). LLNL is a world-renowned scientific center, where cutting-edge science and engineering are used to break new ground to enhance national security. Other areas of research at LLNL include developments in energy, biomedicine, and environmental science.

All cities within the Agency service area continue to grow, with the city of Livermore serving the largest overall population. The city of Dublin grew the most in the Tri-Valley over the period from 2018 to 2019 at a rate of 4.4%. In FY 2018-19, Dublin tied for ninth as the largest percentage change in population in California cities. Livermore and Pleasanton had smaller increases (0.8% and 1.3% respectively)[1].

Most of the Agency's service area lies within the County of Alameda which possesses a large and diverse economic base, consisting of research and high technology, professional services, agriculture, finance, retail trade, medical and health services, government services and many others. The 2018-19 local roll included assessments of 515,000 properties within Alameda County. The assessed value of these properties totaled $300.1 billion, a $19.9 billion increase from the previous year. The net local roll, after all legal exemptions have been applied, totals $288.2 billion. For FY 2018-19, the Alameda County Assessor's office reported a 7.1% increase above the previous year assessment roll. The primary reason for the 7.1% increase in this year's assessed value growth is attributed to the recovery in our economy and the increase in real estate market values. Properties that were afforded reduced assessments in prior years due to market value declines continue to receive increases in their assessed values due to rising market values. These properties are not limited to the mandatory 2% maximum increase on Proposition 13 base year assessments.

Other factors leading to this year's assessment growth included the mandatory inflation index of 1.02% being applied to all property's assessed values that were not affected by assessment declines in prior years. This inflation index added $5.1 billion. Reassessments due to sales/transfers of real estate added $10.8 billion, new construction activity added $1.7 billion, while business personal property assessments increased by $1.5 billion. A copy of the 2018-19 annual report is available at the Alameda County Assessor Office website: http://www.acgov.org/assessor/documents/2018-2019_Annual_Report.pdf

The unemployment rate for all of Alameda County also improved. In October 2019, the unemployment rate was reported at 2.6% versus 2.9% in 2018[2]. These numbers reflect a positive trend and place Alameda County below the national average, demonstrating the impact of an improving economy.

Water conservation (the new normal) continued to impact overall water use and Agency water sales even though drought conditions abated in Calendar Year 2016. Calendar Year 2017 was the second-wettest year on record, followed by a dry year in Calendar Year 2018.

1State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State, released May 2019.

2Unemployment State rates: https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Labor-Force-and-Unemployment-Rate-for-California-S/8z4h-2ak6

Long-Term Financial Planning/Strategic Planning

Credit Rating: The Standard & Poor's (S&P) Global Ratings assigned its 'AA+' and stable outlook long-term rating to the Livermore Valley Water Financing Authority's series 2018 water revenue bonds. Fitch Ratings has assigned an 'AA' and a stable outlook rating to the same 2018 water revenue bonds. In announcing the credit rating, S&P cited the Agency's very strong cash position, stable financial metrics and extremely strong credit quality of the Agency's municipal customers.

Water Rates: The Agency's largest revenue source is the sale of water, acting as a wholesaler for four water supply retailers in Livermore, Pleasanton, Dublin and by a special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. Treated water sales for FY 2018-19 were $46.7 million. On October 17, 2018, the Board approved a four (4) year treated water rates schedule for Calendar Years (CY) 2019, 2020, 2021 and 2022. See the Management Discussion & Analysis for more details on the water rates schedule.

Strategic Planning: As part of the Agency's strategic planning, five general strategic planning priorities were identified. These priorities were developed to ensure all of the Agency's efforts are focused on fulfilling the mission of the Agency, and to further ensure the most immediate needs are addressed in an efficient and cost-effective manner. The five general priorities (listed below) include a number of specific strategic planning sub-priorities and form the basis for master plans, budgets, capital plans and other resource allocation planning.

- Provide customers with a reliable, cost-effective and safe water supply.
- Provide Eastern Alameda County with an effective system of flood protection.
- Provide the Agency with effective organization, administration and governance.
- Operate the Agency in a fiscally-responsible manner.
- Increase public understanding of the Agency and its functions.

Capital Improvement Plan: The Capital Improvement Program ("CIP") describes the capital investments the Agency intends to make over a multi-year period. The CIP is the basis from which final capital budgeting decisions flow. The Agency prepares a ten-year CIP for the Water System and is currently in the process of transitioning to a ten-year CIP for the Flood Protection System in 2019. The CIP is updated about every other year.

For the purpose of the CIP, capital outlay is distinguished from capital projects. Capital outlay includes only those projects or equipment purchases between $5,000 and $50,000 and having more than one year of

New liquid oxygen and carbon dioxide tanks at the DVWTP Ozone facility.

useful life. Capital outlay is funded through the operating budget. All capital projects or equipment purchases of at least $50,000 or over and having five years of useful life are included in the capital improvement planning process.

Significant Accomplishments

Water Supply, Reliability and Quality

Sustainable Groundwater Management: The Sustainable Groundwater Management Act ("SGMA") is historic legislation which requires local agencies to adopt groundwater management plans, and monitor and manage groundwater resources in a sustainable way. In 2014, the State of California's Sustainable Groundwater Management Act recognized the Agency's sustainable groundwater management program by naming the Agency the exclusive Agency to continue this role in its service area. At the end of 2016, the Agency officially accepted the new role and filed an Alternative Sustainable Groundwater Management Plan. Early in 2017, the Agency's Board of Directors adopted a Sustainable Groundwater Management Ordinance to clarify the Agency's responsibilities related to groundwater management for the Livermore-Amador Valley groundwater basin as well as a small portion that lies within Contra Costa County. The crowning achievement of the Agency's proactive oversight of groundwater management was achieved in July 2019 with the significant milestone of the Agency's Alternative Sustainable Groundwater Management Plan being reviewed and accepted by the California Department of Water Resources.

Water Quality: All water supplied during 2018 met the regulatory standards set by the state and federal governments and, in almost all cases, the quality was significantly better than minimum standards. To ensure continued high-quality, safe drinking water, the Agency took significant steps towards construction of ozone projects at both the Del Valle and Patterson Pass water treatment plants. The Agency initiated a Per- and Polyfluoroalkyl Substances (PFAS) monitoring program, communicated its findings to the Board of Directors and Retailers, and posted information on the Agency website.

Multi-year Capital Projects Initiated: In April 2018, construction began on the Del Valle Water Treatment Plant Ozone Project and the $49 million project is scheduled for completion in the spring of 2020. The project includes the modification of existing facilities and construction of new facilities including an ozone generation building, contactor

DVWTP Ozone generator building under construction.

structure, existing filters modifications, chemical feed facilities, Power and Water Resource Pooling Authority ("PWRPA") electrical facilities and a plant utility water pump station. This project will improve water quality, enhance the water treatment process, and increase production reliability.

Ozonation disinfection technology has been identified as one that would be most effective to improve taste, remove odor, and improve overall water quality for water consumers in the service area. In addition to improving taste and odor, ozone is more effective than other water treatment technologies (such as powdered activated carbon, chlorine, and chloramines) in addressing algal byproducts and chemicals of emerging concern, including endocrine disruptors, as well as pharmaceutical and personal care product residues.

In April 2019, construction began on a similar Ozone Project at the Patterson Pass Water Treatment Plant (PPWTP) that also includes modernization of the plant in tandem with the addition of ozone to the water treatment process. The plant upgrades will ensure that the Agency can continue to meet its commitment to providing a reliable supply of high quality water.

Once the project is completed, PPWTP will essentially be a brand new 24 million gallons per day plant and will provide much needed redundancy in case of potential outages at the Del Valle Water Treatment Plant. The additional operational flexibility provides for a reliable water supply in the event of emergencies such as earthquakes, Public Safety Power Shutoffs (PSPS) events, and other emergencies.

Flood Protection

The following are some of the key accomplishments related to the Flood Protection Program in 2018.

Administration & Planning:

- As a part of the Stream Maintenance Program (SMP), staff continued developing a streamlined permitting process with various regulatory agencies.
- The Agency hosted a Flood Preparedness Open House during the statewide Flood Preparedness week.
- The Agency purchased ESRI Enterprise Solution and staff is developing several projects to improve workflow, data management, and public communications.
- The Agency continued data collection for the sediment study.

Watershed Protection & Collaboration:

- Staff chaired two multi-agency working groups that support environmental studies and collaboration in the Alameda Creek watershed.
- The Living Arroyos Program planted over 700 riparian trees, installed over 500 willow stakes, removed nearly 30,000 gallons of non-native invasive weeds through hand weeding or using string trimmers, and conducted several stream clean-ups following high-flow events in the winter.

- The Agency is a member of the Bay Area Flood Protection Agencies Association (BAFPAA). In 2018, BAFPAA members formed Environmental Permitting Workgroup in order to better collaborate and coordinate on common themes dealing with environmental permitting and mitigation requirements.
- The Flood Protection Program supported two grant applications with a combined total value of $1.631 million.
- As a part of the Agency's commitment to support recreational opportunities, collaborated with local municipalities and park districts in their planning and construction of trail projects utilizing Flood Protection channel maintenance access roads.
- The Agency collaborated with the local cities in four creek cleanup events.

Capital Projects: and Repair & Maintenance Activities:

- The Agency reduced the scope of work of Arroyo Mocho Medeiros Parkway (an SMMP project) and released a California Environmental Quality Act (CEQA) Initial Study/Mitigated Negative Declaration for public review.
- Completed repairs of bank slides, access roads, a drainage inlet, concrete outfalls, and cracking in concrete channels.
- The Agency completed 26 repairs from the 2017 damages in Phase 1 of construction and a U.S. Army Corps of Engineers (USACE) contractor completed an additional 5 repairs in 2018.

Long-Term Water Supply Reliability

The Agency continued work on the 2019 Water Supply Evaluation Update. This update takes a fresh look at the 2016 Water Supply Evaluation Update, which evaluated a number of water supply options including Delta conveyance, potable reuse, and desalination. The Agency relies on its Water Supply Evaluation Report to inform its water management decisions, enhance its water storage flexibility, and improve the long-term water supply reliability for the Livermore-Amador Valley. The 2019 Update includes new information on demands and potential supplies. New potential supply and storage options under review include the Sites Reservoir project and the Los Vaqueros Reservoir Expansion project. A key driver under review is the State of California Long-Term Conservation Framework. This new State-mandated, long-term water conservation framework aims to *"Make Conservation a California Way of Life"* in order to help the state manage and prepare for dry periods. Implementation of these measures is expected to have a major impact on water demands throughout the state. Based on Board input, the 2019 Water Supply Evaluation was completed in 2019.

Community Outreach Events and Education

Transparency Certificate of Excellence: In August 2019, the Agency was awarded a District Transparency Certificate of Excellence by the Special District Leadership Foundation in recognition of the Agency's efforts to promote transparency and good governance. Since 2015, the Agency has been video recording/televising monthly board meetings on community television and posting archived video links to the Agency's website. Videotaping and subsequent replay on TV30 began in 2016. Recordings are viewable at: http://www.tri-valleytv.org/?q=node/59

Schools Program: The Agency's popular Valley-wide water education program continued in 2018-19 school year, reaching an agency record of 17,900 students from kindergarten to twelfth grade. The Agency's Schools Program is a unique and highly-effective outreach and education program that has been offered for the past 18 years. The program provides Tri-Valley teachers with a wide variety of free classroom programs to make learning about water fun while still meeting state mandated curriculum standards.

Living Arroyos Program: The Agency continued to partner with the City of Livermore, the City of Pleasanton and the Livermore Area Recreation and Park District to engage the community in participating in watershed stewardship activities. The benefits of this strategic partnership are: cost sharing, leveraging unique resources, aligning the community vision of the watershed, avoiding redundancy and achieving long-term management goals.

Living Arroyos Program Volunteer Day

Lawn to Garden Party: The Agency partnered with StopWaste and the City of Dublin to host a "Lawn to Garden" Party at a resident's home during Water Awareness month. Together with the homeowner, a team of volunteers who also wanted to learn about the process, and a band of dedicated sponsors and experts, transformed this resident's water thirsty lawn into a beautiful water-wise garden for the community to enjoy in just one day.

Patterson Pass Water Treatment Plant Groundbreaking Ceremony: On April 10, 2019, The Agency hosted a groundbreaking ceremony to kick off construction of ozonation treatment infrastructure and upgrades to the facilities at the Patterson Pass Water Treatment Plant (PPWTP). In attendance were local and state elected and agency officials. It was an excellent opportunity for the community to come together and celebrate a project that the Agency has been working towards for many years.

The Agency Board Recognized Local Students: The Agency participates annually in the Livermore Valley Joint Unified School District Science Odyssey, an annual science and engineering fair that encourages students to pursue their interests in STEM-related topics. The whole process inspires students from elementary to high school to ask questions, practice research methodology, and work to find creative solutions to the problems they encounter. The Agency publicly recognized 9 students for their outstanding projects in water related topics.

Partnership for Safe Water (PSW) Directors Award Status: 20 years: The Agency received the PSW 20 year Director's Award from National American Water Works Association (AWWA). The PSW's award-winning utilities demonstrate an outstanding commitment to delivering superior quality drinking water to customers. Utilities that subscribe to the PSW are dedicated to providing high-quality water to customers, even beyond regulatory requirements.

Financial Policies

Financial Reserves: The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of an Interim Reserve policy on April 17, 2013. On September 28, 2016, the Board adopted a Final Reserve Policy (Resolution No. 16-166). The 2016 revisions helped to further strengthen the Agency's financial position.

On May 15, 2019 the Board adopted Resolution No. 19-37, approving a revised reserve policy. The new policy eliminated Drought Contingency and Rate Stabilization Reserves and created a Reserve for Economic Uncertainties. The Reserve for Economic Uncertainties is prudent to help maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations. The reserve is targeted at 15% of budgeted volume-based water sales revenue. The revised policy also eliminated the Building Sinking Fund Reserve which was liquidated with the purchase of the North Canyons Building and added the Debt Rate Stabilization Reserves that were established as part of the debt issuance in 2018.

Investment Policy: The Investment Policy was adopted by the Board in May 2019 (Resolution No. 19-38). The Agency's Investment Policy is in compliance with the California Government Code, Section 53600 et seq. The investment of idle funds is delegated by Agency's Board to the Assistant General Manager – Finance as the Treasurer who assumes full responsibility for the transactions of the investment program. The objectives of the investment policy are safety of principal, liquidity, return on investment or yield and diversity. The Investment Policy applies to the Agency's pooled investment fund which encompasses all monies under the direct oversight of the Agency Treasurer.

Debt Policy: The Debt policy was adopted by the Board in June 2017 (Resolution No. 17-52). The Debt Policy provides the guidelines under which specific projects outlined in the biennial planning process and documented in the Capital Improvement Plan may be best financed. Debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency recognizes that changes in the capital markets and other unforeseen circumstances may require action deviating from this Debt Management Policy. In cases requiring any exception to this policy, approval from the Board will be required. The Debt Management Policy is not applicable to intra-agency borrowing.

Budget Controls: The Agency maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the two-year budget approved by the Board. Activities of the governmental funds and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Program. The legal level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further limited by two categories, the operating budget (consisting of total operations and operating projects) and the capital budget (consisting of capital project expenditures).

The Agency also maintains an encumbrance accounting system as one process to accomplish budgetary control. Budget adjustments that increase or decrease revenue projections, appropriations or reserves of any fund at the fund level require Board approval. Budget and actual comparisons are provided in this report for the Governmental Fund (Flood Protection). The guidelines used by the Agency in developing this formal budget process are those recommended by the Government Finance Officers Association.

Internal Control: The Agency management is responsible for establishing and maintaining adequate internal controls to assure the Agency operations are effective and efficient, that applicable laws and regulations are followed, and financial reports are reliable. Existing internal controls are monitored and changes are implemented as needed. These controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against waste, fraud and inefficient use; and (2) the Agency's financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management. We believe that the Agency's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Other Information

Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the Agency's financial statements. The importance of such verification has been recognized by the federal and state governments, and the general public. The Agency contracted with the accounting firm of Maze & Associates for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Awards

Certificate of Achievement for Excellence in Financial Reporting: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the Agency for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

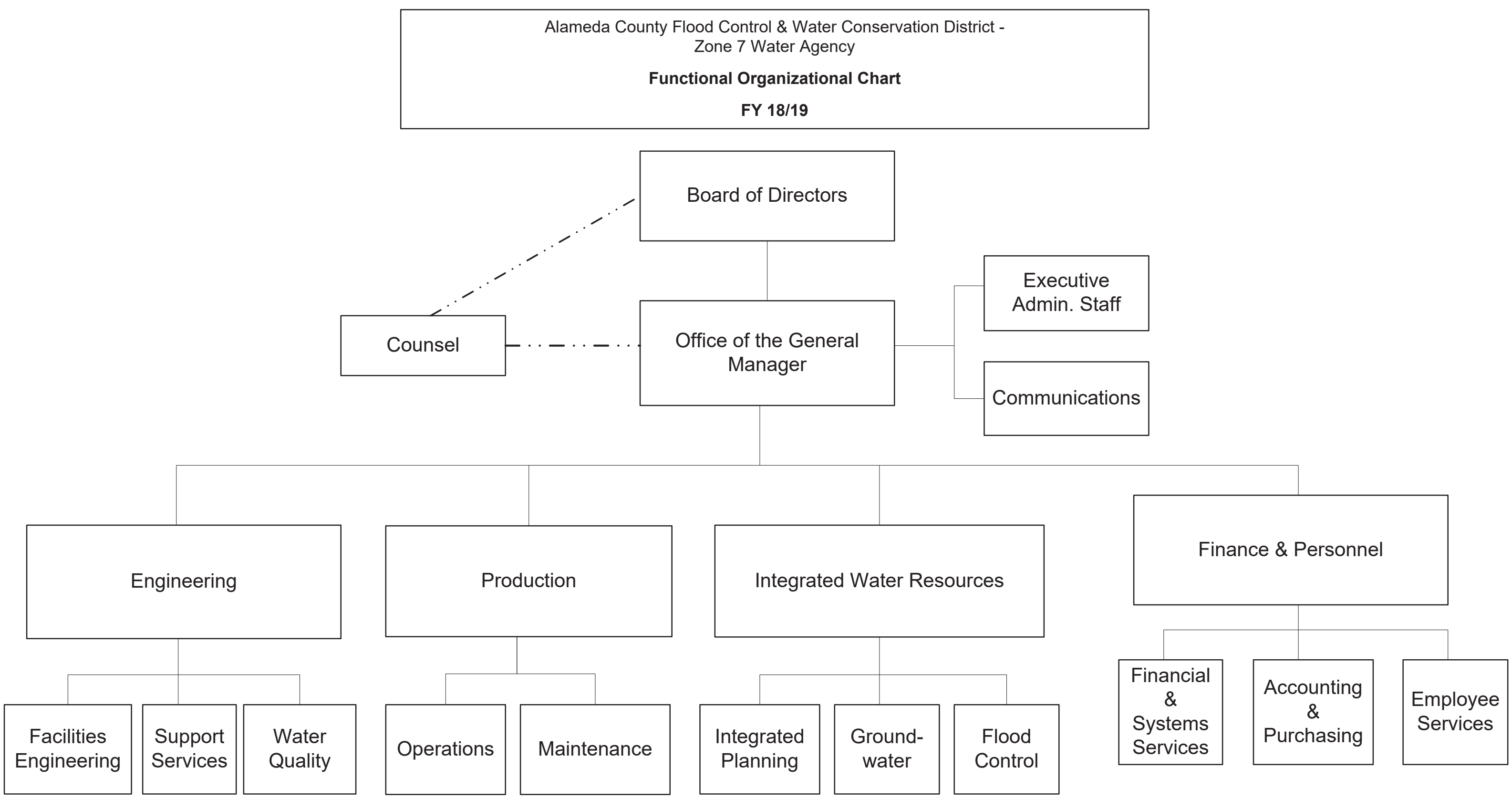
GFOA Distinguished Budget Award: For the fifth year in a row, the Agency was awarded the Government Finance Officers Association's Distinguished Budget Award for its two year budget (FY 2018-20). The award is the highest form of recognition in governmental budgeting, and reflects the Agency's commitment to public transparency and accountability. Documents submitted to the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. In order to receive the budget award, the Agency had to satisfy fourteen nationally recognized criteria.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report represents a successful team effort by staff from many departments within the Agency who have demonstrated their dedication and professionalism in the creation of this report. We also wish to thank the Agency's auditors, Maze & Associates, for their assistance and guidance and the Board for their structural guidance and consistent fiduciary focus.

Respectfully submitted,

Valerie Pryor	**Osborn Solitei**
General Manager	Treasurer/Assistant General Manager, Finance


Alameda County Flood Control & Water Conservation District -
Zone 7 Water Agency
Functional Organizational Chart
FY 18/19
Board of Directors
Counsel
Office of the General Manager
Executive Admin. Staff
Communications
Engineering
Production
Integrated Water Resources
Finance & Personnel
Facilities Engineering
Support Services
Water Quality
Operations
Maintenance
Integrated Planning
Ground-water
Flood Control
Financial & Systems Services
Accounting & Purchasing
Employee Services

LIST OF ELECTED OFFICIALS AND AGENCY MANAGEMENT

Sands Figuers, *President*
Board Member 1988-2000; again since 2008 -- Term Expires June 30, 2020

Olivia Sanwong, *Vice President*
Board Member since 2018 -- Term Expires June 30, 2022

Dennis Gambs
Board Member since 2018 -- Term Expires June 30, 2022

Sarah Palmer
Board Member since 2006 -- Term Expires June 30, 2022

Richard (Dick) Quigley
Board Member since 2004 -- Term Expires June 30, 2020

Angela Ramirez Holmes
Board Member since 2012 -- Term Expires June 30, 2020

Michelle Smith McDonald
Board Member appointed since 2019 -- Term Expires June 30, 2020

Executive Management Team

Valerie Pryor, *General Manager*

Osborn Solitei, *Treasurer/Assistant General Manager, Finance*

Alameda County Flood Control and Water Conservation District, Zone 7

2019 Comprehensive Annual Financial Report
Project Team

Audit/Financial Statement Coordinator

Osborn Solitei,

Treasurer/Assistant General Manager, Finance

Teri Yasuda
Accounting Manager

JaVia Green
Financial Analyst

Mike Wallace
Staff Analyst

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County Flood Control

& Water Conservation District - Zone 7

Water Agency, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alameda County Flood Control and
Water Conservation District – Zone 7 Water Agency
Livermore, California

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities and each major fund and aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (Agency), California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the Agency as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Management early adopted the provisions of Governmental Accounting Standards Board Statements No. 89, *Accounting for Interest Cost Incurred before and End of a Construction Period*, during the year ended June 30, 2019. This statement had no material effect on the financial statements.

During the fiscal year ended June 30, 2019, management adopted the provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* which became effective during the year ended June 30, 2019 as discussed in Note 1O and 5A to the financial statements. This Statement had no material effect on the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Report on Summarized Comparative Information

We have previously audited the Agency's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section, listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
December 10, 2019

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The Government Accounting Standards Board Statement Number 34 requires that management prepare a Management's Discussion and Analysis ("MD&A") section as a component of the audited Financial Statements.

The Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency ("Agency") MD&A presents management's analysis of the Agency's financial condition and activities for the year ended June 30, 2019 and 2018. The MD&A is intended to serve as an introduction to the Agency's basic Financial Statements. This information should be read in conjunction with the audited financial statements that follow this section. A narrative overview and comparative analysis of fiscal year 2019 to 2018 information is presented in this report. Readers are encouraged to consider the information presented here as complementary to the information contained in the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

The information in this MD&A is presented in the following order:

- Financial Highlights
- Overview of Financial Statements
- Capital Assets
- Debt Administration
- Request for Information

Financial Highlights

- The Agency's net position increased by $37.3 million or 8.0 percent from $465.1 million to $502.4 million mainly due to the change in total assets of $45.8 million and a decrease in total expenses of $13.9 million for fiscal year ended June 30, 2019.

- Total revenues increased by $1.0 million or 0.78 percent from $132.1 million to $133.1 million mainly due to increased interest and investment income of $3.8 million from the previous year as a result of favorable economic conditions. The increase is offset by a $1.8 million decrease in charges for services and $1.1 million decrease in capital grants and contributions as a result of prior year grants received by the Agency.

- Total expenses decreased by $13.9 million or 12.7 percent from $109.7 million to $95.8 million mainly due to decreased expenses in Water Enterprise Capital Expansion of $16.4 million mainly as a result of the Cawelo Water District Certificate of Participation, Series 2006 refunding in the prior year. The decrease is offset by an increase in $1.6 million in the State Water Project pass-through payments to California State Department of Water Resources (DWR) and $3.3 million in Water Enterprise Operations.

- Capital assets increased by $27.8 million or 12.1 percent from $230.6 million to $258.4 million mainly due to construction in progress at the Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone and upgrade projects.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the Agency's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements.

Agency-wide financial statements

The Agency-wide financial statements are designed to provide readers with an overview of the Agency's finances. The Agency-wide financial statements present the financial picture of the Agency from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide statements distinguish functions of the Agency that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include the Flood Protection Fund and Flood Protection Development Impact Fee Fund. The business-type (proprietary) activities include the Water Enterprise System.

The government-wide financial statements can be found in the financial section of this report.

Fund financial statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's two kinds of funds - governmental and proprietary - use different accounting approaches.

<u>Governmental funds</u>

The Agency's governmental funds consist of three funds: Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Fund. These funds are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed near-term view of the Agency's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Agency-wide financial statements. However, unlike the Agency-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the year. A reconciliation of both the *governmental funds balance sheet* and the *governmental funds statement of revenues, expenditures, and change in fund balances* to the *Agency-wide statements* are provided to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found in the financial section of this report.

<u>Proprietary funds</u>

The Agency's proprietary funds consist of five enterprise funds: Water Enterprise Operations, State Water Facilities, Water Enterprise Capital Expansion, Water Facilities and Water Supply and Reliability. Proprietary funds are generally used to account for services for a government's business-type activities (activities supported by fees or charges). Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user rates, charges, and fees. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, using the accrual method of accounting.

The basic proprietary fund financial statements can be found in the financial Section of this report.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Agency's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found in the financial section of this report.

Government-wide Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the Agency's financial condition and also indicate whether the financial condition of the Agency improved during the last fiscal year. The Agency's net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition. A summary of the Agency's Statement of Net Position is presented below:

Statement of Net Position

June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets	$ 87,435,578	$ 83,452,429	$ 264,275,707	$ 250,280,954	$ 351,711,285	$ 333,733,383
Capital assets	33,164,265	32,247,481	225,236,620	198,348,996	258,400,885	230,596,477
TOTAL ASSETS	120,599,843	115,699,910	489,512,327	448,629,950	610,112,170	564,329,860
Deferred Outflows of Resources						
Pension related	922,269	840,712	8,380,552	7,506,814	9,302,821	8,347,526
OPEB related	96,193	419,471	874,092	3,745,510	970,285	4,164,981
Total Deferred Outflows of Resources	1,018,462	1,260,183	9,254,644	11,252,324	10,273,106	12,512,507
Liabilities:						
Current liabilities	2,960,200	2,339,527	12,078,936	8,273,007	15,039,136	10,612,534
Long-term liabilities	2,836,991	2,030,181	95,690,541	89,961,166	98,527,532	91,991,347
TOTAL LIABILITIES	5,797,191	4,369,708	107,769,477	98,234,173	113,566,668	102,603,881
Deferred Inflows of Resources						
Pension related	369,654	728,151	3,359,005	6,501,747	3,728,659	7,229,898
OPEB related	68,096	191,885	618,784	1,713,365	686,880	1,905,250
Total Deferred Inflows of Resources	437,750	920,036	3,977,789	8,215,112	4,415,539	9,135,148
Net Position:						
Net Investment in capital assets	33,164,265	32,247,481	210,675,110	198,348,996	243,839,375	230,596,477
Restricted	66,872,665	62,760,525	127,521,329	107,414,628	194,393,994	170,175,153
Unrestricted	15,346,434	16,662,343	48,823,266	47,669,365	64,169,700	64,331,708
TOTAL NET POSITION	$ 115,383,364	$ 111,670,349	$ 387,019,705	$ 353,432,989	$ 502,403,069	$ 465,103,338

As the above table indicates, the total assets increased by $45.8 million or 8.1 percent from $564.3 million to $610.1 million during the fiscal year ended June 30, 2019. The increase is mainly due to construction in progress at the Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone and upgrade projects as the Agency used the 2018 Water Revenue Bonds in the acquisition fund. In 2018, the Agency issued Water Revenue Bonds in the principal amount of $64.0 million, net original issue premium of $7.5 million of which $57 million was deposited to acquisition fund for the 2018 Water Project (Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone project) and $14.1 million was used for the capital prepayment of the Agency's obligations in connection with the Cawelo Water District Certificate of Participation, Series 2006. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2019, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $502.4 million compared to $465.1 million at June 30, 2018.

The largest portion of the Agency's net position, $243.8 million or 49 percent reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Management's Discussion and Analysis for the Years Ended June 30, 2019 and 2018 (continued)

Deferred outflows of resources is the amount of the effect of pension and Other Postemployment Benefits Other than Pension (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2019 and 2018 were $9.3 million and $8.3 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2019 and 2018 were $1.0 million and $4.2 million, respectively.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2019 and 2018 were $3.7 million and $7.2 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2019 and 2018 were $0.7 million and $1.9 million, respectively.

For Fiscal year ended June 30, 2019, total liabilities reflects an increase of $11.0 million from $102.6 million to $113.6 million mainly due to a $6.5 million increase in the net pension liability, $2.0 million increase in OPEB liability, $3.1 million in accounts payable and accrued expenses. The increases are offset by a $0.6 million retirement in bonds payable.

The total net position increased by $37.3 million or 8.0 percent from $465.1 million to $502.4 million mainly due $27.8 million increase in capital assets as a result of the Del Valle Water Treatment Plant ozone project, Patterson Pass Water Treatment Plant ozone and upgrade projects. The current and other assets increased by $18 million from the prior year due to increased cash in Water Enterprise Funds as a result of less expenses incurred during the year than revenue earned.

Statement of Net Position

June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current assets	$ 83,452,429	$ 80,709,495	$ 250,280,954	$ 155,503,933	$ 333,733,383	$ 236,213,428
Capital assets	32,247,481	31,990,546	198,348,996	194,732,197	230,596,477	226,722,743
TOTAL ASSETS	115,699,910	112,700,041	448,629,950	350,236,130	564,329,860	462,936,171
Deferred Outflows of Resources						
Pension related	840,712	812,725	7,506,814	9,274,131	8,347,526	10,086,856
OPEB related	419,471	-	3,745,510	-	4,164,981	-
Total Deferred Outflows of Resources	1,260,183	812,725	11,252,324	9,274,131	12,512,507	10,086,856
Liabilities:						
Current liabilities	2,339,527	662,001	8,273,007	3,715,573	10,612,534	4,377,574
Long-term liabilities	2,030,181	2,053,641	89,961,166	23,882,201	91,991,347	25,935,842
TOTAL LIABILITIES	4,369,708	2,715,642	98,234,173	27,597,774	102,603,881	30,313,416
Deferred Inflows of Resources						
Pension related	728,151	172,949	6,501,747	1,973,550	7,229,898	2,146,499
OPEB related	191,885	-	1,713,365		1,905,250	
Total Deferred Inflows of Resources	920,036	172,949	8,215,112	1,973,550	9,135,148	2,146,499
Net Position:						
Net Investment in capital assets	32,247,481	31,990,546	198,348,996	194,732,197	230,596,477	226,722,743
Restricted	62,760,525	58,149,272	107,414,628	97,494,721	170,175,153	155,643,993
Unrestricted	16,662,343	20,484,357	47,669,365	37,712,019	64,331,708	58,196,376
TOTAL NET POSITION	$ 111,670,349	$ 110,624,175	$ 353,432,989	$ 329,938,937	$ 465,103,338	$ 440,563,112

As the above table indicates, the total assets increased by $101.4 million or 21.9 percent from $462.9 million to $564.3 million during the fiscal year ended June 30, 2018. The increase is mainly due to 2018 Water Revenue Bonds in the principal amount of $64.0 million, net original issue premium of $7.5 million of which $57 million was deposited to acquisition fund for the 2018 Water Project (Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone project) and $14.1 million was used for the capital prepayment of the Agency obligations in connection with the Cawelo Water District Certificate of Participation, Series 2006. The total assets also increased as a result of increased revenue from water sales, and also due to connection and development fee and property tax growth caused by increased construction activities in the service area. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2018, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $465.1 million compared to $440.6 million at June 30, 2017.

The largest portion of the Agency's net position, $230.6 million or 50 percent reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Deferred outflows of resources is the amount of the effect of pension and OPEB accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2018 and 2017 were $8.3 million and $10.1 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2018 were $4.2 million.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2018 and 2017 were $7.2 million and $2.1 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2018 were $1.9 million.

For Fiscal year ended June 30, 2018, total liabilities reflects an increase of $72.3 million from $30.3 million to $102.6 million mainly due to the Agency issuance of the Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A for $64.0 million principal amount and $7.5 million net original issue premium. Proceeds of the issuance are used for the cost of the 2018 Water Project which includes $57 million for Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone projects and the capital payments for Cawelo Water District debt service with respect to 2006 Certificates, which are currently outstanding in the principal amount of $15.3 million. Accounts payable and accrued expenses also increased by $5.2 million. The increase is offset by $5.6 million decrease in net pension liability.

The total net position increased by $24.5 million or 5.6 percent from $440.6 million to $465.1 million mainly due to increased revenue from water sales as a result of improved water demands and the Agency restructuring of the water rates to include a fixed charge component. Connection and development fee and property tax revenue also increased during fiscal year 2017-18 as a result of increased construction and development activities in the service area. The increases were offset by a decrease in charges for services.

Statement of Activities and Changes in Net Position

For the Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Charges for services	$ 3,412,359	$ 4,566,846	$ 106,580,628	$ 107,233,560	$ 109,992,987	$ 111,800,406
Grants and other contributions	70,969	182,315	6,723,525	7,235,940	6,794,494	7,418,255
Capital grants and contributions	125,352	1,230,924	-	-	125,352	1,230,924
General revenues:						
Property taxes	9,144,785	8,518,064	-	-	9,144,785	8,518,064
Investment earnings and others	1,774,295	1,017,069	5,254,326	2,077,952	7,028,621	3,095,021
Total revenues	14,527,760	15,515,218	118,558,479	116,547,452	133,086,239	132,062,670
Expenses:						
Flood Protection Operations	10,308,973	12,859,064	-	-	10,308,973	12,859,064
Flood Protection Development Impact Fee	367,976	542,139	-	-	367,976	542,139
Flood Protection Grants	125,352	1,230,924	-	-	125,352	1,230,924
State Water Project	-	-	21,420,192	19,794,128	21,420,192	19,794,128
Water Enterprise	-	-	63,564,015	75,273,928	63,564,015	75,273,928
Total expenses	10,802,301	14,632,127	84,984,207	95,068,056	95,786,508	109,700,183
Change in net position before transfers	3,725,459	883,091	33,574,272	21,479,396	37,299,731	22,362,487
Transfers	(12,444)	(12,444)	12,444	12,444	-	-
Change in net position	3,713,015	870,647	33,586,716	21,491,840	37,299,731	22,362,487
Net position at beginning of year	111,670,349	110,799,702	353,432,989	331,941,149	465,103,338	442,740,851
Net position at end of year	$ 115,383,364	$ 111,670,349	$ 387,019,705	$ 353,432,989	$ 502,403,069	$ 465,103,338

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency's overall net position increased $37.3 million from the prior year. The table above indicates the Agency total revenues increased by $1.0 million or 0.78 percent to $133.1 million from $132.1 million in the prior year. The increase is mainly due to increased interest and investment income of $3.8 million from the previous year as a result of favorable economic conditions. The increase is offset by a $1.8 million decrease in charges for services and $1.1 million decrease in capital grants and contributions as a result of prior year grants received by the Agency.

Total expenses decreased by $13.9 million or 12.7 percent from $109.7 million to $95.8 million mainly due to $14.1 million in prior year refund of the Cawelo Water District Certificate of Participation, Series 2006 and a $2.6 million decrease in flood protection activities. The decrease is offset by an increase in $1.6 million in the State Water Project pass-through payments to the California State Department of Water Resources (DWR) and $3.3 million in Water Enterprise Operations.

Statement of Activities and Changes in Net Position

For the Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Charges for services	$ 4,566,846	$ 3,554,796	$ 107,233,560	$ 98,547,121	$ 111,800,406	$ 102,101,917
Grants and other contributions	182,315	181,418	7,235,940	10,179,114	7,418,255	10,360,532
Capital grants and contributions	1,230,924	-	-	-	1,230,924	-
General revenues:						
Property taxes	8,518,064	7,895,448	-	-	8,518,064	7,895,448
Investment earnings and others	1,017,069	661,132	2,077,952	989,916	3,095,021	1,651,048
Total revenues	15,515,218	12,292,794	116,547,452	109,716,151	132,062,670	122,008,945
Expenses:						
Flood Protection Operations	12,859,064	5,341,751	-	-	12,859,064	5,341,751
Flood Protection Development Impact Fee	542,139	1,841,555	-	-	542,139	1,841,555
Flood Protection Grants	1,230,924	-	-	-	1,230,924	-
State Water Project	-	-	19,794,128	20,985,604	19,794,128	20,985,604
Water Enterprise	-	-	75,273,928	60,641,826	75,273,928	60,641,826
Total expenses	14,632,127	7,183,306	95,068,056	81,627,430	109,700,183	88,810,736
Change in net position before transfers	883,091	5,109,488	21,479,396	28,088,721	22,362,487	33,198,209
Transfers	(12,444)	(12,445)	12,444	12,445	-	-
Change in net position	870,647	5,097,043	21,491,840	28,101,166	22,362,487	33,198,209
Net position at beginning of year, as restated in Note 6C	110,799,702	105,527,132	331,941,149	301,837,771	442,740,851	407,364,903
Net position at end of year	$ 111,670,349	$ 110,624,175	$ 353,432,989	$ 329,938,937	$ 465,103,338	$ 440,563,112

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency's overall net position increased $24.5 million from the prior year. The table above indicates the Agency total revenues increased by $10.1 million or 8.3 percent to $132.1 million from $122 million in the prior year. The increase is mainly due to increased revenue from water sales by $4.9 million as a result of improved water demands, water rate restructure to include a fixed charge equal to 35 percent of revenue requirement and 65 percent as volume-based rates, and a temporary conservation surcharge of $0.57 per 100 Cubic Feet (CCF) which ended on December 31, 2017. Property tax increased by $2.9 million and connection and development fees increased by $2.3 million mainly due to increased development and construction activities in the service area. The increases were offset by a decrease in other miscellaneous revenues.

Total expenses increased by $20.9 million or 23.5 percent from $88.8 million to $109.7 million mainly due to an increase of $7.4 million in flood protection activities as a result of the 2017 winter storm; the Water Enterprise expenses also increased by $14.6 mainly due to the Agency's prepayment of its obligations in connection with the Cawelo Water District Certificate of Participation, Series 2006, and the increases were offset by a slight decrease in the State Water Project payments to the State Department of Water Resources (DWR).

Governmental Activities

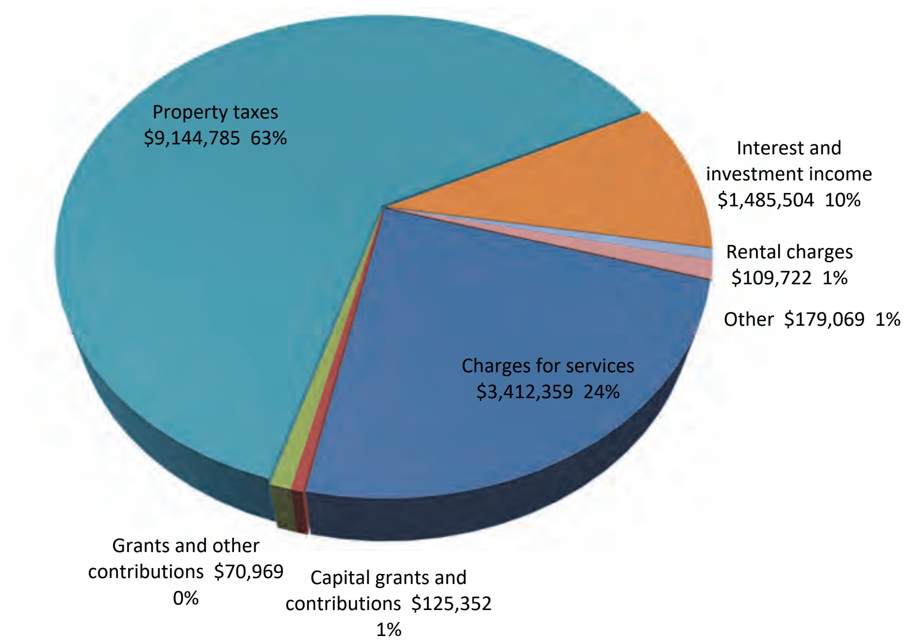
The net position for the Agency's governmental activities increased by $3.7 million from $111.7 million to $115.4 million. The increase is mainly due to a decrease in flood protection activities. The increase is offset by a decrease in the development impact fees from the service area. Total revenues were $14.5 million while total expenses (including transfers) amounted to $10.8 million.

Revenues: Significant changes in revenue are as follows:

Total revenues decrease by $1.0 million from the prior year or 6.4 percent.

- Charges for services decrease by $1.1 million or 25.3 percent mainly due to less development activities in the Dublin-Dougherty Valley service area.
- Capital grants and contributions decrease by $1.1 million. In FY 2017-18, the Agency received a total of $1.2 million in grants from: Environmental Protection Agency (EPA) $0.2 million; the Natural Resources Conservation Grant (NRCS) $0.8 million; and California Governor's Office of Emergency Services (Cal-OES) $0.2 million. The federal grants are for damages caused by January 2017 storms.
- Property taxes increased by $0.6 million or 7.4 percent because of slightly higher total assessed value.
- Interest and investment income increased by $0.6 million or 65.6% due to favorable economic conditions.

Revenues by Source - Governmental Activities



Expenses: Total expenses decreased by $3.8 million or 26.2 percent in the governmental activities mainly due to less flood protection maintenance work and the 2017 flood emergency repair program subsiding. In FY 2018-19, the following major flood control and maintenance repairs activities were undertaken:

- 49 sites were repaired in 2017 and 2018 (Phase 1)
- 47 sites were repaired in 2019 (Phase 2)

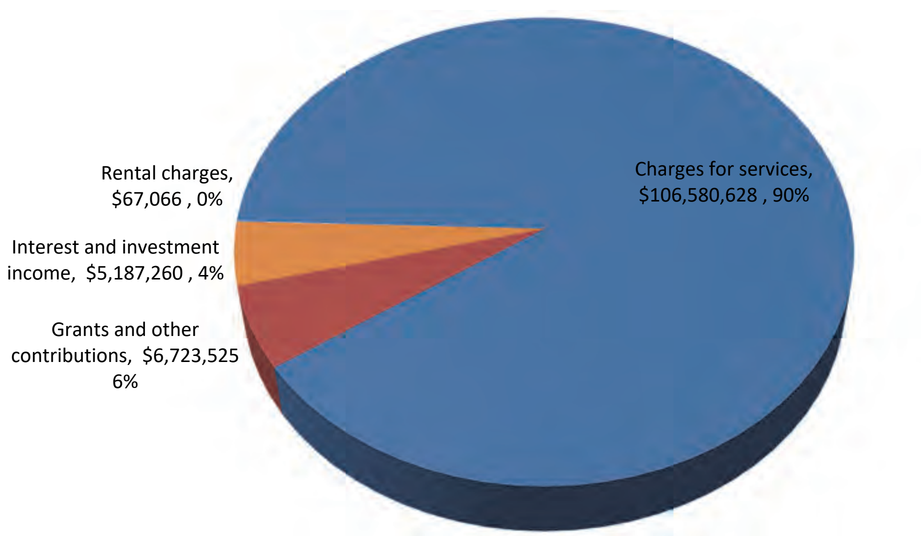
Business-Type Activities

The net position for the Agency's business-type activities increased by $33.6 million from $353.4 million to $387.0 million during the current year. The net position increased from the prior year mainly due to a $26.9 million increase in capital assets as a result of the Del Valle Water Treatment Plant ozone project, Patterson Pass Water Treatment Plant ozone and upgrade projects. Total revenues were $118.6 million and total expenses (including transfers) were $85.0 million.

Revenues: Significant changes in revenues are as follows:

- Charges for Services: includes water rate revenue and connections fees. Charges for Services decreased by a net of $0.6 million from the prior year. The decrease is mainly due to a $1.4 million or 4 percent decrease in connection fee revenues as a result of slower construction and development activities in the service area.
- Interest and investment income: increased by $3.2 million or 156 percent due favorable economic conditions and higher cash balances from the previous year.
- Grants and other contributions: includes intergovernmental revenue such as DWR refunds and grant proceeds. Grants and other contributions decreased by $0.5 million or by 7 percent mainly due to the DWR refunds in the State Water Facilities fund. DWR refunds and credits vary year to year based on the level of prior year expenditures.

Revenues by Source - Business-type Activities

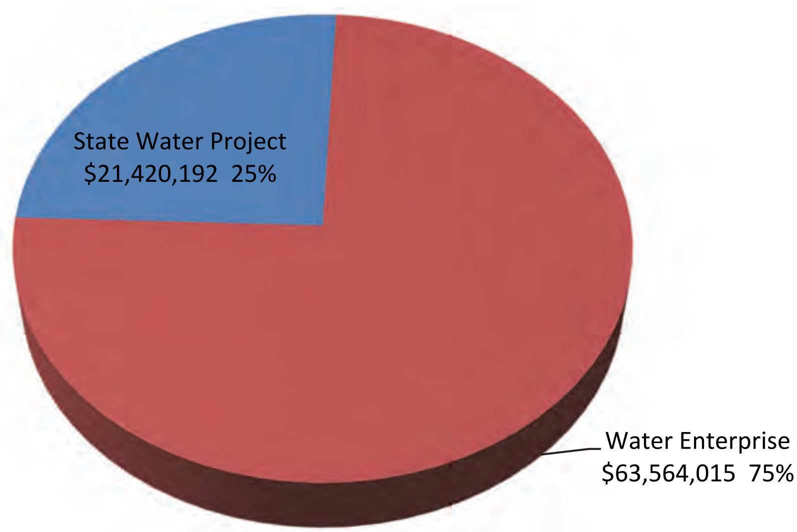


Expenses: Significant changes in expenses are as follows:

Total expenses total $85.0 million which is a $10.1 million or 10.6 percent decrease from the prior year mainly attributed to the following:

- State Water Project: Expenses increased by $1.6 million or 8.2 percent. On May 24, 2018, DWR informed the Agency that for the past three years DWR under billed Zone 7's share of the Transportation Minimum OMP&R Component charges related to our Table A transfers in California Aqueduct Reaches down to Kern County and will true-up (or collect) these charges in Calendar Year 2019. In addition, DWR started collecting the contractor's share of the Oroville Spillway Emergency Response costs. The Agency share was estimated at $0.8 million.
- Water Enterprise: includes Water Enterprise Operations, Water Enterprise Capital Expansion, and Non-Major Enterprise Funds. Expenses decreased by $11.7 million or 15.6 percent mainly due to water storage, in the prior year the Agency refunded the Cawelo Water District Certificate of Participation, Series 2006 in the amount of $14.1 million. The decrease is offset by increased salaries, wages and benefits by $4.3 million, non-operating revenues and expenses by $1.4 million and utilities by $0.9 million.

Expenses by Fund - Business-type Activities



Governmental Funds

The Agency's governmental funds consist of three funds; Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Funds. As of June 30, 2019, the Agency's governmental funds reported combined ending fund balance of $84.5 million.

- **Flood Protection Operations Fund** – This fund provides for general administration and the maintenance and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by the Agency. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas. This fund pays for renewal/replacement and improvement projects for the existing flood protection system. As of June 30, 2019, its fund balance was $17.6 million, a decrease of $0.7 million from prior fiscal year. The $17.6 million fund balance is committed as follows; $11.6 million for capital projects, $2.2 million for operating contingency and $3.8 million of encumbrances.

- **Flood Protection Development Impact Fee Fund –** The purpose of this fund is to ensure that the Agency is able to meet future needs for expansion-related flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects. As of June 30, 2019, its restricted fund balance was $66.9 million, an increase of $4.1 million from prior fiscal year. The increase in fund balance was mainly due to less expenses incurred during the year than revenue earned. Staff continues to work on an amendment to the Stream Management Master Plan (SMMP) for Board adoption. FY 2018-19 capital projects (i.e. Chain of Lakes Management Area) related to the SMMP were deferred until the SMMP amendment is adopted.

Proprietary Funds

The Agency's proprietary fund statements provide the same type of information as is found in the government-wide financial statements, but in more detail.

- **State Water Facilities Fund** – This fund finances the "fixed cost" payment to the State Department of Water Resources ("DWR") to import water to the Agency. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt. Net position of the State Water Facilities Fund as of June 30, 2019 was $29.2 million, an increase of $5.7 million from the prior fiscal year.

  Operating revenue increased by $0.5 million due to an increase in the Dougherty Valley Surcharge Assessment. Intergovernmental revenue decrease slightly by $0.5 million and the property tax override levy relatively remain unchanged from the prior fiscal year. Operating expenses increased by $1.6 million or 8.2 percent due to a pass-through from DWR for fixed charges associated with the State Water Project. On May 24, 2018, DWR informed the Agency that for the past three years DWR under billed Zone 7's share of the Transportation Minimum OMP&R Component charges related to our Table A transfers in California Aqueduct Reaches down to Kern County and will true-up (or collect) these charges in Calendar Year 2019. In addition, DWR started collecting the contractor's share of the Oroville Spillway Emergency Response costs of which the Agency share is around $0.8M.

- **Water Enterprise Operations** is a fund that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss in the fund is intended to be entirely or predominately self-supported from user charges. The purpose of Water Enterprise Operations is to ensure that the current water treatment and delivery systems are maintained effectively and that capital replacement and improvement needs are funded. This also pays for capital projects including the renewal, replacement and improvement of the current water treatment and delivery system.

  Net position of the Water Enterprise Operations Fund as of June 30, 2019 was $252.7 million, an increase of $13.9 million from prior fiscal year. Operating revenues decreased by $0.4 million due to a slight decrease in water sales revenue from the prior fiscal year. While water sales volumes increased from the prior year, a temporary conservation surcharge of $0.57 per 100 Cubic Feet (CCF) which sunset on December 31, 2017 decreased the effective water rates charged during FY2019.

  Interest income and rental fees revenue increased by $1.6 million mainly due to favorable economic conditions. Operating expenses increased by $3.3 million from the prior fiscal year. The increase is mainly due to increased salaries, wages and benefits by $4.0 million and utilities by $0.9 million. The increase is offset by a decrease in contractual services by $0.7 million and water storage cost by $1.0 million.

- **Water Expansion** – The purpose of this fund is to ensure that the Agency is able to meet future needs for increased water demands. The program is primarily intended to provide funding for new facilities and additional water supplies to serve additional capacity requirements of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity). As of June 30, 2019, the net position for the fund was $98.3 million, an increase of $14.3 million from prior fiscal year.

Operating revenues were $0.8 million less than the prior fiscal year. The decrease is mainly due to a $1.4 million or 4.0 percent decrease in connection fee revenues as a result of slower construction and development activities in the service area. Operating expenses were $16.4 million or 45.7 percent less than prior fiscal year mainly due to a prior year refunding of the Cawelo Water District Certificate of Participation, Series 2006. Non-operating revenues (expenses) increased by $0.9 million from prior year mainly due to increase in interest income from investments.

Governmental Funds Budgetary Highlights

A comparative budgetary statement for the Agency's governmental fund (Special Revenue Fund) for the year ended June 30, 2019:

	Final Budgeted Amounts	Actual Amounts Budgetary Basis	Budget Variance June 30, 2019	Budget Variance June 30, 2018
REVENUES:				
Property taxes	$ 8,841,052	$ 9,144,785	$ 303,733	$ 442,501
Intergovernmental revenues	64,700	70,969	6,269	117,615
Charges for services	47,650	69,293	21,643	18,386
Interest income and rentals	231,500	469,468	237,968	193,824
Others	35,000	167,777	132,777	(5,494)
Total Revenue	$ 9,219,902	$ 9,922,292	$ 702,390	$ 766,832
EXPENDITURES:				
Flood Protection:				
Salaries and employee benefits	1,728,983	2,172,276	(443,293)	122,178
Services and supplies	12,860,667	8,314,471	4,546,196	4,883,087
Capital outlay:				
Equipment and capital structures	1,653,565	172,765	1,480,800	4,670,521
Total Expenditures	$ 16,243,215	$ 10,659,512	$ 5,583,703	$ 9,675,786
EXCESS REVENUES OVER EXPENDITURES	(7,023,313)	(737,220)	6,286,093	10,442,618
Other Financing Sources (Uses)				
Transfers (out) (Note 3)	(13,733)	(12,444)	(1,289)	(889)
NET CHANGE IN FUND BALANCE	$ (7,037,046)	(749,664)	$ 6,287,382	$ 10,443,507
Fund balance, beginning of year		18,352,377		
FUND BALANCE, END OF YEAR		$ 17,602,713		

The Agency's actual special revenue fund revenues are over the budget by $0.7 million due to slightly higher assessed property values and an increase in interest earnings and rentals.

Variations between budget and actual expenditures in the special revenue fund reflect overall expenditures less than the final budget by $5.6 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Stream Management Master Plan (SMMP) is being developed and the revised scope and lower cost of the Arroyo Mocho Medeiros Parkway project.

Capital assets

As of June 30, 2019, the agency's investment in capital assets totaled $243.8 million (net of accumulated depreciation) which is an increase of $13.2 million from the net investment in capital assets balance of $230.6 million at June 30, 2018. The increase in capital assets was primarily due to construction in progress for the Patterson Pass Water Treatment Plant (PPWTP) upgrade project and the Ozone project at both the Del Valle Water Treatment Plant (DVWTP) and PPWTP.

There were many capital project activities in FY 2018-19. They include the DVWTP and PPWTP ozone project, PPWTP upgrade project, Arroyo Mocho Medieros project, Busch Valley Well No. 1, Chain of Lakes 1 facilities stabilization and other miscellaneous repair projects. Additional information on the Agency's capital assets is provided in Note 4 of the financial statement.

A comparison of the Agency's capital assets over the past three fiscal years is presented below:

Capital Assets
Business-type Activities
For the Years Ended June 30, 2019, 2018 and 2017
(In millions of dollars)

			2019 vs. 2018			2018 vs. 2017	
	2019	2018	$ Change	% Change	2017	$ Change	% Change
Easements	$ 1.8	$ 1.4	$ 0.4	29%	$ 1.4	$ -	0%
Land	9.6	9.6	-	0%	9.6	-	0%
Treatment Plants	117.2	117.2	-	0%	115.7	1.5	1%
Construction in Progress	44.5	12.0	32.5	271%	4.7	7.3	155%
Office Building	7.1	7.1	-	0%	7.1	-	0%
Pipelines	53.9	53.9	-	0%	53.9	-	0%
Reserviors	1.9	1.9	-	0%	1.9	-	0%
Water Entitlements	36.7	36.7	-	0%	36.7	-	0%
Wellfields	31.2	31.2	-	0%	30.7	0.5	2%
Supervisory Control and Data Acquisition Project	9.7	9.7	-	0%	9.7	-	0%
Others	5.7	5.7	-	0%	5.5	0.2	4%
Subtotal	319.3	286.4	32.9	11%	276.9	9.5	3%
Less Accumulated depreciation/amortization	94.1	88.0	6.1	7%	82.1	5.9	7%
Capital assets, net	$ 225.2	$ 198.4	$ 26.8	14%	$ 194.8	$ 3.6	2%

Capital Assets
Governmental Activities
For the Years Ended June 30, 2019, 2018 and 2017
(In millions of dollars)

			2019 vs. 2018			2018 vs. 2017	
	2019	2018	$ Change	% Change	2017	$ Change	% Change
Land	$ 21.2	$ 20.3	$ 0.9	4%	$ 20.3	$ -	0%
Easements	0.1	-	0.1	0%	-	-	0%
Flood Control Channels	12.4	12.4	-	0%	12.4	-	0%
Construction in Progress	1.2	0.9	0.3	33%	0.4	0.5	125%
Office Building	1.5	1.5	-	0%	1.5	-	0%
Others	1.0	1.0	-	0%	1.0	-	0%
Subtotal	37.4	36.1	1.3	4%	35.6	0.5	1%
Less Accumulated depreciation/amortization	4.2	3.9	0.3	8%	3.6	0.3	8%
Capital assets, net	$ 33.2	$ 32.2	$ 1.0	3%	$ 32.0	$ 0.2	1%

Debt Administration and Bond Rating

As of June 30, 2019, the Agency had $64.0 million in outstanding debt and $6.7 million of unamortized bond premium. However, the Agency partners with other public agencies and pays for debt incurred on the Agency's behalf. For example, the Agency pays the State incurred debt for capital projects to maintain, improve or expand the State Water Project infrastructure. The Agency, under the terms of its contract with the State, is obligated to pay its share of the debt payments regardless of the amount of water purchased.

The Agency has a bonded indebtedness limit that shall not exceed 5 percent of the assessed valuation of all taxable property in any zone lying, in whole or in part of the agency's service area, per Alameda County Flood Control and Water Conservation District Act, (ACT 20), §36.6.

Bond Ratings:

A credit rating is a value assigned by one or more of the recognized rating agencies that "grade" a jurisdiction's credit, or financial trustworthiness. The three primary rating agencies are Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services ("S&P"), and Fitch Ratings ("Fitch"). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy and outstanding debt. In the Agency credit rating for the Livermore Valley Water Financing Authority (LVWFA), Water Revenue Bonds, 2018 Series A, were as follows:

	Ratings	
Type of Bond	**S & P**	**Fitch**
LVWFA Water Revenue Bonds, 2018 Series A	AA+/Stable	AA/Stable

On March 19, 2018, S&P Global Ratings assigned its 'AA+' long-term rating to the Livermore Valley Water Financing Authority's series 2018 water revenue bonds, issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7. The outlook is stable. According to S&P, *"the stable outlook reflects our view of the agency's adequate water supply, strong financial position in terms of all-in coverage and liquidity, and restructured rate schedule and implemented drought surcharge schedule, which we believe will allow it to recover costs and stabilize revenues in the event of future drought conditions. The outlook also reflects our assessment that the strongest three retail customer's water fund credit quality will remain consistent with current projections"*.

On March 21, 2018, Fitch Ratings has assigned a 'AA' rating to the Livermore Valley Water Financing Authority's series 2018 water revenue bonds issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7 bonds. The outlook is stable. According to Fitch Rating; *"The 'AA' rating reflects the Agency's strong but variable financial performance and low direct debt burden, balanced against high fixed cost burden and significant connection fee revenue variability"*.

Additional information on the Agency's long-term debt is provided in Note 5 of the financial statements.

Economic factors and next year's budget and rates

- The Board of Directors adopted the Agency's two-year budget on June 20, 2018. The two-year budget provides funding for the Agency's operating, capital and debt service payments for the fiscal years ending June 30, 2019 and 2020.
- Alameda County's average unemployment rate markedly improved. In October 2019, the unemployment rate was reported at 2.6% versus 2.9% in 2018. These numbers reflect a positive trend and place Alameda County below the national average, demonstrating the impact of an improving economy.
- Other economic issues facing the Agency include the fiscal impacts of flattening per capita water demands, the continued increasing need to allocate funds to the Asset Management Program (AMP) for infrastructure maintenance and improvements, declining reliability of the State Water Project resulting in the need to make significant investments in water supply reliability projects. The Agency recently completed the 2019 Water Supply Evaluation Update (2019 WSE Update) to evaluate future water system needs based on projected future water demand and supply conditions. It was determined that several new water supply projects will be needed for the Agency to continue to provide reliable water supplies to its existing and future customers. The projects currently being considered include, but not limited to Los Vaqueros Expansion, Sites Reservoir, Regional Desalination, Potable Reuse, Reliability Intertie and Delta Conveyance.
- On October 17, 2018, the Board approved a four (4) year treated water rates schedule for Calendar Years (CY) 2019, 2020, 2021 and 2022. The board also approved gradually increasing fixed charge revenue recovery from the current 35% to 45% by CY 2022. The Board will revisit the rate schedule for CY 2021 and 2022, through a public process, with any changed rates adopted by November 2020. The table below shows the rate schedule through CY 2022:

Calendar Year	CY 2019	CY 2020	CY 2021	CY 2022
Volume-based Rate per CCF	$ 2.01	$ 2.10	$ 2.06	$ 2.15
Fixed Charge Recovery	37.5%	40.0%	42.5%	45.0%
Total Fixed Charges	$ 15,849,610	$ 19,363,098	$ 25,716,705	$ 28,713,641

Requests for Information

This financial report is designed to provide our customers, ratepayers, investors and creditors with a general overview of the Agency's finances and to demonstrate accountability for the money it receives. Requests for additional financial information should be addressed to the Finance Department, Zone 7 Water Agency, 100 N. Canyons Parkway, Livermore, CA 94551. This report is also available online at http://www.zone7water.com.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total 2019	Total 2018
ASSETS				
Current assets				
Pooled Cash in County Treasury (Note 2)	$76,546,027	$101,573,922	$178,119,949	$196,185,476
Cash and Investments - Agency Treasury (Note 2)	8,802,674	107,093,212	115,895,886	65,183,428
Restricted cash (Note 2)	1,059,926	43,073,515	44,133,441	58,206,522
Accounts receivable, net	1,026,951	11,704,058	12,731,009	13,130,879
Prepaid expenses		831,000	831,000	1,027,078
Total current assets	87,435,578	264,275,707	351,711,285	333,733,383
Noncurrent assets				
Capital assets (Note 4):				
Rights of way, water entitlements, easements and construction in progress	22,466,126	92,590,288	115,056,414	80,855,267
Depreciable, net	10,698,139	132,646,332	143,344,471	149,741,210
Total noncurrent assets	33,164,265	225,236,620	258,400,885	230,596,477
Total assets	120,599,843	489,512,327	610,112,170	564,329,860
DEFERRED OUTFLOW OF RESOURCES				
Pension related (Note 7)	922,269	8,380,552	9,302,821	8,347,526
OPEB related (Note 8)	96,193	874,092	970,285	4,164,981
Total deferred outflow of resources	1,018,462	9,254,644	10,273,106	12,512,507
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	1,888,003	9,685,250	11,573,253	8,470,168
Deposits payable	1,072,197	319,115	1,391,312	1,413,256
Compensated absences (Note 1K)		769,571	769,571	729,110
Bonds payable (Note 5)		1,305,000	1,305,000	
Total current liabilities	2,960,200	12,078,936	15,039,136	10,612,534
Noncurrent liabilities				
Compensated absences (Note 1K)		480,298	480,298	456,699
Bonds payable (Note 5)		69,430,844	69,430,844	71,376,744
Net pension liability (Note 7)	2,609,424	23,711,524	26,320,948	19,859,054
Net OPEB liability (Note 8)	227,567	2,067,875	2,295,442	298,850
Total noncurrent liabilities	2,836,991	95,690,541	98,527,532	91,991,347
Total liabilities	5,797,191	107,769,477	113,566,668	102,603,881
DEFERRED INFLOW OF RESOURCES				
Pension related (Note7)	369,654	3,359,005	3,728,659	7,229,898
OPEB related (Note 8)	68,096	618,784	686,880	1,905,250
Total deferred inflow of resources	437,750	3,977,789	4,415,539	9,135,148
NET POSITION (Note 6)				
Net investment in capital assets	33,164,265	210,675,110	243,839,375	230,596,477
Restricted for				
Capital Projects and Water Expansion	66,872,665	127,521,329	194,393,994	170,175,153
Unrestricted	15,346,434	48,823,266	64,169,700	64,331,708
Total net position	$115,383,364	$387,019,705	$502,403,069	$465,103,338

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Flood Protection Operations	$10,308,973	$69,293	$70,969		$140,262
Flood Protection Development Impact Fee	367,976	3,343,066			3,343,066
Flood Protection Grants	125,352			$125,352	125,352
Total governmental activities	10,802,301	3,412,359	70,969	125,352	3,608,680
Business-type activities:					
State Water Project	21,420,192	23,420,521	3,257,217		26,677,738
Water Enterprise	63,564,015	83,160,107	3,466,308		86,626,415
Total business-type activities	84,984,207	106,580,628	6,723,525		113,304,153
Total	$95,786,508	$109,992,987	$6,794,494	$125,352	$116,912,833

General revenues:
Property taxes:
Secured
Unsecured
Supplemental
Investment earnings
Rental charges
Other

Total general revenues

Transfers, net

Change in net position

Net position-beginning of year

Net position-end of year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total 2019	Total 2018
($10,168,711)		($10,168,711)	($12,610,713)
2,975,090		2,975,090	3,958,671
(7,193,621)		(7,193,621)	(8,652,042)
	$5,257,546	5,257,546	6,873,995
	23,062,400	23,062,400	12,527,449
	28,319,946	28,319,946	19,401,444
(7,193,621)	28,319,946	21,126,325	10,749,402
8,442,351		8,442,351	7,851,995
401,692		401,692	372,633
300,742		300,742	293,436
1,485,504	5,187,260	6,672,764	2,918,654
109,722	67,066	176,788	142,100
179,069		179,069	34,267
10,919,080	5,254,326	16,173,406	11,613,085
(12,444)	12,444		
3,713,015	33,586,716	37,299,731	22,362,487
111,670,349	353,432,989	465,103,338	442,740,851
$115,383,364	$387,019,705	$502,403,069	$465,103,338

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals 2019	Totals 2018
ASSETS					
Current assets					
Cash in County treasury (Note 2)	$18,439,268	$58,106,759		$76,546,027	$76,442,643
Cash in Agency treasury (Note 2)	893,863	7,908,811		8,802,674	5,132,618
Restricted cash (Note 2)	1,059,926			1,059,926	1,040,201
Accounts receivable, net	78,346	922,428	$26,177	1,026,951	836,967
Due from other funds	1,474			1,474	189,750
Total assets	$20,472,877	$66,937,998	$26,177	$87,437,052	$83,642,179
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	$1,838,179	$25,121	$24,703	$1,888,003	$1,307,542
Deposits payable	1,031,985	40,212		1,072,197	1,031,985
Due to other funds			1,474	1,474	$189,750
Total liabilities	2,870,164	65,333	26,177	2,961,674	2,529,277
FUND BALANCES (Note 6)					
Restricted		66,872,665		66,872,665	62,760,525
Committed:					
Flood Protection Capital Projects	15,403,727			15,403,727	12,683,598
Flood Protection Operating Contingency	2,198,986			2,198,986	5,668,779
Total fund balances	17,602,713	66,872,665		84,475,378	81,112,902
Total liabilities and fund balances	$20,472,877	$66,937,998	$26,177	$87,437,052	$83,642,179

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
RECONCILIATION OF
GOVERNMENTAL FUNDS - FUND BALANCE
WITH THE GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION
JUNE 30, 2019

	2019
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$84,475,378
Amounts reported for Governmental Activities in the Statement of Net position are different from those reported in the Governmental Funds above because of the following:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	33,164,265
LONG TERM LIABILITIES	
Net pension liability and related deferred inflows and outflows of resources	(2,056,809)
Net OPEB liability and related deferred inflows and outflows of resources	(199,470)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$115,383,364

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals 2019	Totals 2018
REVENUES					
Property taxes	$9,144,785			$9,144,785	$8,518,064
Intergovernmental revenues	70,969		$125,352	196,321	1,413,239
Charges for services	69,293	$3,343,066		3,412,359	4,566,846
Interest and rentals	469,468	1,125,758		1,595,226	982,802
Other revenues	167,777	11,292		179,069	34,267
Total revenues	9,922,292	4,480,116	125,352	14,527,760	15,515,218
EXPENDITURES					
Current:					
Salaries and employee benefits transferred from district-wide	2,172,276	153,877	6,284	2,332,437	2,292,919
Services and supplies	8,314,471	178,713	119,068	8,612,252	11,014,697
Capital outlay:					
Equipment and capital infrastructure	172,765	35,386		208,151	1,129,750
	10,659,512	367,976	125,352	11,152,840	14,437,366
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(737,220)	4,112,140		3,374,920	1,077,852
OTHER FINANCING SOURCES (USES)					
Transfers (out) (Note 3)	(12,444)			(12,444)	(12,444)
NET CHANGE IN FUND BALANCES	(749,664)	4,112,140		3,362,476	1,065,408
FUND BALANCES, BEGINNING OF YEAR	18,352,377	62,760,525		81,112,902	80,047,494
FUND BALANCES, END OF YEAR	$17,602,713	$66,872,665		$84,475,378	$81,112,902

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
RECONCILIATION OF THE
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
WITH THE
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	2019
The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in theStatement of Activities, which is prepared on the full accrual basis.	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$3,362,476
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	1,211,234
Depreciation expense is deducted from the fund balance	(294,450)
ACCRUAL OF NONCURRENT ITEMS	
Net pension liability and related deferred inflows and outflows of resources	(169,287)
Net OPEB liability and related deferred inflows and outflows of resources	(396,958)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$3,713,015

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
FLOOD PROTECTION OPERATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Property taxes	$8,841,052	$8,841,052	$9,144,785	$303,733
Intergovernmental revenue	64,700	64,700	70,969	6,269
Charges for services	47,650	47,650	69,293	21,643
Interest and rentals	231,500	231,500	469,468	237,968
Other revenue	35,000	35,000	167,777	132,777
TOTAL REVENUES	9,219,902	9,219,902	9,922,292	702,390
EXPENDITURES				
Current:				
Flood protection:				
Salaries and benefits	1,728,983	1,728,983	2,172,276	(443,293)
Services and supplies	9,608,574	12,860,667	8,314,471	4,546,196
Capital outlay:				
Equipment and capital structure	1,653,565	1,653,565	172,765	1,480,800
TOTAL EXPENDITURES	12,991,122	16,243,215	10,659,512	5,583,703
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(3,771,220)	(7,023,313)	(737,220)	6,286,093
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3)	(13,733)	(13,733)	(12,444)	(1,289)
NET CHANGE IN FUND BALANCE	($3,784,953)	($7,037,046)	(749,664)	$6,287,382
Fund balance, beginning of year			18,352,377	
Fund balance, end of year			$17,602,713	

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals 2019	Totals 2018
ASSETS						
Current assets:						
Cash in County treasury (Note 2)	$23,337,574	$34,693,931	$36,406,144	$7,136,273	$101,573,922	$119,742,833
Cash in Agency treasury (Note 2)	5,167,377	26,853,319	75,072,516		107,093,212	60,050,810
Restricted cash and investments (Note 2)		42,269,415	804,100		43,073,515	57,166,321
Receivables, net		9,634,460	2,069,598		11,704,058	12,293,912
Prepaid deposits	741,000	90,000			831,000	1,027,078
Total current assets	29,245,951	113,541,125	114,352,358	7,136,273	264,275,707	250,280,954
Noncurrent assets:						
Capital assets (Note 4):						
Right of ways, water entitlements and construction in progress		92,590,288			92,590,288	59,600,375
Improvements, net of depreciation		132,646,332			132,646,332	138,748,621
Total noncurrent assets		225,236,620			225,236,620	198,348,996
Total assets	29,245,951	338,777,745	114,352,358	7,136,273	489,512,327	448,629,950
DEFERRED OUTFLOW OF RESOURCES						
Pension related (Note 7)		8,066,975	313,577		8,380,552	7,506,814
OPEB related (Note 8)		841,386	32,706		874,092	3,745,510
Total deferred outflow of resources		8,908,361	346,283		9,254,644	11,252,324
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	1,024	8,280,337	1,403,889		9,685,250	7,162,626
Deposits				319,115	319,115	381,271
Compensated absences (Note 1K)		769,571			769,571	729,110
Bonds payable (Note 5)		1,057,050	247,950		1,305,000	
Total current liabilities	1,024	10,106,958	1,651,839	319,115	12,078,936	8,273,007
Noncurrent liabilities:						
Compensated absences (Note 1K)		480,298			480,298	456,699
Bonds payable (Note 5)		55,773,875	13,656,969		69,430,844	71,376,744
Net pension liability (Note 7)		22,824,305	887,219		23,711,524	17,858,971
Net OPEB liability (Note 8)		1,990,501	77,374		2,067,875	268,752
Total noncurrent liabilities		81,068,979	14,621,562		95,690,541	89,961,166
Total liabilities	1,024	91,175,937	16,273,401	319,115	107,769,477	98,234,173
DEFERRED INFLOW OF RESOURCES						
Pension related (Note 7)		3,233,320	125,685		3,359,005	6,501,747
OPEB related (Note 8)		595,631	23,153		618,784	1,713,365
Total deferred inflow of resources		3,828,951	148,838		3,977,789	8,215,112
NET POSITION (Note 6)						
Net Investment in capital assets		210,675,110			210,675,110	198,348,996
Restricted for						
Capital Projects and Water Expansion	29,244,927		98,276,402		127,521,329	107,414,628
Unrestricted		42,006,108		6,817,158	48,823,266	47,669,365
Total net position	$29,244,927	$252,681,218	$98,276,402	$6,817,158	$387,019,705	$353,432,989

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals 2019	Totals 2018
OPERATING REVENUES						
Water sales		$47,440,592			$47,440,592	$47,860,145
Connection and development fees			$34,068,092		34,068,092	35,434,462
Charges for services		619,120	1,383		620,503	609,191
Other revenues	$2,066,712	151,994	878,926		3,097,632	1,944,121
Total operating revenues	2,066,712	48,211,706	34,948,401		85,226,819	85,847,919
OPERATING EXPENSES						
Salaries, wages and benefits		20,728,429	957,788		21,686,217	17,366,656
Contractual services		1,928,178			1,928,178	2,987,203
Technical supplies		181,601			181,601	147,995
Chemical purchases		2,085,082			2,085,082	1,940,215
Water purchases	21,420,192	3,363,467	17,838,005		42,621,664	41,499,446
Water storage		755,911			755,911	17,814,270
Utilities		2,543,985	67		2,544,052	1,667,619
Maintenance and repairs		1,585,737	6,269		1,592,006	1,405,705
Equipment and building rents		72,391			72,391	53,130
Other services and supplies		1,407,827	707,041		2,114,868	2,300,609
Risk management		639,214			639,214	584,330
Depreciation (Note 4)		6,452,481			6,452,481	6,381,380
Total operating expenses	21,420,192	41,744,303	19,509,170		82,673,665	94,148,558
Operating income (loss)	(19,353,480)	6,467,403	15,439,231		2,553,154	(8,300,639)
NONOPERATING REVENUES and (EXPENSES)						
Property taxes	21,353,809				21,353,809	21,385,641
Intergovernmental revenue	3,257,217	385,834	3,080,474		6,723,525	7,235,940
Interest income and rental fees	518,932	2,413,092	2,194,043	$128,259	5,254,326	2,077,952
Interest expense for debt service		(1,927,970)	(382,572)		(2,310,542)	(919,498)
Total nonoperating revenues (expenses)	25,129,958	870,956	4,891,945	128,259	31,021,118	29,780,035
Income (loss) before transfers	5,776,478	7,338,359	20,331,176	128,259	33,574,272	21,479,396
Transfers in (Note 3)		6,513,462	463,702		6,977,164	2,180,714
Transfers (out) (Note 3)			(6,464,655)	(500,065)	(6,964,720)	(2,168,270)
Change in net position	5,776,478	13,851,821	14,330,223	(371,806)	33,586,716	21,491,840
Net position, beginning of year	23,468,449	238,829,397	83,946,179	7,188,964	353,432,989	331,941,149
Net position, end of year	$29,244,927	$252,681,218	$98,276,402	$6,817,158	$387,019,705	$353,432,989

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Total 2019	Total 2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from (payments to) customers	$2,262,790	$45,635,967	$880,309	($62,156)	$48,716,910	$50,244,085
Connection and development fees			37,233,685		37,233,685	31,651,757
Payments to employees		(15,555,279)	(957,788)		(16,513,067)	(16,568,562)
Payments to suppliers	(21,419,748)	(12,991,260)	(17,298,392)		(51,709,400)	(65,711,711)
Net cash provided (used) by operating activities	(19,156,958)	17,089,428	19,857,814	(62,156)	17,728,128	(384,431)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in		6,513,462	463,702		6,977,164	2,180,714
Transfers (out)			(6,464,655)	(500,065)	(6,964,720)	(2,168,270)
Property tax	21,353,809				21,353,809	21,385,641
Intergovernmental	3,257,217	385,834	3,080,474		6,723,525	7,235,940
Cash flows from noncapital financing activities	24,611,026	6,899,296	(2,920,479)	(500,065)	28,089,778	28,634,025
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of property, plant, and equipment		(33,340,105)			(33,340,105)	(9,998,179)
Proceeds from the issuance of long term debt						64,010,000
Premiums from the issuance of long term debt						7,506,832
Premiums payments on long term debt		(423,258)	(217,642)		(640,900)	(140,088)
Interest paid		(1,927,970)	(382,572)		(2,310,542)	(919,498)
Cash flows from (used for) capital and related financing activities		(35,691,333)	(600,214)		(36,291,547)	60,459,067
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received on investments	518,932	2,413,092	2,194,043	128,259	5,254,326	2,077,952
Cash flows from investing activities	518,932	2,413,092	2,194,043	128,259	5,254,326	2,077,952
Net increase (decrease) in cash and cash equivalents	5,973,000	(9,289,517)	18,531,164	(433,962)	14,780,685	90,786,613
Cash and cash equivalent at beginning of period	22,531,951	113,106,182	93,751,596	7,570,235	236,959,964	146,173,351
Cash and cash equivalent at end of period	$28,504,951	$103,816,665	$112,282,760	$7,136,273	$251,740,649	$236,959,964
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	($19,353,480)	$6,467,403	$15,439,231		$2,553,154	($8,300,639)
Adjustments to reconcile operating income (loss) to cash flows						
Depreciation		6,452,481			6,452,481	6,381,380
Changes in assets and liabilities						
Receivables		(2,575,739)	3,165,593		589,854	(3,951,830)
Prepaids	196,078				196,078	(38,578)
Accounts payable and accrued expenses	444	1,572,133	950,047		2,522,624	4,590,123
Compensated absences		64,060			64,060	(62,095)
Deposits				($62,156)	(62,156)	38,331
Net pension liability, deferred inflows and deferred outflows		1,655,196	180,877		1,836,073	720,058
Net OPEB, deferred inflows and deferred outflows		3,453,894	122,066		3,575,960	238,819
Net cash provided (used) by operating activities	($19,156,958)	$17,089,428	$19,857,814	($62,156)	$17,728,128	($384,431)

See accompanying notes to financial statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (Agency) is a public corporation, organized and existing under the constitution and laws of the State of California. The Agency provides various services including the purchase, treatment and sales of water and the maintenance of flood control channels within the boundaries of its service area. The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reported purposes.

Joint Powers Authority (JPA)

The Livermore Valley Water Financing Authority (the "Authority") was formed on November 1, 2017 to assist in the financing of public capital improvements. The Authority is a joint exercise agency organized under the laws of the State of California and was composed of the Alameda County Flood Control and Water Conservation District, Zone 7 (the "Agency") and the California Statewide Communities Development Authority ("CSCDA"). The Agency Board of Directors serves as the governing board of the Authority. The Authority transactions are reported in Water Enterprise Operations and Water Enterprise Capital Expansion funds. Related debt is included in the long-term obligations of the Agency on the business-type activities column of the statement of net position.

B. Basis of Presentation

Government-Wide Statements

The statement of net position and statement of activities display information about the primary government (the Agency). These statements distinguish between the *governmental* and *business-type activity* of the Agency. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activity, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activity of the Agency and for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net position are available, restricted resources are used for qualified expenditures for capital improvement projects before any unrestricted resources are spent.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the Agency's funds. The fund financial statements present all governmental funds and the water enterprise funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major governmental funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The Agency may also select other funds it believes should be presented as major funds.

The Agency reported the following major governmental funds in the accompanying financial statements:

- The *Flood Protection Operations Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Agency that are not accounted for through other funds.

- The *Flood Protection Development Impact Fee Fund* is used for the acquisition, construction, engineering and improvement of the flood protection and /or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof.

The Agency reports the following non-major governmental fund:

- The *Environmental Protection Agency (EPA) Grant - Federal Fund* is used to account for revenues and expenses resulting from the EPA Preparing for the Storm grant.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency reports the following major proprietary funds:

- The *State Water Facilities Fund* is used for fixed State water charges and State water project bonded indebtedness.

- The *Water Enterprise Operations Fund* accounts for enterprise operation and administration, emergency and support services, variable State water charges, water facilities maintenance and operation, renewal and replacement program, water facilities, water resources and water supply planning.

- The *Water Enterprise Capital Expansion Fund* is used for Water Enterprise capital expansion projects and water purchases.

The Agency reports the following non-major proprietary funds:

- The *Water Facilities Fund* is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.

- The *Water Supply and Reliability Fund* is used for future water, water storage and Delta-related projects.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which the grant revenue is received; and revenue from investments is recognized when earned.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Enterprise Operations fund is the sale of water to outside customers. Operating expenses for the fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows the Agency defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition, including restricted assets, and all pooled deposits.

E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

F. Receivables

Accounts receivable arise from billings to customers for water and certain improvements made to customers' property. Uncollectible amounts from individual customers are not significant.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than $250,000 for infrastructure, buildings, building improvements, land improvements and software. The Agency capitalizes equipment and land with a useful life greater than one year and an original cost greater than $5,000. These assets are reported at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Capital Assets	Useful Life
Treatment plants	40 years
Treatment plants improvements	10 - 40 years
Sludge drying ponds	40 years
Pipeline	40 years
Equipment	3-10 years
Reservoir	40 years
Office building	40 years
Wellfields	40 years
Flood control channels	50 years
Rights of way	Indefinite
Water entitlement	Indefinite

H. Budgets and Budgetary Accounting

Formal budgets are employed as a management control during the year for the Funds.

Budgets for the Governmental Funds are prepared to include encumbrances at year end. Budget comparisons presented are on Non-GAAP budgetary basis.

I. Encumbrances – Governmental Fund Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund. Encumbrances at June 30, 2019 are as follows:

Fund	Encumbrance
Flood Protection Operations Major Fund	$3,781,964

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Property Taxes

The Agency receives property taxes and fixed state water charges from Alameda County. The Agency recognizes property taxes as revenue in the fiscal year of levy, based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1 and become delinquent on August 31. The Agency elected to receive the property taxes from the County under the Teeter Bill. Under this program the Agency receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

K. Compensated Absences

The Agency's policy allows employees to accumulate earned but unused vacation and overtime compensation, subject to a vesting policy. The cost of vacation is recorded in the period it is earned. The Agency will recognize accrued vacation to the maximum of vacation earned during the preceding two years prior to separation of service. Accumulated employee sick leave benefits are not recognized as liabilities of the Agency, as these benefits do not vest with the employee. Therefore, sick leave is recorded as an expenditure in the period that the benefit is taken. As of June 30, 2019, the balance of compensated absences is:

Beginning Balance	$1,185,809
Additions	$726,086
Payments	(662,026)
Ending Balance	$1,249,869
Current Portion	$769,571
Non-current Portion	$480,298

Accrued vacation and sick leave are liquidated by the fund that has recorded the liability.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position or balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

N. Long-Term Debt and Related Costs

Long-term debt is reported at face value, net of applicable premium and discounts. Costs related to the issuance of debt are reported as an expense. Deferred charge on refunding from advance refundings of debt are classified as a deferred outflow of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

O. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2019.

GASB 83 - Certain Asset Retirement Obligations – This Statement addresses accounting and financial reporting for certain asserts retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 statement requires the current value of a government’s AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement had no effect on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements – The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement had no effect on the financial statements but required additional disclosure in Note 5A.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 is effective for reporting periods beginning after December 15, 2019. The District early implemented this statement and it had no effect on the financial statements.

P. New GASB Pronouncements

GASB Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB Statement No. 84 is effective for the Agency's fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 is effective for the Agency's fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 is effective for reporting periods beginning after December 15, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 is effective for the Agency's fiscal year ending June 30, 2021.

NOTE 2 – CASH AND INVESTMENTS

A. Policies

The Agency invests in individual investments and in the County Treasury investment pool. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system.

The Agency's investments are carried at fair value, as required by generally accepted accounting principles. The Agency adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

A portion of the Agency's cash is pooled with the Alameda County Treasurer, who acts as disbursing agent for the Agency. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the Treasurer is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter.

The Agency is in compliance with the Board approved Investment Policy and California Government Code requirements.

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Classification

The Agency's cash and investments consist of the flowing at June 30:

	June 30,	
	2019	2018
Pooled Cash and Investment in County Treasury	$178,119,949	$196,185,476
Cash and investments - Agency Treasury	115,895,886	65,183,428
Restricted cash and investments	44,133,441	58,206,522
Total Cash and Investments	$338,149,276	$319,575,426
Cash and Investment in Government Funds	$86,408,627	$82,615,462
Cash and Investments in Proprietary Funds	251,740,649	236,959,964
Total Cash and Investments	$338,149,276	$319,575,426

C. Investments Authorized by California Government Code and the Agency's Investment Policy

The Agency's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of principal, liquidity and yield.

The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

The Agency's external investment pool is not registered with the Securities and Exchange Commission but rather the County Board of Supervisors created the Treasury Oversite Committee to establish regulations of the pooled investments.

A copy of the County investment policy is available upon request from the Alameda County Auditor-Controller's Office at 1221 Oak Street, Room 249, Oakland, California, 94612.

NOTE 2 – CASH AND INVESTMENTS (Continued)

The non-pooled cash and investments are invested in accordance with the Agency's Investment Policy and the California Government Code which allows the Agency to invest in the following, provided the credit ratings of the issuers are acceptable to the Agency and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Agency's Investment Policy where the Agency Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	270 Days	A	20%	(A)
California Local Agency Investment Fund	Upon Demand	N/A	(A)	(B)
U.S. Treasury Obligations	5 Years	N/A	(A)	(A)
U.S. Agency Securities	5 Years	N/A	(A)	(A)
Municipal Bonds and Notes	5 Years	N/A	40%	(A)
Bankers' Acceptances	180 Days	A1, P1	40%	25%
Commercial Paper	270 Days	A1, P1	25%	10%
Negotiable Certificates of Deposit	5 Years	A, A2	30%	5%
Certificates of Time Deposit	5 Years	A, A2	30%	5%
Medium Term Corporate Notes	5 Years	A3, A-	30%	5%
Money Market Mutual Funds	Upon Demand	N/A	20%	(A)
California Asset Management Program	Upon Demand	N/A	10%	(A)

(A) No Board established limit.
(B) LAIF limit is $65,000,000.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2019, approximately 66.9 percent of the securities in the Treasury Pool had maturities of one year or less as reported by Alameda County Treasurer.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investment by maturity or earliest call date:

Investment Type	12 Months or less	13 to 24 Months	Total
Pooled Cash and Investments in County Treasury			
Cash in County Pool			$178,119,949
Cash and Investments - Agency Treasury			
U.S. Agency Securities	$60,817,571		60,817,571
Commercial Paper	28,385,180		28,385,180
Corporate Bonds	15,032,589	$3,887,240	18,919,829
Money Market Fund	6,738,293		6,738,293
Total	110,973,633	3,887,240	114,860,873
Cash in bank			1,035,013
Total Cash and Investments - Agency Treasury			115,895,886
Restricted Cash and Investments			
U.S. Agency Securities	6,977,500		6,977,500
U.S. Treasury Notes	12,951,330		12,951,330
Commercial Paper	10,970,180		10,970,180
Money Market Fund	12,174,505		12,174,505
	43,073,515		43,073,515
Cash in bank - Money Market			1,059,926
Total Restricted Cash and Investments			44,133,441
Total Cash and Investments			$338,149,276

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. 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. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization. Presented below is the actual ratings as of June 30, 2019 for each investment type as provided by Moody's Investor Service:

Investment Type	Aaa	Aa2	Aa3	A1	P-1	Total
Pooled Cash and Investments in County Treasury						
Not rated:						
Cash in County Pool						$178,119,949
Cash and Investments - Agency Treasury						
U.S. Agency Securities					$60,817,571	60,817,571
Commercial Paper					28,385,180	28,385,180
Corporate Bonds		$6,815,421	$3,261,553	$8,842,855		18,919,829
Money Market Fund	$6,738,293					6,738,293
Not rated:						
Cash in bank						1,035,013
Total Cash and Investments - Agency Treasury	6,738,293	6,815,421	3,261,553	8,842,855	89,202,751	115,895,886
Restricted Cash and Investments						
U.S. Treasury Notes	5,985,630					5,985,630
Not rated:						
U.S. Agency Securities						6,977,500
U.S. Treasury Notes						6,965,700
Commercial Paper						10,970,180
Money Market Fund						12,174,505
Cash in bank - Money Market	1,059,926					1,059,926
Total Restricted Cash and Investments	7,045,556					44,133,441
Total Cash and Investments						$338,149,276

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 the Treasury Pool).

F. Concentration of Credit Risk

Included in table E above is a significant investment in the securities of issuers other than U.S. Treasury securities, mutual funds and external investment pools in any organization that represents in excess of 5% of the Agency's total investments. This includes investments in U.S. Agency Securities with Federal Home Loan Bank in the amount of $67,788,272.

The investment policy of the County Pool contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2019 Alameda County Comprehensive Annual Financial Report.

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. Fair Value Hierarchy

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of June 30, 2019, the Agency had $178,119,949 of cash and investments pooled with the Alameda County Treasurer that is exempt from the fair value hierarchy. The fair value of the pooled investment fund is provided by the Alameda County Treasurer and is valued using quoted prices for identical instruments in markets that are not active. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources.

The following is a summary of the fair value hierarchy of the fair value of investments of the Agency as of June 30, 2019:

	Level 1	Level 2	Total
Cash and Investments - Agency Treasury			
Investments by Fair Value Level:			
U.S. Agency Securities		$60,817,571	$60,817,571
Commercial Paper		28,385,180	28,385,180
Corporate Bonds		18,919,829	18,919,829
Investments Measured at Amortized Cost:			
Money Market Fund			6,738,293
Total Cash and Investments - Agency Treasury		108,122,580	114,860,873
Restricted Cash and Investments			
Investments by Fair Value Level:			
U.S. Agency Securities		6,977,500	6,977,500
U.S. Treasury Notes	$12,951,330		12,951,330
Commercial Paper		10,970,180	10,970,180
Investments Measured at Amortized Cost:			
Money Market Fund			12,174,505
Total Restricted Cash and Investments	12,951,330	17,947,680	43,073,515
Total Investments			$157,934,388

Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

NOTE 3 – INTERFUND TRANSFERS

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred	
Governmental Fund			
Flood Protection Operations Funds	Water Enterprise Operations Funds	$12,444	**(A)**
Enterprise Funds:			
Water Enterprise Capital Expansion Fund	Water Enterprise Operations Fund	6,464,655	**(B)**
Water Supply and Reliability	Water Enterprise Capital Expansion Fund	463,702	**(C)**
Water Supply and Reliability	Water Enterprise Operations Fund	36,363	**(D)**
		$6,977,164	

(A) Transfer to fund vehicle replacement.
(B) Transfer of completed construction projects and other fixed assets.
(C) Transfer to fund Site Reservoir Project, CA Water Fix Construction Authority Stand-Up Costs, and Lake Del Valle Storage Expansion Study.
(D) Transfer to fund Delta Conveyance Finance Authority Administration Costs.

NOTE 4 – CAPITAL ASSETS

A. *Summary*

The following is a summary of capital assets as of June 30, 2019:

Governmental Activities	Balance at June 30, 2018	Additions	Balance at June 30, 2019
Capital assets not being depreciated:			
Rights of way	$20,330,340	$872,711	$21,203,051
Easements		$36,960	36,960
Construction in progress	924,552	301,563	1,226,115
Total capital assets not being depreciated	21,254,892	1,211,234	22,466,126
Capital assets being depreciated:			
Flood control channels	12,393,619		12,393,619
Other infrastructure	1,048,885		1,048,885
Office building	1,459,756		1,459,756
Total capital assets being depreciated	14,902,260		14,902,260
Less accumulated depreciation for:			
Flood control channels	3,768,762	231,734	4,000,496
Other infrastructure	98,333	26,222	124,555
Office building	42,576	36,494	79,070
Total accumulated depreciation	3,909,671	294,450	4,204,121
Net capital assets being depreciated	10,992,589	(294,450)	10,698,139
Governmental activity capital assets, net	$32,247,481	$916,784	$33,164,265

NOTE 4 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019
Capital assets not being depreciated:				
Rights of way	$9,553,081			$9,553,081
Water entitlements	36,655,364			36,655,364
Easements	1,350,090	$485,758		1,835,848
Construction in progress	12,041,840	$32,504,155		44,545,995
Total capital assets not being depreciated	59,600,375	32,989,913		92,590,288
Capital assets being depreciated:				
Equipment	4,159,437	350,192	$288,227	4,221,402
Treatment plants	117,172,449			117,172,449
Office building	7,103,276			7,103,276
Reservoir	1,934,197			1,934,197
Pipelines	53,929,752			53,929,752
Wellfields	31,202,337			31,202,337
Supervisory Control and Data Acquisition project	9,704,664			9,704,664
Other infrastructure	1,536,435			1,536,435
Total capital assets being depreciated	226,742,547	350,192	288,227	226,804,512
Less accumulated depreciation for:				
Equipment	2,859,965	402,194	288,227	2,973,932
Treatment plants	50,304,353	3,279,115		53,583,468
Office building	1,145,074	177,582		1,322,656
Reservoir	1,199,415	48,355		1,247,770
Pipelines	17,699,929	1,241,533		18,941,462
Wellfields	8,016,352	780,058		8,796,410
Supervisory Control and Data Acquisition project	6,550,649	485,233		7,035,882
Other infrastructure	218,189	38,411		256,600
Total accumulated depreciation	87,993,926	6,452,481	288,227	94,158,180
Net capital assets being depreciated	138,748,621	(6,102,289)		132,646,332
Business-Type activity capital assets, net	$198,348,996	$26,887,624		$225,236,620

B. Construction in Progress

Construction in Progress at June 30, 2019 comprises the following projects:

Governmental Activities:

Projects	
Arroyo Mocho Medieros	$1,144,157
Arroyo Mocho Granada/Murrieta	81,958
Total	$1,226,115

NOTE 4 – CAPITAL ASSETS (Continued)

Business-Type Activities:

Projects	
Busch Valley Well #1	$1,820,076
Arroyo Mocho/Lake H Diversion	402,746
Patterson Pass Water Treatment Plant Ozonation	5,276,467
Patterson Pass Water Treatment Plant Upgrades	7,745,258
Chain of Lakes Pipeline	16,056
DVWTP Ozonation	28,852,656
DVWTP Polymer Mixing System Replacement	33,253
COL 1 Facilities Stabilization	286,616
California Water Service Turnout 5 Replacements	62,753
Dougherty Reservoir Interior/Exterior Recoating & Rehabilitation	50,114
Total	$44,545,995

C. Depreciation Allocation

Capital depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Flood Protection	$294,450
Total depreciation governmental activities	$294,450
Business-Type Activities:	
Water Enterprise Operations	$6,452,481
Total depreciation business-type activities	$6,452,481

NOTE 5 – LONG TERM DEBT

The Agency's long-term debt is summarized below:

	Original Issue Amount	Balance June 30, 2018	Retirements	Balance June 30, 2019	Amount due within one year	Amount more than one year
2018 Water Revenue Bonds, 3% - 5%, due 7/1/2048	$64,010,000	$64,010,000		$64,010,000	$1,305,000	$62,705,000
Plus: Unamortized Bond Premium	$7,506,832	7,366,744	$640,900	6,725,844		6,725,844
Total long-term debt		$71,376,744	$640,900	$70,735,844	$1,305,000	$69,430,844

A. 2018 Water Revenue Bonds

On March 11, 2018, the Agency, via the Livermore Valley Water Financing Authority, issued the 2018 Water Revenue Bonds in the amount of $64,010,000. Proceeds of the issuance are used to pay the cost of the 2018 Water Project, consisting of a water treatment plant and related facilities, prepay the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006, currently outstanding principal amount of $15,290,000, and to pay costs of issuance. Interest rates range from 3% to 5%. Principal and interest payments are due annually beginning July 1, 2019 through July 1, 2048.

The Agency's bond covenants contain events of default that require the net revenue of the Agency to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Agency to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Agency; or if any court or competent jurisdiction shall assume custody or control of the Agency. The Agency's bonds also contain a subjective acceleration clause that allows the trustees or holders, who hold the majority of the aggregate principal amount of the bonds, to accelerate payment of the entire principal amount outstanding and interest accrued to become immediately due if they determine that a material adverse change occurs.

B. Debt Service Requirements

At June 30, 2019, the debt service payments to maturity, including interest payments, were as follows:

For The Year Ending June 30	Principal	Interest	Total
2020	$1,305,000	$2,908,913	$4,213,913
2021	1,370,000	2,842,038	4,212,038
2022	1,445,000	2,771,663	4,216,663
2023	1,520,000	2,697,538	4,217,538
2024	1,595,000	2,619,663	4,214,663
2025-2029	9,315,000	11,781,315	21,096,315
2030-2034	11,995,000	9,134,015	21,129,015
2035-2039	10,255,000	6,473,270	16,728,270
2040-2044	11,195,000	4,428,400	15,623,400
2045-2049	14,015,000	1,612,150	15,627,150
Total payments due	$64,010,000	$47,268,965	$111,278,965
Unamortized premium	6,725,844		
	$70,735,844		

NOTE 5 – LONG TERM DEBT (Continued)

C. Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Agency has evaluated the 2018 Water Revenue Bonds issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2019 and 2018.

NOTE 6 – NET POSITION AND FUND BALANCES

A. Net Position

Net Position is the excess of all the Agency's assets over all its liabilities, regardless of fund. Net Position are divided into three captions under GASB Statement 34. These captions apply only to Net Position and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position, if any, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. Fund Balance

Governmental fund balances represent the net current position of each fund. Net current positions generally represent a fund's cash and receivables, less its liabilities.

The Agency's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* which requires the Agency to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Agency prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

NOTE 6 – NET POSITION AND FUND BALANCES

Restricted fund balances, if any, have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal resolution of the Board of Directors. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

NOTE 7 – RETIREMENT PLAN

A. *Alameda County Employees' Retirement Association Pension Plan*

Plan Descriptions – Substantially all Agency permanent employees are required to participate in the Alameda County Employees' Retirement Association (ACERA), a cost-sharing multiple employer public defined benefit retirement plan (Plan). The latest available actuarial and financial information for the Plan is for the year ended December 31, 2018. ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Alameda County Employees' Retirement Association, 475 14th Street #1000, Oakland, California 94612.

Benefits Provided – The Plan provides for retirement, disability, and death and survivor benefits. Annual cost of living (COL) adjustments to retirement allowances can be granted by the Retirement Board as provided by State statutes. Retirement benefits are based on age, length of service, date of membership and final average salary.

Subject to vested status, employees can withdraw contributions plus interests credited, or leave them as a deferred retirement when they terminate, or transfer to a reciprocal retirement system.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Tier I	Tier 2	Tier 4
Hire date	Prior to July 1, 1983	July 1, 1983 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.6% at 62	2.43% at 65	2.5% at 67
Benefit vesting schedule	Age 50 with 5 years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or after 30 years, regardless of age		Age 52 with 5 years of service or age 70 regardless of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	4% - 100%	2% - 100%	4% - 100%
Required employee contribution rates	7.90% - 16.36%	5.42% - 11.43%	8.76%
Required employer contribution rates	18.61% and 27.92%	18.01% and 27.01%	26.04%

NOTE 7 – RETIREMENT PLAN (Continued)

Contributions –The pension plan under the 1937 Act has no legal contractual maximum contribution rates. The employers and members contribute to ACERA based on rates recommended by an Independent actuary and adopted by the Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their age at the date of entry and the actuarially calculated benefits and are between 5.42 and 16.36 percent of their annual covered salary effective September 2018. Member contributions are refundable upon termination from the retirement system.

State and Federal laws as well as the California Constitution provide the authority for the establishment of ACERA benefit provisions. In most cases where the 1937 Act provides options concerning the allowance of credit for service, the offering of benefits, or the modification of benefit levels, the law generally requires approval of the employer's governing board for the option to take effect. Separately, in 1984 the Alameda Board of Supervisors and the Board of Retirement approved the adoption of Article 5.5 of the 1937 Act. This adoption permitted the establishment of a Supplemental Retirees Benefit Reservice (SRBR) for ACERA.

Article 5.5 provides for the systematic funding of the SRBR and stipulates that its assets be used only for the benefit of retired members and their beneficiaries. The 1937 Act grants exclusive authority over the use of the SRBR funds to the Board of Retirement. Supplemental benefits currently provided through the SRBR include supplemental COLA, retiree death benefit and retiree health benefits including the Monthly Medical Allowance (MMA), dental and vision care, and Medicare Part B reimbursement. The provision of all supplemental benefits from the SRBR is subject to available funding and annual review and authorization by the Board of Retirement. SRBR benefits are not vested.

In 2006 the Board of Retirement approved the allocation of SRBR funds to Postemployment Medical Benefits and Other Pension Benefits. These two programs provide the supplemental benefits described above. For the year ended June 30, 2019, the contributions recognized as part of pension expense for the Plan were $2,128,546.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2019, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$26,320,948

NOTE 7 – RETIREMENT PLAN (Continued)

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan is as follows:

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll	Net Pension Liability as a percentage of its covered payroll
2017	1.46%	$25,488,068	$12,351,170	206.36%
2018	1.26%	19,859,054	11,997,579	165.53%
2019	1.24%	26,320,948	11,839,254	222.32%

For the year ended June 30, 2019, the Agency recognized pension expense of $2,005,360. Changes in the Net Pension Liability are recorded in the fund that recorded the liability. At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$2,294,121	
Differences between expected and actual experience	31,992	$694,782
Changes of assumptions	3,642,237	373,147
Change in proportion and differences between employer contributions and proportionate share of contributions	54,599	2,660,730
Net difference between projected and actual earnings on pension plan investments	3,279,872	
Total	$9,302,821	$3,728,659

The $2,294,121 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 subsequent fiscal year.

NOTE 7 – RETIREMENT PLAN (Continued)

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

Year Ended June 30	Annual Amortization
2020	$1,563,189
2021	190,864
2022	224,155
2023	1,452,401
2024	(150,568)

Actuarial Assumptions – The total pension liabilities in the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2017
Measurement Date	December 31, 2018
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation Rate	3.00%
Payroll Growth	3.00%
Projected Salary Increase	4.80% - 7.80% (1)
Cost of Living Adjustments	Tier 1: 3.00%
	Tiers 2 and 4: 2.00%
Investment Rate of Return	7.25% (2)
Mortality	RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables

(1) Vary by service, including inflation

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

Discount Rate – The discount rate used to measure the total pension liability was 7.25% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as December 31, 2018.

NOTE 7 – RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Large Cap Equity	22.40%	5.75%
Domestic Small Cap Equity	5.60%	6.37%
Developed International Equity	19.50%	6.89%
Emerging Markets Equity	6.50%	9.54%
U.S. Core Fixed Income	11.25%	1.03%
High Yield Bonds	1.50%	3.99%
International Bonds	2.25%	0.19%
TIPS	2.00%	0.98%
Real Estate	8.00%	4.47%
Commodities	3.00%	3.78%
Hedge Funds	9.00%	4.30%
Private Equity	9.00%	7.60%
Total	100.00%	

A change in the discount rate would affect the measurement of the Total Pension Liability (TPL). A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the Net Pension Liability (NPL) can be very significant for a relatively small change in the discount rate. The following presents the Agency's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plan, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.25%
Net Pension Liability	$37,795,784
Current Discount Rate	7.25%
Net Pension Liability	$26,320,948
1% Increase	8.25%
Net Pension Liability	$16,946,536

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

A. General Information about the Agency's Other Post Employment Benefit (OPEB) Plan

Plan Description – The Agency, through the County of Alameda (County), is a participant under the Alameda County Employees' Retirement Association's (ACERA) defined contribution plan for other post employment benefits as established by the California Legislature under Article 5.5 of the County Employees Retirement Law of 1937. ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2019:

Membership Eligibility	*Service Retirees:* Retired with at least 10 years of services (including deferred vested members who terminate employment and receive a retirement benefit from ACERA). *Disabled Retirees:* A minimum of 10 years of service required for non-duty disability. There is no minimum service requirement for duty disability.
Benefit Eligibility	1 <u>*Monthly Medical Allowance*</u> *Service Retirees:* For retirees, a Maximum Monthly Medical Allowance of $540.44 per month is provided, effective January 1, 2018 and through December 31, 2018. For the period January 1, 2019 through December 31, 2019, the maximum allowance is $558.00 per month. For those purchasing insurance through the Individual Medicare Exchange, the Monthly Medical Allowance was $414.00 per month for 2018 and is $427.46 for 2019. These Allowances are subject to the following subsidy schedule: **Completed Years of Service** — **Percentage Subsidized** 10-14 — 50% 15-19 — 75% 20+ — 100% *Disabled Retirees:* Non-duty retirees receive the same Monthly Medical Allowance as services retirees. Duty disabled retirees receive the same Monthly Medical Allowance as those services retirees with 20 or more years of service.
	2 Medical Benefit Reimbursement Plan: The SRBR reimburses the full Medicare Part B premium to qualified retired members. To qualify for reimbursement, a retiree must - Have at least 10 years of ACERA service, - Be eligible for Monthly Medical Allowance, - Provide proof of enrollment in Medical Part B
	3 Dental and Vision Plans: The SRBR provides dental and vision benefits for retirees only. The maximum combined dental and vision premiums will be $47.91 in 2018 and $48.39 in 2019. The eligibility for these premiums is as follows: *Service Retirees:* Retired with at least 10 years of service. *Disabled Retirees:* For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement. For duty disabled retirees, there is no minimum service requirement.
Deferred Benefit	Members who terminate employment with 10 or more years of service before reaching Pension eligibility commencement age may elect deferred MMA and/or dental/vision benefits.
Death Benefit	Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy from the actives, which creates a liability for the SRBR.

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (Continued)

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2019

Active employees	94
Inactive employees or beneficiaries currently receiving benefit payments	Not available
Inactive employees entitled to but not yet receiving benefit payments	Not available
Total	94

B. Net OPEB Liability

Actuarial Methods and Assumptions – The Agency's net OPEB liability was measured as of December 31, 2018 and the net OPEB liability was determined by an actuarial valuation dated December 31, 2017 that was rolled forward using standard update procedures to determine the Agency's net OPEB liability as of June 30, 2019, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	December 31, 2017
Measurement Date	December 31, 2018
Actuarial Cost Method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.00%
Payroll Growth	3.50%
Investment Rate of Return	7.25%
Mortality Rate	RP-2014 Healthy Annuitant Mortality Table
Healthcare Trend Rates	Non-Medicare medical plan -
	Graded from 7.00% to ultimate 4.50% over 10 years
	Medicare medical plan -
	Graded from 6.50% to ultimate 4.50% over 8 years
	Dental/Vision and Medicare Part B - 4.00%

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (Continued)

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

The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1% (6.25%)	Discount Rate (7.25%)	Discount Rate +1% (8.25%)
$4,690,145	$2,295,442	$1,595,827

Total OPEB Liability/(Asset)		
1% Decrease (6.00% - 3.50%)	Healthcare Cost Trend Rates (7.00% - 4.50%)	1% Increase (8.00% - 5.50%)
$1,425,834	$2,295,442	$4,939,738

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Agency recognized OPEB expense of $353,304. Changes in the Net OPEB Liability are recorded in the fund that recorded the liability. At June 30, 2019, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$381,530
Net Difference Between Projected and Actual Investment Earnings on OPEB plan Investments	$563,066	
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		209,586
Changes of assumptions	407,219	95,764
Total	$970,285	$686,880

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2020	$7,174
2021	7,174
2022	7,168
2023	369,958
2024	(54,673)
Thereafter	(53,396)

NOTE 9 – INSURANCE

The Agency is self-insured for claims under the County of Alameda self-insurance/excess insurance program. The County is a member of the California State Association-Excess Insurance Authority (CSAC-EIA), a California Counties Joint Powers Authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties.

Type of Coverage	Coverage Limit	Self-Insured/Deductible
General Liability, including Auto Liability	$25,000,000	$1,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	600,000,000	50,000
Crime	15,000,000	2,500
Pollution	10,000,000	250,000
Cyber Liability	2,000,000	100,000

NOTE 10 – COMMITMENT AND CONTINGENT LIABILITIES

A. Litigation

The Agency is subject to various lawsuits or claims in the normal course of business including challenges over certain rates and changes and from time to time is involved in lawsuits in which damages are sought. The ultimate outcome of these matters is not presently determinable. In the opinion of the Agency, these actions when finally adjudicated will not have a material adverse effect on the financial position of the Agency.

B. Water Supply Commitments

As part of its water management activities the Agency has entered into various water supply commitment contracts to reduce the risk of supply shortages. Under these water right agreements, the Agency has agreed to pay annual amounts for the delivery of committed levels of water supplies.

California Department of Water Resources: The Agency has a cost-sharing water supply contract with the Department of Water Resources (DWR) which provides for the annual allocation of 80,619-acre feet (AF) of water through 2035. DWR as project manager and administrator, developed, constructed, operates and maintains the State Water Project (SWP) to provide water to the Agency and the other water wholesalers. The Agency costs under the contract consists of a variable operating cost component and a semi-fixed capital cost component, including debt service on bonds issued by DWR to construct the project and it determines the cost annually. In fiscal years 2019 and 2018, the costs under the contract were $22.1 million and $21.4 million, respectively.

Effective November 7th, 2003, Amendment No. 24 to the Water Supply Contract between the DWR and the Agency was executed to set forth their agreement regarding the Agency's responsibility for the repayment of costs for the development and construction of the South Bay Aqueduct Enlargement. The Agency's estimated obligation, including interest, was $314.7 million. In fiscal years 2019 and 2018, the costs under Amendment No. 24 were $18.5 million and $19.4 million, respectively with a remaining obligation of $192.1 million as of June 30, 2019 to be paid by 2035.

Byron-Bethany Irrigation District: The Agency has a water supply agreement through December 31, 2030 with the District which provides for the annual delivery of water supplies from 2,000 acre-feet up to a maximum of 5,000 AF when BBID has surplus supplies available. The Agency is required to pay a flat rate cost per AF set forth in the agreement for water delivered but has an annual take-or-pay minimum of $90,000 regardless of whether water is delivered. In fiscal years 2019 and 2018, the costs under the agreement were $90,000 each year.

NOTE 10 – COMMITMENT AND CONTINGENT LIABILITIES (Continued)

Groundwater Banking and Exchange Program (The "Program"): In June, 2006, the Agency entered into a Water Banking and Exchange Program Agreement whereby Cawelo stores up to 120,000 AF of water deposited by the Agency in facilities Cawelo developed, constructed, owns and operates. The Agency may request the return of up to 10,000 AF of stored water per year. In addition, the Agreement provides for an exchange of water acquired under the Agency's DWR agreement and Cawelo's own contract providing DWR water rights. The Program contemplated by this Agreement will provide additional groundwater storage for the Agency resulting in better use of its SWP supplies and will provide improved reliability of supplies and overall higher groundwater levels for Cawelo, by transferring to Cawelo, for Cawelo's sole use, up to one half of Agency's delivered water. In exchange for these water rights, the Agency reimburses Cawelo certain operating and maintenance costs, pays certain fees which vary based on water stored, returned or exchanged, and makes fixed capital payments. In fiscal year 2018, the costs under the agreement were $1.9 million and in fiscal year 2019, the costs under the agreement was zero and pursuant to an assignment agreement with Cawelo Water District the Agency paid $15.4 million of all outstanding principal amount of the 2006 fixed capital payment.

Semitropic Water Storage District: In January 1998, the Agency, along with other water wholesalers entered into a Water Banking and Exchange Program Agreement with Semitropic Water Storage District and its Improvement District that entitles the Agency to storage of up to 65,000 AF, withdrawal, and exchange rights for the Agency's SWP supplies. In January 2005, an amendment was executed, enabling the Agency to participate in the Stored Water Recovery Unit Program. In fiscal year 2018, the Agency's share of the operating, maintenance and capital costs and certain fees under the agreement were $1.9 million and in fiscal year 2019, were $0.7 million.

Delta Conveyance Design and Construction Joint Powers Authority – On May 14, 2018, the Agency along with participating State Water Contractors formed the Delta Conveyance Design and Construction Joint Powers Authority ("DCA"). The DCA was formed with the proposes to enter into an agreement with DWR establishing that the DCA will undertake those activities required to complete the design and construction of the Delta Conveyance Project. The Delta Conveyance Project will make physical and operational improvements to the State Water Project ("SWP") and the Central Valley Project ("CVP") necessary to: protect and maintain ecosystem health; maintain water quality; and restore and protect water supplies so that the SWP and CVP are capable of readily delivering water within a stable regulatory framework at costs that are not so high as to preclude, and in amounts that are sufficient to support, the financing of the investments necessary to fund construction and operation of facilities and/or improvements. To-date no debt has been issued by the DCA and it is unknown when debt will be issued.

Delta Conveyance Finance Authority - On July 3, 2018, the Agency along with two other agencies formed the Delta Conveyance Finance Authority ("DCFA"). Subsequently, eight additional agencies have joined the DCFA. The DCFA was formed with the intent of issuing debt to fund a Delta Conveyance project. Each member agency shares equally in DCFA administrative costs, but obligations from any future debt issuance will be split according water allocations.

NOTE 10 – COMMITMENT AND CONTINGENT LIABILITIES (Continued)

The Agency has a 2 percent share of State Water Project Table A allocations, but the Agency's actual cost share for delta conveyance may vary depending on project participation. To-date no debt has been issued by the DCFA and it is unknown when debt will be issued. On April 29, 2019, California Governor Gavin Newsom signed Executive Order N-10-19, directing State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, including modernization of conveyance through the California Bay-Delta through a single-tunnel project. Accordingly, on May 2, 2019 the California Department of Water Resources ("DWR") withdrew proposed permits for the California WaterFix project in order to pursue a new environmental review and planning process for a Delta conveyance project aligned with the Governor's vision.

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REQUIRED SUPPLEMENTARY INFORMATION

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COST-SHARING MULTIPLE EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIO AS OF THE MEASUREMENT DATE

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Plan's proportion of the Net Pension Liability (Asset)	1.24%	1.26%	1.46%	1.18%	1.60%
Plan's proportion share of the Net Pension Liability (Asset)	$26,320,948	$19,859,054	$25,488,068	$24,951,866	$22,241,545
Plan's Covered Payroll	11,719,529	12,229,930	12,536,863	13,014,942	12,318,588
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	224.59%	162.38%	203.30%	191.72%	180.55%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	1.24%	1.26%	1.46%	1.18%	1.60%
Plan's Proportionate Share of Aggregate Employer Contributions	3,531,563	3,619,612	3,770,297	3,808,259	3,415,865

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

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	$4,468,041	$4,272,678	$4,616,119	$4,568,731	$4,324,438
Contributions in relation to the actuarially determined contributions	(4,468,041)	(4,272,678)	(4,616,119)	(4,568,731)	(4,324,438)
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Covered payroll	$11,839,254	$11,997,578	$12,351,170	$12,840,271	$12,505,557
Contributions as a percentage of covered payroll	37.74%	35.61%	37.37%	35.58%	34.58%
Notes to Schedule					
Valuation date:	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	(1)
Inflation	3.00%
Salary increases	(2)
Investment rate of return	7.25% (3)
Mortality	RP-2014 (REH-2014) Healthy Annuitant Mortality Tables projected generationally with the two-dimensional MP-2016 projection scale.
Post Retirement Benefit Increase	Contract COLA 2.00% - 3.00% of retirement income

(1) The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves.
(2) Depending on age, service and type of employment
(3) Net of pension plan investment expenses, including inflation

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

COST-SHARING EMPLOYER DEFINED OPEB PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

This schedule reports the proportion (percentage) of the collective net OPEB liability, the proportionate share (amount) of the collective net OPEB liability, the employer's covered employee payroll, the proportionate share (amount of the collective net OPEB liability as a percentage of the employer's covered employee payroll and the OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7 WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Cost-Sharing Multiple-Employer Defined OPEB Plan
Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

Measurement Date	**December 31, 2018**	**December 31, 2017**
Plan's proportion of the Net OPEB Liability	1.29%	1.43%
Plan's proportion share of the Net OPEB Liability	$2,295,442	$298,850
Plan's Covered Payroll	$11,719,530	$12,229,930
Plan's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	19.59%	2.44%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	1.29%	1.43%
Plan's Proportionate Share of Aggregate Employer Contributions	NA	NA

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

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan
Last 10 Years*
Schedule of Contributions

	June 30, 2019	June 30, 2018
Actuarially determined contribution	N/A	N/A
Contributions in relation to the actuarially determined contribution	N/A	N/A
Contribution deficiency (excess)	N/A	N/A
Covered payroll	$9,400,208	$9,957,944
Contributions as a percentage of covered-employee payroll	N/A	N/A

* Fiscal year 2018 was the first year of implementation and therefore, only two years are shown.

	Actuarial Assumptions
Valuation Date	December 31, 2017
Measurement Date	December 31, 2018
Actuarial Cost Method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	3.00%
Payroll Growth	3.50%
Investment Rate of Return	7.25%
Mortality Rate	RP-2014 Healthy Annuitant Mortality Table
Healthcare Trend Rates	Non-Medicare medical plan -
	Graded from 7.00% to ultimate 4.50% over 10 years
	Medicare medical plan -
	Graded from 6.50% to ultimate 4.50% over 8 years
	Dental/Vision and Medicare Part B - 4.00%

SUPPLEMENTARY INFORMATION

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
NON-MAJOR GOVERNMENTAL FUND
BALANCE SHEET
AS OF JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	Environmental Protection Agency (EPA) Grant - Federal	Totals 2019	Totals 2018
ASSETS			
Current assets			
Accounts receivable, net	$26,177	$26,177	$193,006
Total assets	$26,177	$26,177	$193,006
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	$24,703	$24,703	$3,256
Due to other funds	1,474	1,474	$189,750
Total liabilities	26,177	26,177	193,006
FUND BALANCES			
Unrestricted			
Total fund balances			
Total liabilities and fund balances	$26,177	$26,177	$193,006

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
NON-MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	Environmental Protection Agency (EPA) Grant - Federal	Total Non-major Governmental Funds 2019	Total Non-major Governmental Funds 2018
REVENUES			
Intergovernmental revenues	$125,352	$125,352	$1,230,924
Total revenues	125,352	125,352	1,230,924
EXPENDITURES			
Current:			
Salaries and employee benefits transferred from district-wide	6,284	6,284	6,900
Services and supplies	119,068	119,068	94,274
Capital outlay:			
Equipment and capital infrastructure			1,129,750
	125,352	125,352	1,230,924
NET CHANGE IN FUND BALANCES			
FUND BALANCES, BEGINNING OF YEAR			
FUND BALANCES, END OF YEAR			

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
NON-MAJOR WATER ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	Water Facilities	Water Supply and Reliability	Totals 2019	Totals 2018
ASSETS				
Current assets:				
Cash in County treasury	$3,885,062	$3,251,211	$7,136,273	$7,570,235
Total current assets	3,885,062	3,251,211	7,136,273	7,570,235
Total assets	3,885,062	3,251,211	7,136,273	7,570,235
LIABILITIES				
Current liabilities:				
Deposits	319,115		319,115	381,271
Total current liabilities	319,115		319,115	381,271
Total liabilities	319,115		319,115	381,271
NET POSITION				
Unrestricted	3,565,947	3,251,211	6,817,158	7,188,964
Total net position	3,565,947	3,251,211	6,817,158	7,188,964
Total liabilities and net position	$3,885,062	$3,251,211	$7,136,273	$7,570,235

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
NON-MAJOR WATER ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	Water	Water Supply	Totals	
	Facilities	and Reliability	2019	2018
NONOPERATING REVENUES				
Interest income and rental fees	$66,549	$61,710	$128,259	83,554
Income (loss) before transfers	66,549	61,710	128,259	83,554
Transfers (out)		(500,065)	(500,065)	(570,191)
Change in net position	66,549	(438,355)	(371,806)	(486,637)
Net position, beginning of year	3,499,398	3,689,566	7,188,964	7,675,601
Net position, end of year	$3,565,947	$3,251,211	$6,817,158	$7,188,964

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7 WATER AGENCY
NON-MAJOR WATER ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018

	Water Facilities	Water Supply and Reliability	Total 2019	Total 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from (payments to) customers	($62,156)		($62,156)	$38,331
Net cash provided (used) by operating activities	(62,156)		(62,156)	38,331
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (out)		($500,065)	(500,065)	(570,191)
Cash flows from noncapital financing activities		(500,065)	(500,065)	(570,191)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	66,549	61,710	128,259	83,554
Cash flows from investing activities	66,549	61,710	128,259	83,554
Net increase (decrease) in cash and cash equivalents	4,393	(438,355)	(433,962)	(448,306)
Cash and investments at beginning of period	3,880,669	3,689,566	7,570,235	8,018,541
Cash and investments at end of period	$3,885,062	$3,251,211	$7,136,273	$7,570,235
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)				
Adjustments to reconcile operating income (loss) to cash flows				
Changes in assets and liabilities				
Deposits	(62,156)		(62,156)	38,331
Net cash provided (used) by operating activities	($62,156)		($62,156)	$38,331

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

Board of Directors
Alameda County Flood Control and
Water Conservation District – Zone 7 Water Agency
Livermore, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (Agency), as of and for the year ended June 30, 2019, and have issued our report thereon dated December 10, 2019. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

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

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

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

Accountancy Corporation
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Pleasant Hill, CA 94523

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Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated December 10, 2019 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
December 10, 2019

STATISTICAL SECTION

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Statistical Section

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have change over time. (Tables 1-4)

Revenue Capacity

These schedules contain information to help the reader assess the Agency's revenue sources and rate structure. (Pages Tables 4-13)

Debt Capacity

These schedules contain information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the Agency's ability to issue additional debt in the future. (Tables 14-15)

Demographic and Economic Information

This schedule offers demographic, economic, and Agency indicators to help the reader understand the environment within which the Agency's financial activities take place. (Tables 16-18)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the activities it performs. (Tables 18-20)

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Table 1)

	Fiscal Year									
	2010	**2011**	**2012**	**2013 (a)**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Governmental activities										
Net investment in capital assets	$14,661,865	$14,479,216	$14,301,567	$16,232,189	$30,403,950	$30,385,318	$30,334,638	$31,990,546	$32,247,481	$33,164,265
Restricted	57,518,054	58,914,899	36,696,155	60,596,601	41,506,430	49,177,969	56,059,067	58,149,272	62,760,525	66,872,665
Unrestricted	477,102	3,928,002	23,559,397	4,406,909	15,260,267	16,739,156	19,133,427	20,484,357	16,662,343	15,346,434
Total governmental activities net position	$72,657,021	$77,322,117	$23,559,397	$81,235,699	$87,170,647	$96,302,443	$105,527,132	$110,624,175	$111,670,349	$115,383,364
Business-type activities										
Net investment in capital assets	$214,245,244	$208,841,658	$205,651,283	$202,295,691	$211,603,471	$212,562,797	$188,968,433	$194,732,197	$198,348,996	$210,675,110
Restricted	43,769,762	40,041,672	37,928,558	65,125,317	42,196,142	50,917,217	82,151,910	97,494,721	107,414,628	127,521,329
Unrestricted	39,299,226	39,394,747	41,291,980	40,127,373	57,821,385	36,428,063	30,717,428	37,712,019	47,669,365	48,823,266
Total business-type activities net position	$297,314,232	$288,278,077	$284,871,821	$307,548,381	$311,620,998	$299,908,077	$301,837,771	$329,938,937	$353,432,989	$387,019,705
Primary government										
Net investment in capital assets	$228,907,109	$223,320,874	$219,952,850	$218,527,880	$242,007,421	$242,948,115	$219,303,071	$226,722,743	$230,596,477	$243,839,375
Restricted	101,287,816	98,956,571	74,624,713	125,721,918	83,702,572	100,095,186	138,210,977	155,643,993	170,175,153	194,393,994
Unrestricted	39,776,328	43,322,749	64,851,377	44,534,282	73,081,652	53,167,219	49,850,855	58,196,376	64,331,708	64,169,700
Total primary governmental activities net position	$369,971,253	$365,600,194	$359,428,940	$388,784,080	$398,791,645	$396,210,520	$407,364,903	$440,563,112	$465,103,338	$502,403,069

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Table 2)

	2010	2011	2012	2013 (a)	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Flood Protection Operations	$3,547,907	$4,063,566	$8,499,485	$3,947,332	$1,488,735	$4,705,166	$5,328,998	$5,341,751	$12,859,064	$10,308,973
Flood Protection Drainage DIF	561,339	615,758	5,903,778	705,688	4,029,268	499,169	794,922	1,841,555	542,139	367,976
Flood Protection Grants									1,230,924	125,352
Total governmental activities expenses	4,109,246	4,679,324	14,403,263	4,653,020	5,518,003	5,204,335	6,123,920	7,183,306	14,632,127	10,802,301
Business-type activities										
State Water Project	8,787,104	10,670,494	13,858,280	14,002,380	13,681,891	16,359,406	20,621,344	20,985,604	19,794,128	21,420,192
Water Enterprise Funds	49,257,457	50,869,431	51,267,019	54,868,275	57,386,822	59,122,995	81,257,514	60,641,826	75,273,928	63,564,015
Total business-type activities	58,044,561	61,539,925	65,125,299	68,870,655	71,068,713	75,482,401	101,878,858	81,627,430	95,068,056	84,984,207
Total primary government expenses	$62,153,807	$66,219,249	$79,528,562	$73,523,675	$76,586,716	$80,686,736	$108,002,778	$88,810,736	$109,700,183	$95,786,508
Program Revenues										
Governmental activities										
Charges for Services	$11,078	$12,771	$40,851	$35,661	$57,142	$450,658	$7,432,934	$3,554,796	$4,566,846	$3,412,359
Operating grants and contributions	54,264	53,229	61,249	61,578	64,318	112,334	71,562	181,418	182,315	70,969
Other program revenues	1,191,832	3,187,574	5,505,787	5,095,420	4,953,372	8,032,445	40,202	13,263	1,230,924	125,352
Total governmental activities program revenues	1,257,174	3,253,574	5,607,887	5,192,659	5,074,832	8,595,437	7,544,698	3,749,477	5,980,085	3,608,680
Business-type activities										
Charges for Services:										
State Water Project	9,686,655	12,206,165	15,489,732	11,942,972	12,269,322	13,708,844	19,419,226	20,795,420	22,927,398	23,420,521
Water Enterprise Funds	30,857,470	31,855,389	35,528,292	38,200,851	58,073,146	56,318,578	68,521,032	77,751,701	84,306,162	83,160,107
Operating grants and contributions	808,207	444,139	106,194	68,416	4,347,897	5,012,899	15,285,044	10,179,114	7,235,940	6,723,525
Capital grants and contributions	20,787,373	11,810,379	13,700,090	30,824,513					-	-
Total business-type activities program revenues	62,139,705	56,316,072	64,824,308	81,036,752	74,690,365	75,040,321	103,225,302	108,726,235	114,469,500	113,304,153
Total primary government program revenues	$63,396,879	$59,569,646	$70,432,195	$86,229,411	$79,765,197	$83,635,758	$110,770,000	$112,475,712	$120,449,585	$116,912,833
Net (Expense)/Revenue										
Governmental activities	($2,852,072)	($1,425,750)	($8,795,376)	$539,639	($443,171)	$3,391,102	$1,420,778	($3,433,829)	($8,652,042)	($7,193,621)
Business-type activities	4,095,144	(5,223,853)	(300,991)	12,166,097	3,621,652	(442,080)	1,346,444	27,098,805	19,401,444	28,319,946
Total primary government net revenues	$1,243,072	($6,649,603)	($9,096,367)	$12,705,736	$3,178,481	$2,949,022	$2,767,222	$23,664,976	$10,749,402	$21,126,325
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property	$5,918,281	$5,745,003	$5,773,050	$5,959,083	$6,201,653	$6,759,202	$7,329,117	$7,895,448	$8,518,064	$9,144,785
Investment earnings and rental charges	428,861	345,843	257,328	179,858	189,800	260,490	465,771	647,869	982,802	1,595,226
Transfers					(13,334)	(13,333)	(13,333)	(12,445)	(12,444)	(12,444)
Other							22,356		34,267	179,069
Total governmental activities	6,347,142	6,090,846	6,030,378	6,138,941	6,378,119	7,006,359	7,803,911	8,530,872	9,522,689	10,906,636
Business-type activities										
Investment earnings	682,341	704,257	610,133	331,588	390,865	314,297	496,700	915,090	2,021,455	5,187,260
Rental charges	31,000	31,000	31,000	31,000	46,796	50,815	73,217	74,826	56,497	67,066
Transfers					13,334	13,333	13,333	12,445	12,444	12,444
Total business-type activities	713,341	735,257	641,133	362,588	450,995	378,445	583,250	1,002,361	2,090,396	5,266,770
Total primary government	$7,060,483	$6,826,103	$6,671,511	$6,501,529	$6,829,114	$7,384,804	$8,387,161	$9,533,233	$11,613,085	$16,173,406
Change in Net Position										
Governmental activities	3,495,070	4,665,096	(2,764,998)	6,678,580	5,934,948	10,397,461	9,224,689	5,097,043	870,647	3,713,015
Business-type activities	4,808,485	(4,488,596)	340,142	12,528,685	4,072,647	(63,635)	1,929,694	28,101,166	21,491,840	33,586,716
Total primary government	$8,303,555	$176,500	($2,424,856)	$19,207,265	$10,007,595	$10,333,826	$11,154,383	$33,198,209	$22,362,487	$37,299,731

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Table 3)

		-----------------Unreserved---------------					
Fiscal Year	**Reserved**	**Capital project**	**Specific projects and**	**Unassigned**	**Restricted**	**Committed**	**Total**
2010	$179,791	$33,505,378	$23,832,885	$477,102			$57,995,156
2011					$26,027,983	$36,814,918	62,842,901
2012					36,696,155	23,559,397	60,255,552
2013					40,648,531	24,354,979	65,003,510
2014					41,506,430	15,260,267	56,766,697
2015					49,177,969	18,009,177	67,187,146
2016					56,059,067	20,666,297	76,725,364
2017					58,149,272	21,898,222	80,047,494
2018					62,760,525	18,352,377	81,112,902
2019					66,872,665	17,602,713	84,475,378

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013,
which replaced the term "net assets" with the term "net position".
Note: FY 2009/10 and prior fund balance amounts have not been restated for the implementation of GASB Statement 54,
which the Agency implemented in FY 2010/11

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT - ZONE 7 WATER AGENCY
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Table 4)

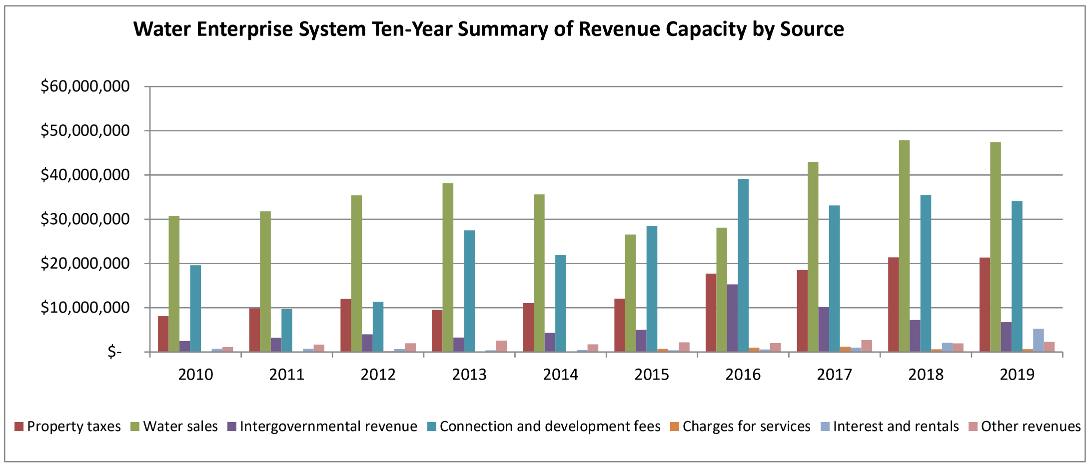
	Fiscal Year									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Revenues										
Property taxes	$5,918,281	$5,745,003	$5,773,050	$5,959,083	$6,201,653	$6,759,202	$7,329,117	$7,895,448	$8,518,064	$9,144,785
Intergovernmental revenues	54,264	53,229	61,249	61,578	64,318	144,691	71,562	181,418	1,413,239	196,321
Charges for services	1,178,982	3,178,719	5,505,177	5,117,561	4,823,378	8,450,033	7,432,934	3,554,796	4,566,846	3,412,359
Interest and rentals	428,861	345,843	257,328	179,858	189,800	260,490	465,771	647,869	982,802	1,595,226
Other revenues	23,928	21,626	41,461	13,520	187,136	713	62,558	13,263	34,267	179,069
Total revenues	7,604,316	9,344,420	11,638,265	11,331,600	11,466,285	15,615,129	15,361,942	12,292,794	15,515,218	14,527,760
Expenditures										
Salaries and employee benefits transferred from district-wide	1,703,900	1,937,436	2,243,556	2,631,352	2,535,779	2,252,655	2,455,453	1,961,724	2,292,919	2,332,437
Services and supplies	2,206,560	2,559,113	6,851,120	3,498,544	2,650,121	2,821,192	3,354,938	4,187,243	11,014,697	8,612,252
Equipment and capital structure		126	5,130,850	451,740	14,503,864	107,500		2,809,252	1,129,750	208,151
Other			88	2,006						
Total Expenditures	3,910,460	4,496,675	14,225,614	6,583,642	19,689,764	5,181,347	5,810,391	8,958,219	14,437,366	11,152,840
Excess of revenues over/(under) expenditures	3,693,856	4,847,745	(2,587,349)	4,747,958	(8,223,479)	10,433,782	9,551,551	3,334,575	1,077,852	3,374,920
Other Financing Sources (Uses)										
Tra (a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013,										
Tra which replaced the term "net assets" with the term "net position".					(13,334)	(13,333)	(13,333)	(12,445)	(12,444)	(12,444)
Total other financing sources (uses)					(13,334)	(13,333)	(13,333)	(12,445)	(12,444)	(12,444)
Net change in fund balances	$3,693,856	$4,847,745	($2,587,349)	$4,747,958	($8,236,813)	$10,420,449	$9,538,218	$3,322,130	$1,065,408	$3,362,476

Source: Zone 7 Finance Department, Governmental Income Statement

Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30
(Table 5)

Water Enterprise System

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Property taxes	$ 8,085,099	$ 9,860,412	$ 12,017,106	$ 9,517,243	$ 11,016,532	$ 12,060,478	$ 17,716,841	$ 18,524,750	$ 21,385,641	$ 21,353,809
Water sales	30,777,082	31,785,517	35,398,908	38,130,264	35,616,588	26,552,568	28,110,974	42,975,960	47,860,145	47,440,592
Intergovernmental revenue	2,479,844	3,223,559	3,972,942	3,263,820	4,347,890	5,012,899	15,285,044	10,179,114	7,235,940	6,723,525
Connection and development fees	19,601,871	9,697,595	11,345,942	27,483,527	21,973,245	28,521,399	39,135,444	33,128,280	35,434,462	34,068,092
Charges for services	80,388	69,872	129,384	70,587	2,938	720,670	976,853	1,201,296	609,191	620,503
Interest and rentals	713,341	735,257	641,133	362,588	437,661	365,112	569,917	989,916	2,077,952	5,254,326
Other revenues	1,115,421	1,679,117	1,960,026	2,571,311	1,733,172	2,172,307	2,000,146	2,716,835	1,944,121	2,310,887
Total Revenues	**$ 62,853,046**	**$ 57,051,329**	**$ 65,465,441**	**$ 81,399,340**	**$ 75,128,026**	**$ 75,405,433**	**$ 103,795,219**	**$ 109,716,151**	**$ 116,547,452**	**$ 117,771,734**

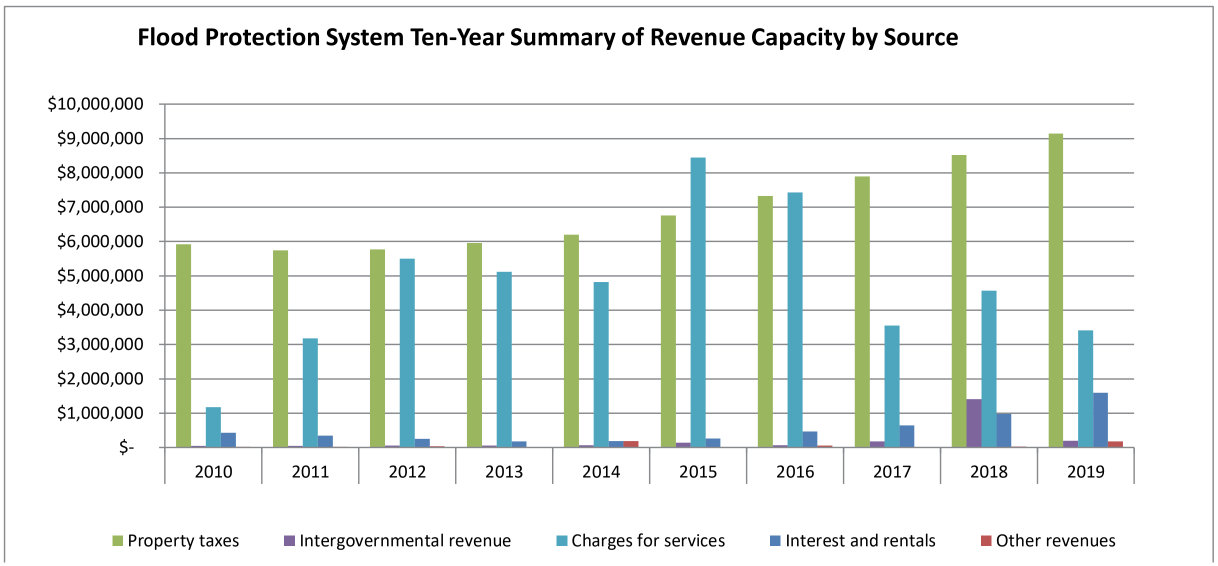


Source: Finance

Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30
(Table 6)

Flood Protection System

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Property taxes	$ 5,918,281	$ 5,745,003	$ 5,773,050	$ 5,959,083	$ 6,201,653	$ 6,759,202	$ 7,329,117	$ 7,895,448	$ 8,518,064	$ 9,144,785
Intergovernmental revenue	54,264	53,229	61,249	61,578	64,318	144,691	71,562	181,418	1,413,239	196,321
Charges for services	1,178,982	3,178,719	5,505,177	5,117,561	4,823,378	8,450,033	7,432,934	3,554,796	4,566,846	3,412,359
Interest and rentals	428,861	345,843	257,328	179,858	189,800	260,490	465,771	647,869	982,802	1,595,226
Other revenues	23,928	21,626	41,461	13,520	187,136	713	62,558	13,263	34,267	179,069
Total Revenues	**$ 7,604,316**	**$ 9,344,420**	**$ 11,638,265**	**$ 11,331,600**	**$ 11,466,285**	**$ 15,615,129**	**$ 15,361,942**	**$ 12,292,794**	**$ 15,515,218**	**$ 14,527,760**

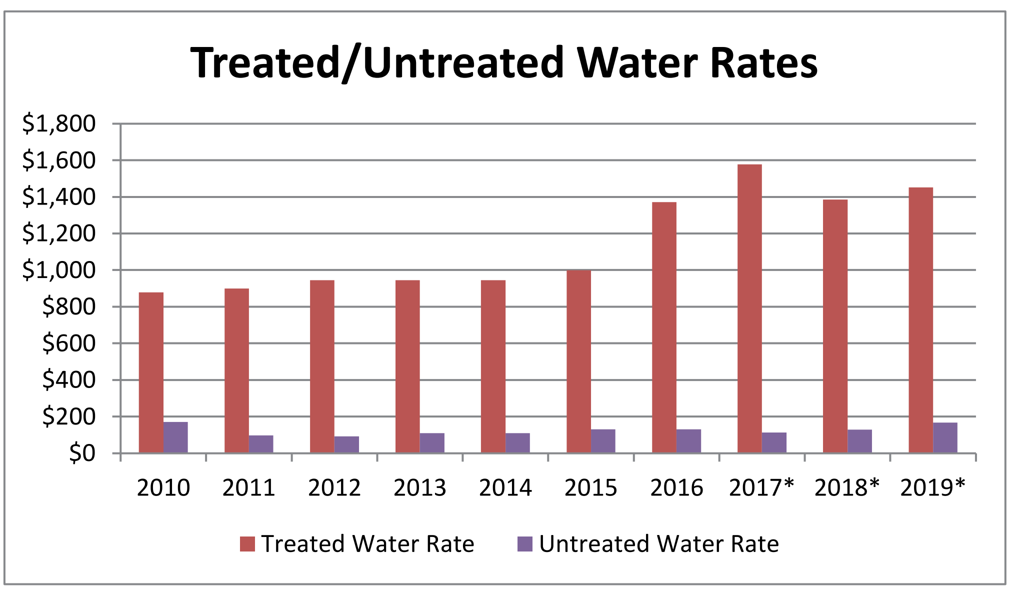


Source: Finance

Zone 7 Water Agency
Treated/Untreated Water Rates
Ten-Year History
(In Acre Feet)
(Table 7)

	Treated Water Rate		Untreated Water Rate	
Calendar Year	**Rate/AF**	**% Change Year over Year**	**Rate/AF**	**% Change Year over Year**
2010	$878	9.2%	$171	-5.5%
2011	$900	2.5%	$97	-43.3%
2012	$945	5.0%	$92	-5.2%
2013	$945	0.0%	$110	19.6%
2014	$945	0.0%	$110	0.0%
2015	$999	5.7%	$130	18.2%
2016	$1,372	37.3%	$130	0.0%
2017*	$1,577	14.9%	$113	-13.1%
2018*	$1,385	-12.2%	$129	14.2%
2019*	$1,451	4.8%	$167	29.5%

*In 2017, the agency changed its rates structure to include volume-based and fixed-based components.

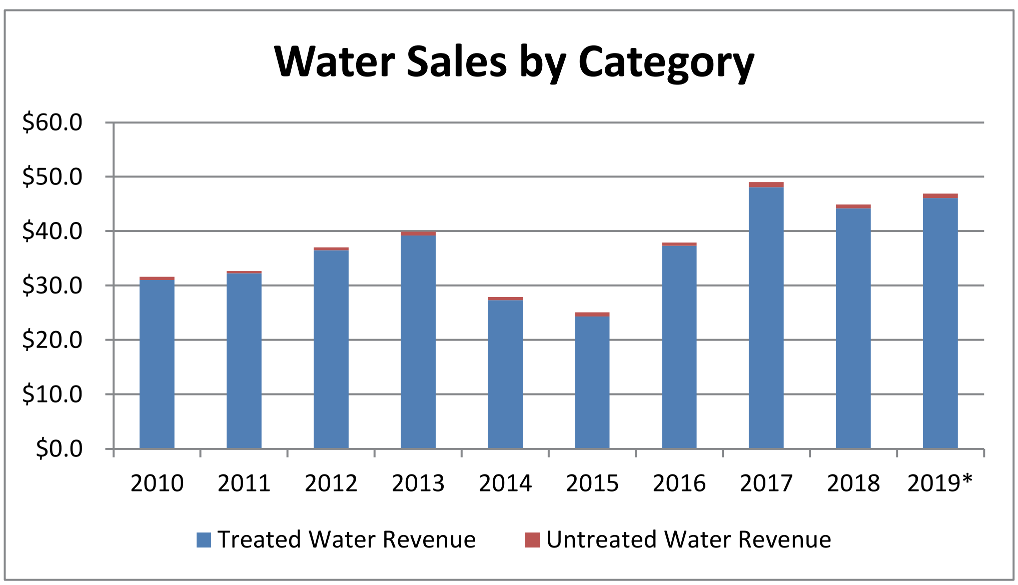


Source: Finance

Zone 7 Water Agency
Water Sales by Category
Ten-Year History
(In Millions)
(Table 8)

Calendar Year	Municipal/Industrial (Treated) Water Revenue	Untreated Water Revenue	Total
2010	$31.0	$0.6	$31.6
2011	$32.3	$0.4	$32.7
2012	$36.5	$0.5	$37.0
2013	$39.2	$0.7	$39.9
2014	$27.3	$0.6	$27.9
2015	$24.3	$0.8	$25.1
2016	$37.3	$0.6	$37.9
2017	$48.1	$0.9	$49.0
2018	$44.2	$0.7	$44.9
2019*	$46.1	$0.8	$46.9

* 2019 Revenue figures are forecasted in order to calculate a full calendar year.



Source: Finance

Zone 7 Water Agency
Principal Treated Water Customers
Current Complete Year Comparison to Nine Years Ago
(Calendar Year)
(Table 9)

2018				2009			
Customer	**Annual Consumption (AF)**	**Rank**	**Percentage of Total Annual Consumption**	**Customer**	**Annual Consumption (AF)**	**Rank**	**Percentage of Total Annual Consumption**
City of Pleasanton	9,862	1	30.9%	City of Pleasanton	13,956	1	36.4%
Dublin San Ramon Services District	9,636	2	30.2%	Dublin San Ramon Services District	9,680	2	25.3%
California Water	6,001	3	18.8%	California Water	7,933	3	20.7%
City of Livermore	5,588	4	17.5%	City of Livermore	6,515	4	17.0%
All other treated water customers[1]	855	5	2.6%	All other treated water customers[2]	233	5	0.6%
Total Annual Consumption (AF)	31,942		100%	Total Annual Consumption (AF)	38,317		100%

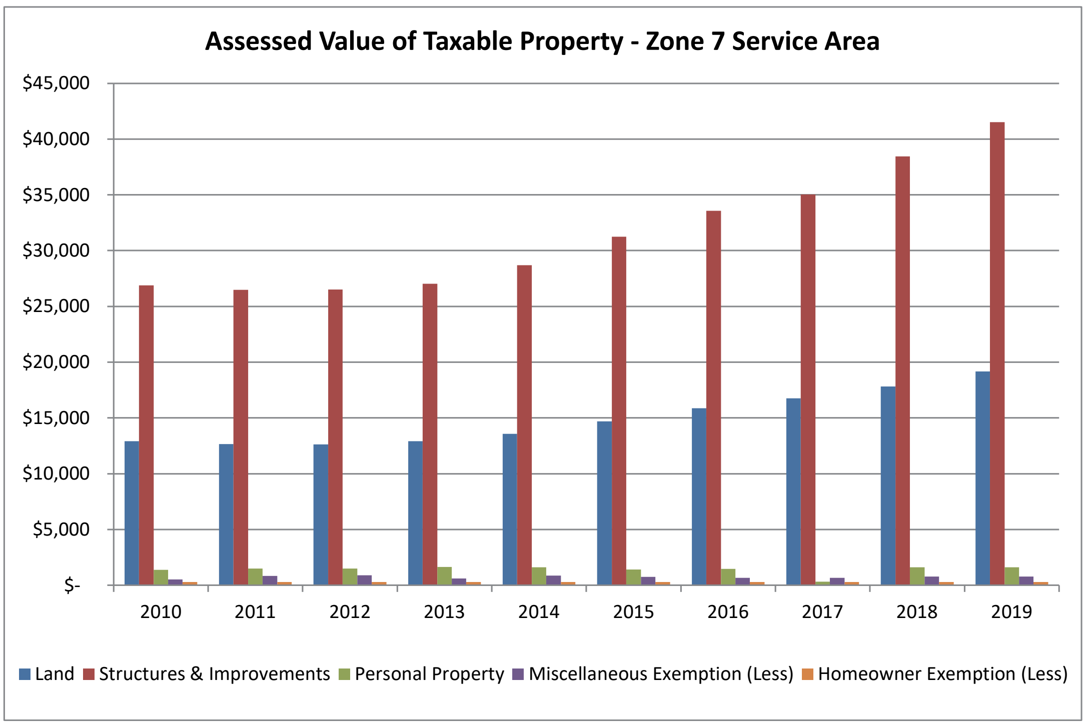
Source: Finance

[1] Other treated customers in 2018 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District.

[2] Other treated customers in 2009 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District, State of California, and Dublin Housing.

Zone 7 Water Agency
Assessed Value of Taxable Property - Zone 7 Service Area
Last Ten Fiscal Years
Fiscal Year Ended June 30
($ Millions)
(Table 10)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed Value of Taxable Property										
Land	$ 12,927	$ 12,660	$ 12,635	$ 12,905	$ 13,587	$ 14,680	$ 15,861	$ 16,766	$ 17,825	$ 19,166
Structures & Improvements	26,874	26,492	26,507	27,029	28,695	31,246	33,555	35,024	38,434	41,506
Personal Property	1,372	1,491	1,508	1,652	1,611	1,419	1,473	326	1,625	1,622
Miscellaneous Exemption (Less)	512	831	891	599	867	755	661	664	769	769
Subtotal	40,661	39,812	39,759	40,987	43,026	46,590	50,228	51,452	57,115	61,525
Homeowner Exemption (Less)	298	297	298	297	299	300	303	304	306	307
Net Total	$ 40,363	$ 39,515	$ 39,461	$ 40,690	$ 42,727	$ 46,290	$ 49,925	$ 51,148	$ 56,809	$ 61,218



Source: Alameda County Assessors Office

Zone 7 Water Agency
Property Tax Rates (1)
Direct and Overlapping Governments
(Rates per $1,000 of Assessed value)
Last Ten Fiscal Years
(Table 11)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Direct Rates:										
City of Livermore Direct Rates	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Overlapping Rates (2):										
School District	0.0674%	0.0635%	0.0627%	0.0607%	0.0596%	0.0497%	0.0404%	0.0886%	0.0803%	0.0743%
Community College	0.0195%	0.0211%	0.0214%	0.0219%	0.0214%	0.0217%	0.0198%	0.0246%	0.0445%	0.0422%
Bay Area Rapid Transit	0.0057%	0.0031%	0.0041%	0.0043%	0.0075%	0.0045%	0.0026%	0.0080%	0.0084%	0.0120%
Zone 7 Flood Control	0.0203%	0.0250%	0.0307%	0.0228%	0.0257%	0.0250%	0.0343%	0.0333%	0.0359%	0.0309%
Total Direct and Overlapping Rate	**1.1129%**	**1.1127%**	**1.1189%**	**1.1097%**	**1.1142%**	**1.1009%**	**1.0971%**	**1.1545%**	**1.1691%**	**1.1594%**

Source: Alameda County Treasurer and Tax Collector

Note:
(1) The above data represents a single tax area within the Agency's jurisdiction and is presented herein to show readers general trends of property tax rates
(2) Overlapping rates are those local and county governments that apply to property owners within the City of Livermore. Not all overlapping rates apply to all property owners. For an overlapping rate to apply, the property has to be located within that district's geographic boundary.

Zone 7 Water Agency

Property Tax Levies and Collections

Last Ten Fiscal Years

(Table 12)

		Collected within the Fiscal Year of Levy		
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Delinquent Tax Collections
2010	14,003,380	14,003,380	100%	0%
2011	15,605,415	15,605,415	100%	0%
2012	17,790,156	17,790,156	100%	0%
2013	15,476,326	15,476,326	100%	0%
2014	17,218,185	17,218,185	100%	0%
2015	18,819,680	18,819,680	100%	0%
2016	25,045,958	25,045,958	100%	0%
2017	26,420,199	26,420,199	100%	0%
2018	28,225,563	28,225,563	100%	0%
2019	28,991,052	28,991,052	100%	0%

Source: Finance

Zone 7 Water Agency

Principal Property Tax Payers

Current year and Ten Years Ago

(Fiscal Year)

(Table 13)

	2019 [1]				2009 [2]		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Agency Assessed Value**	**Taxpayer**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Agency Assessed Value**
Kaiser Foundation Health Plan & Hospitals	$ 577,002,692	1	1.02%	Kaiser Foundation Health Plan	$ 345,503,090	1	0.87%
Stoneridge Creek Pleasanton CCRC LLC	269,596,062	2	0.47%	Stoneridge Properties	222,006,753	2	0.56%
Stoneridge Properties	267,031,933	3	0.47%	Pleasanton Property LLC	205,277,573	3	0.52%
Rosewood Commons Property Owner LLC	263,525,000	4	0.46%	6200 Stoneridge Mall Road Inv	187,618,953	4	0.47%
Livermore Premium Outlets LLC	218,104,376	5	0.38%	C-T Stoneridge LLC	156,568,980	5	0.39%
6200 Stoneridge Mall Road Investors LLC	205,207,270	6	0.36%	Applera Corporation	142,586,338	6	0.36%
Essex Pleasanton Owner LP	201,837,415	7	0.36%	Safeway Inc.	138,571,411	7	0.35%
Avalon Dublin Station II LP	171,932,223	8	0.30%	Stoneridge Residential LLC	138,217,900	8	0.35%
Stoneridge Residential LLC	163,085,008	9	0.29%	Shops at Waterford LLC	125,653,003	9	0.32%
CP IV Vintage LLC	158,696,172	10	0.28%	Tishman Speyer Archstone Smith	114,986,547	10	0.29%
	$ 2,496,018,151		4.39%		$ 1,776,990,548		4.48%

Source:

[1] County of Alameda 2018-19 FY Top 10 Taxpayers by Primary Tax Code Area (secured)

[2] FY 2017-18 City of Livermore, City of Pleasanton, and City of Dublin's Comprehensive Annual Financial Reports

Zone 7 Water Agency

Water Enterprise Outstanding Debt by Type

(Table 14)

2010	2011	2012	2013	2014	2015	2016	2017	2018 [1]	2019
60,000,000	30,500,000	30,500,000	30,500,000	-	-	-	-	64,010,000	64,010,000

Source: Finance

[1] On March 11, 2018, the Agency, via the Livermore Valley Water Financing Authority issued the 2018 Water Revenue Bonds in the amount of $64,010,000.

Zone 7 Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years
(millions)
(Table 15)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	$ 2,018	$ 1,976	$ 1,973	$ 2,035	$ 2,136	$ 2,315	$ 2,496	$ 2,668	$ 2,840	$ 3,056
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 2,018	$ 1,976	$ 1,973	$ 2,035	$ 2,136	$ 2,315	$ 2,496	$ 2,668	$ 2,840	$ 3,056
Total net debt applied to the limit as a percentage of the debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Alameda County Assessor's Office and Agency Finance

Zone 7 Water Agency

Demographic and Economic Statistics

For Alameda County and the Zone 7 Service Area

Ten Fiscal Years (2010-2019)

(Table 16)

Fiscal Year	Zone 7 Service Area (Acres)	Population Served within Zone 7's Service Area [1]	Total Population Alameda County [2]	Total Personal Income Alameda County ($ billions) [3]	Per Capita Income Alameda County [3]	Unemployment Rate Alameda County [4]	Consumer Price Index Alameda County (% change in CPI)[5]
2010	272,000	220,000	1,513,228	72.4	53,047	11.3	1.3
2011	272,000	224,000	1,526,226	78.2	55,295	10.8	2.7
2012	272,000	229,000	1,539,145	84.5	57,739	9.5	2.7
2013	272,000	233,000	1,563,495	87.4	57,473	7.4	2.2
2014	272,000	239,000	1,583,979	92.4	58,364	5.8	2.7
2015	272,000	245,000	1,611,318	101.4	64,466	5.2	3.2
2016	272,000	247,000	1,629,738	106.5	65,045	4.7	3.1
2017	272,000	255,023	1,646,405	114.5	69,350	4.0	3.0
2018	272,000	259,165	1,656,884	121.6*	70,487*	3.1	4.3
2019	272,000	260,000*	1,669,301*	128.7*	71,726*	2.6	2.7

Source:

[1] Population of Service Area include cities of; Livermore, Pleasanton, Dublin and Dougherty Valley (Dougherty Valley figures are estimated as 0.336% of City of San Ramon) . CA Department of Finance, Demographic Research Unit (E-1, 1/1/2018-19 City Population Ranking) Demographics/Estimates.

[2] CA Department of Finance, Demographic Research Unit (E-1, 1/1/2018-19 City Population Ranking), figures are rounded to nearest five hundred.

[3] CA Department of Transportation (CADOT) County-level Economic Forecast, 2010-17 History and 2018-50 Forecast. CADOT postponed update of 2019 data until end of calendar year.

[4] Local Area Unemployment reported by US Department of Labor Bureau of Labor Statistics, 2019, San Francisco-Oakland-Hayward Metropolitan Area (reflected as of October).

[5] Consumer Price Index provided by US Department of Labor Bureau of Labor Statistics, 2019, San Francsco-Oakland-Hayward Metropolitan Area (reflected as of August). CPI includes all items.

* Figures are forecasted estimates.

Zone 7 Water Agency
Principal Employers In Alameda County
Current Complete Year and Nine Years Ago
(Table 17)

Company/Organization	Business Type	Number of Employees January 1, 2018 [1]	Rank	Percentage of Total County Employment [2]	Number of Employees June 30, 2009 [1]	Rank	Percentage of Total County Employment [2]
Kaiser Permanente Medical Group [3]	Health Care	34,398	1	4.21%		20+	_ %
Sutter Health [3]	Health Care	10,184	2	1.25%		20+	_
Tesla [3]	Electric Vehicle Manufacturer	10,000	3	1.22%	_	20+	_
County of Alameda	Local Government	9,545	4	1.17%	9,029	2	1.30%
Safeway Inc., [3]	Supermarkets & Other Grocery	9,373	5	1.15%	_	20+	_
John Muir Health [3]	Health Care	6,484	6	0.79%	_	20+	_
Chevron Corporation [3]	Energy	5,252	7	0.64%	_	20+	_
PG&E Corporation [3]	Energy	5,100	8	0.62%	_	20+	_
Wells Fargo Bank [3]	Financial Services	5,089	9	0.62%	_	20+	_
UPS [3]	Trucking/ Shipping/ Freight	4,500	10	0.54%	_	20+	_
Total Alameda County top 10 Employees		99,925		12.21%	9,029		1.30%

Source: Alameda County FY 2017-18 Comprehensive Annual Financial Report

[1] The number of employees, except for County of Alameda and City of Oakland include Alameda County and Contra Costa County employees
Total employment within County of Alameda is unavailable.

[2] Percentage calculated based on Alameda County's Employment of 817,500 for 2018 and 686,300 for 2009 (Source: Employment Development Department)

[3] Information from SFBT research as of July 8, 2018. Information as of June 30, 2018 is not available, except for County of Alameda employer.

[4] Information from County of Alameda's database as of June 30, 2018.

Zone 7 Water Agency
Full-time Equivalent Agency Employees by Function/Program Budget
Last Ten Fiscal Years
(Table 18)

Division/Function	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Office of the General Manager	13	13	10	14	7	7	8	9	9	9
Integrated Planning					7.5	7.5	8.5	9.5	9.5	6.5
Finance:										
Finance and Accounting	11	11	10	11	9	9	10	10	10	10
Employee Services	6	6	6	6	7	7	7	4	4	3
Engineering:										
Facilities Engineering	16	16	16	15	13	14	12	13	13	10
Groundwater	9	9	9	8	7	7	8.5	7.5	7.5	7.5
Water Quality	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Flood Protection	7	7	7	6	5	5	6	7	7	8
Operations	25	25	24	24	24	24	24	27	27	28
Maintenance	18	18	19	19	19	19	20	20	20	19
Total FTE	112.5	112.5	108.5	110.5	106	107	111.5	114.5	114.5	108.5

Source: Finance

Zone 7 Water Agency
Operating Indicators
Fiscal Years 2010-2019
(Table 19)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Enterprise System										
Total Groundwater pumped (AF) [1]	8,919	6,264	12,105	9,555	8,782	2,565	2,002	2,300	4,700	8,000
Total Artificial Stream Recharge (AF)	6,773	4,555	8,778	7,887	3,826	3,766	8,910	8,300	9,100	3000 [2]
New water connections	544	412	489	1,187	928	1,196	1,600	1,338	1,301	1,214
Total drilling permits issued	130	140	149	159	176	171	133	155	165	154
Flood Protection System										
Flood Protection area managed (Square miles)	425	425	425	425	425	425	425	425	425	425
Flood Protection channels (miles)	37	37	37	37	37	37	37	37	37	37
Flood Protection encroachment permits issued	34	30	36	36	30	31	34	24	32	37
Flood Protection development referrals	27	31	15	18	13	13	15	20	15	11

Source: Flood Protection, Groundwater and Integrated Water Planning departments.

[1] Calculated on a Water Year basis (October 1 - September 30)

[2] Total Artificial Stream Recharge calculations are completed at calendar year end, therefore 2019 figure is an estimate.

Zone 7 Water Agency
Operating Information
Capital Asset Statistics
Fiscal Years 2010-2019
(Table 20)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of pipeline	41	41	41	41	41	41	41	41	41	41
Number of treated water pumping stations	2	2	2	2	2	2	2	2	2	2
Number of wells operated	9	9	9	9	10	10	10	10	10	10
Total Groundwater storage (AF)[1,2]	231,000	235,000	227,000	220,000	209,000	213,000	226,000	248,000	249,000	249,000
Total Groundwater operational storage-water year (AF)[2]	103,000	107,000	99,000	92,000	81,000	85,000	98,000	120,000	121,000	121,000

Source: Groundwater and Operations

[1] 2019 Total and Operational Groundwater Storage are estimates based on mid-September water levels. Actual values get calculated at end of each year
[2] Calculated on a Water Year basis (October 1 - September 30).

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Central Coast Water Authority

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

A CALIFORNIA JOINT POWERS AUTHORITY

Central Coast Water Authority

Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2019 and 2018

Prepared by Laura Matthews and Lisa Long

Cover photo by Thomas Petersen

Cover design by Julie Baker

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INTRODUCTORY SECTION

Eric Friedman
Chairman

Ed Andrisek
Vice Chairman

Ray Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

January 23, 2020

Members of the Board
Central Coast Water Authority

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

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

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

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

PROFILE OF THE AUTHORITY

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

255 Industrial Way
Buellton, CA 93427-9565
(805) 688-2292
FAX: (805) 686-4700

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

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

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

Facilities

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

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

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

LOCAL ECONOMY

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

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

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

LONG-TERM FINANCIAL PLANNING

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

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

RELEVANT FINANCIAL POLICIES AND CONTROLS

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

Capital Improvement Projects and Carryover

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

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

Investment Policy

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

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

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

Debt Management Policy

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

Accounting System

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

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

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

MAJOR INITIATIVES FOR THE FISCAL YEAR

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

State Water Project Contract Assignment

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

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

Suspended Water Reacquisition

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

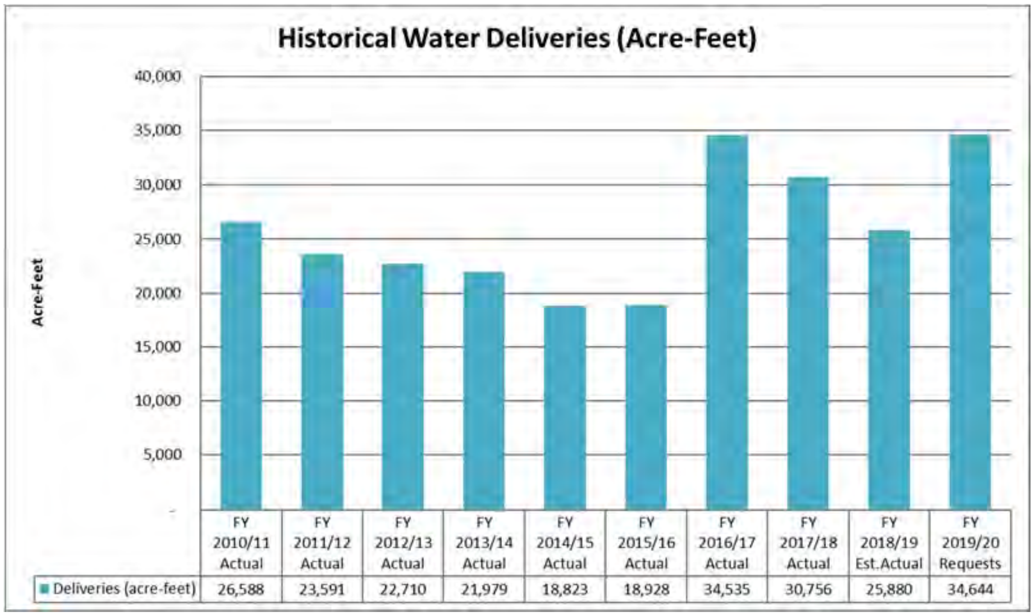
CCWA has requested, and DWR has agreed to allow CCWA, through the County, to reacquire the 12,214 acre-feet of suspended contract allotment. CCWA will continue to pursue this reacquisition in the coming year.

Lake Cachuma Bypass Piping Project

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

Water Deliveries

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



CCWA Supplemental Water Purchase Program

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

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

THE FUTURE

Water Delivery Projections

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

Department of Water Resources ("DWR") Activities and Related Costs

During FY 2019/20, CCWA staff will continue to work through the State Water Contractor ("SWC") board and committees that interact with the DWR which impact CCWA and the California water agencies as a whole. There are many significant issues on which DWR and the SWC are working which have water supply, operational, and fiscal impacts on CCWA. Some of these activities could potentially have a significant fiscal impact to CCWA in the current and future years. Therefore, staff will place a high priority on working through the various available venues to minimize the fiscal impacts to CCWA and ensure that we continue to meet our goal of providing reliable, high quality supplemental water.

The Authority received the DWR Statement of Charges ("SOC") for calendar year 2019 in May 2018, and the calendar year 2020 SOC in May 2019. The Calendar year 2019 SOC reflected a large increase in the calendar year DWR Transportation Minimum OMP&R cost component. Transportation Minimum costs are fixed Operation & Maintenance ("O&M") costs related to the O&M of the State Water Project

("SWP") facilities which do not vary with the quantity of water delivered to the 29 SWP Contractors. Historically, the Transportation Minimum cost component of DWR SOC has been the most volatile DWR charge for CCWA. The volatility is partly based on DWR's SOC being based on estimates and then reconciling or preparing a "true-up" based on the actual costs incurred.

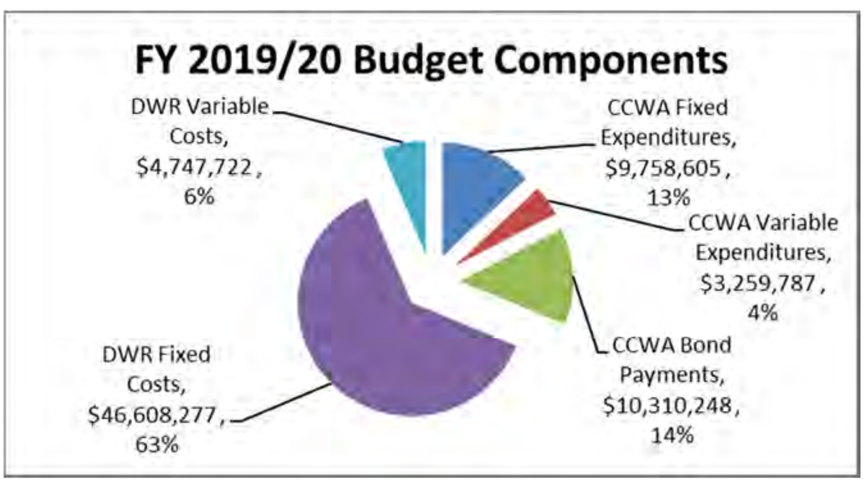
One financial reach which tends to create the most volatility from year-to-year is Reach 33A, due to work done by DWR on the facilities within that reach. Because Reach 33A is located on the coastal branch of the SWP and there are only two SWP Contractors within the coastal branch, the Counties of Santa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

In the calendar year 2018 SOC, DWR estimated the 2019 Transportation Minimum cost of $7.8 million. In preparing the FY 2018/19 budget, CCWA added an additional $2 million above the DWR estimate for a total of $9.8 million. The actual SOC for the calendar year 2019 Transportation Minimum was $24.3 million, a $15.5 million increase over the amount used to prepare the FY 2018/19 budget, with one-half due by January 1, 2019, and one-half due by July 1, 2019. The actual SOC for the calendar year 2020 Transportation Minimum was $15.2 million.

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

Fiscal Year 2019/20 Budget Summary

The FY 2019/20 budget calls for total project participant payments of $74.7 million compared to the FY 2018/19 budget of $64.8 million, a $9.9 million increase, which is discussed above in the fourth paragraph under DWR Activities and Related Costs. These amounts include $0.4 million in CCWA credits for FY 2019/20 and $0.9 million for FY 2018/19. The following graph shows the breakout of the various cost components in the CCWA FY 2019/20 Budget:



AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Coast Water Authority for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2018. This was the twenty-second consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable program requirements.

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

The authority also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated April 25, 2019. This was the twenty-third consecutive year the Authority has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the Authority's budget document had to be judged proficient as a policy document, financial plan, an operations guide, and a communications device.

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

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

Respectfully submitted,

Ray A. Stokes
Executive Director

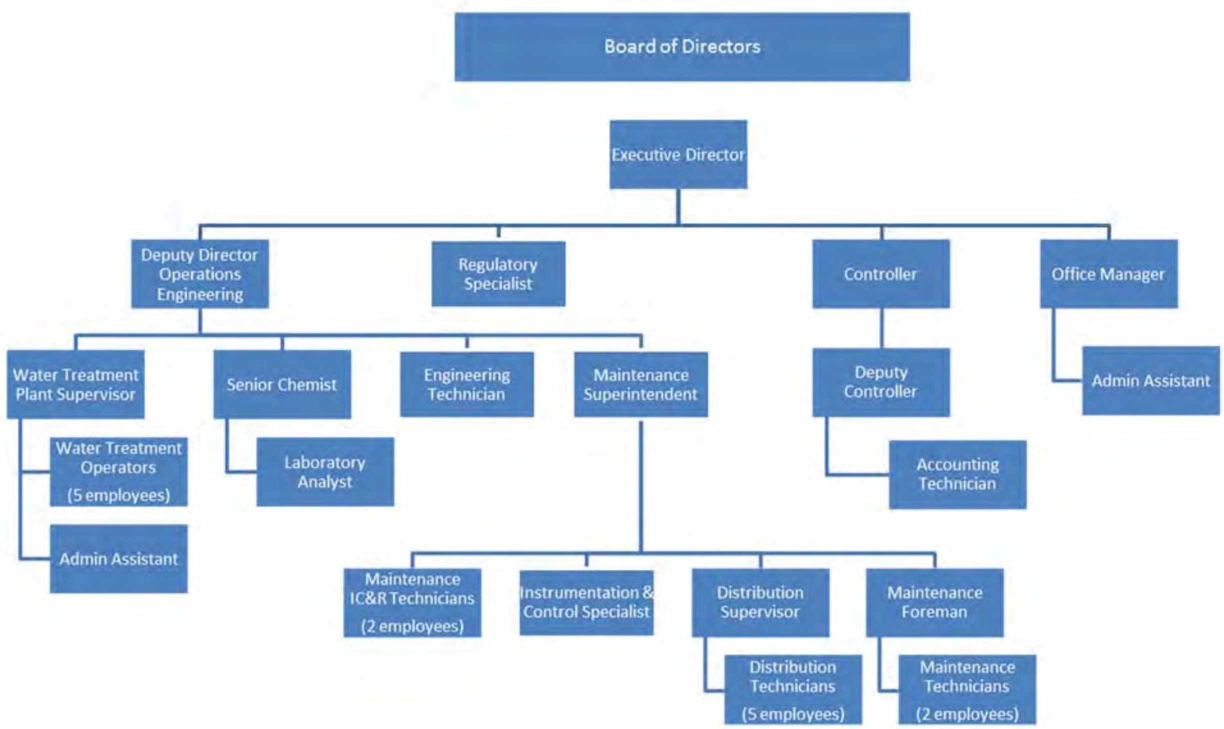
June 30, 2019

Central Coast Water Authority
Board of Directors

Eric Friedman, Chairman	City of Santa Barbara
Ed Andrisek	City of Buellton
Etta Waterfield	City of Santa Maria
Floyd Wicks	Montecito Water District
Harlan Burchardi	Santa Ynez River Water Conservation District, Improvement District #1
Farfalla Borah	Goleta Water District
Gina Rubalcaba	City of Guadalupe
Shirley Johnson	Carpinteria Valley Water District

Authority Staff

Ray Stokes	Executive Director
John Brady	Deputy Director Operations /Engineering



Project Map


MONTEREY CO.
KINGS CO.
Coastal Branch, Phase I
CALIFORNIA AQUEDUCT
Scale
0 5 10
Miles
N
Tank No.1 and Polonio Pass Water Treatment Plant
Polonio Pass P.P.
Devil's Den P.P.
Bluestone P.P.
San Antonio Res.
Nacimiento Res.
Paso Robles
Atascadero
Tank No. 2
Chorro Valley Pipeline
Cuesta Tunnel
MORRO BAY
Morro Bay
Santa Margarita Res.
KERN CO.
San Luis Obispo
SAN LUIS OBISPO COUNTY
Avila Beach
Pismo Beach
Lopez
Grover City
Arroyo Grande
Oceano
Twitchell Res.
Cuyama River
Guadalupe
Santa Maria
Point Sal
So. Cal. Water Co.
SANTA BARBARA COUNTY
Sisquoc
Maria River
Tank No. 5
Vandenberg AFB
San Antonio Creek
SAN RAFAEL MOUNTAINS
PACIFIC
Tank No. 7
Buellton
Santa Ynez Pumping Facility
Lake Cachuma
Lompoc
Santa Ynez River
Solvang
Santa Ynez River Water Conservation District, ID #1
Goleta Water District
Cater Treatment Plant
Corona del Mar Treatment Plant
Montecito Water District
Carpinteria Valley Water District
Point Arguello
Gaviota
Point Conception
Morehart Land Co.
Santa Barbara Research Center
Santa Barbara
La Cumbre Mutual Water Company
SANTA BARBARA CHANNEL
OCEAN
LEGEND
Coastal Branch, Phase II
CCWA Extension
Local Connection
Existing Pipeline
Pumping Plant (P.P.)
Tank
Local Facilities
Turnout
Participants in the State Water Project

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Central Coast Water Authority

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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Nasif, Hicks, Harris & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS
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Rachelle O. Barmier
Elena Mund

December 9, 2019

Independent Auditors' Report

To the Member Agencies of the Central Coast Water Authority

We have audited the accompanying statements of net position of the Central Coast Water Authority ("CCWA") as of June 30, 2019 and 2018, and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise CCWA's basic financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the CCWA as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Nasif, Hicks, Harris & Co., LLP

Nasif, Hicks, Harris & Co., LLP

Fiscal Year Ended June 30, 2019

This section presents management's analysis of the Authority's financial condition and activities for the fiscal year ended June 30, 2019. This information should be read in conjunction with the financial statements and the additional information that we have included in our letter of transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Summary of Organization and Business

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

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

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

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

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

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

CCWA Committees

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

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

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

Santa Barbara County Project Participants

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

San Luis Obispo County Water Purchasers

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

FINANCIAL HIGHLIGHTS

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

Condensed Balance Sheet

	June 30, 2019	June 30, 2018	June 30, 2017	2019-18 Change	2018-17 Change
Current Assets	$ 79,211,151	$ 70,701,493	$ 66,317,495	$ 8,509,658	$ 4,383,998
Non-Current Restricted Assets	12,689,543	10,930,215	10,432,165	1,759,328	498,050
Capital Assets	92,914,339	94,214,034	95,816,473	(1,299,695)	(1,602,439)
Other Assets	2,510,452	3,688,475	4,818,107	(1,178,023)	(1,129,632)
Total Assets	$ 187,325,485	$ 179,534,217	$ 177,384,240	$ 7,791,268	$ 2,149,977
Revenue Bond Deferred Amount	$ 513,833	$ 944,761	$ 1,489,720	$ (430,928)	$ (544,959)
Pension Plan Deferred Amount	1,256,477	1,532,296	1,338,314	(275,819)	193,982
OPEB Plan Deferred Amount	59,449	53,122	43,201	6,327	9,921
Total Deferred Outflows of Resources	$ 1,829,759	$ 2,530,179	$ 2,871,235	$ (700,420)	$ (341,056)
Current Liabilities	$ 86,149,904	$ 77,563,390	$ 72,117,045	$ 8,586,514	$ 5,446,345
Non-Current Liabilities	37,046,318	45,883,095	55,577,775	(8,836,777)	(9,694,680)
Total Liabilities	123,196,222	123,446,485	127,694,820	(250,263)	(4,248,335)
Revenue Bond Deferred Amount	$ 267,207	$ 491,308	$ 776,829	$ (224,101)	$ (285,521)
Pension Plan Deferred Amount	146,732	139,586	178,146	7,146	(38,560)
OPEB Deferred Amount	7,770	9,280	-	(1,510)	9,280
Total Deferred Inflows of Resources	421,709	640,174	954,975	(218,465)	(314,801)
Net Investment in Capital Assets	$ 66,554,791	$ 60,312,509	$ 55,164,579	$ 6,242,282	$ 5,147,930
Restricted - Total	10,418,498	10,411,593	9,978,731	6,905	432,862
Unrestricted	(11,435,976)	(12,746,365)	(13,537,630)	1,310,389	791,265
Total Net Position	65,537,313	57,977,737	51,605,680	7,559,576	6,372,057
Total Liabilities and Net Position	$ 189,155,244	$ 182,064,396	$ 180,255,475	$ 7,090,848	$ 1,808,921

BALANCE SHEET ANALYSIS

June 30, 2019 Comparison to June 30, 2018

- Total assets as of June 30, 2019 are $187.3 million, or $7.8 million more than the amount on June 30, 2018.
- Capital and other assets are $2.5 million lower than the prior year amount due to depreciation of the Authority's capital assets and amortization of the CCWA 2016A revenue bond issuance costs.
- Non-current liabilities are $8.8 million lower due to the revenue bond principal payment during the year.

June 30, 2018 Comparison to June 30, 2017

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

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2019	June 30, 2018	June 30, 2017	2019-18 Change	2018-17 Change
Operating Revenues	$ 19,442,445	$ 19,025,855	$ 20,825,040	$ 416,590	$ (1,799,185)
Operating Expenses Excluding Depreciation and Amortization (1)	(9,144,370)	(9,529,429)	(10,177,940)	385,059	648,511
Depreciation and Amortization	(1,299,198)	(1,061,706)	(1,027,928)	(237,492)	(33,778)
Operating Income	8,998,877	8,434,720	9,619,172	564,157	(1,184,452)
Non-Operating Revenues	1,281,897	635,825	334,430	646,072	301,395
Non-Operating Expenses	(2,721,198)	(2,698,488)	(3,775,535)	(22,710)	1,077,047
Change in Net Postion	7,559,576	6,372,057	6,178,067	1,187,519	193,990
Net Position at Beginning of Year	57,977,737	51,605,680	45,427,613	6,372,057	6,178,067
Net Position at End of Year	$ 65,537,313	$ 57,977,737	$ 51,605,680	$ 6,372,057	$ 6,178,067

June 30, 2019 Comparison to June 30, 2018

Operating revenues for the period ending June 30, 2018 are about $0.4 million higher than the prior year amount. The increase is primarily attributed to an increase in the operating reimbursements from project participants for increases in operations and maintenance cost for the year.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments, or as deposits to the DWR Reserve Fund (See Note 1, item M for further information on the DWR Reserve Fund). For FY 2018/19, this credit totaled $0.9 million for the fixed component of the O&M assessments, as compared to the FY 2017/18 credit of $0.67 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about $0.4 million lower than the prior year amount due to:

1. Decrease in personnel expenses of about $0.16 million due to salary and benefit savings for unfilled positions during recruitment periods, and new hires entering at a lower pay rate than their predecessors.
2. Increase in unexpended operating reimbursements of $0.2 million due to an increase in the budget surplus for FY 2018/19 which is payable back to the Authority's project participants.
3. Decrease in supplies, equipment and monitoring expenses of $0.12 million for lower chemical costs associated with a decrease in water deliveries and therefore a decrease in chemical usage.
4. Decrease in utilities expenses of $0.3 million for reduced electrical costs for pumping due to decrease in water deliveries.

Non-operating revenues are higher by about $0.6 million due to the increase of interest income from higher interest rates and the increased balance in cash and investments held for payment to DWR.

Non-operating expenses are $0.02 million higher due to an increase in interest income paid to CCWA project participants, which was offset by reduced interest expense of the Series 2016A bond.

June 30, 2018 Comparison to June 30, 2017

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

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

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

5. Decrease in personnel expenses of about $0.05 million due primarily to the required recording of GASB 75 actuarial OPEB costs including a GASB 75 prior period actuarial adjustment increasing the prior year personnel expenses.
6. Decrease in unexpended operating reimbursements of $0.06 million due to a decrease in the budget surplus for FY 2017/18 which is payable back to the Authority's project participants.
7. Increase in professional services of $0.08 million for an increase in legal services.
8. Decrease in supplies, equipment and monitoring expenses of $0.3 million for lower chemical costs associated with a decrease in water deliveries and therefore a decrease in chemical usage.
9. Decrease in other expenses of $0.3 million for reductions seen in non-capital projects and appropriated contingency funds.

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

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

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

Capital Assets

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

	June 30, 2019	June 30, 2018	June 30, 2017	2019-18 Change	2018-17 Change
Land	$ 3,178,700	$ 3,178,700	$ 3,178,700	$ -	$ -
Furniture fixtures and equipment	595,393	491,748	434,462	103,645	57,286
Lab, transportation, plant and pipeline equipment	29,166,337	28,896,483	28,714,588	269,854	181,895
Buildings and structures	48,946,358	48,696,149	48,696,149	250,209	-
Underground pipeline	59,925,077	59,925,077	59,925,077	-	-
Construction in progress	785,149	834,306	464,918	(49,157)	369,388
Total property, plant and equipment	142,597,014	142,022,463	141,413,894	574,551	608,569
Accumulated depreciation	(49,682,675)	(47,808,429)	(45,597,421)	(1,874,246)	(2,211,008)
Net property, plant and equipment	$ 92,914,339	$ 94,214,034	$ 95,816,472	$ (1,299,695)	$ (1,602,439)

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

Debt Administration

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

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

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

At June 30, 2019, the Authority had $28,870,000 of outstanding 2016A revenue bonds.

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

Statement of Net Position

	June 30, 2019	June 30, 2018
ASSETS		
Current Assets		
Cash and investments (Note 2)	$ 25,163,750	$ 25,700,752
Interest receivable	114,578	48,018
Prepaid expenses	103,309	482,307
Inventory	120,158	99,548
Total Unrestricted Current Assets	25,501,795	26,330,625
Restricted Current Assets		
Cash and investments held for payment to DWR	53,709,356	44,370,868
Total Current Assets	79,211,151	70,701,493
Non-Current Assets		
Restricted Assets		
Cash and investments for debt service payments	10,418,498	10,411,593
Cash and investments for DWR Reserve (Note 1, Item M)	1,562,433	-
Cash and investments for escrow deposits	480,959	408,675
Interest receivable	227,653	109,947
Total Restricted Non-Current Assets	12,689,543	10,930,215
Capital Assets (Note 3)		
Capital assets, net of accumulated depreciation	89,735,639	91,035,334
Land, not depreciated	3,178,700	3,178,700
Total Capital Assets	92,914,339	94,214,034
Other Assets		
Unamortized bond insurance costs, net	30,333	55,772
Long-term accounts receivable	2,480,119	3,632,703
Total Non-Current Assets	108,114,334	108,832,724
Total Assets	$ 187,325,485	$ 179,534,217
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	513,833	944,761
Deferred amount from pension plan (Note 6)	1,256,477	1,532,296
Deferred amount from OPEB (Note 7)	59,449	53,122
Total Deferred Outflows of Resources	$ 1,829,759	$ 2,530,179
Total Assets and Deferred Outflows of Resources	189,155,244	182,064,396

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

Continued

Statement of Net Position

LIABILITIES AND NET POSITION	June 30, 2019	June 30, 2018
Current Liabilities		
Accounts payable	$ 134,546	$ 238,286
Deposits for payment to DWR	53,912,176	44,462,834
Accrued interest payable	360,876	469,876
Deposits for supplemental water purchases	-	1,803,949
Other liabilities	91,840	90,411
Compensated absences payable	208,967	222,039
Debt due within one year	9,160,000	8,720,000
Project participant deposits and unearned revenue	22,281,499	21,555,995
Total Current Liabilities	86,149,904	77,563,390
Non-Current Liabilities		
Bonds payable, net (Note 5)	21,168,793	31,552,251
OPEB liability (Note 7)	970,227	883,831
Rate coverage reserve fund (Note 1, Item L)	9,369,439	9,282,179
DWR reserve fund (Note 1, Item M)	1,562,433	-
Escrow deposits	480,959	408,675
Net pension liability (Note 6)	3,494,467	3,756,159
Total Non-Current Liabilities	37,046,318	45,883,095
Total Liabilities	123,196,222	123,446,485
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	267,207	491,308
Deferred amount from pension plan (Note 6)	146,732	139,586
Deferred amount from OPEB (Note 7)	7,770	9,280
Total Deferred Inflows of Resources	421,709	640,174
Net Position		
Net investment in capital assets	66,554,791	60,312,509
Restricted - future payment of debt service	10,418,498	10,411,593
Unrestricted	(11,435,976)	(12,746,365)
Total Net Position	65,537,313	57,977,737
Total Liabilities and Net Position	$ 189,155,244	$ 182,064,396

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

Statement of Revenues, Expenses and Change in Net Position

		June 30, 2019		June 30, 2018
Operating Revenues				
Operating reimbursements				
from project participants	$	19,284,409	$	18,868,309
Other revenues		158,036		157,546
Total Operating Revenues		19,442,445		19,025,855
Operating Expenses				
Personnel expenses		4,839,488		5,005,522
Office expenses		18,517		17,966
General and administrative		213,275		229,679
Professional services		335,847		358,647
Supplies and equipment		1,027,130		1,152,515
Monitoring expenses		86,218		78,986
Repairs and maintenance		278,452		276,386
Utilities		887,696		1,194,942
Unexpended operating reimbursements (Note 1, Item I)		909,746		670,991
Depreciation and amortization		1,299,198		1,061,706
Other expenses		548,001		543,795
Total Operating Expenses		10,443,568		10,591,135
Operating Income		8,998,877		8,434,720
Non-Operating Revenues				
Interest income		1,281,897		635,825
Total Non-Operating Revenues		1,281,897		635,825
Non-Operating Expenses				
Interest expenses		1,552,500		1,978,000
Loss on disposal of capital assets		-		84,561
Interest income paid to project participants		1,168,698		635,927
Total Non-Operating Expenses		2,721,198		2,698,488
Change in Net Position		7,559,576		6,372,057
Net position, at beginning of year		57,977,737		51,605,680
Net position, at end of year	$	65,537,313	$	57,977,737

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

Statement of Cash Flows

	For the fiscal year ended June 30, 2019	June 30, 2018
Cash Flows From Operating Activities		
Cash received from project participants and other operating activities	$ 21,727,402	$ 19,800,629
Cash payments to employees	(3,175,026)	(3,116,408)
Cash payments to suppliers	(5,295,407)	(5,955,190)
Net cash provided by operating activities	13,256,969	10,729,031
Cash Flows from Investing Activities		
Interest and dividends on investments	1,025,347	562,522
Net cash provided by investing activities	1,025,347	562,522
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(992,965)	(811,276)
Deposits received for encroachment permits	800	-
Payments on encroachment permit projects	(1,021)	(1,361)
Interest paid on long-term debt	(1,661,500)	(2,076,500)
Principal payments on long-term debt	(8,720,000)	(7,880,000)
Net cash (used) for capital and related financing activities	(11,374,686)	(10,769,137)
Cash Flows from Non-Capital Financing Activities		
Proceeds received for DWR and Warren Act charges	59,258,808	45,156,011
Payments of DWR and Warren Act charges	(49,980,508)	(42,951,100)
Proceeds received for supplemental water purchases	59,738	1,816,981
Payments for supplemental water purchases	(1,802,560)	-
Net cash provided by non-capital financing activities	7,535,478	4,021,892
Net increase in cash and cash equivalents	10,443,108	4,544,308
Cash and cash equivalents, beginning of year	80,891,888	76,347,580
Unrestricted cash and investments	25,163,750	25,700,752
Restricted cash and investments other	480,959	408,675
Restricted cash and investments held for payment to DWR	53,709,356	44,370,868
Restricted cash and investments - DWR Reserve	1,562,433	-
Restricted cash and investments for debt service payments	10,418,498	10,411,593
Cash and cash equivalents, end of year	$ 91,334,996	$ 80,891,888
Cash Flows From Operating Activities		
Operating Income	$ 8,998,877	$ 8,434,720
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,299,198	1,061,706
Unexpended operating reimbursements payable to project participants	909,746	670,991
Operating revenues paid from credits and unearned revenue	2,066,492	459,973
Increase in other post-employment liability	86,396	78,143
Increase (decrease) in accounts payable	(103,740)	23,498
Net cash provided by operating activities	$ 13,256,969	$ 10,729,031

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

Supplemental Disclosures of Cash Flow Information

	For the fiscal year ended June 30, 2019	June 30, 2018
Schedule of Non-Cash Capital and Related Financing Activities		
The Authority completed the construction of certain assets and transferred them from construction in progress to property, plant and equipment.	$ 1,039,853	$ 441,368
The Authority disposed of certain property, plant and equipment which were determined to no longer be usable. The aggregate original purchase cost of the assets disposed.	$ 416,145	$ 202,187
Difference between cost and fair value of investments held by the Authority at the end of the fiscal year.	$ (164,490)	$ 46,417

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

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

Facilities Constructed by the Authority

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

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

Contractual Relationships

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

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

The Water Supply Agreements

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

In accordance with the provisions of each Water Supply Agreement, the Authority fixes charges for each Project Participant to produce revenues from the Project equal to the amounts anticipated to be needed by the Authority to meet the costs of the Authority to deliver to each Project Participant its pro rata share of water from the Project as set forth in each Water Supply Agreement. Each Project Participant is required to pay to the Authority an amount equal to its share of the total Fixed Project Costs and certain other costs in the proportion established in accordance with the applicable Water Supply Agreement, including the Santa Barbara Project Participant's share of payments to DWR under the State Water Supply Contract, as amended (including capital, operation, maintenance, power and replacement costs of the DWR Facilities), debt service on the Bonds and all Authority operating and administrative costs. Such obligation is to be honored by each Project Participant whether or not water is furnished to it from the Project at all times or not at all and whether or not the Project is completed, operable, operated or retired. Such payments are not subject to any reduction and are not conditioned upon performance by the Authority or any other Project Participant under any agreement.

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

B. Basis of Accounting

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

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

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

C. Investments

The Authority has developed an investment policy that exceeds the minimum requirements established by the State of California. The Authority believes that it has adhered to established policies for all investment activities. As of June 30, 2019, the investment portfolio has a weighted average maturity of 132.75 days and a yield to maturity of 2.383%.

The Authority reports investments with a maturity greater than one year at the time of purchase at fair value. As of June 30, 2019 all investments are reported at amortized cost.

D. Capital Assets

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

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

E. Inventories

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

F. Deferred Outflows and Inflows of Resources

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

G. Deposits

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

H. Operating Reimbursements from Project Participants

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

I. Unexpended Operating Assessments

Prior to fiscal year 2015/16, it was the Authority's policy to return unexpended fixed and variable operating assessments and interest income to the project participants after the close of each fiscal year. Beginning fiscal year 2015/16 the Authority revised this policy with respect only to the variable operating assessment component. A quarterly true-up process of variable operating costs was implemented to help avoid over and under collections due to changes in water deliveries. For fiscal year 2018/19, the unexpended fixed operating assessments and the investment income earned on the Authority's unrestricted cash balances are recorded as unearned revenue and returned to the project participants as credits. Beginning fiscal year 2018/19, credits for Participants electing to participate in the newly established and voluntary DWR Reserve Fund were transferred to their DWR Reserve Fund balances. Credits for Participants not electing to participate in the DWR Reserve Fund will be applied to their following year's operating assessments. See Note 1, item M for further information on the DWR Reserve Fund.

J. Operating and Non-Operating Revenues and Expenses

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

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

K. Long-Term Accounts Receivable

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

L. Rate Coverage Reserve Fund

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

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

The following table shows a summary of project participant deposits in the rate coverage reserve fund as of June 30, 2019.

Project Participant	June 30, 2019
City of Buellton	$ 278,320
Carpinteria Valley Water District	849,807
City of Guadalupe	193,404
La Cumbre Mutual Water Company	405,364
Montecito Water District	1,476,619
City of Santa Maria	5,064,215
Shandon (SLO County)	15,398
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	619,570
Santa Ynez WCD,ID #1	466,743
Total	$9,369,440

M. Department of Water Resources (DWR) Reserve Fund

In March 2019, the Authority adopted the DWR reserve fund policy to provide a mechanism to provide the Authority's project participants with a funding source for payments to the State of California Department of Water Resources ("DWR") when there is a difference between estimates used to prepare the DWR portion of the annual CCWA budget and the actual amounts billed to the Authority by DWR.

Contributions to the DWR Reserve Fund are voluntary with Project Participants electing to participate in the reserve fund notifying the Authority. Funding of each participating Project Participant's share of the DWR Reserve Fund will come from a combination of (1) CCWA Operating Expense budget surpluses, if any (2) Interest earnings on funds held in all other accounts on behalf of the participating Project Participant and (3) excess amounts, if any , from any of the DWR Statement of Charges cost components.

The following table shows a summary of project participant deposits in the DWR reserve fund as of June 30, 2019.

Project Participant	June 30, 2019
City of Buellton	$ 44,953
City of Guadalupe	23,887
La Cumbre Mutual Water Company	68,434
Morehart Land Company	18,772
City of Santa Barbara	182,580
Raytheon	4,889
City of Santa Maria	930,077
Golden State Water Company	37,122
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	123,249
Santa Ynez WCD,ID #1	128,469
Total	$1,562,432

N. Self-Funded Dental/Vision Insurance Plan

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

The following table shows a summary of the claims liability and claims paid for the plan years ended June 30, 2019 and 2018.

	2019	2018
Maximum claims liability	104,726	$ 97,005
Actual claims paid	(63,476)	(61,323)

O. Use of Estimates

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

P. New and Future Accounting Pronouncements

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

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

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

In March 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This Statement addresses improvement of the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Further information regarding acceleration terms of the Authority's bond agreement can be found in Note 5. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Future GASB Pronouncements:

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

Q. Net Pension Liability

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

R. Other Post Employment Benefit ("OPEB") Liability

In measuring the net OPEB liability, deferred outflows and inflows of resources related to the OPEB benefit and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been prepared in accordance with GASB Statement No. 75. The valuation for the fiscal years 2017/18 and 2018/19 was actuarially prepared and was based on the Authorities Plan provisions, participant data and asset information provided by the Authority. As permitted under GASB 75, the total OPEB liability has been calculated using the June 30, 2017 actuarial valuation.

Note 2: Cash and Investments

A. Pooling

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

B. Demand Deposits

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

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

As of June 30, 2019, the reported amount of the Authority's demand deposits was $492,273 and the bank balance was $575,826. The difference of $83,553 was principally due to checks which had not yet cleared the bank.

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

C. Cash and Investments

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

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

The fair value of pooled investments is determined annually and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. LAIF invests in Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.

At June 30, 2019, the carrying value of the Authority's position in LAIF was $64,829,784 and the fair value was $64,940,759, with an overall average maturity of 173 days.

At June 30, 2018, the carrying value of the Authority's position in LAIF was $39,700,846 and the fair value was $39,626,481 with an overall average maturity of 193 days.

The par value of U.S. Treasury Notes held by the Authority as of June 30, 2019 was $10,000,000. The net unamortized discounts and premiums associated with these notes of ($22,307) resulted in a carrying value of $9,977,694 of the bonds. These notes had a fair value of $9,986,562 as of June 30, 2019. Fair value in this instance is the value at which the notes held were actively trading on open markets at the date of the financial statements.

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

Credit Risk and Concentration of Credit Risk

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

Custodial Credit Risk

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

Interest Rate Risk

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

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Capital Assets, Not Depreciated				
Land	$ 3,178,700	$ -	$ -	$ 3,178,700
Construction-in-process	834,306	992,965	(1,042,123)	785,149
Total Capital Assets, Not Depreciated	4,013,006	992,965	(1,042,123)	3,963,849
Depreciable Assets:				
Furniture fixtures and equipment	491,748	103,645	-	595,393
Lab equipment	267,902	-	-	267,902
Transportation equipment	719,682	66,112	-	785,795
Plant equipment	16,420,038	560,068	(416,145)	16,563,961
Pipeline equipment	11,488,862	59,817	-	11,548,680
Buildings and structures	48,696,149	250,210	-	48,946,358
Underground pipeline	59,925,077	-	-	59,925,077
Total Depreciable Assets	138,009,457	1,039,853	(416,145)	138,633,165
Accumulated Depreciation:				
Furniture fixtures and equipment	(429,202)	(18,122)	-	(447,324)
Lab equipment	(251,024)	(3,320)	-	(254,345)
Transportation equipment	(629,206)	(64,488)	-	(693,694)
Plant equipment	(7,739,052)	(329,853)	416,145	(7,652,761)
Pipeline equipment	(7,412,650)	(353,700)	-	(7,766,350)
Buildings and structures	(14,730,022)	(716,840)	-	(15,446,861)
Underground pipeline	(16,617,274)	(804,067)	-	(17,421,341)
Total Accumulated Depreciation	(47,808,429)	(2,290,391)	416,145	(49,682,675)
Total Depreciable Capital Assets, net	90,201,028	(1,250,539)	-	88,950,490
Total Capital Assets, net	$ 94,214,034	$ (257,574)	$ (1,042,123)	$ 92,914,339

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

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

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

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

The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2019.

	Deferred Outflows of Resources
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt	$ 13,195,235
Accumulated Amortization	(12,681,402)
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	$ 513,833
Pension-related adjustments	1,256,477
OPEB-related adjustments	59,449
Total Deferred Outflows of Resources, Net	$ 1,829,759

	Deferred Inflows of Resources
Deferred amount on refunding	$ 267,207
Pension-related adjustments	146,732
OPEB-related adjustments	7,770
Total Deferred inflows of Resources	$ 421,709

The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2018.

	Deferred Outflows of Resources
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt	$ 13,195,235
Accumulated Amortization	(12,250,474)
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	$ 944,761
Pension-related adjustments	1,532,296
OPEB-related adjustments	53,122
Total Deferred Outflows of Resources, Net	$ 2,530,179

	Deferred Inflows of Resources
Deferred amount on refunding	$ 491,308
Pension-related adjustments	139,586
OPEB-related adjustments	9,280
Total Deferred inflows of Resources	$ 640,174

Note 5: Long-Term Debt

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

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

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

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

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

Refunding Revenue Bond Savings

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

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

The annual requirements to pay all debt outstanding, as of June 30, 2019, are as follows:

Fiscal Year	Interest	Principal	Total
2020	1,214,500	9,160,000	10,374,500
2021	745,125	9,615,000	10,360,125
2022	252,375	10,095,000	10,347,375
	$ 2,212,000	$ 28,870,000	$ 31,082,000

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

In the unlikely event that the Authority defaults on its obligations under the Series 2016A refunding revenue bonds, acceleration protocols exist under the terms of the refunding revenue bond agreement that may accelerate the due date of the entire amount payable for the bonds. Therefore, were a default of payment to occur the debt that is currently classified as non-current may be required to be re-classified as a current obligation.

Project Participants are classified as either "Northern Santa Barbara Project Participants" or "Southern Santa Barbara Project Participants" based on their location. In the event that a project participant defaults on their share of the Series 2016A refunding revenue bonds, the share of other participants in their same classification may be increased to cover those participant(s) that have defaulted, provided that such increases for any non-defaulting participant shall not exceed, without its written consent, an accumulated maximum of 25% of its Fixed and Variable Costs for such Year. In the water supply agreement this is referred to as the "Step-up Provision". In the history of the Authority there has never been a situation where implementing the Step-Up Provision was necessary.

The long-term liability activity for the year ended June 30, 2019 is as follows:

Revenue Bonds:	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Series 2016A Revenue Bonds	$ 37,590,000	$ -	$ (8,720,000)	$ 28,870,000
Premium on Issuance of 2016 Series A	2,682,251	-	(1,223,459)	1,458,793
Total	40,272,251	-	(9,943,459)	30,328,793
Less: Current Portion	(8,720,000)	-	(440,000)	(9,160,000)
Total Bonds Payable, net	31,552,251	-	(10,383,459)	21,168,793
OPEB Liability	883,831	179,349	(92,953)	970,227
Rate Coverage Reserve Fund	9,282,179	87,260	-	9,369,439
DWR Reserve Fund	-	-	1,562,433	1,562,433
Escrow Deposits	408,675	80,755	(8,472)	480,959
Net Pension Liability	3,756,159	(261,692)	-	3,494,467
Total Non-Current Liabilities	$ 45,883,096	$ 85,672	$ (8,922,450)	$ 37,046,318

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

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

Note 6: Pension Plan

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

A. General Information about the Pension Plans

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

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

The rate plan provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Authority Plan	
	Classic Member*	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	17.582%	7.266%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Authority's required contribution for the unfunded liability was $216,535 in fiscal year 2018/19. The Authority's required contribution for the unfunded liability was $192,554 in fiscal year 2017/18.

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

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

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

The Authority's contributions to the Plan for the year ended June 30, 2019 were $606,354.

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

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

As of June 30, 2019, the Authority reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

Proportionate Share of Net Pension Liability/(Asset)
Fiscal Year Ending

	June 30, 2019	June 30, 2018
Total	$ 3,494,467	$ 3,756,159

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

Proportionate Share of Net Pension Liability

	Percentage Share of Plan 6/30/2019	Percentage Share of Plan 6/30/2018	Change: Increase (Decrease)
Measurement Date	6/30/2018	6/30/2017	
Percentage of Plan (PERF C) NPL	0.03626%	0.03787%	(0.00161%)

Pension Expense for Fiscal Year

	2018/19
Total pension expense for fiscal year	$ 627,627

For the year ending June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 134,077	$ (45,626)
Changes of assumptions	398,380	(97,635)
Net differences between projected and actual earnings on plan investments	17,276	-
Change in employer's proportion	37,435	(603)
Differences between the employer's contributions and the employer's proportionate share of contributions	62,955	(2,868)
Pension contributions subsequent to measurement date	606,354	-
Total	$ 1,256,477	$ (146,732)

$606,354 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2020	387,615
2021	239,856
2022	(92,650)
2023	(31,431)
2024	-
Thereafter	-

Actuarial Assumptions - For the measurement period ending June 30, 2018, the total pension liabilities were determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 and June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions:

	Plan
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Inflation	2.50%
Projected salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

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

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

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the December 2017 experience study report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of *the CalPERS Experience Study and Review of Actuarial Assumptions December 2017*. The Experience Study report may be accessed on the CalPERS website at http://www.calpers.ca.gov under Forms and Publications.

Change in Assumptions –

In 2018, demographic assumptions and inflation rate were changed in accordance to the *CalPERS Experience Study and Review of Actuarial Assumptions December 2017*. The Experience Study report may be accessed on the CalPERS website at http://www.calpers.ca.gov under Forms and Publications.

Discount Rate No changes were made in the discount rate in fiscal year 2018-19. In Fiscal Year 2016-17, the financial reporting discount rate used by CalPERS was reduced from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board of Administration approved lowering the funding discount rate used from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuation. The discount rate used in the actuarial valuation reflects the long-term expected rate of return for the plan. Lowering the discount rate means the Authority will see increases in both normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions. In addition, active members hired after January 1, 2013, under the PEPRA may also see their contributions rates rise.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (“PERF”) cash flows. Using historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class [a]	Assumed Target Allocation	Real Return Years 1–10 [b]	Real Return Years 11+ [c]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92)%
Total	100.00%		

[a] In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
[b] An expected inflation of 2.0% used for this period.
[c] An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Miscellaneous	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	$5,846,986	$3,494,467	$1,552,502

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

Note 7: Post-Employment Benefits Other Than Pensions

A. General Information about OPEB

The Authority provides other post-employment benefits ("OPEB"), to qualified employees who retire within 120 days of separation from employment with the Authority, and are eligible to receive medical services under a plan offered through the California Public Employees' Medical and Hospital Care Act ("PEMHCA") at the time of retirement. The CalPERS PEMHCA Plan is a defined contribution, cost sharing multiple-employer defined benefit healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the CalPERS. Copies of the CalPERS annual financial report can be found online at www.calpers.ca.gov.

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

Plan Information

	Fiscal Year End June 30, 2019
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Non-employer contributing entities	No

Covered Participants as of June 30, 2018 Measurement Date

In-actives currently receiving benefits	3
In-actives entitled to but not yet receiving benefits	2
Active Employees	30
Total	35

Applicable Dates and Periods	Fiscal Year End June 30, 2019
Measurement date (MD)	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018
Actuarial Valuation Date	June 30, 2017

Actuarial Assumptions - For the measurement period ending June 30, 2018, the total pension liabilities were determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 and June 30, 2018 total OPEB liabilities were based on the following actuarial methods and assumptions:

Significant Actuarial Assumptions used for Total OPEB Liability

Actuarial Assumption	June 30, 2018 Measurement Date
Actuarial Valuation Date	June 30, 2017
Contribution Policy	Authority Contributes full ADC
Discount Rate	6.50% at June 30, 2018 6.50% at June 30, 2017 Equals long-term expected rate of return on assets since expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.75%
Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study*
Mortality	CalPERS 1997-2011 Experience Study*
Mortality Improvement	Mortality Improvement Society of Actuaries Scale MP-2017
Salary Increases	Aggregate – 3% Merit – CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare-7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare-6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	4.25%
Cap Increases	Medical Trend
Active Employee/Spouse Participation at Retirement	45% elect single coverage 35% elect dual coverage (spouses pay full premium, no Authority cash subsidy except for survivors)
Medical Plan at Retirement	Remain in their current plan upon retirement
Changes of Assumptions	None
Changes of benefit terms	None

*The CalPERS Experience Study reports may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Funding Policy: PEMHCA determines the amount contributed by the Authority toward retiree health insurance. In January 2019, the minimum required contribution the Authority pays toward the cost of retiree health insurance increased from $133 per month to $136 per month, which is the same amount contributed toward active employee health insurance. The balance of the retiree premium, averaging approximately $224 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. Beginning in calendar year 2009, the contribution amount increases by the change in the annual consumer price index. During the 2018-19 fiscal year $4,464 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis. During the 2017-18 fiscal year $5,123 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis.

Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2019, is shown below:

	Net OPEB Liability Fiscal Year Ending 6/30/2018 Measurement Date 6/30/2017	6/30/2019 Measurement Date 6/30/2018
Total OPEB Liability	$ 1,118,401	$ 1,271,000
Fiduciary Net Position	234,570	300,773
Net OPEB Liability	$ 883,831	$ 970,227
Funded Status	21.0%	23.7%

Annual OPEB Cost: For fiscal year ended June 30, 2019, the Authority recorded the OPEB expense as indicated below. This cost is comprised by calculating service cost, interest on Total OPEB Liability, projected earnings on investments, and any return of assets:

OPEB Expense for Fiscal Year 2018/19 Measurement Period 2016/17	
OPEB Expense	$ 138,008

Deferred Outflows/Inflows	Balances at June 30,2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments*	-	7,770
Employer contributions made subsequent to the measurement date**	59,449	-
Total	$ 59,449	$ 7,770

* Deferred Inflows and Outflows combined for footnote disclosure
** Contributions to trust of $52,325 plus $5,022 cash benefits and $2,102 implied subsidy benefits paid by the Authority

$59,449 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2020	(2,522)
2021	(2,522)
2022	(2,522)
2023	(204)
2024	-
Thereafter	-

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

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

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/18 (6/30/17 measurement date)	$ 1,118,401	$ 234,570	$883,831
Changes for the year:			
Service Cost	79,354	-	79,354
Interest	77,709	-	77,709
Benefit changes	-	-	-
Actual vs. expected exp.	-	-	-
Assumption changes	-	-	-
Contributions–employer *	-	53,122	(53,122)
Contributions–employee	-	-	-
Net investment income**	-	17,801	(17,801)
Benefit payments	(4,464)	(4,464)	-
Administrative Exp.	-	(256)	256
Net Changes	152,599	66,203	86,396
Balance at 6/30/19 (6/30/18 measurement date)	$1,271,000	$300,773	$ 970,227

*Contributions to trust of $53,122 plus $4,464 cash benefits paid by the Authority.
** Adjusted for rounding issues

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

Changes in the Discount Rate

	1% Decrease (5.50%)	Current Rate (6.50%)	1% increase (7.50%)
Net OPEB Liability	$1,186,615	$ 970,227	$ 794,774

Changes in the Healthcare Trend Rate

	1% Decrease	Current Trend	1% increase
Net OPEB Liability	$ 754,390	$ 970,227	$1,245,759

Expected Long-Term Rate of Return

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

* For VT II Model Portfolio Moderate Fund

** Rounded

Note 8: Commitments and Uncertainties

The Authority entered into a water exchange agreement with Antelope Valley-East Kern Water Agency ("AVEK") in 2015 on behalf of certain project participants for a total of 9,600 acre-feet (AF) of water. This exchange was an even 1:1 exchange with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to AVEK, and are estimated to be $250 per AF. As of June 2019, 5,781 AF had been returned, leaving a balance of 3,819 AF to be returned in the future. Estimated transportation costs for that water are $954,750. Actual costs and timing of the return are not known at this time, however all water in this exchange must be returned by December 31, 2025.

The Authority entered into an additional exchange agreement with AVEK in 2016 on behalf of certain project participants to allow for delivery of 10,000 AF of water. That agreement was an unbalanced 2:1 exchange requiring return of 5,000 AF, with no obligation to pay transportation charges. As of June 2019, a total of 3,000 AF has been returned, leaving a balance of 2,000 to be returned. Actual timing of the return is not known at this time, however all water in the 2016 AVEK exchange must be returned no later than December 31, 2026.

The Authority entered into a water exchange agreement in December 2016 with the Castaic Lake Water Agency ("CLWA") on behalf of certain project participants for a total of up to 1,500 acre-feet ("AF") of water. This exchange was an unbalanced 2:1 exchange requiring return of 750 AF, with participants responsible for the transportation charges for delivery of the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water delivered to CCWA. CLWA will be responsible for the delivery charges of the return water. As of June 30, 2019 a balance remains of 750 AF of water to be returned. Actual timing of the return is not known at this time, however all water in this exchange must be returned by December 31, 2026.

The Authority entered into a water exchange agreement in June 2018 with the Mojave Water Agency ("MWA") on behalf of certain project participants for a total of up to 5,633 acre-feet ("AF") of water at the cost of $320 per AF plus administrative costs. This exchange was an unbalanced 4:1 exchange requiring return of 1,409 AF, with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to MWA, and are estimated to be $250 per AF. As of June 30, 2019 a balance remains of 1,409 AF of water to be returned. Actual timing of the return is not known at this time, however all water in this exchange must be returned by December 31, 2028.

The Authority leases equipment under non-cancelable operating leases. Lease payments made in FY 2018/19 totaled $7,010 with future scheduled lease payments as of June 30, 2019 of $9,570, resulting in total scheduled lease payments of $16,580.

The Authority is involved in various legal proceedings, lawsuits and claims of a nature considered normal for its activities. It is the Authority's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. For the periods ending June 30, 2019 and June 30, 2018, the Authority estimates no liability for claims or judgments.

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

Note 9: Joint Powers Insurance Authority

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

ACWA-JPIA provides liability, property, workers' compensation, fidelity, boiler and machinery insurance for approximately 300 water agencies for losses in excess of the members' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. ACWA - JPIA is governed by a board composed of members from participating members. The board controls the operations of ACWA - JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board.

Each member shares surpluses and deficiencies proportionately to its participation in ACWA - JPIA. The Authority has not incurred any settlements which exceeded insurance coverage for the past three fiscal years.

Note 10: Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the terms of this plan, employees may defer amounts of income up to one hundred percent of salary or $19,000 per year, whichever is less. Additionally, employees over the age of 50 are permitted to defer up to an additional $6,000 per year for those years in which they did not fully contribute the annual maximum prior to age 50.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FIVE YEAR REVIEW [1]

As of June 30, 2019

	Fiscal Year End				
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2018	06/30/2017	06/30/2017	06/30/2015	06/30/2014
Authority's Proportion of the Net Pension Liability	0.036260%	0.037875%	0.038348%	0.037178%	0.040196%
Authority's Proportionate Share of the Net Pension Liability	$3,494,467	$3,756,159	$3,318,324	$2,551,875	$2,501,206
Authority's covered Payroll	2,980,919	2,835,039	2,771,667	2,713,663	2,860,537
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	117.23%	132.49%	119.72%	94.04%	87.44%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	78.40%	79.28%

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

SCHEDULE OF PLAN OPEB CONTRIBUTIONS - FIVE YEAR REVIEW [1]

As of June 30, 2019

Miscellaneous Plan

	2018-19 [1]	2017-18 [1]	2016-17 [1]	2015-16 [1]	2014-15 [1]
Actuarial determined contributions (ADC)	$ 481,354	$ 444,625	$ 423,429	$ 395,321	$ 392,033
Contributions in relation to the actuarially determined contribution [2]	(606,354)	(569,625)	(548,429)	(395,321)	(392,033)
Contribution deficiency (excess)	$ (125,000)	$ (125,000)	$ (125,000)	$ -	$ -
Authority's covered payroll [3, 4]	$ 3,014,603	$ 2,980,919	$ 2,835,039	$ 2,771,667	$ 2,713,663
Contributions as a percentage of covered payroll [3]	20.11%	19.11%	19.34%	14.26%	14.45%

[1] This is a 10-year schedule. Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

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

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

[4] Fiscal Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
As of June 30, 2019

	2018-19 Measurement Period 2017/18
Changes in Total OPEB Liability	
Service Cost	$ 79,354
Interest	77,709
Actual vs. Expected Experience	-
Assumption Changes	-
Benefit Payments	(4,464)
Changes of benefit terms	-
Net Changes	$ 152,599
Total OPEB Liability (beginning of year)	1,118,401
Total OPEB Liability (end of year)	1,271,000
Changes in Plan Fiduciary Net Position	
Contributions - employer	$ 53,122
Contributions - employee	-
Net Investment income	17,801
Benefit payments	(4,464)
Administrative Expenses	(256)
Other Changes	-
Net Changes	66,203
Plan Fiduciary Net Position (beginning of year)	234,570
Plan Fiduciary Net Position (end of year)	300,773
Net OPEB Liability	$ 970,227
Fiduciary Net Position as a percentage of Total OPEB Liability	23.7%
Covered Payroll*	3,273,043
Net OPEB Liability as a percentage of covered payroll	29.6%

*For the 12-month period ending on June 30, 2018 (Measurement Date)

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

As of June 30, 2019

	2018-19
Actuarial determined contributions (ADC)	$ 152,227
Contributions in relation to the actuarially determined contribution [1]	(59,449)
Contribution deficiency	$ 92,778
Authority's covered payroll [2]	$ 3,224,398
Contributions as a percentage of covered payroll	1.8%

[1] Actual 2018/19 contribution

[2] For the 12 month period ending on June 30, 2019 (fiscal year end)

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were derived from the June 30, 2017 funding valuation report.

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

CENTRAL COAST WATER AUTH₂ORITY

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE SUMMARY

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

Financial Trends

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

Debt Capacity

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

Economic and Demographic Information

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

Operating Information

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

TABLE 1

General Governmental Revenues by Source

Fiscal Year	Operating Assessments	Debt Service Assessments	Other Revenues	Interest Income	Total Revenues
2009/10	$ 7,706,451	$ 10,837,837	$ 144,825	$ 287,296	$ 18,976,409
2010/11	7,100,093	10,828,491	105,552	236,522	18,270,658
2011/12	7,056,434	10,751,690	64,258	166,276	18,038,658
2012/13	7,504,558	10,758,676	125,443	139,554	18,528,231
2013/14	8,642,389	10,669,540	329,292	120,693	19,761,914
2014/15	9,100,035	10,620,321	146,713	118,755	19,985,824
2015/16	8,702,151	10,560,476	108,915	176,276	19,547,818
2016/17	9,667,165	10,857,086	307,089	328,130	21,159,470
2017/18	9,901,333	8,966,976	157,546	635,825	19,661,680
2018/19	9,997,429	9,286,980	158,036	1,281,897	20,724,342

Source: Central Coast Water Authority

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

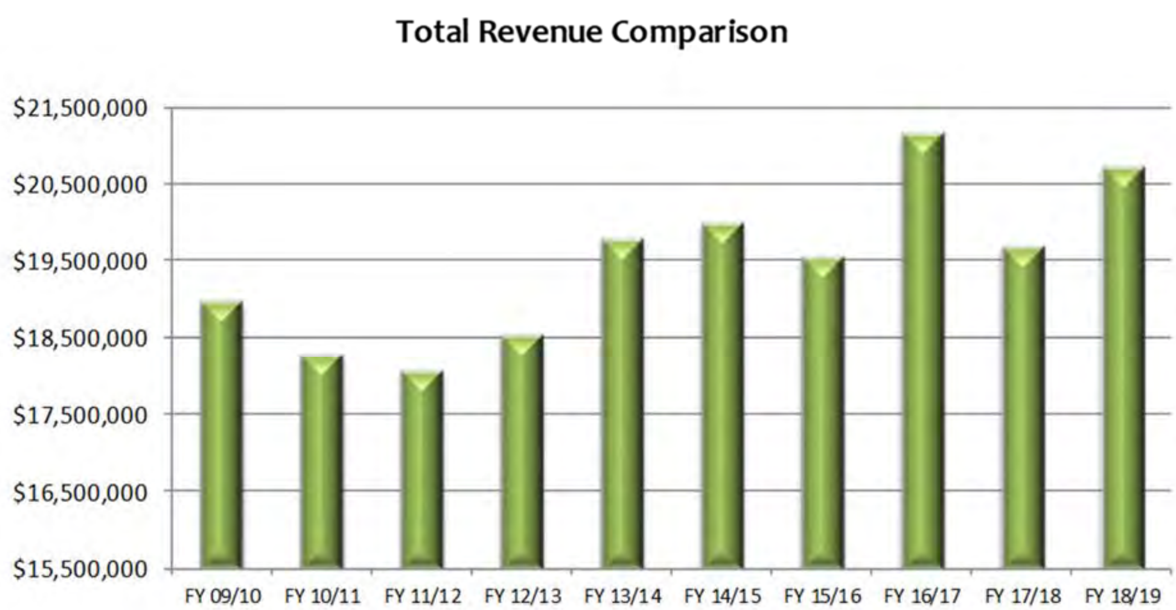


TABLE 2

General Governmental Expenses by Function

Fiscal Year	Operating Expenses	Capital Improvements	Interest Expense	Interest paid to Participants	Total Expenses
2009/10	$ 10,640,777	$ 428,879	$ 5,083,426	$ 273,944	$ 16,427,026
2010/11	10,058,131	180,428	4,818,276	236,432	15,293,267
2011/12	9,786,406	365,801	4,490,322	165,476	14,808,005
2012/13	9,908,687	459,637	4,169,532	139,500	14,677,356
2013/14	10,937,701	749,170	3,805,662	120,693	15,613,226
2014/15	11,671,645	314,087	3,409,975	118,755	15,514,462
2015/16	10,633,214	629,440	2,994,662	176,276	14,433,592
2016/17	11,205,868	254,360	2,869,594	301,630	14,631,452
2017/18	10,591,135	811,276	1,978,000	635,927	14,016,338
2018/19	10,443,568	992,965	1,552,500	1,168,698	14,157,731

Source: Central Coast Water Authority

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

Total Expenditures Comparison

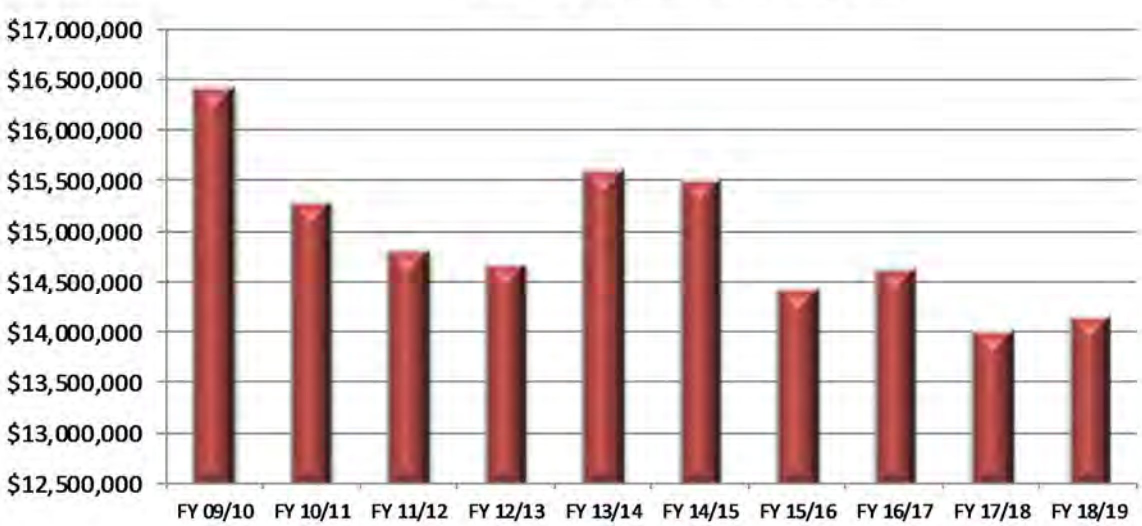


TABLE 3

Change in Net Position and Net Position Components

Last Ten Fiscal Years

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Net position, at beginning of year	$ 19,070,613	$ 22,020,369	$ 25,026,753	$ 28,570,625	$ 32,843,775
Operating revenues	18,685,951	18,018,693	17,872,382	18,383,991	19,641,221
Operating Expenses					
Operating expenses	5,765,512	6,006,570	5,855,361	6,451,537	7,261,549
Depreciation and amortization	3,078,809	3,053,027	2,980,787	2,770,306	2,715,546
Unexpended operating reimbursements	1,796,456	998,534	950,258	686,844	960,606
Total operating expenses	10,640,777	10,058,131	9,786,406	9,908,687	10,937,701
Operating Income	8,045,174	7,960,562	8,085,976	8,475,304	8,703,520
Non-operating revenues					
Interest income and miscellaneous	304,506	251,965	166,276	144,240	120,693
Non-Operating Expenses					
Interest expense	5,083,426	4,818,276	4,490,322	4,169,532	3,805,662
Bond issuance expenses	-	-	-	-	-
Interest income to project participants	273,944	236,432	165,476	139,500	120,693
Other expenses	42,553	151,435	52,582	37,362	101,140
Total non-operating expenses	5,399,923	5,206,143	4,708,380	4,346,394	4,027,495
Increase in Net Position	2,949,757	3,006,384	3,543,872	4,273,150	4,796,718
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	-	-	-	-
Net position, at end of year	22,020,369	25,026,753	28,570,625	32,843,775	37,640,493
Net investment in capital assets	15,969,556	19,447,578	23,467,011	28,134,152	33,258,360
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,590,054	11,545,053	11,597,425	11,540,588	11,537,581
Unrestricted	(5,539,241)	(5,965,878)	(6,493,811)	(6,830,965)	(7,155,448)
Total Net Postion	**$ 22,020,369**	**$ 25,026,753**	**$ 28,570,625**	**$ 32,843,775**	**$ 37,640,493**

Continued

TABLE 3 (*continued*)

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

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Net position, at beginning of year	$ 37,640,493	$ 39,694,735	$ 45,427,613	$ 51,605,680	$ 57,977,737
Operating revenues	19,831,984	19,334,566	20,825,040	19,025,855	19,442,445
Operating Expenses					
Operating expenses	7,805,038	7,592,444	9,448,706	8,858,438	8,234,624
Depreciation and amortization	2,710,711	2,710,417	1,027,928	1,061,706	1,299,198
Unexpended operating reimbursements	1,155,896	330,353	729,234	670,991	909,746
Total operating expenses	11,671,645	10,633,214	11,205,868	10,591,135	10,443,568
Operating Income	8,160,339	8,701,352	9,619,172	8,434,720	8,998,877
Non-operating revenues					
Interest income and miscellaneous	153,840	213,252	334,430	635,825	1,281,897
Non-Operating Expenses					
Interest expense	3,409,975	2,994,662	2,869,594	1,978,000	1,552,500
Bond issuance expenses	-	-	576,155	-	-
Interest income to project participants	118,755	176,276	301,630	635,927	1,168,698
Other expenses	88,164	10,788	28,156	84,561	-
Total non-operating expenses	3,616,894	3,181,726	3,775,535	2,698,488	2,721,198
Increase in Net Position	4,697,285	5,732,878	6,178,067	6,372,057	7,559,576
Refund of capital contributions	-	-	-	-	-
Restatement of net position	(2,643,043)	-	-	-	-
Net position, at end of year	39,694,735	45,427,613	51,605,680	57,977,737	65,537,313
Net investment in capital assets	38,420,586	44,108,951	55,164,579	60,312,509	66,554,791
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,522,948	11,513,337	9,978,731	10,411,593	10,418,498
Unrestricted	(10,248,799)	(10,194,675)	(13,537,630)	(12,746,365)	(11,435,976)
Total Net Postion	$ 39,694,735	$ 45,427,613	$ 51,605,680	$ 57,977,737	$ 65,537,313

TABLE 4

Fiscal Year Gross Budget History (Excludes Credits)

Fiscal Year	CCWA Charges	DWR (State) Charges	Total	Increase (Decrease)	Percentage Change
FY 01/02	$ 12,732,473	$ 29,872,420	$ 42,604,893	$ 1,573,801	4%
FY 02/03	15,923,396	28,667,780	44,591,176	1,986,283	5%
FY 03/04	15,826,610	33,290,820	49,117,430	4,526,254	10%
FY 04/05	16,309,830	33,576,516	49,886,346	768,916	2%
FY 05/06	16,898,682	30,918,963	47,817,645	(2,068,701)	-4%
FY 06/07	17,665,638	33,887,106	51,552,744	3,735,099	8%
FY 07/08	17,368,381	34,383,152	51,751,533	198,789	0%
FY 08/09	18,866,218	32,712,348	51,578,566	(172,967)	0%
FY 09/10	19,113,716	34,400,137	53,513,853	1,935,287	4%
FY 10/11	18,542,903	37,656,903	56,199,806	2,685,953	5%
FY 11/12	19,000,056	36,704,353	55,704,409	(495,397)	-1%
FY 12/13	18,871,714	32,473,910	51,345,624	(4,358,785)	-8%
FY 13/14	19,303,293	36,720,999	56,024,292	4,678,668	9%
FY 14/15	19,905,931	38,928,105	58,834,036	2,809,744	5%
FY 15/16	21,408,675	44,258,987	65,667,662	6,833,626	12%
FY 16/17	22,991,413	34,730,498	57,721,911	(7,945,751)	-12%
FY 17/18	21,280,493	40,494,796	61,775,289	4,053,378	7%
FY 18/19	21,485,218	50,494,069	71,979,287	10,203,998	17%
FY 19/20	22,618,488	52,066,151	74,684,639	2,705,353	4%

Note: Excludes CCWA credits.

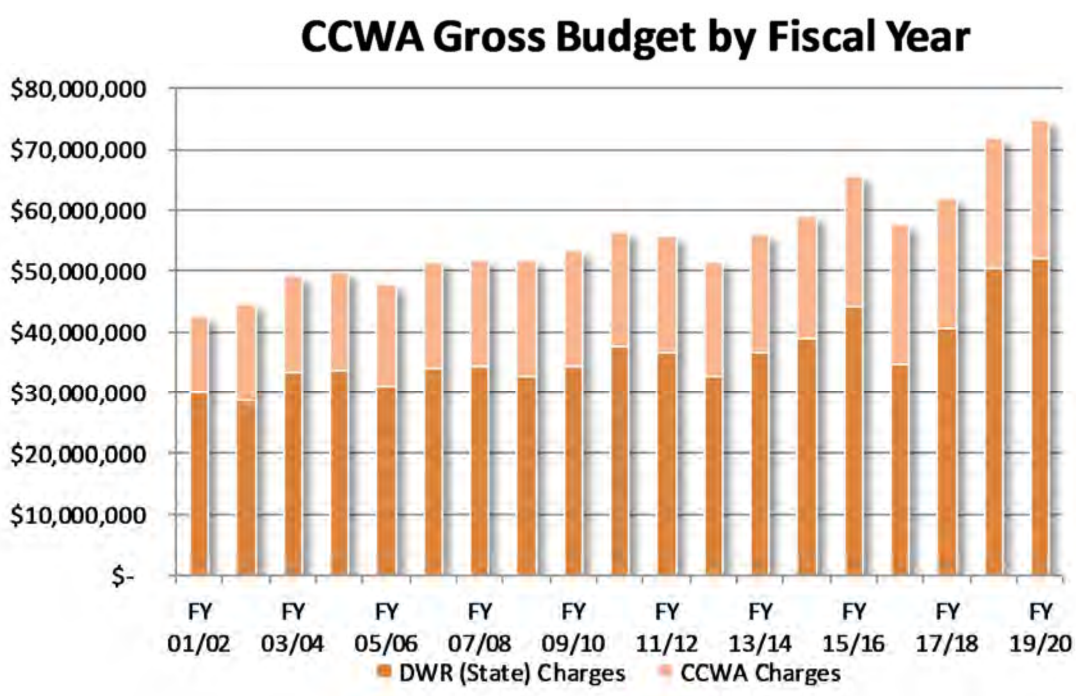


TABLE 5

FY 2018/19 Total Payments by Project Participant

Project Participant	FY 2018/19 Operating Expenses (1)	FY 2018/19 Debt Service Payments	FY 2018/19 DWR Costs (2)	FY 2018/19 Warren Act Charges (3)	FY 2018/19 CCWA Credits	FY 2018/19 Total Payments
Guadalupe	$ 124,848	$ 147,451	$ 629,372	$ -	$ (2,325)	$ 899,346
Santa Maria	3,757,587	-	18,712,332	-	(317,035)	22,152,884
Golden State Water Co.	132,839	-	573,758	-	(9,666)	696,931
Vandenberg AFB	1,329,580	-	6,540,437	-	-	7,870,017
Buellton	142,302	261,085	692,126	-	(11,799)	1,083,714
Santa Ynez (Solvang)	419,763	802,069	1,751,173	-	(32,994)	2,940,011
Santa Ynez	419,666	301,220	601,972	-	(448,890)	873,968
Goleta	960,864	2,528,216	6,190,170	265,884	(2,004)	9,943,130
Morehart Land	32,714	116,100	224,795	2,236	(3,538)	372,307
La Cumbre	228,707	555,829	1,179,161	30,000	(2,089)	1,991,608
Raytheon	3,438	24,292	64,442	1,337	(871)	92,638
Santa Barbara	701,678	1,554,249	4,172,948	139,552	(1,363)	6,567,064
Montecito	567,683	1,826,775	4,050,180	140,114	(1,504)	6,583,248
Carpinteria	316,129	1,044,360	2,429,190	81,004	(5,643)	3,865,040
Shandon	12,731	11,730	N/A	-	(355)	24,106
Chorro Valley	280,742	934,464	N/A	-	(25,174)	1,190,032
Lopez	241,215	241,633	N/A	-	(24,505)	458,343
TOTAL:	$ 9,672,486	$ 10,349,473	$ 47,812,056	$ 660,127	$ (889,755)	$ 67,604,387

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

(2) Includes January 2, 2019 Supplemental Fixed Assessment

(3) Adjusted for Santa Ynez Exchange Agreement Modifications.

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

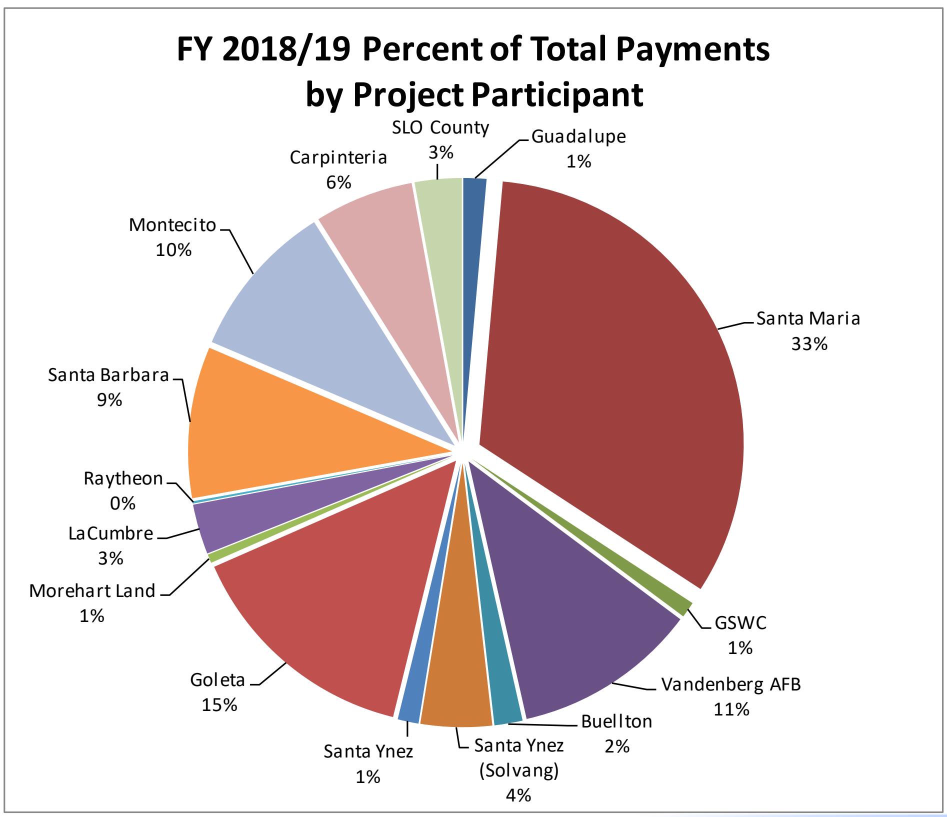


TABLE 6

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

Fiscal Year	Bond Issue	Principal	Interest (1)	Total Debt Service	Total Expenses	Ratio of Debt Service to Total Expenses
2009/10	2006 Bonds	6,430,000	5,147,726	11,577,726	16,545,789	69.97%
2010/11	2006 Bonds	6,695,000	4,885,226	11,580,226	15,405,833	75.17%
2011/12	2006 Bonds	6,960,000	4,577,326	11,537,326	14,912,912	77.36%
2012/13	2006 Bonds	7,335,000	4,247,463	11,582,463	14,677,356	78.91%
2013/14	2006 Bonds	7,625,000	3,900,975	11,525,975	15,613,226	73.82%
2014/15	2006 Bonds	8,010,000	3,510,100	11,520,100	15,514,462	74.25%
2015/16	2006 Bonds	8,405,000	3,099,725	11,504,725	14,433,592	79.71%
2016/17	06 & 16 Bonds	8,825,000	3,023,619	11,848,619	13,963,559	84.85%
2017/18	2016 Bonds	7,880,000	2,076,500	9,956,500	14,016,338	71.03%
2018/19	2016 Bonds	8,720,000	1,661,500	10,381,500	14,157,731	73.33%

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

Source: Central Coast Water Authority

Ratio of Debt Service to Total Expenses

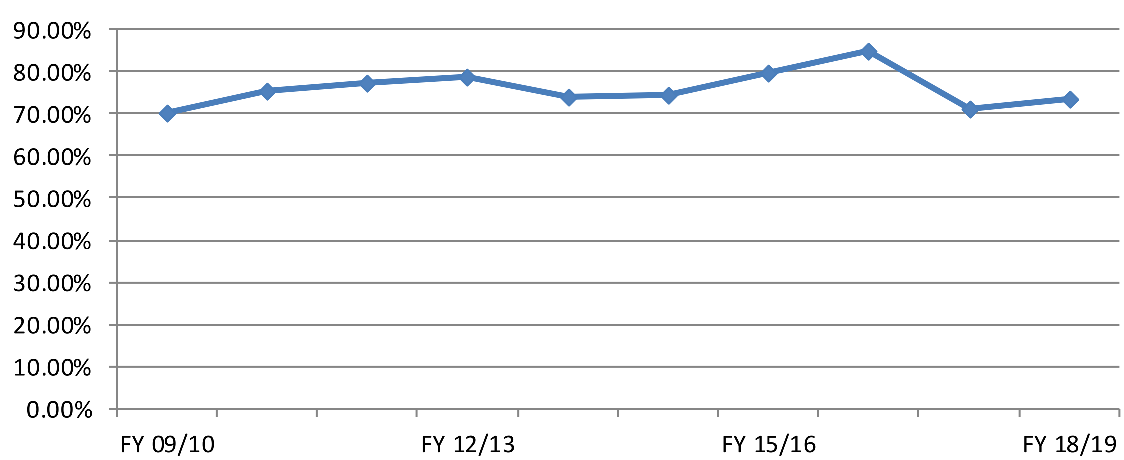


TABLE 7
Selected Demographic Information
Santa Barbara County

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

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

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

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

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

TABLE 8

Miscellaneous Statistical Information

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

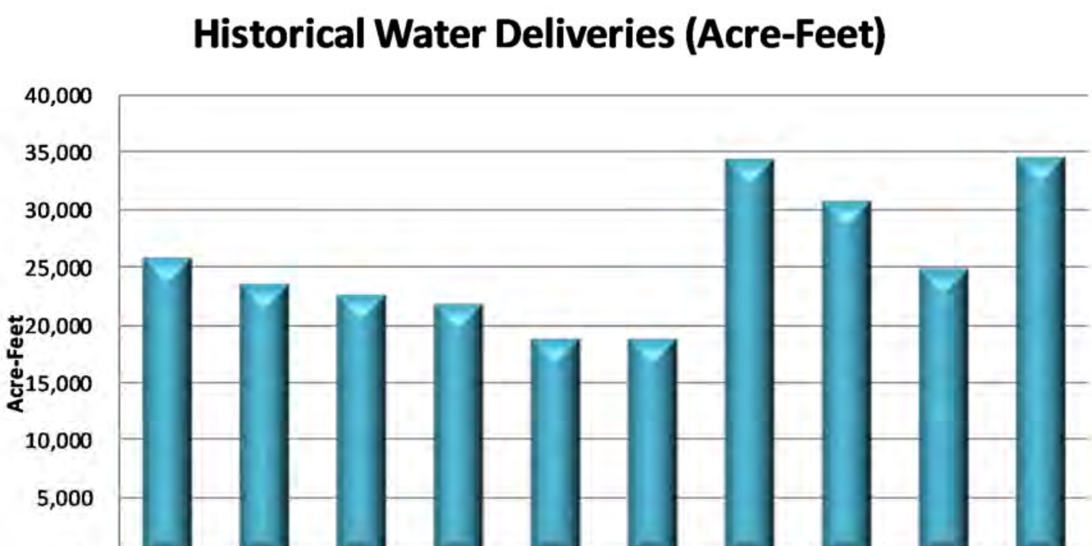
Agency	Table A Amount (AFY)
City of Buellton	578
Carpinteria Valley Water District	2,000
Goleta Water District	4,500
City of Guadalupe	550
La Cumbre Mutual Water Co.	1,000
Montecito Water District	3,000
Morehart Land Co.	200
City of Santa Barbara	3,000
Raytheon Systems Company	50
City of Santa Maria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

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

TABLE 9

FY 2018/19 Actual State Water Deliveries (acre feet)

Project Participant	Table A Deliveries	Exchange Agreement Deliveries	Total Deliveries
Shandon Turnout (SLO County)	61	N/A	61
Lopez Turnout (SLO County)	798	N/A	798
Chorro Valley Turnout (SLO County)	1,743	N/A	1,743
City of Guadalupe	353	N/A	353
City of Santa Maria	8,712	N/A	8,712
Golden State Water Company	377	N/A	377
Vandenberg Air Force Base	2,296	N/A	2,296
City of Buellton	211	N/A	211
Santa Ynez ID #1 (City of Solvang)	690	N/A	690
Santa Ynez ID #1	100	1,362	1,462
Goleta Water District	3,273	(491)	2,782
Morehart Land Company	31	N/A	31
La Cumbre Mutual Water Company	480	N/A	480
Raytheon Systems Company	11	N/A	11
City of Santa Barbara	2,182	(327)	1,855
Montecito Water District	2,239	(326)	1,913
Carpinteria Valley Water District	1,334	(218)	1,116
TOTAL:	24,891	-	24,891



	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Requests
Series1	25,866	23,591	22,710	21,979	18,823	18,928	34,535	30,756	24,891	34,644

TABLE 10

Historical Water Availability Compared to Actual Deliveries & Costs

Santa Barbara County Project Participants Only

(Acre-Feet)

Calendar Year	Available Water	Actual Deliveries	Total CCWA Actual Costs
1998	38,986	18,618	$ 36,225,479
1999	45,486	20,137	24,898,645
2000	40,937	22,741	50,707,485
2001	23,734	18,945	39,445,139
2002	34,715	27,600	37,237,621
2003	41,476	26,970	43,929,781
2004	30,793	29,705	44,152,940
2005	41,092	23,343	43,750,040
2006	49,506	23,275	47,067,848
2007	31,516	27,740	45,660,843
2008	22,036	18,391	46,236,486
2009	24,162	15,452	48,521,830
2010	24,033	17,775	50,707,485
2011	38,389	21,050	51,876,819
2012	29,566	19,474	45,904,819
2013	22,430	18,018	54,450,977
2014 (1)	9,955	15,942	59,621,280
2015 (2)	14,691	11,673	67,372,895
2016 (3)	45,774	28,807	53,704,188
2017 (4)	51,622	29,696	61,352,586
2018 (5)	34,883	28,165	76,476,705
2019 (6)	39,195	22,959	74,197,973
Total:	734,977	486,476	$ 1,103,499,864
Avg. Cost per Acre-foot:	$ 1,501	$ 2,268	
Percent of Table A:	73.45%	48.61%	

(1) 2014 amounts include CCWA Supplemental Water Purchase Program costs of $4.2 million for 5,909 AF.
(2) 2015 amounts include CCWA Supplemental Water Purchase Program costs of $4.8 million for 9,600 AF.
(3) 2016 amounts include CCWA Supplemental Water Purchase Program costs of $2.9 million for 11,500 AF.
(4) No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2017.
(5) 2018 amounts include CCWA Supplemental Water Purchase Program costs of $1.8 millon for 5,633 AF.
(6) 2019 amounts are estimates. No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2019.

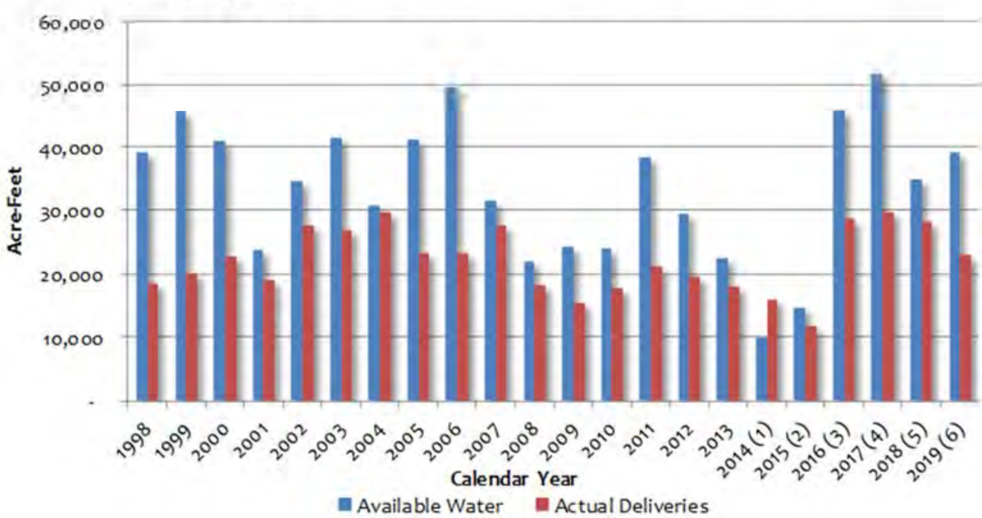


TABLE 11

Schedule of Insurance
Valued June 30, 2019

Company	Policy Period	Insurance Type	Limits	Coverages
Alliant Insurance Services	4-1-18 to 7-1-19	Excess Crime Coverage	$ 7,000,000	Dishonesty, faithful performance, forgery, computer fraud, pension plans including ERISA
ACWA Joint Powers Insurance Authority	4-1-18 to 7-1-19	Crime Coverage	$ 300,000	Public employee theft, depositors forgery or alterations, computer and funds transfer fraud
ACWA Joint Powers Insurance Authority	4-1-18 to 7-1-19	Property Insurance	$ 75,368,006	Buildings ($31,873,798); Personal property ($1,530,882); Fixed Equipment ($41,963,326)
ACWA Joint Powers Insurance Authority	10-1-18 to 10-1-19	General and Auto Liability	$ 5,000,000	Liability JPIA pooled layer
Evanston Insurance Co #MPEREV0057-13-5	10-1-18 to 10-1-19	General and Auto Liability	$ 6,000,000	Liability umbrella policy
Great American Insurance Company/ Lloyd's Brit-Scion #1827291/#PEXS1014018	10-1-18 to 10-1-19	General and Auto Liability	$ 9,000,000	Liability umbrella policy
Great American Insurance Company of New York #EXC2275784	10-1-18 to 10-1-19	General and Auto Liability	$ 10,000,000	Liability umbrella policy
Great American Insurance Co. of NY/ Endurance Risk Solutions Assurance Lloyd's Hiscox #3342492/#EXC10007886203/#B0180PN1803182	10-1-18 to 10-1-19	General and Auto Liability	$ 20,000,000	Liability umbrella policy
General Security Indemnity Company of Arizona #FA0024236-2017-1	10-1-18 to 10-1-19	General and Auto Liability	$ 10,000,000	Liability umbrella policy

TABLE 12

Full-time Equivalent Employees by Position

Position Title	Number Authorized FY 2016/17	Number Authorized FY 2017/18	Number Authorized FY 2018/19	Change Over FY 2016/17	Change Over FY 2017/18
Executive Director	1.00	1.00	1.00	-	-
Deputy Director of Operations	1.00	1.00	1.00	-	-
Finance Director	1.00	-	-	(1.00)	-
Safety & Environmental Specialist	1.00	1.00	1.00	-	-
Controller	1.00	1.00	1.00	-	-
Deputy Controller	-	1.00	1.00	1.00	-
Office Manager	1.00	1.00	1.00	-	-
Accounting Technician	0.75	0.75	0.75	-	-
Administrative Assistant	1.50	1.50	1.50	-	-
WTP Supervisor	1.00	1.00	1.00	-	-
Distribution Supervisor	1.00	1.00	1.00	-	-
Maintenance Manager	1.00	1.00	1.00	-	-
Maintenance Foreman	1.00	1.00	1.00	-	-
Senior Chemist	1.00	1.00	1.00	-	-
Laboratory Analyst	1.00	1.00	1.00	-	-
IT/Instrumentation & Control Specialist	1.00	1.00	1.00	-	-
Engineering Technician	1.00	1.00	1.00	-	-
Maintenance Technician	2.00	2.00	2.00	-	-
Maintenance/IC&R Technician	2.00	2.00	2.00	-	-
WTP Operator	5.00	5.00	5.00	-	-
Distribution Technician	5.00	5.00	5.00	-	-
TOTAL:	30.25	30.25	30.25	-	-

TABLE 13

Santa Barbara County Largest Employers

Company or Organization	Jobs (1)	Percent of Total County Employment
County of Santa Barbara	4,600	2.23%
University of California, SantaBarbara	4,300	2.08%
Cottage Health System	3,600	1.74%
Vandenberg Air Force Base	2,500	1.21%
Santa Maria-Bonita School District	2,120	1.03%
Chumash Casino Resort	2,000	0.97%
Marian Regional Medical Center	1,920	0.93%
Allan Hancock College	1,480	0.72%
Santa Barbara Unified School District	1,400	0.68%
Safran (2)	1,200	0.58%
Total ten largest	25,120	12.16%
Total all other	181,422	87.84%
Total companies or organizations	206,542	100.00%

(1) Source: County of Santa Barbara CAFR, FY ended June 30, 2019
(2) Safran was previously called Zodiac Aerospace before the two companies merged in December 2018

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	4,540	$ 2,834,803	1,939
2010	4,558	2,874,984	1,735
2011	4,569	3,048,595	1,717
2012	4,584	3,257,915	1,785
2013	4,596	3,390,236	1,828
2014	4,695	3,793,692	1,944
2015	4,718	3,362,918	1,840
2016	4,787	3,201,546	1,644
2017	4,836	3,346,533	1,589
2018	4,848	3,938,273	1,782

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
Pismo Coast Village	11,452	$ 48,993
Pismo Beach Mobile Home Park	11,316	48,494
Cliff's Shell Beach	11,092	42,449
Oxford Suites Hotel	8,576	28,611
Pismo Lighthouse Suites	6,496	26,743
Motel 6	6,173	24,396
Kon Tiki	5,774	22,932
Dolphin Bay	5,729	23,928
Seacrest Resort	5,675	22,568
Shorecliff Lodge	5,231	20,126
Total	77,514	$ 309,237

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
2009	$ 4,563,012	$ 1,828,215	$ 2,734,797	$ 1,279,114	2.14
2010	4,316,125	2,954,934	1,361,191	1,290,981	1.05
2011	4,652,847	2,665,865	1,986,982	1,633,880	1.22
2012	5,003,098	2,612,189	2,390,909	1,435,883	1.67
2013	5,002,618	2,616,024	2,386,594	1,413,314	1.69
2014	5,638,215	2,671,261	2,966,954	1,238,740	2.40
2015	6,490,834	2,748,519	3,742,315	1,562,731	2.39
2016	5,975,795	3,384,808	2,590,987	1,503,993	1.72
2017	6,730,397	3,211,371	3,519,026	1,443,742	2.44
2018	6,464,939	3,646,068	2,818,871	1,508,550	1.87

Source: City of Pismo Beach

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	5,547	$ 3,588,500	1,130
2010	5,545	3,574,319	1,282
2011	5,385	3,421,151	1,250
2012	5,401	3,396,936	1,177
2013	5,455	3,377,534	1,141
2014	5,473	3,491,575	1,214
2015	5,455	3,311,970	1,094
2016	5,455	4,130,990	996
2017	5,483	5,077,312	942
2018	5,496	5,647,331	936

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
City of Morro Bay	18,740	$ 221,670
Morro Bay High School	15,103	95,713
Pacific Care Center	8,616	204,700
Mission Linen Center	8,130	193,389
CA Dept of Parks	5,472	94,943
Imperial Coast, LP	4,754	124,127
Silver City Resort	4,172	99,614
San Luis Central School District	2,634	34,461
Morro Elementary School	2,171	27,501
Culligan Water	2,119	46,333
Total	71,911	$ 1,142,451

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
2009	$ 3,893,904	$ 1,273,381	$ 2,620,523	$ 2,055,446	1.27
2010	3,661,837	1,587,764	2,074,073	1,968,552	1.05
2011	3,491,186	1,813,559	1,677,627	2,108,814	0.80
2012	3,646,957	2,021,803	1,625,154	2,186,578	0.74
2013	3,453,217	1,764,241	1,688,976	2,155,816	0.78
2014	3,550,868	1,958,281	1,592,587	2,158,842	0.74
2015	3,332,358	1,599,955	1,732,403	2,238,795	0.77
2016	4,487,576	1,969,828	2,517,748	2,166,523	1.16
2017	5,029,287	1,286,244	3,743,043	2,010,166	1.86
2018	5,647,331	1,138,167	4,509,164	2,157,811	2.09

Source: City of Morro Bay

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Municipal Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	1,926	$ 1,303,214	966
2010	1,915	1,344,941	900
2011	1,927	1,320,373	921
2012	1,931	1,466,881	989
2013	1,940	1,462,443	912
2014	1,945	1,769,651	1,078
2015	1,960	1,721,143	1,039
2016	1,973	1,624,652	952
2017	2,017	1,727,388	944
2018	2,099	1,998,263	1,189

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
Apio Cooler	203,864	$ 820,324
County Housing Authority	6,903	27,777
Guadalupe Union School	6,875	27,664
Riverview Townhomes	4,349	17,501
Guadalupe Laundromat	4,002	16,102
Obispo Cooling	3,032	12,199
Pan American Seed	2,734	11,002
JR Simplot Co.	2,552	10,269
Guadalupe Cemetery	2,237	9,000
P & M Properties	1,680	6,759
Total	238,228	$ 958,597

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	$ 1,418,311	$ 629,726	$ 165,923	$ 954,508	$ 690,201	1.38
2010	1,402,871	436,644	165,531	1,131,758	699,287	1.62
2011	1,395,787	426,842	167,444	1,136,389	667,445	1.70
2012	1,519,883	499,857	167,705	1,187,731	599,469	1.98
2013	1,515,152	435,004	167,787	1,247,935	758,852	1.64
2014	1,856,503	505,615	167,787	1,518,675	744,436	2.04
2015	1,811,430	468,004	186,615	1,530,041	741,040	2.06
2016	1,729,167	698,968	186,615	1,216,814	663,337	1.83
2017	1,847,672	453,726	186,819	1,580,765	796,095	1.99
2018	2,204,907	860,891	188,366	1,532,382	877,255	1.75

Source: City of Guadalupe

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	20,919	$ 25,859,215	14,489
2010	20,927	25,411,420	13,986
2011	21,050	26,393,674	13,016
2012	21,199	27,803,548	13,264
2013	21,385	29,938,893	13,338
2014	21,580	31,962,813	13,882
2015	21,901	31,403,212	13,009
2016	22,152	33,883,550	12,022
2017*	22,362	37,915,296	12,357
2018	22,692	37,915,296	12,357

* In fiscal year 2017, the number of connections for 2017 was reported as 22,981. The City discovered (while preparing the 2018 report) that number was overstated by 619. The correct number of connections for 2017 is 22,362, as reflected above.

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
City of Santa Maria	274,074	$ 1,794,502
Nipomo Community Services District	411,642	1,558,477
Santa Maria Elementary School	123,151	820,463
SP Village Green, LLC	63,876	393,113
Fresh Venture Foods	63,819	383,406
Titan Frozen Fresh	60,427	360,854
Casa Grande Mobile Homes	56,698	259,134
Allan Hancock College	48,961	218,609
S.B. County Housing Authority	28,254	201,744
Santa Maria Joint Union High School District	26,704	183,839
Total	1,157,606	$ 6,174,141

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues (1)	Operating Expenses	Rate Coverage Fund	Net Revenues	State Water Payments	Coverage
2009	$ 33,521,237	$ 11,232,624	$ 4,242,530	$ 26,531,143	$ 15,438,235	1.72
2010	32,956,256	9,282,313	4,258,071	27,932,014	17,103,082	1.63
2011	34,634,358	10,389,795	4,281,382	28,525,945	17,150,434	1.66
2012	36,330,166	10,260,908	4,288,071	30,357,329	14,671,346	2.07
2013	38,305,281	12,698,916	4,290,188	29,896,553	17,851,202	1.67
2014	42,467,011	11,523,665	4,290,188	35,233,534	17,793,198	1.98
2015	41,771,720	13,564,740	5,001,279	33,208,259	19,191,415	1.73
2016	44,478,328	12,193,440	5,001,279	37,286,167	16,072,296	2.32
2017	48,626,344	14,727,515	5,006,756	38,905,585	18,589,602	2.09
2018	53,564,449	16,796,669	5,001,279	41,769,059	19,867,737	2.10

(1) Includes wastewater fees and charges.

Source: City of Santa Maria

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections		Sales Revenues	Water Deliveries (acre-feet per year)
2009	1,548	$	1,467,933	1,284
2010	1,558		1,467,931	1,300
2011	1,557		1,387,651	1,184
2012	1,570		1,368,805	1,212
2013	1,569		1,460,658	1,226
2014	1,569		1,532,887	1,300
2015	1,582		1,436,127	1,141
2016	1,584		1,426,171	1,043
2017	1,699		1,865,124	1,089
2018	1,733		2,416,040	1,240

Largest Customers as of June 30, 2018

	Water Usage (1)		Annual Payment
Professional Investment Planning	19,090	$	79,523
Buellton Union School District	18,784		68,156
Flying Flags Association, L.P.	14,844		41,377
Santa Ynez Valley Marriott	9,383		35,610
Rivergrove Mobilehome Park	8,679		26,989
Terravant Wine Co	6,190		27,323
Buellton Village Center LLC	5862		38343
Milt Guggia Ent Inc	5,078		23,104
Hampton Inn	4,670		23,235
The Inn Group	4,484		18,885
Total	97,064	$	382,545

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30		Total Revenues		Operating Expenses		Rate Coverage Fund Deposit		Net Revenues		State Water Payments	Coverage
2009	$	1,659,083	$	497,597	$	255,558	$	1,417,044	$	896,715	1.58
2010		1,579,341		542,240		256,494		1,293,595		943,326	1.37
2011		1,494,307		486,807		257,898		1,265,398		938,136	1.35
2012		1,431,453		598,093		258,300		1,091,660		894,257	1.22
2013		1,512,243		550,655		258,427		1,220,015		1,017,156	1.20
2014		1,555,656		553,211		258,427		1,260,872		962,999	1.31
2015		1,642,522		632,937		274,861		1,284,446		1,043,536	1.23
2016		1,983,721		490,933		274,861		1,767,649		908,360	1.95
2017		2,069,593		728,200		275,162		1,616,555		946,522	1.71
2018		2,675,975		759,603		274,861		2,191,233		1,017,206	2.15

Source: City of Buellton

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

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	2,017	$ 4,085,678	1,483
2010	1,981	3,957,709	1,315
2011	2,019	3,927,817	1,322
2012	2,118	4,167,680	1,347
2013	2,153	4,455,120	1,416
2014	2,156	4,631,124	1,409
2015	2,178	4,361,233	1,074
2016	2,211	4,378,420	962
2017	2,225	4,490,615	997
2018	2,227	4,823,204	1,178

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
Rancho Santa Ynez Mobile Estates	20,924	$ 114,673
City of Solvang	10,268	98,671
Alisal Gues Ranch	15,365	84,997
Atterdag Village	6,586	77,651
Mission Oaks	9,910	58,887
Worldmark	5,566	57,080
Chumash Casino Resort (Hotel Corque)	6,542	53,499
Solvang Mesa, LLMD	7,308	53,203
Solvang School	8,772	38,233
Holiday Inn	5,237	32,617
Total	96,478	$ 669,511

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	$ 4,199,436	$ 1,537,148	$ 599,048	$ 3,261,336	$ 2,448,490	1.33
2010	4,043,117	1,321,839	603,156	3,324,434	2,637,865	1.26
2011	3,995,627	1,214,624	604,939	3,385,942	2,647,201	1.28
2012	4,230,365	1,231,366	605,884	3,604,883	2,438,576	1.48
2013	4,677,242	1,436,931	606,183	3,846,494	2,656,129	1.45
2014	5,152,838	1,998,916	606,183	3,760,105	2,743,342	1.37
2015	4,920,397	1,580,530	606,183	3,946,050	2,960,871	1.33
2016	4,751,452	1,317,454	606,183	4,040,181	2,534,152	1.59
2017	4,668,636	1,213,706	606,847	4,061,777	2,557,331	1.59
2018	4,946,103	1,332,300	611,871	4,225,674	2,691,366	1.57

Source: City of Solvang

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	2,583	$ 5,030,245	5,947
2010	2,579	5,096,678	5,416
2011	2,519	5,009,463	5,255
2012	2,515	5,371,780	5,260
2013	2,598	5,531,585	5,371
2014	2,624	6,889,450	5,358
2015	2,618	6,157,964	4,341
2016	2,664	5,868,155	3,712
2017	2,672	6,367,009	3,511
2018	2,692	7,798,410	3,817

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
Private Agriculture	129	$ 56,162
Private Agriculture	103	42,710
Private Agriculture	82	35,616
Private Agriculture	51	29,169
Private Agriculture	50	28,098
Private Agriculture	48	23,210
Private Agriculture	48	19,310
Private Agriculture	44	21,483
Private Agriculture	42	17,025
Private Agriculture	35	19,146
Total	632	$ 291,930

(1) In acre-feet per year.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30 (1)	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	$ 8,797,488	$ 3,683,262	$ 1,012,862	$ 6,127,088	$ 3,799,166	1.61
2010	8,785,547	3,778,443	1,019,126	6,026,230	3,956,531	1.52
2011	8,759,268	3,597,194	1,022,142	6,184,216	4,003,719	1.54
2012	8,209,585	3,179,858	1,023,739	6,053,466	4,112,646	1.47
2013	8,213,596	3,310,123	1,024,244	5,927,717	4,238,934	1.40
2014	10,538,309	4,610,406	1,024,244	6,952,147	4,307,127	1.61
2015	9,533,850	4,781,398	1,062,841	5,815,293	4,604,806	1.26
2016	9,657,032	4,713,576	1,062,841	6,006,297	3,895,465	1.54
2017	10,127,574	4,585,443	1,064,005	6,606,136	3,606,066	1.83
2018	11,585,534	4,811,401	1,072,814	7,846,947	3,623,388	2.17

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

Source: Santa Ynez Improvement District #1

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	16,373	$ 17,891,752	14,198
2010	16,346	16,554,650	12,971
2011	16,401	15,721,915	12,161
2012	16,295	18,668,008	12,275
2013	16,518	22,171,254	13,923
2014	16,542	24,005,806	14,884
2015	16,441	19,988,107	11,883
2016	16,474	29,771,141	10,773
2017	16,561	28,532,344	9,658
2018	16,578	33,222,144	10,799

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
U.C.S.B.	935	$ 3,320,774
Cavaletto Ranches, LLC	559	1,034,978
Sandpiper Golf Course	278	366,985
Touchstone Glen Annie Golf	232	484,993
Roy Butera	177	375,684
County of Santa Barbara	169	726,572
Wallover, Inc.	152	291,846
Bacara Resort	142	532,691
William R. Pulice	113	238,873
Santa Barbara Unified School District	91	380,949
Total	2,848	$ 7,754,345

(1) In acre-feet per year.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	$ 31,044,059	$ 14,448,077	$ -	$ 16,595,982	$ 7,317,439	2.27
2010	24,129,754	16,268,616	-	7,861,138	6,561,134	1.20
2011	25,378,145	11,788,948	-	13,589,197	7,251,071	1.87
2012	27,426,627	14,741,694	-	12,684,933	6,309,979	2.01
2013	32,409,693	15,146,414	-	17,263,279	7,284,547	2.37
2014	34,188,412	18,210,976	-	15,977,436	7,998,066	2.00
2015	32,951,960	16,527,332	-	16,424,628	9,369,850	1.75
2016	39,174,119	21,847,412	-	17,326,707	7,973,075	2.17
2017	38,016,844	24,700,536	-	13,316,308	8,707,040	1.53
2018	43,479,431	19,018,608	-	24,460,823	8,731,412	2.80

Source: Goleta Water District

Historic Water Connections and Sales Revenues

Fiscal Year Ending Dec. 31	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2008	1,468	$ 2,489,710	1,937
2009	1,468	2,586,518	1,702
2010	1,469	2,377,639	1,523
2011	1,471	2,608,037	1,465
2012	1,471	3,023,989	1,587
2013	1,485	3,279,957	1,776
2014	1,494	3,117,612	1,373
2015	1,494	3,242,513	1,140
2016	1,497	3,241,825	1,067
2017	1,504	3,998,026	1,202

Largest Customers as of December 31, 2017

	Water Usage (1)	Annual Payment
La Cumbre Golf & Country Club	40,317	$ 245,918
Stephen Redding	5,776	84,954
Timothy Pasquinelli	5,293	75,105
Overwater, LLC	4,004	58,362
Jeffrey Henley	4,120	57,950
Frances Nielsen	3,514	51,380
Dean & Darcy Christal	3,145	44,169
Susan Caffrey	2,661	37,178
Carriage Hill Association	2,601	29,427
Stuart & Annette Rubin	2,122	29,133
Total	73,553	$ 713,576

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending Dec. 31	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2008	$ 3,451,050	$ 1,408,802	$ 376,576	$ 2,418,824	$ 1,540,843	1.57
2009	3,510,409	1,670,353	392,003	2,232,059	1,684,349	1.33
2010	3,261,377	1,649,171	389,217	2,001,423	1,870,892	1.07
2011	3,641,641	1,419,353	391,224	2,613,512	1,962,355	1.33
2012	3,987,385	1,401,788	391,135	2,976,732	1,425,464	2.09
2013	4,402,802	1,530,254	391,135	3,263,683	1,696,315	1.92
2014	4,185,177	1,504,177	391,135	3,072,135	1,875,217	1.64
2015	4,306,838	1,453,837	391,135	3,244,136	2,052,272	1.58
2016	4,526,872	1,911,022	392,065	3,007,915	1,572,834	1.91
2017	5,196,914	1,792,262	391,135	3,795,787	1,769,030	2.15

Source: La Cumbre Mutual Water Co.

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	26,153	$ 28,669,429	13,819
2010	26,504	28,163,162	13,428
2011	26,761	27,181,923	13,284
2012	26,649	29,992,081	13,949
2013	26,797	32,683,467	14,366
2014	26,919	33,296,287	14,218
2015	26,921	31,512,114	10,775
2016	26,988	41,433,002	9,935
2017	27,111	46,187,721	9,009
2018	17,191	52,356,068	9,918

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
Santa Barbara Unified School District	37,021	$ 508,728
Cottage Hospital	34,749	487,405
Dario Pini	24,844	335,977
Housing Authority	26,025	325,269
City of Santa Barbara Parks	26,768	236,449
Santa Barbara Community College District	11,640	198,516
Hilton Santa Barbara Beachfront Report (Formerly Fess Parker Double Tree)	21,987	188483
Belmond El Encanto	13,172	168,625
Santa Barbara Highlands HOA (Miramonte)	15,680	158,049
City of Santa Barbara Waterfront	10,412	140,978
Total	222,298	$ 2,748,479

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Parity Debt Service	Coverage
2009	$ 33,914,071	$ 18,885,951	$ 15,028,120	$ 4,314,561	$ 1,857,100	2.44
2010	33,763,232	18,546,457	15,216,775	4,466,645	1,697,698	2.47
2011	32,082,335	17,793,001	14,289,334	4,619,893	1,847,271	2.21
2012	37,696,027	19,547,823	18,148,204	4,180,184	1,738,160	3.07
2013	38,439,062	21,464,993	16,974,069	4,744,097	1,847,618	2.58
2014	37,185,303	22,994,993	14,190,310	5,230,535	2,774,171	1.77
2015	35,348,935	25,475,134	9,873,801	6,348,335	2,654,446	1.10
2016	45,677,508	21,316,587	24,360,921	5,780,222	3,225,980	2.70
2017	52,271,592	22,533,661	29,737,931	6,335,560	4,274,453	2.80
2018	57,798,973	29,129,726	28,669,247	5,668,670	4,520,212	2.81

Source: City of Santa Barbara

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	4,583	$ 10,015,310	5,963
2010	4,558	9,429,322	5,274
2011	4,575	8,401,945	4,715
2012	4,577	9,345,967	5,302
2013	4,585	10,573,025	5,945
2014	4,597	11,260,539	5,775
2015	4,593	6,752,280	3,331
2016	4,601	7,652,442	3,440
2017	4,602	7,470,909	3,127
2018	4,604	8,925,156	3,783

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
Golf Club	38,884	$ 330,668
Resort Hotel	35,342	401,173
Agricultural	33,393	256,068
Agricultural	25,598	174,425
Agricultural	22,596	144,748
Private College	16,104	171,615
Resort Hotel	14,378	160,323
Single Family Residential Community	12,973	145,592
Single Family Home	9,738	105,576
Retirement Community	7,713	111,475
Total	216,719	$ 2,001,663

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	$ 13,873,852	$ 6,528,920	$ 1,075,696	$ 8,420,628	$ 5,144,227	1.64
2010	14,555,964	5,931,617	1,079,637	9,703,984	5,123,778	1.89
2011	12,277,049	5,588,083	1,085,554	7,774,520	5,334,729	1.46
2012	13,224,023	6,299,364	1,087,250	8,011,909	4,412,658	1.82
2013	14,315,026	6,497,450	1,087,787	8,905,363	4,898,038	1.82
2014	16,880,381	8,222,385	1,087,787	9,745,783	5,978,116	1.63
2015	16,264,644	8,048,179	1,417,526	9,633,991	6,573,858	1.47
2016	20,063,580	9,007,873	1,417,526	12,473,233	5,778,933	2.16
2017	18,583,907	7,760,628	1,419,078	12,242,357	5,491,272	2.23
2018	18,541,652	8,570,817	1,417,526	11,388,361	5,966,292	1.91

Source: Montecito Water District

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	4,288	$ 10,393,601	4,099
2010	4,326	10,089,936	3,825
2011	4,322	10,101,197	3,599
2012	4,339	10,575,216	3,871
2013	4,441	10,798,634	4,352
2014	4,444	11,229,175	4,551
2015	4,485	11,031,043	3,728
2016	4,501	12,023,205	3,604
2017	4,503	12,457,730	3,395
2018	4,506	12,776,055	3,870

Largest Customers as of June 30, 2018

	Water Usage (1)	Annual Payment
Circle G	29,623	$ 66,900
Emmett, Morgan	27,459	61,667
Ota, Tom	26,467	66,135
Schaff, Victor	25,801	52,957
Cate School	23,519	120,844
Casitas Village Home Assn	19,280	270,999
Villa Del Mar HOA	18,534	248,727
Sandpiper Village	17,799	248,691
Reiter Brothers, Inc	17,109	40,381
City of Carpinteria	14,037	118,148
Total	219,628	$ 1,295,450

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	$ 11,005,014	$ 5,395,430	$ 807,038	$ 6,416,622	$ 2,923,214	2.20
2010	10,499,950	4,639,111	809,995	6,670,834	3,006,719	2.22
2011	10,350,057	4,791,179	814,431	6,373,309	3,107,837	2.05
2012	11,267,253	5,052,870	815,699	7,030,082	2,785,680	2.52
2013	11,835,527	5,068,463	816,100	7,583,164	3,135,384	2.42
2014	12,218,169	5,711,413	816,100	7,322,856	3,539,365	2.07
2015	12,349,806	5,467,213	816,100	7,698,693	3,909,986	1.97
2016	13,112,109	6,345,931	816,100	7,582,278	3,324,260	2.28
2017	12,760,851	5,337,062	816,994	8,240,783	3,444,393	2.39
2018	13,325,096	5,914,427	823,757	8,234,426	3,732,379	2.21

Source: Carpinteria Valley Water District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019
Santa Barbara County, CA

BETSY M. SCHAFFER, CPA, CPFO
Auditor-Controller

C. EDWIN PRICE, JR., CPA, CPFO
Assistant Auditor-Controller

In fiscal year 2018-19, weather related incidents continued to serve as a necessary focus of County resources. Building upon the knowledge and experience gained in the previous year, several departments continued to protect the County's citizens by coordinating efforts to respond to wind-driven fires and multiple rain storms exceeding anticipated debris flow risk levels.

On February 1, 2019, the Romero Canyon debris basin was cleared in anticipation of an approaching storm system. The same view on February 2, 2019 shows the debris captured in the basin.

A series of late winter storms produced drought busting rain fall totals, a significant rise in local lake and reservoir levels, a dramatic lightning display that made national news, and an extraordinary wildflower super bloom.

Photo credits
Exterior cover: Mike Eliason, Public Information Officer, Santa Barbara County Fire.
Interior cover: Lael Wageneck, Public Engagement Specialist, County of Santa Barbara Public Works Department

This CAFR is dedicated to Theodore A. Fallati, CPA, CPFO, who retired on January 7, 2019 after 26 years of faithful and distinguished public service. Per Theo, he is enjoying retirement with his lovely wife Patti by traveling, working on cars and enjoying visits from his firefighter son Dante. Theo also gets a game or two of golf in and appreciates lots of delicious family-made Italian meals with many glasses of red wine.

COUNTY OF SANTA BARBARA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2019

PREPARED UNDER THE SUPERVISION OF

BETSY M. SCHAFFER, CPA, CPFO
AUDITOR-CONTROLLER

C. EDWIN PRICE, JR., CPA, CPFO
ASSISTANT AUDITOR-CONTROLLER

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COUNTY OF SANTA BARBARA
CALIFORNIA

COUNTY OF SANTA BARBARA

BETSY M. SCHAFFER, CPA
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C. EDWIN PRICE, JR., CPA
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Auditor@co.santa-barbara.ca.us

Mailing Address:
P.O. Box 39
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Fax: (805) 568-2016

OFFICE OF THE AUDITOR-CONTROLLER

August 28, 2019

To the Citizens of Santa Barbara County:

The Comprehensive Annual Financial Report (CAFR) of the County of Santa Barbara (County) for the fiscal year ended June 30, 2019, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent auditor's report is located at the front of the financial section of this report. Brown Armstrong Accountancy Corporation has issued an unmodified ("clean") opinion on the County's financial statements for the year ended June 30, 2019. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Policymaking and legislative authority is vested in the County Board of Supervisors (Board), which consists of an elected supervisor from each of the five districts. The Board is responsible for, among other things, passing ordinances, adopting budgets and appointing committees, the County Executive Officer (CEO), and non-elected department directors. Supervisors are elected to four-year staggered terms with two supervisors elected in even-years and three supervisors elected in odd-years. The County has five elected department directors serving four-year terms: Auditor-Controller, Clerk-Recorder-Assessor, District Attorney, Sheriff-Coroner, and Treasurer-Tax Collector-Public Administrator. The following organization chart reflects the various functional categories reported in the governmentwide Statement of Activities as well as identifies principal officials.

Geography and Industry

The County, located approximately 100 miles north of Los Angeles and 300 miles south of San Francisco, was established by an act of the State Legislature on February 18, 1850. It occupies 2,737 square miles, one-third of which is located in the Los Padres National Forest, and has a population of 454,593.

Eight incorporated cities are within the County: Santa Barbara, Santa Maria, Lompoc, Goleta, Carpinteria, Guadalupe, Solvang, and Buellton. The largest employment categories include the government sector, leisure and hospitality, education and health services, goods producing, and professional and business services. The mild climate, picturesque coastline, scenic mountains, and numerous parks and beaches make the County a popular tourist and recreational area.

Policy & Executive

From Left to Right: Das Williams, Joan Hartmann, Steve Lavagnino, Peter Adam, Gregg Hart

Das Williams
First District Supervisor
Chair

Gregg Hart
Second District
Supervisor

Joan Hartmann
Third District
Supervisor

Peter Adam
Fourth District
Supervisor

Steve Lavagnino
Fifth District Supervisor
Vice Chair

Mona Miyasato
County Executive Officer (CEO)
General County Revenues & Programs

Michael Ghizzoni
County Counsel

Public Safety

Joyce Dudley
District Attorney*

William F. Brown
Sheriff-Coroner*

Darrel E. Parker
Court Special Services

Mark Hartwig
Fire

Tanja Heitman
Probation

Tracy Macuga
Public Defender

*Elected Official

Health & Human Services

Alice Gleghorn, PhD
Behavioral Wellness

Joni Maiden, MPA
Child Support Services

Van Do-Reynoso, MPH, PhD
Public Health Services

Daniel Nielson
Social Services

Community Resources & Public Facilities

Cathleen Fisher
Agriculture Commissioner / Weights & Measures

George Chapjian
Community Services

Lisa Plowman
Planning & Development

Scott McGolpin
Public Works

General Government & Support Services

Betsy Schaffer, CPA, CPFO
Auditor-Controller*

Joseph E. Holland, CPFO
Clerk-Recorder-Assessor*

Harry E. Hagen, CPA, CPFO
Treasurer-Tax Collector & Public Administrator*

Janette Pell
General Services

Maria Elena De Guevara
Human Resources

Component Units

The County, with an average of 4,037 full-time equivalent employees, provides a full range of services to its residents as the organization chart above depicts. Included in operations are various component units which provide specific services Countywide or to distinct geographic areas within the County. They include Laguna County Sanitation District, Flood Control and Water Conservation Districts, Santa Barbara County Fire Protection District, Public and Educational Access, In-Home Supportive Services Public Authority, County Service Areas, Community Facilities Districts, Lighting Districts, Sandyland Seawall Maintenance District, Water Agency, Santa Barbara County Finance Corporation, and First 5 Children and Families Commission (First 5) (separately presented and not included in the County's operations).

While these entities are legally separate from the County, the County is financially accountable for them as their governing bodies are substantially the same as the County Board (except for First 5). Other entities, such as the Air Pollution Control District and the Santa Barbara County Association of Governments, conduct their own day-to-day operations, answer to their own governing board, and thus are not included in the County's financial statements.

Budget

The County is required by state law to adopt a final budget each year. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for all governmental and proprietary funds and are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The legal level of budgetary control is maintained at the fund, department, and object level with more stringent control over capital assets and fund balance categories, which are maintained at the line item level.

The Board must approve amendments or transfers of appropriations between funds or departments as well as items related to capital assets or fund balances. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. The Board has delegated authority to approve transfers of appropriations between object levels within the same department to the CEO.

FACTORS AFFECTING ECONOMIC CONDITION

The following highlights and graphs are indications of the changing economy on a Countywide basis that includes both the unincorporated area and the eight incorporated cities.

During Fiscal Year (FY) 18-19, the County experienced continued increases in employment and a drop in the unemployment rate, modest wage gains, weakening of housing price growth, and increases in taxes from tourism.

"19 Years in the Making, Montecito's Rosewood Miramar Beach Resort is in Business"

Noozhawk February 15, 2019

Employment

- The County's average unemployment rate during FY 18-19 decreased from 4.5% to 3.9%.
- The June 2019 average County unemployment rate of 3.9% was below the State unemployment rate of 4.1% and above the national unemployment rate of 3.8%.

Income

- The County's average annual wages increased to $54,890 in the 2018 calendar year from $54,320 in 2017.

Retail Sales

- Countywide estimated retail sales increased 12.9% to over $7.9 billion for the FY 18-19. The significant change over the prior year is due to changes in the State's sales tax reporting system which resulted in prior year corrections included in current year amounts.
- California retail sales increased 3.6% for the FY 17-18.

Real Estate

- According to the Zillow Home Value Index for Santa Barbara County, the median home value increased 3.3% to $598,950.
- The real estate market continued its upward trend, but with moderated growth in price increases.

Tourism

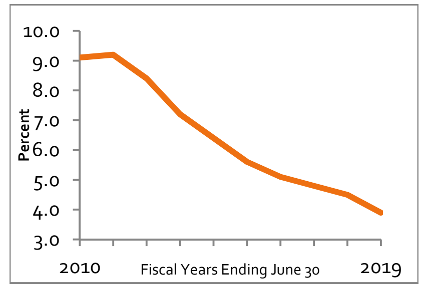
- Countywide estimated room sales grew by 3.4%, to $495.4 million.
- Countywide estimated Transient Occupancy Tax (TOT) revenue increased by 3.6%.
- Between January 2016 and January 2019, growth in the leisure and hospitality industry exceeded 5% and represented 13.5% of total employment.

"Romero Canyon, Toro Canyon Bridges Reopened in Montecito"

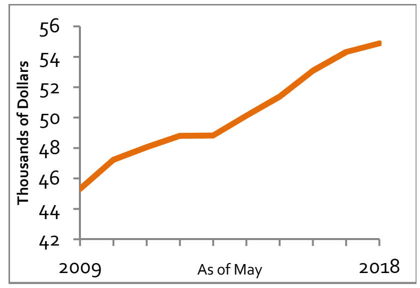
Noozhawk January 30, 2019

Most of the information about the local economy is derived from the California Employment Development Department and the Bureau of Labor Statistics.

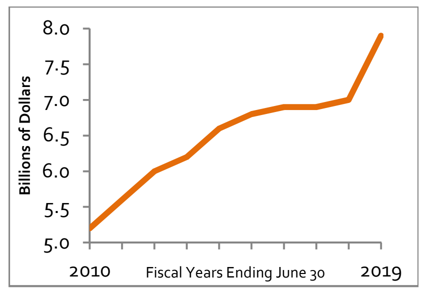
Unemployment Rate



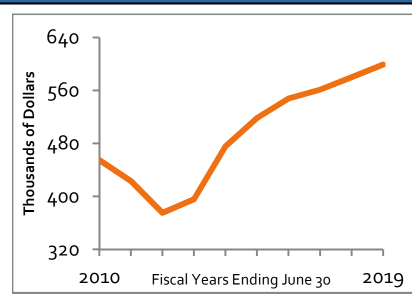
Average Salary



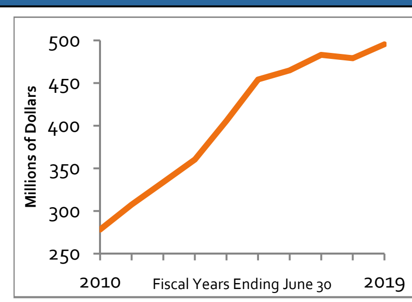
Retail Sales



Median Home Value



Hotel / Motel Room Sales



ECONOMIC INDICATORS

The economic outlook for the State, according to the California Fiscal Outlook, continues to see steady wage and salary growth in large part due to record low unemployment. This in turn translates into slower anticipated job growth as there are a limited number of Californians looking for jobs. The housing market is expected to continue weakening as price growth slows due to the rising supply of homes for sale and tighter mortgage lending. Uncertainties about the stock market and trade disputes continue to cloud the overall strong economy.

As of July the current economic expansion is now the longest on record. Recent surveys of consumers and experts alike indicate an increased pessimism on the economic outlook. Yet economic recessionary indicators at this point are mixed with prognosticators vacillating on how much longer the expansion will last.

The 2019 Economic Forecast, prepared by the University of California, Santa Barbara, highlights at a local level growing total employment and decreasing unemployment rates, mirroring Statewide trends. Real Gross Domestic Product (GDP) growth rates remain modest and the government sector continues to be the largest contributor to Real GDP in Santa Barbara County. Housing price growth in Santa Barbara County has moderated and remains at about half the national average. Overall industry in the County has seen exponential growth in small regional banks, recovery in agriculture from the drought, and significant growth in the beer industry with 11 establishments compared to 3 in 2013.

FINANCIAL INDICATORS

In FY 18-19 property taxes increased modestly primarily from increased assessments and new development. Property tax is the County's largest source of discretionary revenue. Certain leading indicators of future property tax growth are property transfer tax and supplemental property tax. Property transfer tax decreased in FY 18-19 by 2.7%, suggesting slowing of property tax growth in future years. Supplemental property tax decreased $163 or 3.4% in FY 18-19; however, most of the decrease was due to processing of backlogged property tax transactions in the prior year and thus may not be a good indicator this year. The secured property tax growth rate for FY 18-19 was 5.4% and for FY 19-20 is budgeted at 3.4%. With property taxes overall showing positive growth, the County's general discretionary revenues are estimated to grow in the 3% to 5% range.

Countywide estimated total Transient Occupancy Tax (TOT) revenues increased by 3.6% in the incorporated and unincorporated areas of the County primarily due to a shift from the recovery stage of the Thomas Fire and Montecito Debris Flow in the prior fiscal year. In addition, the County received $6.8 million in cannabis revenue during the first year of collection. Countywide estimated retail sales increased by 12.9% for the fiscal year ended June 30, 2019. Part of this large increase is due to changes in the State's tax reporting system. Statewide sales tax for Proposition 172 public safety, a ½ cent tax, increased 4.3% to $37.9 million. The County also had improvements in program revenues with increases in charges for services of 7.2%, operating grants and contributions of 7.6%, and general revenues of 6% for governmental activities.

The largest category of Countywide expenses are salaries and benefits, which decreased by $27.9 million, or 4.6%, to $572.4 million. This represents 62.1% of total Countywide expenses. The majority of the decrease is due to a collective decrease in the net pension liability due to assumption changes, timing of pension benefit payments, and pension investment gains.

Service and supplies expenses increased by $16.3 million, or 8.2%, to $214.8 million. A large portion of this increase is due to mental health, affordable housing programs, and continued maintenance projects related to the recovery from the Thomas Fire and Montecito Debris Flow.

MAJOR INITIATIVES

During the last fiscal year, under the leadership of the Board, many outstanding key programs, projects and initiatives were successfully undertaken by the County:

- Renew 2022 is the County's multi-year transformational initiative to ensure fiscal sustainability and operational efficiency by 2022 and beyond. The essence of Renew '22 is to fortify the organization to be more resilient and prepared for the next economic downturn or natural emergency. This does not mean future reductions in budget, staff and services will not be necessary; they may anticipate the future. The Renew '22 effort, in its third year in FY 19-20, is designed to ensure the County can withstand these changes and bounce back effectively and quickly. This can be achieved through better systems and technology; improved revenues, augmented reserves and efficient services; responsiveness to clients and customers; and retention and attraction of quality employees. By transforming how we do our work, constantly learning and improving, and exploring ways to work differently, employees are equipped to thrive in the present, adapt to tomorrow and anticipate the future.

- On June 5, 2018, voters passed the cannabis tax ballot measure, effective August 2018. Tax revenue was projected to reach $5.7 million by fiscal end of 18-19, but exceeded estimates as the actual cannabis tax revenue totaled $6.8 million. Taxes paid by cannabis operators fund the Cannabis Program's enforcement efforts and are therefore critical to enforcing against illegal cannabis operations and eliminating access to illegal and untested cannabis. On June 11, 2019, the Board approved funding of $100,000 for a cannabis tax audit to begin in FY 19-20.

- Cannabis enforcement remains a Board priority. Funded by cannabis tax revenue, the FY 19-20 adopted budget increased to $2.8 million and enforcement staffing increased to 13 FTEs up from 10.5 FTEs. The enforcement team is made up of staff from the Sheriff's Office, District Attorney, Agricultural Commissioner and Public Health departments. Between August 16, 2018 and June 24, 2019, the Cannabis Compliance Team has had a significant impact on illegal cannabis activity as follows:
  - 38 warrants served
  - 42 tons of dry and processed plants seized at 18 sites (85,334.50 pounds)
  - 1,298,689 living plants eradicated at 22 sites
  - 14 of the warrants resulted in confiscation of black market products and/or delivery services (wax, oils, edibles, vapes, extracts), as well as stolen guns

- County Counsel prevailed in litigation against United Launch Alliance that protected $2.53 billion in property tax valuation and resulted in a one-time share of about $6.3 million for the County General Fund and County Fire. Another litigation against ERG was resolved, which protected about $1.2 billion in property tax valuation and an additional one time share of about $3 million went to the General Fund and County Fire.

- The $150 million Tajiguas Resource Recovery Project broke ground on May 30, 2019 where it was announced that the facility will be known as The ReSource Center. When completed, the Public Works project will meet state requirements for landfill waste diversion and represent the single largest reduction in greenhouse gases in the county. The new, state-of-the-art recycling facility and large-scale anaerobic digester will convert commercial and residential waste into resources by recovering recyclable materials, transforming organics into landscape nutrients, and create renewable energy in the process. The center will divert an additional 60 percent of waste from the landfill, which will bring the region above an 85 percent diversion rate. The center will be vital to achieving state-mandated GHG emission reductions, will increase recycling and will divert organic waste.

- Following the Thomas Fire and Montecito Debris Flow, teams of experts, scientists and geologists studied the results of the twin disasters and how the watershed may respond in future rain events. Following nine months of scientific research and data, a new debris flow risk map was released in December 2018 that identified about 1,500 properties most at risk for flash floods, debris flows, mud flows and/or landslides.

Following release of the new debris flow risk map, County Search & Rescue led a door-to-door outreach campaign in Montecito, Carpinteria and Santa Barbara, aided by volunteers from the Montecito Emergency Response & Recovery Action Group (MERRAG), the Bucket Brigade, Habitat for Humanity, CERT and others, to inform impacted property owners and residents of the risks prior to the rains in 2019.

- In September, a groundbreaking ceremony was held for the Residences at Depot Street in Santa Maria, an 80-unit affordable housing project developed by the County's Housing Authority to provide housing for formerly homeless families. The project received more than $3.1 million in County HOME and In-Lieu funds.

SIGNIFICANT CAPITAL PROJECTS

The County completed $13.4 million in capital projects in the current year and the County's Five-Year Capital Improvement Plan (CIP) identifies capital needs as well as funding sources and funding shortfalls. For FY 19-20, the CIP includes $221.7 million of funding for planned projects that are included in the budget:

- $65.9 million for the Tajiguas Resource Recovery Project (total estimated project cost of $149 million);
- $21.9 for upgrades, improvement, and expansion of the Laguna County Sanitation District (total estimated project cost of $63 million);
- $8.2 million for the Northern Branch Jail (total estimated project cost of $111 million); and
- $7 million for flood channel improvements in South County (total estimated project cost of $86 million).

Additional capital and capital maintenance projects, equipment, software, and information systems projects for FY 19-20 can be found in Section E "Capital Budget Summary" of the County's Recommended Budget (available at http://countyofsb.org/ceo/2019.sbc).

LONG-TERM FINANCIAL PLANNING

In the FY 19-20 Recommended Budget the County is projecting modest revenue growth in the 1% to 4.5% range for local property, retail sales and transient occupancy taxes.

The County has committed to building and maintaining a strategic reserve equal to 8% of annual General Fund revenues, or approximately 30 days working capital. During FY 18-19, the strategic reserve balance reached $34.1 million, an increase of $10.4 million from the prior year. The FY 19-20 budget appropriated additional funds of $2.3 million to add to the reserve in the next fiscal year. The County is also addressing capital needs by continuing to incorporate a policy which earmarks 18% of available discretionary General Fund revenue growth for deferred maintenance.

RELEVANT FINANCIAL POLICIES

The County benchmarks its financial policies to a set of Best Financial Management Practices for Governmental Issuers of Municipal Debt published by Fitch Ratings.

Fund Balance Reserve

The County is committed to building a strategic reserve as discussed previously in Long-Term Financial Planning.

Multiyear Financial Forecasting

The County prepares a five-year financial forecast annually focusing on discretionary revenues and their uses to aid in current year decisions.

Quarterly Financial Reporting and Monitoring

The CEO and Budget Director chair quarterly review each department's year-to-date actual and projected revenues and expenditures. These meetings also focus on their operations and performance measures.

Contingency Planning

The County does not have a formal contingency policy and maintains only a small operating contingency of less than 1% in the General Fund. However, the County has established a strategic reserve policy, and is in the process of building a strategic reserve that will equal 8% of annual General Fund revenues (approximately 30 days working capital). The County also has other significant fund balances in its special revenue funds. The most noteworthy is the Flood Control District fund balance used to hedge against storm related disasters.

Nonrecurring Revenue

One of the principal budget tenets is that nonrecurring revenue should be used for one-time needs and that ongoing expenditures should have identified ongoing sources. Additionally, the County's General Fund Allocation Policy states that "Requests for additional FTE's … will identify the ongoing funding source."

Financial Reporting Awards

The Government Finance Officers Association (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR annually since 1991, and the Certificate of Achievement in Popular Annual Financial Reporting for the Financial Highlights annually since 1995.

Debt Affordability

The County established a Debt Advisory Committee (DAC) to provide advice to the Board on debt issuance and management. The DAC looks at repayment sources as one of the key criteria for approval of new debt issues. In addition, all long-term equipment or real property leases are reviewed for lease vs. purchase decisions.

Superior Debt Disclosure Practices

The County maintains a complex set of debt disclosures in the County's Recommended Budget and the CAFR statistical section. We believe that time is of the essence in the publication of these documents. The budget is adopted before June 30 and loaded into the financial system before the close of the first month of the new fiscal year. The CAFR publication date is generally within 45-60 days of the close of the fiscal year. The County's major financial documents are available on the web at www.countyofsb.org.

Capital and Maintenance Funding

The County has an informal pay-as-you-go policy for funding capital. However, many of the County's funds only utilize pay-as-you-go financing. Beginning with the FY 15-16, the Board established a budget policy to set aside 18% of general revenue growth to address aging infrastructure and facilities.

Debt Repayment Plan

The County's current outstanding debt schedule features a debt repayment plan that will reduce debt by 45.1% over the next ten years.

Five-Year Capital Improvement Program

The County's Five-Year Capital Improvement Program provides for an integration of capital projects and operating impacts in the recommended operating budget for each budget cycle.

Budgeting Awards

The GFOA has presented the Distinguished Budget Presentation Award to the County annually since 1998.

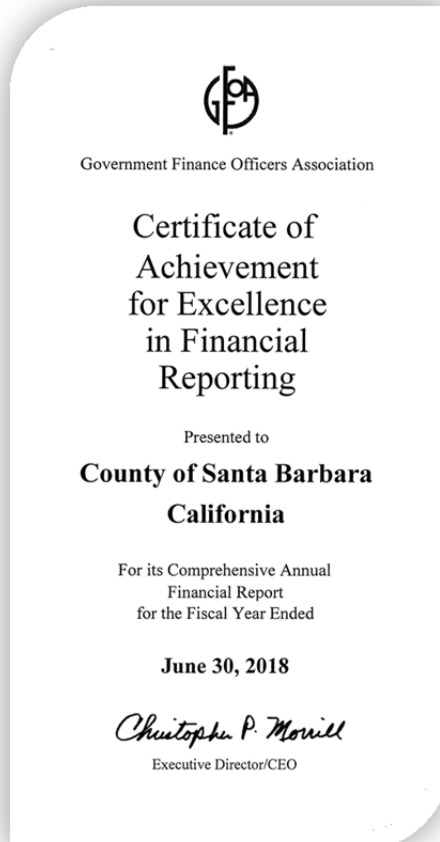
AWARDS AND ACKNOWLEDGMENTS

We are very proud of this CAFR and all of the County's award-winning financial reporting publications. Each publication has been prepared with great care and expertise with a goal of meeting the highest level of financial reporting preparation standards.

GFOA Financial Reporting Certificate of Achievement

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County's CAFR for the fiscal year ended June 30, 2018. This award has been achieved annually since 1991. To receive this prestigious award, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

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


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Santa Barbara California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

GFOA Budget Presentation Award

The County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2018. This award has been achieved annually since 1998. To receive this prestigious award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

GFOA Popular Annual Financial Reporting Award

The County received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Financial Highlights publication for the fiscal year ended June 30, 2018. This award has been achieved annually since 1995. To receive this prestigious award, a government must publish a Popular Annual Financial Report that conforms to program standards of creativity, presentation, understandability, and reader appeal.

Acknowledgments

The preparation of the CAFR and its timely issuance is the result of a concentrated, dedicated, and coordinated effort by the entire Auditor-Controller staff. We would like to acknowledge the special efforts of the Financial Reporting Division for their assistance in the report's preparation. We would also like to thank all County departments who participated in its preparation.

Respectfully submitted,

Mona Miyasato
County Executive Officer

Betsy M. Schaffer, CPA, CPFO
Auditor-Controller

FINANCIAL SECTION

COUNTY OF SANTA BARBARA
CALIFORNIA

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California, (the County) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13-32, the Santa Barbara County Employees' Retirement System Schedule of the County's Proportionate Share of the Net Pension Liability on page 112, the Santa Barbara County Employees' Retirement System Schedule of the County's Contributions on page 112, Other Postemployment Benefits (OPEB) Plan Schedule of Changes in the County's Net OPEB Liability and Related Ratios on page 113, and the respective budgetary comparison for the General and Major Special Revenue Funds on pages 117-125 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 County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, budgetary comparison for the Capital Projects Fund, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the budgetary comparison for the Capital Projects Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the budgetary comparison for the Capital Projects Fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
August 28, 2019

TABLE OF CONTENTS – MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section is not covered by the Independent Auditor's Report, but is presented as required supplementary information for the benefit of the readers of the CAFR.

As management of the County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's Basic Financial Statements, which immediately follow this section. All dollar amounts are expressed in thousands.

FINANCIAL HIGHLIGHTS

Governmentwide Financial Analysis

During the fiscal year ended June 30, 2019, several major projects and initiatives were of special significance to the County's operations and net position. Over time net position can be a useful indicator of the County's financial condition and the major projects that impacted the three categories of net position are detailed below.

Net investment in capital assets – represents the County's investment in capital assets, less (1) accumulated depreciation, (2) related outstanding debt used to acquire those assets, and (3) related deferred inflows of resources. The Tajiguas Resource Recovery Project (TRRP) will be reflected in net position as an investment in capital assets.

- Tajiguas Resource Recovery Project (TRRP)
  During the fiscal year, Resource Recovery and Waste Management issued $149,000 of Solid Waste System Certificates of Participation (2018 COP's). The TRRP is designed to modify the processing of solid waste currently delivered to the landfill for disposal as well as process source separated recyclables and organic waste to reduce landfilling and greenhouse gas emissions. This project is intended to extend the useful life of the landfill and requires significant rate increases to cover the debt financing. More detailed accounting information and analysis of this project can be found in the capital and debt sections on page 24 and 26, respectively.

Restricted net position – represents the County's available funds for ongoing obligations related to programs with external restrictions on their use. The reimbursements from the Thomas Fire and Montecito Debris Flow are recognized as restricted net position.

- Recovery from the Thomas Fire and Montecito Debris Flow
  During the fiscal year, State and federal reimbursements from the Thomas Fire and Montecito Debris Flow were reflected in program revenues. In the prior fiscal year departments drew upon reserves to absorb these expenses, but were able to replenish balances and start to focus on continuing operations. As the County transitions from recovery from the disaster to more normal operations, significant work related to roads, bridges, and debris basins are coming to a close, which will allow other projects that were delayed to commence.

Unrestricted net position – represents the County's resources available to fund programs to citizens and debt obligations to creditors. Cannabis revenues and pension liabilities are recognized as unrestricted net position.

- Collection of Cannabis Tax
  Cannabis tax revenue has provided a discretionary revenue source for the County, but also entails expansion of enforcement efforts against illegal cannabis operations and eliminating access to illegal and untested cannabis. In addition, this will increase the additional personnel and equipment costs associated with enforcement.

- Reduction in Pension Liabilities
  Pension expense related to the pension liability decreased significantly as a result of assumption changes, timing of benefit payments, and investment gains. This savings in salaries and benefits increased the positive financial position of the County and allows funds to be directed toward enhancing the programs and services offered to the community.

Detailed information and analysis of the changes in net position and fund balances can be found in the subsequent sections and reflect the impact of these major financial highlights.

DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the County's Basic Financial Statements. The County's Basic Financial Statements include three components:

- Governmentwide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Governmentwide Financial Statements

The Governmentwide Financial Statements provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the County's *Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources* with the difference reported as *Net Position.*

Net Position = (Assets + Deferred Outflows of Resources) – (Liabilities + Deferred Inflows of Resources)

The S*tatement of Activities* presents the most recent fiscal year's changes in the County's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (Accrual Basis of Accounting). The statement reports items resulting in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave) as revenues and expenses.

The Governmentwide Financial Statements distinguish functions of the County principally supported by taxes and intergovernmental revenues (governmental activities*)* from other functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities)*.* The governmental activities grouped by function of the County include Policy and Executive, Public Safety, Health and Public Assistance, Community Resources and Public Facilities, General Government and Support Services, and General County Programs. The business-type activities of the County include Resource Recovery and Waste Management (Resource Recovery) and Laguna County Sanitation District (Laguna Sanitation).

Component units are included in the financial statements and are legally separate entities for which the County is financially accountable. If a component unit's total debt is expected to be repaid entirely by the County, if the component unit provides services entirely to the County, or if the component unit has substantially the same governing board as the County and there is a financial benefit or burden relationship or County management has operational responsibility for a component unit, then the component will be classified as a blended component unit. If a component unit does not meet any of the preceding requirements it will be presented as a discrete component unit. The following is a list of the County's blended component units:

- Laguna County Sanitation District
- Flood Control and Water Conservation Districts
- Santa Barbara County Fire Protection District
- Public and Educational Access
- In-Home Supportive Services Public Authority
- County Service Areas
- Community Facilities Districts
- Lighting Districts
- Sandyland Seawall Maintenance District
- Water Agency
- Santa Barbara County Finance Corporation

The County's only discretely presented component unit is the First 5 Children and Families Commission.

Pages 34-35 of this report display the Governmentwide Financial Statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The County's funds are divided into three types:

- Governmental funds
- Proprietary funds
- Fiduciary funds

Governmental Funds

Governmental funds account for essentially the same functions reported as governmental activities in the Governmentwide Financial Statements. However, unlike the Governmentwide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (Modified Accrual Basis of Accounting). Such information may be useful in evaluating the County's near-term financing requirements. To understand the long-term impact of the County's near-term financing decisions, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Governmentwide Financial Statements. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Over time, increases or decreases in *fund balance* are a useful indicator of the County's near-term financial condition and are broken into four categories:

- Nonspendable – Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact,
- Restricted – restricted by law or externally imposed requirements,
- Committed – committed by the highest level of authority of the government is binding unless removed in the same manner, and
- Unassigned – balances that are not nonspendable, restricted, or committed.

The County maintains 62 individual governmental funds combined into 27 funds for financial reporting purposes. The County segregates from the General Fund a number of significant functions in 8 major funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General; Roads; Public Health; Social Services; Behavioral Wellness; Flood Control District; Affordable Housing; Fire Protection District; and Capital Projects funds, all considered major funds. Data for the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for all of its operating funds. The budget and actual comparison schedules provided for the General Fund and major special revenue funds demonstrate performance against this budget.

Pages 36-39 of this report display the Governmental Funds Financial Statements.

Proprietary Funds

The County maintains two different types of proprietary funds: enterprise funds and internal service funds. The County has two enterprise funds, both qualify as major funds.

Enterprise Funds report the same functions presented as business-type activities in the Governmentwide Financial Statements. The County uses enterprise funds to account for Resource Recovery and Laguna Sanitation.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service funds account for information technology services, vehicle operations and maintenance, risk management and insurance, communications services, and utilities. Since these services predominantly benefit governmental rather than business-type functions, they are consolidated within governmental activities in the Governmentwide Financial Statements.

Proprietary funds provide the same type of information as the Governmentwide Financial Statements, but in more detail. The proprietary funds financial statements provide separate information for the Resource Recovery Fund and the Laguna Sanitation Fund. Data for the five internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Pages 40-42 of this report display the Proprietary Funds Financial Statements.

Fiduciary Funds

Fiduciary funds account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the Governmentwide Financial Statements because the resources of those funds are *not* available to support the County's own programs. Fiduciary fund accounting is similar to proprietary fund accounting. Fiduciary funds report the external portions of the Treasurer's investment pool, a private-purpose trust fund, and agency funds.

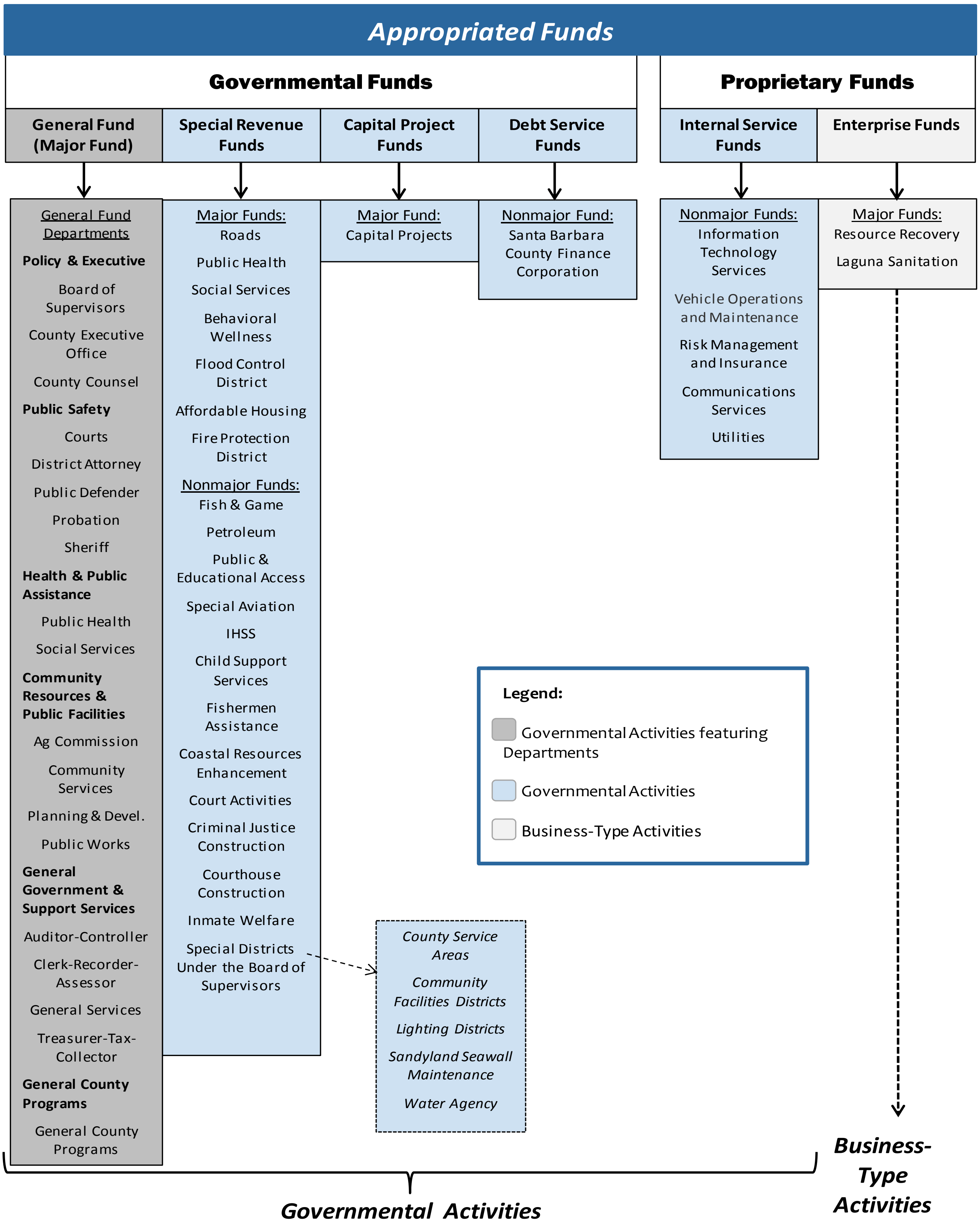
Pages 43-44 of this report display the Fiduciary Funds Financial Statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Governmentwide and Fund Financial Statements. Information in the Notes to the Financial Statements is described as follows:

- Note 1 provides a general description of the County's Significant Accounting Policies.
- Note 2 provides a Reconciliation for Governmentwide and Fund Financial Statements.
- Notes 3 to 20 provide detailed notes on cash and investments, restricted cash and investments, receivables, capital assets, service concession arrangements, advances from grantors and third parties, leases, long-term liabilities, certificates of participation, bonds and notes payable, self-insurance, commitments and contingencies, landfill closure and postclosure, fund balances, restricted component of net position, retained deficit, interfund transactions, and tax abatements.
- Notes 21 to 24 provide detailed notes on pension plans, other postemployment benefits, deferred compensation plans, and prior period adjustments.

Pages 45-110 of this report display the Notes to the Financial Statements.


Appropriated Funds
Governmental Funds
Proprietary Funds
General Fund (Major Fund)
Special Revenue Funds
Capital Project Funds
Debt Service Funds
Internal Service Funds
Enterprise Funds
General Fund Departments
Policy & Executive
Board of Supervisors
County Executive Office
County Counsel
Public Safety
Courts
District Attorney
Public Defender
Probation
Sheriff
Health & Public Assistance
Public Health
Social Services
Community Resources & Public Facilities
Ag Commission
Community Services
Planning & Devel.
Public Works
General Government & Support Services
Auditor-Controller
Clerk-Recorder-Assessor
General Services
Treasurer-Tax-Collector
General County Programs
General County Programs
Major Funds:
Roads
Public Health
Social Services
Behavioral Wellness
Flood Control District
Affordable Housing
Fire Protection District
Nonmajor Funds:
Fish & Game
Petroleum
Public & Educational Access
Special Aviation
IHSS
Child Support Services
Fishermen Assistance
Coastal Resources Enhancement
Court Activities
Criminal Justice Construction
Courthouse Construction
Inmate Welfare
Special Districts Under the Board of Supervisors
County Service Areas
Community Facilities Districts
Lighting Districts
Sandyland Seawall Maintenance
Water Agency
Major Fund:
Capital Projects
Nonmajor Fund:
Santa Barbara County Finance Corporation
Nonmajor Funds:
Information Technology Services
Vehicle Operations and Maintenance
Risk Management and Insurance
Communications Services
Utilities
Major Funds:
Resource Recovery
Laguna Sanitation
Legend:
Governmental Activities featuring Departments
Governmental Activities
Business-Type Activities
Governmental Activities
Business-Type Activities

GOVERNMENTWIDE FINANCIAL ANALYSIS

Summary of Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2018	2019	2018	2019	2018	2019	Dollar Change	Percent Change
Assets:								
Current and other assets	$ 552,641	$ 625,092	$ 81,812	$ 213,149	$ 634,453	$ 838,241	$ 203,788	32.1%
Capital assets, net of depreciation	767,906	806,573	91,888	141,014	859,794	947,587	87,793	10.2%
Total assets	1,320,547	1,431,665	173,700	354,163	1,494,247	1,785,828	291,581	19.5%
Deferred outflows of resources:	347,376	260,737	6,406	4,963	353,782	265,700	(88,082)	(24.9%)
Liabilities:								
Current and other liabilities	95,066	102,018	2,396	8,134	97,462	110,152	12,690	13.0%
Long-term liabilities	1,075,680	998,146	58,247	221,738	1,133,927	1,219,884	85,957	7.6%
Total liabilities	1,170,746	1,100,164	60,643	229,872	1,231,389	1,330,036	98,647	8.0%
Deferred inflows of resources:	96,533	88,342	1,061	949	97,594	89,291	(8,303)	(8.5%)
Net position:								
Net investment in capital assets	692,549	736,255	83,764	82,723	776,313	818,978	42,665	5.5%
Restricted	271,042	302,341	--	--	271,042	302,341	31,299	11.5%
Unrestricted	(562,947)	(534,700)	34,638	45,582	(528,309)	(489,118)	39,191	7.4%
Total net position	$ 400,644	$ 503,896	$ 118,402	$ 128,305	$ 519,046	$ 632,201	$ 113,155	21.8%

As noted earlier, over time, net position may serve as a useful indicator of a government's financial condition. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $632,201 at the close of the current fiscal year.

Analysis of Net Position

The County's total net position increased by $113,155, or 21.8%, during the fiscal year. This increase is significantly larger than the prior five-year average of net position increases of $58,783, primarily due to 1) additions to the North Branch Jail capital project, 2) large federal and State reimbursements for the prior year costs related to the Thomas Fire and Montecito Debris flow disasters, and 3) a significant decrease in the County's net pension expense due to positive results in the County's retirement system. These changes are detailed below in the classification of net position that was affected by each.

Net Investment in Capital Assets

The largest portion of the County's net position is invested in capital assets (e.g., land, buildings, roads, bridges, flood control channels and debris basins, machinery, equipment, and intangible assets), less the related and outstanding debt used to acquire those assets and related deferred inflows of resources. The County uses these capital assets to provide services to citizens; as such, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net investment in capital assets increased $42,665, or 5.5%, to $818,978 at year-end, and consisted of the following:

	2018	2019	Dollar Change	Precentage Change
Investment in Capital Assets (net of accumulated depreciation)	$ 859,794	$ 947,586	$ 87,792	10.2%
Less:				
Related Debt	50,163	95,969	45,806	91.3%
Related Deferred Inflows of Resources	33,318	32,639	(679)	(2.0%)
Net Investment in Capital Assets	$ 776,313	$ 818,978	$ 42,665	5.5%

Detailed information on capital can be found under the Capital Assets section on page 24.

Restricted Net Position

Restricted net position of $302,341 represents resources that are subject to external restrictions on their use or by enabling legislation. Due to the unique nature of funding sources and the unrestricted impact of the net pension and OPEB liabilities, the County has significantly more restricted net position dollars than unrestricted net position dollars. Restricted net position is comprised of the following:

1) $128,650 (42.55%) for property taxes dedicated to specific services such as flood control and fire protection,
2) $62,787 (20.77%) for federally imposed restrictions for health and housing programs,
3) $42,839 (14.17%) for numerous State imposed restrictions,
4) $40,764 (13.48%) for federal and State allocations for roads and health services,
5) $14,125 (4.67%) for grant, land use, and permit agreements, and
6) $13,176 (4.36%) for various other restrictions imposed on the County.

Restricted net position increased $31,299 or 11.5%. Significant changes to restricted net position, by function, include:

- The Health and Public Assistance function increased $12,105 primarily as a result of:
  - $3,391 in unspent Medi-Cal funding and Mental Health Block Grants, supplemental inpatient claims, and contract savings from the State Human Services Agency;
  - $2,469 of housing assistance program revenue related to a loan for a low income housing project in Santa Maria; and
  - $2,204 of final reimbursement for prior year costs from the State Department of Health Care Services.

- The Community Resources and Public Facilities function increased $9,110 primarily as a result of:
  - $6,076 of federal and State disaster reimbursements for expenditures related to the Montecito Debris Flow in the prior fiscal year and funds that were not expended due to focus on continued recovery from the Montecito Debris Flow in the prior fiscal year; and
  - $2,734 for delayed planned capital improvements in the Water Agency and Flood funds due to continued focus on disaster recovery, storm mitigation, and clean-up work related to the Thomas Fire and Montecito Debris Flow in the prior fiscal year.

- The Public Safety function increased $7,432 due primarily to increases of:
  - $3,560 for unspent proceeds from Realignment, Juvenile Justice Crime Prevention Act, and Youth Offender Block Grant funds;
  - $1,669 of charges for mutual aid and other incident reimbursements as well as set-asides for future Fire District capital outlay; and
  - $779 due to revenue from commissary sales and salary and benefit savings for inmate welfare treatment programs.

UNAUDITED AND IN THOUSANDS 20 MANAGEMENT'S DISCUSSION & ANALYSIS

Unrestricted Net Position

Due primarily to the reduction of the County's net pension expense (see page 22), unrestricted net position changed favorably by $39,191, or 7.4% from negative $528,309 to negative $489,118. The majority of the balance of negative unrestricted net position is primarily the result of the County's unfunded net pension and OPEB liabilities. However, this amount is offset by positive unrestricted net position of $18,654 in the County's General Fund.

Analysis of Governmental Activities

Governmental activities increased the County's net position by $103,252 to $503,896, accounting for 91.3% of the County's total increase in net position resulting from governmental activities operating revenues exceeding operating expenditures. A prior period adjustment of $494 is the result of timing related to the receipt of anticipated revenue and recognition of a deferred inflow of resources in the governmental funds balance sheet.

Changes in Net Position (in thousands)

	Governmental Activities		Total	
	2018	2019	Dollar Change	Percent Change
Revenues				
Program revenues:				
Charges for services	$ 216,085	$ 231,554	$ 15,469	7.2%
Operating grants and contributions	386,829	416,369	29,540	7.6%
Capital grants and contributions	200	58	(142)	(71.0%)
Total program revenues	603,114	647,981	44,867	7.4%
General revenues:				
Property taxes	284,284	290,046	5,762	2.0%
Sales taxes	18,118	18,995	877	4.8%
Transient occupancy tax	8,364	10,320	1,956	23.4%
Cannabis	--	6,761	6,761	100.0%
Payments in lieu of taxes	1,909	1,947	38	2.0%
Franchise fees	3,252	3,264	12	0.4%
Unrestricted investment earnings	753	4,356	3,603	478.5%
Other	815	805	(10)	(1.2%)
Total general revenues	317,495	336,494	18,999	6.0%
Total revenues	920,609	984,475	63,866	6.9%
Expenses				
Policy & executive	18,938	17,878	(1,060)	(5.6%)
Public safety	361,703	341,931	(19,772)	(5.5%)
Health & public assistance	360,185	361,494	1,309	0.4%
Community resources & public facilities	110,529	119,654	9,125	8.3%
General government & support services	39,023	37,982	(1,041)	(2.7%)
General county programs	2,514	963	(1,551)	(61.7%)
Interest on long-term debt	2,024	1,895	(129)	(6.4%)
Total expenses	894,916	881,797	(13,119)	(1.5%)
Excess (deficiency) of revenues over (under) expenses	25,693	102,678	76,985	299.6%
Transfers	36	80	44	100%
Change in net position	25,729	102,758	77,029	299.4%
Net position - beginning	380,071	400,644	20,573	5.4%
Prior period adjustment	(5,156)	494	5,650	(109.6%)
Net position - beginning, as restated	374,915	401,138	26,223	7.0%
Net position - ending	$ 400,644	$ 503,896	$ 103,252	25.8%

Revenues

Total revenues for the County's Governmental Activities had an overall increase from the prior year of $63,866, or 6.9%, to $984,475. Revenues are divided into two categories: Program Revenues, which are the revenues derived directly from the functional programs or from parties outside the County's taxpayers or citizenry; and General Revenues, which are the revenues that do not meet the requirements of program revenue, most of which are taxes.

Program Revenues had an overall increase of $44,867, or 7.4%, to $647,981, from the prior year. As an arm of the State government, a significant portion of charges for services and operating grants and contributions are tied to mandated programs such as public assistance, health, and behavioral wellness services. Total program revenues represent 65.8% of the County's funding for governmental activities.

- Charges for services increased a net $15,469, or 7.2%, to $231,554 primarily due to:
  - $11,351 increase in State and federal funding for Behavioral Wellness programs, retroactive Medicare certification, and final reimbursement for prior year costs from the State Department of Health Care Services;
  - $3,110 increase in Affordable Housing HOME program revenues; and
  - $2,380 increase in State and federal funding for Public Health programs, pharmacy contract reimbursements, and various other charges related to permitting, licenses, and fees.

- Operating grants and contributions *(intergovernmental revenues)* increased a net $29,540, or 7.6%, to $416,369 primarily due to:
  - $22,241 for disaster expenditure reimbursements from State and federal agencies for the Thomas Fire and Montecito Debris Flow in the prior fiscal year,
  - $5,865 increase for Realignment and social entitlement programs, and
  - $4,845 increase in transportation revenues from SB 1 gasoline tax and State Highway Users Tax.

- Capital grants and contributions *(intergovernmental revenues)* decreased $142, or 71%, to $58 primarily due to the completion of the Isla Vista pedestrian safety improvement project, which received contributions from University of California, Santa Barbara in the prior year.

General Revenues had an overall increase of $18,999, or 6%, to $336,494. These revenues included general taxes which provided the Board of Supervisors with the most discretionary spending ability. Since the formation of County government in 1850, basic public safety services such as sheriff, fire, probation and district attorney consume most of the general revenues. The increase in general revenues is due primarily to the following changes:

- *Property Tax Revenue* increased $5,762, or 2.0%, to $290,046 primarily from assessed valuation growth, offset by settlement of significant appeals.
- *Sales Tax* Revenue increased $877, or 4.8%, to $18,995 primarily due to a stable economy and recovery from the Thomas Fire and Montecito Debris Flow in the prior fiscal year.
- *Transient Occupancy Tax* revenue increased $1,956, or 23.4%, to $10,320 primarily due to a recovery from the economic impact associated with the Thomas Fire and Montecito Debris Flow in the prior fiscal year.
- *Cannabis Tax* generated $6,761 in its first year of collections.

Expenses had an overall decrease for governmental activities of $13,119, or 1.5%, to $881,797 from the prior year. This change was mainly driven by:

- A decrease in Public safety of $19,772, or 5.5%, primarily due to a decrease in pension expense of $21,772 due to a collective decrease in the net pension liability due to assumption changes, timing of benefit payments, and investment gains. The public safety function has the highest pension contribution of all of the functions and therefore absorbs the largest impact from changes in the County's pension expense.

- An increase of $9,125, or 8.3%, in the Community resources and public facilities function primarily due to increased infrastructure maintenance and disaster remediation related to the prior year Thomas Fire and Montecito Debris Flow.

- An increase of $1,309, or 0.4%, in the Health and public assistance function primarily due to increased regular salaries and benefits in the Social Services, Public Health, and Behavioral Wellness departments.

As a service delivery entity, the County's major cost component is salaries and benefits, amounting to 60.8% of the total County expenses. The average full-time equivalent (FTE) count for the County (including business-type activities) had a net decrease of 24 FTEs from 4,061 in the prior year to 4,037 at June 30, 2019.

Analysis of Business-type Activities

The net position of business-type activities increased by $9,903, or 8.4%, to $128,305 which indicates these activities generated revenues sufficient to cover the costs of operations.

Changes in Net Position (in thousands)

	Business-type Activities		Bus Total	
	2018	2019	Dollar Change	Percent Change
Revenues				
Program revenues:				
Charges for services	$ 43,904	$ 45,151	$ 1,247	2.8%
Operating grants and contributions	1,049	2,437	1,388	132.3%
Total program revenues	44,953	47,588	2,635	
General revenues:				
Unrestricted investment earnings	405	2,370	1,965	485.2%
Other	--	48	48	
Total general revenues	405	2,418	2,013	497.0%
Total revenues	45,358	50,006	4,648	10.2%
Expenses				
Resource recovery	24,507	32,819	8,312	33.9%
Laguna sanitation	6,564	7,204	640	9.8%
Total expenses	31,071	40,023	8,952	28.8%
Excess (deficiency) of revenues over (under) expenses	14,287	9,983	(4,304)	(30.1%)
Transfers	(36)	(80)	(44)	100%
Change in net position	14,251	9,903	(4,348)	(30.5%)
Net position - beginning	102,178	118,402	16,224	15.9%
Prior period adjustment	1,973	--	(1,973)	
Net position - beginning, as restated	104,151	118,402	14,251	13.7%
Net position - ending	$ 118,402	$ 128,305	$ 9,903	8.4%

- Charges for services increased by $1,247, or 2.8%, to $45,151 primarily due to: 1) $339 of increases for charges for sanitation services and hazardous waste program and recycling billings, which were offset by a reduction in commingled material processing in Resource Recovery, and 2) $908 of increases in charges for services for sanitation services and connection fees, which were offset by a reduction in trunk line fees in Laguna Sanitation.

- Operating grants and contributions increased by $1,388, or 132.3%, to $2,437 primarily due to building and land rental income and miscellaneous State and federal reimbursements.

- Unrestricted investment earnings increased by $1,965, or 485.2%, to $2,370 primarily due to better than expected interest income and unrealized gains on investments in the treasury.

- Expenses increased by $8,952, or 28.8%, to $40,023 primarily due to: 1) $5,189 in one-time funding of the Jurisdictional Rate Stabilization Fund and issuance and interest expenses related to the Tajiguas Resource Recovery Project; and 2) $719 for increased operating costs in Laguna Sanitation.

Analysis of Capital Assets

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2018	2019	2018	2019	2018	2019	Dollar Change	Percent Change
Land	$ 55,473	$ 58,933	$ 15,654	$ 15,654	$ 71,127	$ 74,587	$ 3,460	4.9%
Land easements	53,133	53,133	--	--	53,133	53,133	--	0.0%
SCA assets	40,856	41,126	--	--	40,856	41,126	270	0.7%
Work in progress	108,696	148,695	7,613	53,295	116,309	201,990	85,681	73.7%
Capital assets, not being depreciated	258,158	301,887	23,267	68,949	281,425	370,836	89,411	31.8%
Land improvements	20,313	19,849	260	250	20,573	20,099	(474)	(2.3%)
Structures and improvements	151,038	148,293	5,985	9,846	157,023	158,139	1,116	0.7%
Equipment and software	61,588	61,962	14,441	13,638	76,029	75,600	(429)	(0.6%)
Infrastructure	276,809	274,582	47,935	48,331	324,744	322,913	(1,831)	(0.6%)
Capital assets, net of accumulated depreciation	509,748	504,686	68,621	72,065	578,369	576,751	(1,618)	(0.3%)
Total	$ 767,906	$ 806,573	$ 91,888	$ 141,014	$859,794	$ 947,587	$ 87,793	10.2%

During the fiscal year, the County's investment in capital assets increased by $87,793, or 10.2%, to $947,587 (net of accumulated depreciation/amortization). This investment is in a broad range of capital assets including land, land easements, Service Concession Arrangement (SCA) assets, work in progress (WIP), land improvements, structures and improvements, equipment and software, and infrastructure. Major capital additions include:

- Land: The County capitalized $3,460 in land. The significant additions included:
  - $1,700 for the lower Mission Creek project;
  - $1,412 for the Dangermond Preserve near Jalama Beach; and
  - $348 associated with the purchase of a Fire District administration building in Solvang.

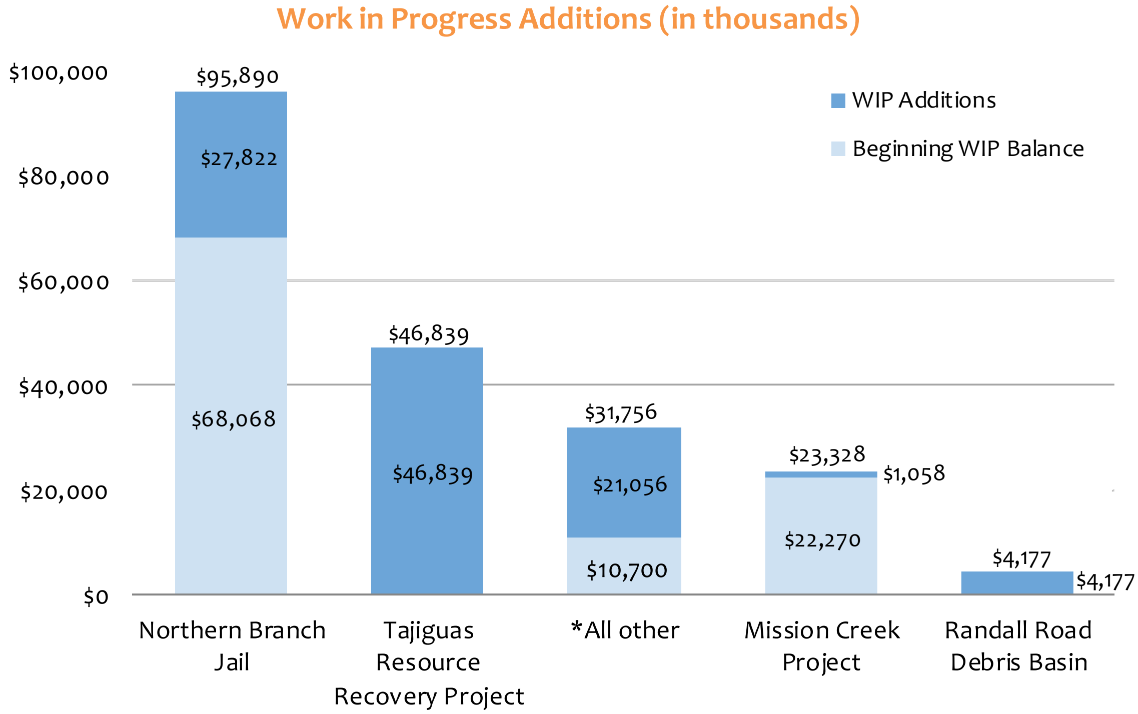
- Structures and Structure Improvements: The County capitalized $7,550 of structures and improvements, net of $6,434 in related depreciation, for a total increase of $1,116 or 0.7%. Significant increases include:
  - $4,153 for the Tajiguas landfill liner and closure,
  - $1,009 for the Isla Vista Community Center, and
  - $673 for a Fire District administration building in Solvang.

- Equipment and Software: The County capitalized $13,949 of equipment and software, net of $14,378 in related depreciation, for a total decrease of $429 or 0.6%. Significant equipment and software include:
  - $2,328 for radio equipment in Public safety;
  - $2,074 for information technology equipment;
  - $1,381 for a fire truck; and
  - $8,166 for the acquisition of over 160 additional assets all of which were individually under $600 in value.

- Infrastructure: The County capitalized $5,843 in infrastructure, net of $7,674 in related depreciation, for a total decrease of $1,831 or 0.6%. Significant projects include:
  - $1,867 for a storm drain at the South Coast Refuse Transfer Station;
  - $1,658 for the Santa Ynez Valley Airport safety improvements; and
  - $658 for a replacement of a water supply well at Waller Park.

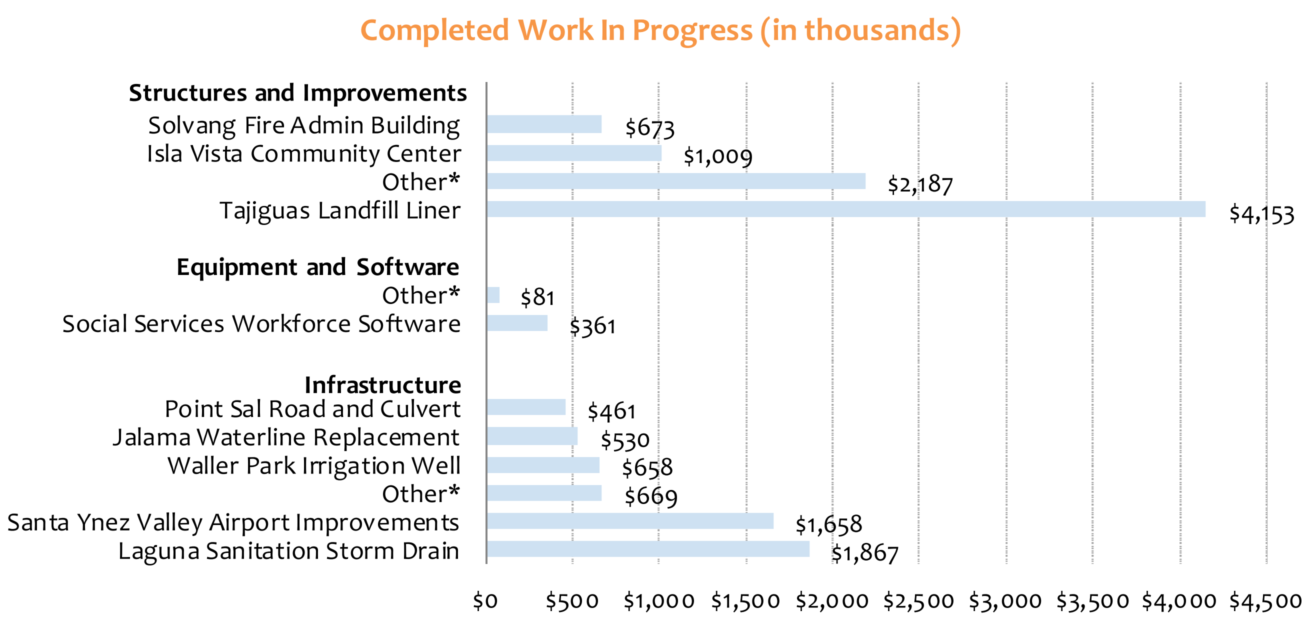
- WIP: When a capital project will be completed in a subsequent fiscal year, related project costs are recorded as WIP. In the year of completion, a project's WIP is allocated to the appropriate capital asset classification(s). In the current fiscal year, WIP had a net increase of $85,681. Total WIP increases of $100,952 were offset by project completions of $14,308 and projects of $963 that were expensed as they did not meet the County's capitalization policy.

Of the $100,952 increases to WIP, major project costs include:



*All other represents individual projects that have under $1,000 in additions or total WIP balances under $4,000.

Of the $14,308 completions of WIP, major projects include:



*Other represents 15 individual projects that have total completed WIP balances under $400.

Additional capital asset information, including depreciation, amortization, and outstanding WIP by project as of June 30, 2019, can be found in Note 6 of the Notes to the Financial Statements.

Analysis of Bonds, Notes, and Certificates of Participation (COP)

Outstanding Bonds, Notes, and COP (in thousands)

	Governmental Activities		Business-type Activities		Total		Total	
	2018	2019	2018	2019	2018	2019	Dollar Change	Percent Change
Bonds and notes payable	$ 14,730	$ 11,655	$ 5,139	$ 4,335	$ 19,869	$ 15,990	$ (3,879)	(19.5%)
Certificates of participation	26,872	25,908	3,766	167,038	30,638	192,946	162,308	529.8%
Total	$ 41,602	$ 37,563	$ 8,905	$171,373	$ 50,507	$208,936	$158,429	313.7%

The County's total balance of bonds, notes, and COP's increased by $158,429, or 313.7%, during the fiscal year. The net increase was due to $149,000 of Solid Waste System Certificates of Participation (2018 COP's) issued at a premium of $17,331 for the Tajiguas Resource Recovery Project that will modify the processing of solid waste, separated recyclables, and organic waste. The intent of the project is to significantly extend the life of the landfill and reduce landfilling and greenhouse gas emissions.

The County maintains a Standard & Poor's 'SP-1+' rating for short-term notes (this scale ranges from SP-1, the highest, to D, the lowest) and a Standard & Poor's 'AA+' for long-term certificates of participation (this scale ranges from AAA, the highest, to D, the lowest). In addition, the County maintains a Moody's 'A1' rating (this scale ranges from Aaa1, the highest, to Caa3, the lowest) and an S&P 'AA' rating on its series 2018 Certificates of Participation. The County's strong credit ratings with Standard & Poor's and Moody's results in reduced borrowing costs for new capital asset construction (e.g.: the Tajiguas Resource Recovery Project).

The rationale behind the ratings reflects the rating agencies' view of:

- The long–term general creditworthiness of the County;
- The County's covenants to budget and appropriate lease payments;
- A stable, moderately growing economic base with access to the broader Ventura and Los Angeles area economies;
- Consistent maintenance of very strong unreserved general fund balances despite limited financial flexibility due to state mandates;
- An experienced management team that has implemented strong financial policies and prudent expenditure controls;
- Low overall debt levels; and
- The County's very strong underlying general credit characteristics.

Additional information on the County's long-term debt can be found in Notes 10 through 12 in the Notes to the Financial Statements.

FINANCIAL ANALYSIS OF THE COUNTY'S FUND BALANCES

Fund Balances (in thousands)

	Nonspendable	Restricted	Committed	Unassigned	Total		Total	
	2019				2019	2018	Dollar Change	Percent Change
General Fund	$ 11,407	$ 44,054	$ 102,087	$ 18,654	$ 176,202	$ 129,875	$ 46,327	35.7%
Major Funds								
Roads	--	24,568	--	--	24,568	18,492	6,076	32.9%
Public Health	--	19,124	7,429	--	26,553	25,778	775	3.0%
Social Services	--	4,663	2,602	--	7,265	5,428	1,837	33.8%
Behavioral Wellness	--	17,139	--	--	17,139	11,276	5,863	52.0%
Flood Control	-	63,217	--	--	63,217	64,655	(1,438)	(2.2%)
Affordable Housing	--	5,884	--	--	5,884	8,023	(2,139)	(26.7%)
Fire Projection	-	27,418	--	--	27,418	25,748	1,670	6.5%
Capital Projects	--	1,849	9,764	--	11,613	21,274	(9,661)	(45.4%)
Other Governmental Funds	-	29,345	1,165	--	30,510	26,078	4,432	17.0%
Total Fund Balances	$ 11,407	$ 237,261	$ 123,047	$ 18,654	$ 390,369	$ 336,627	$ 53,742	16.0%

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term (See Note 1 page 52) inflows, outflows, and balances of spendable resources (modified accrual basis of accounting). Such information is useful in assessing the County's financing requirements. In particular, total fund balance less the nonspendable portion is a useful measure of a government's resources available for spending at the end of the fiscal year.

At June 30, 2019, the County's Governmental Funds reported total fund balance of $390,369, a $53,742 increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows (for more information see Note 16 – Fund Balances):

- *Nonspendable Fund Balance*, $11,407, are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of (1) legally required Teeter Tax program loss reserves, 2) long-term receivables, and (3) prepaid expenses and deposits.

- *Restricted Fund Balance*, $237,261, consists of amounts with constraints put on their use by creditors, grantors, contributors, laws, regulations or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., flood control), (2) grants for capital outlay, and (3) reserved legislated amounts (i.e., healthcare).

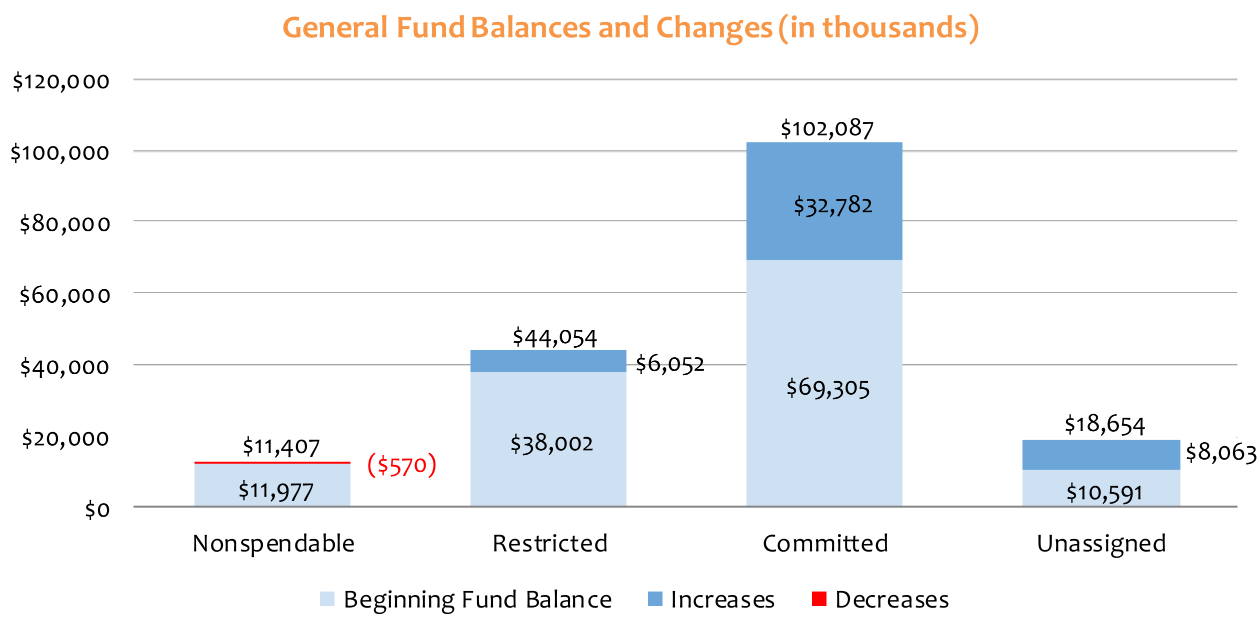
- *Committed Fund Balance*, $123,047, consists of amounts for specific purposes determined by the Board, which are binding unless removed by the Board in the same manner.

- *Unassigned Fund Balance*, $18,654, represents the residual balance for the County's General Fund.

Approximately 97.1%, or $378,962, of the total fund balance is in restricted, committed, and unassigned (spendable fund balances) which means it is available to meet the County's current and future needs. With the approval of the Board, County management can earmark a portion of fund balance to a particular function, project or activity, and can also earmark it for purposes beyond the current year, within the constraints applied to the various categories of fund balance. With the exception of the nonspendable portion, fund balances are available for appropriation at any time.

General Fund

The General Fund is the main operating fund of the County. As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total fund balance equates to 47.4% of total General Fund expenditures while spendable fund balance equates to 44.4% of total General Fund expenditures.



Included in the balances above are the following:

- Nonspendable fund balance includes:
  - $9,089 for Teeter Tax Loss Reserves;
  - $2,268 for Receivables; and
  - $50 for Prepaid and deposits.

- Some significant restricted fund balance amounts of the General Fund include:
  - $18,125 for Realignment funds for Public Safety, Health, and Social programs;
  - $4,145 for Public Safety Prop 172; and
  - $3,660 for Probation Youth Offender Block Grant.

- Some significant committed fund balance amounts of the General Fund include:
  - $34,116 Strategic Reserve earmarked for severe economic downturns and emergencies;
  - $16,284 for North Branch Jail operations; and
  - $8,946 for Disaster Recovery.

- Unassigned fund balance of $18,654 is available for future appropriation by the Board.

The remaining $60,865 of fund balances for the General Fund are comprised of over 60 components of restricted and committed fund balances (see Note 16 – Fund Balances).

The General Fund's total fund balance increased by 35.7%, or $46,327, to $176,202 at June 30, 2019. A substantial portion of the increase to spendable fund balances was in unassigned fund balance due to favorable operating results, and in the Strategic Reserve and Disaster Recovery committed fund balances, which had been depleted in the prior year due to the Thomas Fire and Montecito Debris Flow.

Nonspendable fund balance decreased $570 to $11,407 primarily due to $1,004 decrease in receivables and $434 increase to the Reserve for Tax Losses under the Teeter Plan.

The spendable fund balances increased $46,897 to $164,795 primarily in the following areas:

- Restricted fund balance
  - $3,061 for local realignment;
  - $993 for Probation Youth Offender Block Grant; and
  - $720 for Public Safety Proposition 172.

- Committed fund balance
  - $10,400 for Strategic Reserve;
  - $8,946 for Disaster Recovery; and
  - $3,230 for Northern Branch Jail Operations.

- Unassigned fund balance
  - General Fund unassigned fund balance increased $8,063 from the prior year. The increase is primarily attributable to better than estimated property taxes, higher than anticipated sales tax, first year collection of cannabis tax, and recovery in transient occupancy tax.

Major Funds

As compared with the prior year, the total fund balances of the major funds increased 1.6%, or $2,983, to $183,657 with the following significant changes:

- The Roads Fund, with expenditures of $36,324, finished the year with an increase to fund balance of $6,076, or 32.9%, to $24,568 primarily due to $5,564 of FEMA reimbursements for expenditures related to the Thomas Fire and Montecito Debris Flow in the prior fiscal year. Additionally, $460 of special project funding for maintenace was received, but not expended due to continued focus on the recovery in the Montecito area from the disaster.

- The Behavioral Wellness Fund, with expenditures of $102,382, finished the year with an increase to fund balance of $5,863, or 52%, to $17,139 primarily due to $3,391 in unspent Medi-Cal funding and Mental Health Block Grants, supplemental inpatient cost claims and inpatient hospital contract savings from the Human Services Agency and $800 for federal and State disaster reimbursements related to prior year expenditures for the Thomas Fire and Montecito Debris Flow.

- The Capital Projects Fund, with expenditures of $35,416, finished the year with a decrease to fund balance of $9,661, or 45.4%, primarily due to a $8,167 use of fund balance for the construction of the Northern Branch Jail.

- The remaining net increases totaled $705 across the other five major funds and were principally related to increased State and federal revenues for various programs and results of operations in the funds.

Other Governmental Funds

The fund balances of nonmajor governmental funds as a whole increased $4,432, or 17%, to $30,510. The following were significant changes:

- The Water Agency fund balance increased by $2,134 as a result of positive operations from savings in service and supplies; one-time insurance proceeds; and delay of projects as a result of focus on disaster recovery, cleanup, and mitigation work from the Thomas Fire and Montecito Debris Flow.

- The remaining net increases totaled $2,298 across the other 17 nonmajor funds and were principally related to results of operations.

Proprietary Funds

Proprietary funds are County operations that operate like a business as opposed to government services, and are primarily supported by customer fees. They include two types of funds, enterprise funds, whose customers are mainly external to the primary government (citizens); and internal services funds, whose customers are predominantly the primary government itself.

The County has two enterprise funds: the Resource Recovery and Laguna Sanitation District Funds. These funds are reported on the entitywide statements as business-type activities. The only difference between what is reported in the proprietary fund financial statements and the entitywide statements for the business-type activities is that the business-type activities include an allocation of the net position and activities of the Internal Service Funds. For a detailed analysis of the Resource Recovery and Laguna Sanitation District Funds, please refer to page 23.

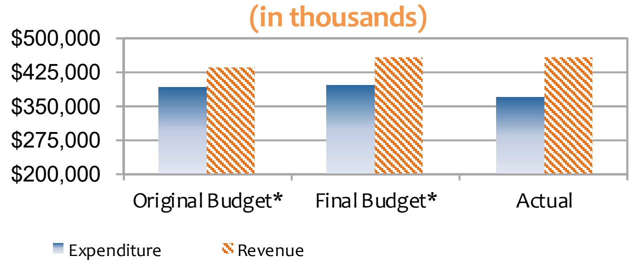
The County has five internal services funds: Vehicle Operations, Risk Management, Information Technology, Communication, and Utilities. The net position and activities of the internal services funds are proportionally allocated between governmental and business-type activities in the entitywide statements based on the fund rates charged to each activity type.

Total internal service funds' net position increased by $2,807, or 5%, to $59,164. The total increase in net position is primarily due to positive results of operations and salary savings in all of the internal services funds other than the Risk Management and Insurance Funds which saw a decrease of $2,046, or 160.4%, from the prior year, primarily due to increases in self-insurance claims and claim liabilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The variance between the final budget and actual expenditures resulted in $25,993 of unspent appropriations. Key variances are as follows: salary and benefit cost savings of approximately $14,162 resulting from unfilled positions; $8,270 resulting from unspent appropriations for services, supplies, and other charges across all functions; and $3,561 resulting from capital assets budgeted but not procured in this fiscal cycle.

General Fund Budget to Actual Comparison (in thousands)



**Fund balances are used to balance budgets.*

The primary difference between budgeted revenues and expenditures is mainly attributable to General Fund Contribution transfers to the County's special revenue funds. These transfers out are shown as other financing sources and uses which are not included as expenditures.

Expenditures: The County's final budget appropriations for the General Fund differed from the original budget by $5,696, or 1.5%. The major changes were as follows:

- Salaries and benefits increased $1,018 primarily due to $800 in the District Attorney's Office for new grants awarded and for new cannabis enforcement; and $577 in the Sheriff's Department primarily due to emerging issues for courts and additional high school resource deputies.

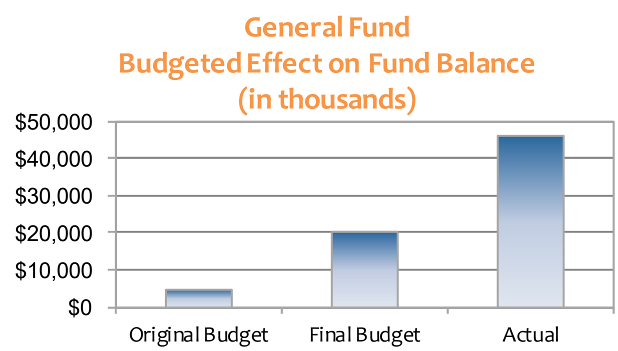
- Services, supplies and other charges increased $3,001 primarily due to unanticipated expenditures of $2,527 in the Office of Emergency Management for the Thomas Fire and Montecito Debris Flow recovery; and $612 in Parks due to Cachuma Lake waterline upgrades and increased tree, ground, and structure maintenance.

- Capital asset appropriations increased $1,677. This increase is primarily due to $996 of donations and additional grants awarded to the Sheriff and the Office of Emergency Management for equipment.

Revenues: General Fund actual revenues were $3,349 less than total adjusted budgeted revenue estimates primarily less than anticipated license revenue for cannabis, intergovernmental revenue, and charges for services. These increases were offset by favorable tax revenue collection and unrealized gains in the County's treasury.

The General Fund Budget to Actual schedule can be found on page 117 of this report.

Fund Balance: The General Fund's equity position increased by $46,327, versus the adjusted budget plan to increase fund equity by $20,437. By year-end, the increase to fund balance was more than the budget plan as departmental savings and positive operating results exceeded estimates.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered in preparing the County's recommended budget for FY 19-20:

The budget is projecting modest revenue growth for local property, retail sales, and transient occupancy taxes and are estimated to grow in the 1% to 4.5% range.

Total Governmental Fund revenues show an increase of 1.4%, or $14,121, comparing FY 19-20 budget to FY 18-19 actual revenues. The FY 19-20 budget shows a decrease in General Fund total revenues of .6%, or $2,676, compared to FY 18-19 actual revenues.

The budget appropriations for total Governmental Fund expenditures for FY 19-20 includes a 11.8%, or $112,380, increase when compared to FY 18-19 actual primarily due to favorable budget variances such as salaries and benefits, service and supplies, and other charges in FY 18-19. The FY 19-20 budget includes funding to cover increased employee pension costs and moderate increases for salary COLAs and employee benefits while reducing service and supply expenditures.

The State once again adopted an on-time budget and its financial condition continues to improve as it preserves core programs and increases reserves. The growth of the California economy is expected to be tempered by slower job growth and weakness in the housing market.

As of June 30, 2020, the recommended available spendable General Fund balance is projected to be $133,768. Of this amount, $36,213 is Restricted and $94,853 is Committed but remains available for appropriation. The County's General Fund is projected to end with $2,702 of Unassigned fund balance. The County's Recommended performance-based FY 19-20 budget and the County's Five Year Capital Improvement Program can be found at www.countyofsb.org/ceo under the Budget heading.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Santa Barbara County Auditor-Controller, PO Box 39, Santa Barbara, CA 93102-0039. The County's Comprehensive Annual Financial Report and Financial Highlights publications can also be found on the County's website at http://www.countyofsb.org/auditor/PublicationsLatest.sbc. A separately issued financial report for the County's discretely presented component unit, the First 5 Children and Families Commission, can be obtained online at http://first5santabarbaracounty.org or by writing to: First 5 Children and Families Commission, 5385 Hollister Avenue, Building 10, Suite 110, Santa Barbara, CA 93111.

Basic Financial Statements

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF NET POSITION
GOVERNMENTWIDE
June 30, 2019 (in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	First 5 Children and Families Commission
Assets				
Cash and investments (Note 3)	$ 401,690	$ 170,036	$ 571,726	$ 4,563
Accounts receivable, net:				
Taxes	29,065	--	29,065	--
Licenses, permits, and franchises	660	273	933	--
Fines, forfeitures, and penalties	298	--	298	--
Use of money and property	2,325	585	2,910	23
Intergovernmental	54,100	--	54,100	620
Charges for services	31,938	3,233	35,171	--
Other	801	--	801	--
Internal balances	591	(591)	--	--
Inventories	238	205	443	--
Prepaid items	50	--	50	--
Notes receivable (Note 5)	10,960	--	10,960	--
Other receivables	11,600	1,012	12,612	6
Restricted cash and investments (Note 4)	25,912	38,396	64,308	--
Housing loans receivable (Note 5)	45,457	--	45,457	--
Housing loans interest receivable (Note 5)	9,407	--	9,407	--
Capital assets, not being depreciated/amortized (Note 6)	301,887	68,949	370,836	--
Capital assets, net of accumulated depreciation/amortization (Note 6)	504,686	72,065	576,751	--
Total assets	1,431,665	354,163	1,785,828	5,212
Deferred outflows of resources				
Deferred payables (Note 1)	603	--	603	--
Deferred pensions (Note 21)	246,800	4,663	251,463	464
Deferred OPEB (Note 22)	13,334	300	13,634	37
Total deferred outflows of resources	260,737	4,963	265,700	501
Liabilities				
Accounts payable	22,639	6,315	28,954	399
Salaries and benefits payable	21,198	423	21,621	36
Interest payable	176	29	205	--
Other payables	3,016	1,355	4,371	--
Advances from grantors and third parties (Note 8)	39,113	--	39,113	--
Unearned revenue	1,582	--	1,582	--
Customer deposits payable	14,294	12	14,306	--
Long-term liabilities (Note 10):				
Portion due within one year:				
Compensated absences (Note 10)	33,366	753	34,119	53
Capital lease obligations (Note 9)	240	--	240	--
Certificates of participation, net (Note 11)	1,008	837	1,845	--
Bonds and notes payable (Note 12)	3,140	821	3,961	--
Liability for self-insurance claims (Note 13)	6,134	--	6,134	--
Landfill closure/postclosure care costs (Note 15)	--	1,216	1,216	--
Portion due in more than one year:				
Compensated absences (Note 10)	2,788	--	2,788	--
Capital lease obligations (Note 9)	1,075	--	1,075	--
Certificates of participation, net (Note 11)	24,900	166,201	191,101	--
Other long-term obligations (Note 10)	598	--	598	--
Bonds and notes payable (Note 12)	8,515	3,514	12,029	--
Liability for self-insurance claims (Note 13)	15,233	--	15,233	--
Estimated litigation liability (Note 14)	1,547	--	1,547	--
Landfill closure/postclosure care costs (Note 15)	--	30,985	30,985	--
Net pension liability (Note 21)	786,014	14,851	800,865	1,476
Net OPEB liability (Note 22)	113,588	2,560	116,148	315
Total liabilities	1,100,164	229,872	1,330,036	2,279
Deferred inflows of resources				
Deferred service concession arrangements (Note 7)	34,335	--	34,335	--
Deferred housing loan payments (Note 5)	4,284	--	4,284	--
Deferred pensions (Note 21)	47,194	892	48,086	89
Deferred OPEB (Note 22)	2,529	57	2,586	7
Total deferred inflows of resources	88,342	949	89,291	96
Net position				
Net investment in capital assets	736,255	82,723	818,978	--
Restricted for (Note 17):				
Policy & executive	972	--	972	--
Public safety	62,243	--	62,243	--
Health & public assistance	48,951	--	48,951	--
Community resources & public facilities	163,959	--	163,959	--
General government & support services	6,164	--	6,164	--
General county programs	20,052	--	20,052	--
First 5	--	--	--	3,338
Unrestricted	(534,700)	45,582	(489,118)	--
Total net position	$ 503,896	$ 128,305	$ 632,201	$ 3,338

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

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF ACTIVITIES
GOVERNMENTWIDE
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

							Net (Expense) Revenue and Changes in Net Position			
				Program Revenues			Primary Government			Component Unit
Functions/Programs	**Direct Expenses**	**Indirect Expenses**	**Total Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**First 5 Children and Families Commission**
Governmental activities:										
Policy & executive	$ 22,512	$ (4,634)	$ 17,878	$ 5,334	$ 1,488	$ --	$ (11,056)	$ --	$ (11,056)	
Public safety	330,572	11,359	341,931	57,201	104,615	--	(180,115)	--	(180,115)	
Health & public assistance	353,878	7,616	361,494	108,234	243,285	--	(9,975)	--	(9,975)	
Community resources & public facilities	115,256	4,398	119,654	36,465	48,583	58	(34,548)	--	(34,548)	
General government & support services	57,458	(19,476)	37,982	15,485	3,739	--	(18,758)	--	(18,758)	
General county programs	954	9	963	8,835	14,659	--	22,531	--	22,531	
Interest on long-term debt	1,895	--	1,895	--	--	--	(1,895)	--	(1,895)	
Total governmental activities	882,525	(728)	881,797	231,554	416,369	58	(233,816)	--	(233,816)	
Business-type activities:										
Resource Recovery	32,206	613	32,819	31,060	2,233	--	--	474	474	
Laguna Sanitation	7,089	115	7,204	14,091	204	--	--	7,091	7,091	
Total business-type activities	39,295	728	40,023	45,151	2,437	--	--	7,565	7,565	
Total primary government	$ 921,820	$ --	$ 921,820	$ 276,705	$ 418,806	$ 58	$ (233,816)	$ 7,565	$ (226,251)	
Component unit:										
First 5 Children and Families Comm.	$ 2,928	$ --	$ 2,928	$ --	$ 3,281	$ --				$ 353
General Revenues:										
Taxes:										
Property							208,432	--	208,432	--
Sales							12,582	--	12,582	--
Transient occupancy							10,320	--	10,320	--
Cannabis							6,761	--	6,761	--
Payments in-lieu of taxes							1,947	--	1,947	--
Motor vehicle in-lieu tax							182	--	182	--
Franchise fees							3,264	--	3,264	--
Other general revenues							605	--	605	--
Restricted for community resources and public facilities:										--
Sales tax, allocated to roads							6,413	--	6,413	--
Property tax, levied for flood control districts							11,232	--	11,232	--
Property tax, levied for county service areas							1,449	--	1,449	--
Property tax, levied for water agency							2,942	--	2,942	--
Property tax, levied for lighting districts							528	--	528	--
Property tax, levied for community facilities districts							738	--	738	--
Property tax, residual distribution from the redevelopment property tax trust fund							10,837	--	10,837	--
Restricted for public safety:										
Property tax, levied for fire district							53,888	--	53,888	--
Unrestricted investment earnings							4,356	2,370	6,726	135
Gain on sale of capital assets							18	48	66	--
Transfers							80	(80)	--	--
Total general revenues and transfers							336,574	2,338	338,912	135
Change in net position							102,758	9,903	112,661	488
Net position - beginning							400,644	118,402	519,046	2,850
Prior period adjustment (Note 24)							494	--	494	--
Net position - beginning, as restated							401,138	118,402	519,540	2,850
Net position - ending							$ 503,896	$ 128,305	$ 632,201	$ 3,338

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

COUNTY OF SANTA BARBARA, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019 (in thousands)

	General	Roads	Public Health	Social Services	Behavioral Wellness
Assets and deferred outflows of resources					
Assets:					
Cash and investments (Note 3)	$ 125,847	$ 28,593	$ 23,019	$ 6,645	$ 9,333
Accounts receivable, net:					
Taxes	29,065	--	--	--	--
Licenses, permits, and franchises	660	--	--	--	--
Fines, forfeitures, and penalties	8	--	--	--	--
Use of money and property	883	149	112	40	125
Intergovernmental	15,867	4,210	5,406	13,391	10,464
Charges for services	3,073	539	1,510	--	11,140
Other	542	--	--	13	3
Due from other funds (Note 19)	5,022	--	--	1,240	--
Prepaid items	50	--	--	--	--
Other receivables	4,370	--	--	--	3,572
Restricted cash and investments (Note 4)	23,321	--	--	--	--
Housing loans receivable	--	--	--	--	2,410
Housing loans interest receivable	--	--	--	--	59
Total assets	208,708	33,491	30,047	21,329	37,106
Deferred outflows of resources:					
Deferred payables (Note 1)	--	--	--	603	--
Total assets and deferred outflows of resources	$ 208,708	$ 33,491	$ 30,047	$ 21,932	$ 37,106
Liabilities, deferred inflows of resources, and fund balances					
Liabilities:					
Accounts payable	$ 3,562	$ 1,136	$ 965	$ 1,525	$ 6,908
Salaries and benefits payable	10,693	544	2,142	2,994	1,696
Other payables	139	179	387	8	2,588
Advances from grantors and third parties (Note 8)	1,652	7,011	--	10,140	227
Unearned revenue	1,582	--	--	--	--
Due to other funds (Note 19)	649	--	--	--	3,875
Customer deposits payable	14,229	53	--	--	--
Total liabilities	32,506	8,923	3,494	14,667	15,294
Deferred inflows of resources:					
Deferred housing loan payments (Note 5)	--	--	--	--	2,469
Deferred miscellaneous unavailable revenue (Note 1)	--	--	--	--	2,204
Total deferred inflows of resources	--	--	--	--	4,673
Fund balances (Note 16):					
Nonspendable	11,407	--	--	--	--
Restricted	44,054	24,568	19,124	4,663	17,139
Committed	102,087	--	7,429	2,602	--
Unassigned	18,654	--	--	--	--
Total fund balances	176,202	24,568	26,553	7,265	17,139
Total liabilities, deferred inflows of resources, and fund balances	$ 208,708	$ 33,491	$ 30,047	$ 21,932	$ 37,106

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

	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources						
Assets:						
Cash and investments (Note 3)	$ 63,126	$ 16,049	$ 15,272	$ 22,540	$ 28,797	$ 339,221
Accounts receivable, net:						
Taxes	--	--	--	--	--	29,065
Licenses, permits, and franchises	--	--	--	--	--	660
Fines, forfeitures, and penalties	--	--	--	--	290	298
Use of money and property	331	83	90	67	134	2,014
Intergovernmental	120	865	74	1,399	2,304	54,100
Charges for services	--	--	15,251	--	344	31,857
Other	--	153	90	--	--	801
Due from other funds (Note 19)	--	--	--	--	649	6,911
Prepaid items	--	--	--	--	--	50
Other receivables	105	--	1,004	--	55	9,106
Restricted cash and investments (Note 4)	--	1,376	--	--	1,205	25,902
Housing loans receivable	--	43,047	--	--	--	45,457
Housing loans interest receivable	--	9,348	--	--	--	9,407
Total assets	63,682	70,921	31,781	24,006	33,778	554,849
Deferred outflows of resources:						
Deferred payables (Note 1)	--	--	--	--	--	603
Total assets and deferred outflows of resources	$ 63,682	$ 70,921	$ 31,781	$ 24,006	$ 33,778	$ 555,452
Liabilities, deferred inflows of resources, and fund balances						
Liabilities:						
Accounts payable	$ 191	$ 1,702	$ 410	$ 3,582	$ 797	$ 20,778
Salaries and benefits payable	206	18	2,178	--	363	20,834
Other payables	68	20	--	186	38	3,613
Advances from grantors and third parties (Note 8)	--	10,576	1,772	7,735	--	39,113
Unearned revenue	--	--	--	--	--	1,582
Due to other funds (Note 19)	--	326	--	--	2,061	6,911
Customer deposits payable	--	--	3	--	9	14,294
Total liabilities	465	12,642	4,363	11,503	3,268	107,125
Deferred inflows of resources:						
Deferred housing loan payments (Note 5)	--	52,395	--	--	--	54,864
Deferred miscellaneous unavailable revenue (Note 1)	--	--	--	890	--	3,094
Total deferred inflows of resources	--	52,395	--	890	--	57,958
Fund balances (Note 16):						
Nonspendable	--	--	--	--	--	11,407
Restricted	63,217	5,884	27,418	1,849	29,345	237,261
Committed	--	--	--	9,764	1,165	123,047
Unassigned	--	--	--	--	--	18,654
Total fund balances	63,217	5,884	27,418	11,613	30,510	390,369
Total liabilities, deferred inflows of resources, and fund balances	$ 63,682	$ 70,921	$ 31,781	$ 24,006	$ 33,778	$ 555,452

Amounts reported for governmental activities in the Statement of Net Position are different because (Note 3):

Total fund balances - governmental funds	$ 390,369
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Balance Sheet.	772,962
Note receivable for governmental activities from the RDA Successor Agency private-purpose trust fund.	10,960
Other receivable not due in the current period is not a current financial resource, therefore, it is not reported in the Balance Sheet.	2,187
Deferred outflows of resources reported in the Statement of Net Position.	256,174
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Balance Sheet.	(958,710)
Accrued interest on long-term debt.	(176)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds and recognized as revenue in the Statement of Activities.	57,958
Deferred inflows of resources reported in the Statement of Net Position.	(87,583)
Internal Service Funds are used by management to charge the costs of fleet management, information technology, risk management, communications, and utility services to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position.	59,164
Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year.	591
Net position of governmental activities	$ 503,896

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	General	Roads	Public Health	Social Services	Behavioral Wellness
Revenues					
Taxes	$ 244,812	$ 7,962	$ --	$ --	$ --
Licenses, permits, and franchises	16,515	492	62	82	--
Fines, forfeitures, and penalties	5,508	--	460	13	39
Use of money and property	5,954	619	608	331	318
Intergovernmental	103,059	26,603	21,252	143,628	56,036
Charges for services	73,234	1,304	46,049	61	45,040
Other	4,608	155	4,555	880	2,490
Total revenues	453,690	37,135	72,986	144,995	103,923
Expenditures					
Current:					
Policy & executive	21,707	--	--	--	--
Public safety	233,223	--	--	--	--
Health & public assistance	11,365	--	77,332	151,762	102,382
Community resources & public facilities	49,128	36,324	--	--	--
General government & support services	53,495	--	--	--	--
General county programs	316	--	--	--	--
Debt service:					
Principal	--	--	--	--	--
Interest	--	--	--	--	--
Capital outlay	--	--	--	--	--
Total expenditures	369,234	36,324	77,332	151,762	102,382
Excess (deficiency) of revenues over (under) expenditures	84,456	811	(4,346)	(6,767)	1,541
Other financing sources (uses)					
Transfers in (Note 19)	5,920	5,213	7,300	8,690	5,927
Transfers out (Note 19)	(44,076)	(9)	(2,179)	(86)	(1,605)
Proceeds from sale of capital assets	27	61	--	--	--
Total other financing sources (uses)	(38,129)	5,265	5,121	8,604	4,322
Net change in fund balances	46,327	6,076	775	1,837	5,863
Fund balances - beginning	129,875	18,492	25,778	5,428	11,276
Prior period adjustment (Note 24)	--	--	--	--	--
Fund balances - beginning, as restated	129,875	18,492	25,778	5,428	11,276
Fund balances - ending	$ 176,202	$ 24,568	$ 26,553	$ 7,265	$ 17,139

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

Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Governmental Funds	Total Governmental Funds	
						Revenues
$ 11,737	$ --	$ 55,024	$ --	$ 5,802	$ 325,337	Taxes
74	1	22	--	33	17,281	Licenses, permits, and franchises
--	--	--	--	2,863	8,883	Fines, forfeitures, and penalties
1,902	331	374	189	1,421	12,047	Use of money and property
4,422	4,874	1,755	20,729	20,054	402,412	Intergovernmental
3,820	53	27,010	451	4,045	201,067	Charges for services
571	1,506	224	1,442	3,821	20,252	Other
22,526	6,765	84,409	22,811	38,039	987,279	Total revenues
						Expenditures
						Current:
--	--	--	--	--	21,707	Policy & executive
--	--	80,736	--	16,752	330,711	Public safety
--	--	--	--	18,504	361,345	Health & public assistance
24,076	7,503	--	--	5,659	122,690	Community resources & public facilities
--	--	--	--	145	53,640	General government & support services
--	--	--	--	18	334	General county programs
						Debt service:
--	--	--	--	4,026	4,026	Principal
--	--	--	--	1,775	1,775	Interest
--	--	--	35,416	--	35,416	Capital outlay
24,076	7,503	80,736	35,416	46,879	931,644	Total expenditures
(1,550)	(738)	3,673	(12,605)	(8,840)	55,635	Excess (deficiency) of revenues over (under) expenditures
						Other financing sources (uses)
157	--	285	3,279	15,958	52,729	Transfers in (Note 19)
(45)	(1,401)	(2,857)	(335)	(2,689)	(55,282)	Transfers out (Note 19)
--	--	75	--	3	166	Proceeds from sale of capital assets
112	(1,401)	(2,497)	2,944	13,272	(2,387)	Total other financing sources (uses)
(1,438)	(2,139)	1,176	(9,661)	4,432	53,248	Net change in fund balances
64,655	8,023	25,748	21,274	26,078	336,627	Fund balances - beginning
--	--	494	--	--	494	Prior period adjustment (Note 24)
64,655	8,023	26,242	21,274	26,078	337,121	Fund balances - beginning, as restated
$ 63,217	$ 5,884	$ 27,418	$ 11,613	$ 30,510	$ 390,369	Fund balances - ending

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	$ 53,248
Capital assets:	
The acquisition of capital assets uses current financial resources but has no effect on net position.	56,491
The cost of capital assets is allocated over their estimated useful lives and reported as depreciation/amortization expense in the Statement of Activities.	(19,420)
Proceeds from the sale of capital assets provide current financial resources but have no effect on net position.	(166)
Net gain on the disposal of capital assets does not affect current financial resources but increases net position.	166
Long-term debt:	
Principal payments on long-term debt use current financial resources but have no effect on net position.	4,026
Measurement focus:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	9,666
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in interest payable liability	16
Change in compensated absences liability	(2,706)
Change in estimated litigation liability	(739)
Change in accrued net OPEB liability	3,808
Change in accrued net pension liability	(4,490)
Amortization of bond premiums/discounts and issuance costs	(9)
Internal service funds:	
Internal service funds are used by management to charge the costs of information technology, fleet management, risk management, communication services, and utilities to individual funds. The net revenue of internal service funds is reported within governmental activities.	2,867
Change in net position of governmental activities	$ 102,758

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
Assets				
Current assets:				
Cash and investments (Note 3)	$ 125,278	$ 44,758	$ 170,036	$ 62,469
Accounts receivable, net:				
Licenses, permits, and franchises	273	--	273	--
Use of money and property	361	224	585	311
Charges for services	3,197	36	3,233	81
Inventories	179	26	205	238
Total current assets	129,288	45,044	174,332	63,099
Noncurrent assets:				
Other receivables (Note 5)	996	16	1,012	307
Restricted cash and investments (Note 4)	37,796	600	38,396	10
Capital assets, not being depreciated/amortized (Note 6)	60,634	8,315	68,949	--
Capital assets, net of accumulated depreciation/amortization (Note 6)	47,673	24,392	72,065	33,611
Total noncurrent assets	147,099	33,323	180,422	33,928
Total assets	276,387	78,367	354,754	97,027
Deferred outflows of resources				
Deferred pensions (Note 21)	3,703	960	4,663	3,734
Deferred OPEB (Note 22)	242	58	300	226
Total deferred outflows of resources	3,945	1,018	4,963	3,960
Liabilities				
Current liabilities:				
Accounts payable	5,907	408	6,315	1,861
Salaries and benefits payable	333	90	423	364
Interest payable	11	18	29	--
Other payables	1,355	--	1,355	--
Customer deposits payable	--	12	12	--
Compensated absences (Note 10)	606	147	753	637
Certificates of participation payable (Note 11)	837	--	837	--
Bonds and notes payable (Note 12)	--	821	821	350
Liability for self-insurance claims (Note 13)	--	--	--	6,134
Landfill closure/postclosure care costs (Note 15)	1,216	--	1,216	--
Total current liabilities	10,265	1,496	11,761	9,346
Noncurrent liabilities:				
Compensated absences (Note 10)	--	--	--	125
Certificates of participation payable, net (Note 11)	166,201	--	166,201	--
Bonds and notes payable (Note 12)	--	3,514	3,514	2,540
Liability for self-insurance claims (Note 13)	--	--	--	15,233
Landfill closure/postclosure care costs (Note 15)	30,985	--	30,985	--
Net pension liability (Note 21)	11,794	3,057	14,851	11,896
Net OPEB liability (Note 22)	2,063	497	2,560	1,924
Total noncurrent liabilities	211,043	7,068	218,111	31,718
Total liabilities	221,308	8,564	229,872	41,064
Deferred inflows of resources				
Deferred pensions (Note 21)	708	184	892	715
Deferred OPEB (Note 22)	46	11	57	44
Total deferred inflows of resources	754	195	949	759
Net position				
Net investment in capital assets	54,352	28,371	82,723	30,722
Unrestricted	3,918	42,255	46,173	28,442
Total net position	$ 58,270	$ 70,626	128,896	$ 59,164
Adjustment to reflect the allocation of the internal service funds' cumulative net loss			(591)	
Net position of business-type activities			$ 128,305	

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

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
Operating revenues				
Charges for services	$ 26,889	$ 14,066	$ 40,955	$ 61,359
Sale of scrap and recyclables	37	--	37	--
Self-insurance recovery	--	--	--	3,670
Other operating revenues	4,134	25	4,159	519
Total operating revenues	31,060	14,091	45,151	65,548
Operating expenses				
Salaries and benefits	9,547	2,441	11,988	9,333
Services and supplies	9,384	2,950	12,334	35,919
Self-insurance claims	--	--	--	14,605
Contractual services	5,246	234	5,480	781
Depreciation and amortization	2,592	1,216	3,808	5,733
County overhead allocation	613	115	728	1,163
Closure/postclosure care costs	1,937	--	1,937	--
Total operating expenses	29,319	6,956	36,275	67,534
Operating income (loss)	1,741	7,135	8,876	(1,986)
Non-operating revenues (expenses)				
Use of money and property	2,983	1,172	4,155	1,877
Interest expense	(3,255)	(186)	(3,441)	(125)
Gain (loss) on sale of assets	25	30	55	(31)
Settlements and damages	(250)	--	(250)	--
State and federal aid	99	30	129	--
Other non-operating revenues	387	137	524	439
Total non-operating revenues (expenses), net	(11)	1,183	1,172	2,160
Income before transfers	1,730	8,318	10,048	174
Transfers in (Note 19)	--	--	--	2,838
Transfers out (Note 19)	(80)	--	(80)	(205)
Total transfers, net	(80)	--	(80)	2,633
Change in net position	1,650	8,318	9,968	2,807
Total net position - beginning	56,620	62,308	118,928	56,357
Total net position - ending	$ 58,270	$ 70,626	$ 128,896	$ 59,164
Change in net position - total enterprise funds			$ 9,968	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(65)	
Change in net position of business-type activities			$ 9,903	

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

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
Cash flows from operating activities				
Receipts from interfund services provided	$ --	$ --	$ --	$ 61,911
Receipts from self-insurance recovery	--	--	--	3,670
Receipts from customers and users	32,453	14,087	46,540	--
Payments to employees	(9,291)	(2,268)	(11,559)	(9,226)
Payments to suppliers	(10,466)	(2,907)	(13,373)	(35,837)
Payments for self-insurance claims	--	--	--	(12,891)
Payments for landfill closure/postclosure costs	1	--	1	--
County overhead allocation payments to the General Fund	(613)	(115)	(728)	(1,163)
Other receipts	387	62	449	339
Net cash provided by operating activities	12,471	8,859	21,330	6,803
Cash flows from noncapital financing activities				
Transfers from other funds	--	--	--	2,838
Transfers to other funds	(80)	--	(80)	(205)
Payment on landfill settlement	(250)	--	(250)	--
Contributions to other governments	--	30	30	--
State and federal aid	99	--	99	--
Net cash provided (used) by noncapital financing activities	(231)	30	(201)	2,633
Cash flows from capital and related financing activities				
Purchase of capital assets	(50,924)	(664)	(51,588)	(7,338)
Proceeds from sale of capital assets	25	36	61	137
Principal paid on certificates of participation	(2,455)	--	(2,455)	--
Interest and fees paid on certificates of participation	13,466	--	13,466	--
Principal paid on bonds and notes payable	--	(804)	(804)	(345)
Interest and fees paid on bonds and notes payable	--	(189)	(189)	(125)
Proceeds of long-term debt	149,000	--	149,000	--
Federal interest subsidy on bonds payable	--	75	75	--
Net cash provided (used) by capital and related financing activities	109,112	(1,546)	107,566	(7,671)
Cash flows from investing activities				
Use of money and property received	2,245	675	2,920	1,157
Changes in fair market value of investments	641	409	1,050	616
Net cash provided by investing activities	2,886	1,084	3,970	1,773
Net change in cash and cash equivalents	124,238	8,427	132,665	3,538
Cash and cash equivalents - beginning	38,836	36,931	75,767	58,941
Cash and cash equivalents - ending	$ 163,074	$ 45,358	$ 208,432	$ 62,479
Reconciliation of cash and cash equivalents to the Statement of Net Position				
Cash and investments per Statement of Net Position	$ 125,278	$ 44,758	$ 170,036	$ 62,469
Restricted cash and investments per Statement of Net Position	37,796	600	38,396	10
Total cash and cash equivalents per Statement of Net Position	$ 163,074	$ 45,358	$ 208,432	$ 62,479
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 1,741	$ 7,135	$ 8,876	$ (1,986)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,592	1,216	3,808	5,733
Other non-operating revenue	387	62	449	339
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:				
Accounts and other receivables	1,288	7	1,295	40
Inventories	(30)	--	(30)	52
Accounts payable	4,194	277	4,471	811
Salaries and benefits payable	258	173	431	99
Customer deposits	103	(11)	92	--
Liability for self-insurance claims	--	--	--	1,715
Landfill closure/postclosure care cost liability	1,938	--	1,938	--
Net cash provided by operating activities	$ 12,471	$ 8,859	$ 21,330	$ 6,803

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

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019 (in thousands)

	Investment Trust Fund	Private-Purpose Trust Fund	Agency Funds
Assets			
Cash and investments (Note 3)	$ 1,088,307	$ 1,396	$ 85,660
Interest receivable	5,406	4	735
Restricted cash and investments (Note 4)	--	1,432	--
Total assets	1,093,713	2,832	$ 86,395
Liabilities			
Accounts payable	--	--	$ 10,472
Funds held as agent for others	--	--	75,923
Note payable	--	10,960	--
Total liabilities	--	10,960	$ 86,395
Net position			
Held in trust for:			
External pool participants	1,093,713	--	
Redevelopment agency dissolution	--	(8,128)	
Net position held in trust	$ 1,093,713	$ (8,128)	

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

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Investment Trust Fund	Private-Purpose Trust Fund
Additions		
Contributions:		
Contributions to pooled investments	$ 5,209,531	$ --
Redevelopment Agency Property Tax Trust Fund	--	1,410
Total contributions	5,209,531	1,410
Interest and investment revenue:		
Use of money and property	16,929	34
Total interest and investment revenue	16,929	34
Total additions	5,226,460	1,444
Deductions		
Benefits paid:		
Distributions from pooled investments	5,074,156	--
Total benefits paid	5,074,156	--
Obligation retirements:		
Interest on note payable	--	514
Total obligation retirements	--	514
Administrative expenses:		
County administrative expenses	--	4
Total administrative expenses	--	4
Total deductions	5,074,156	518
Change in net position	152,304	926
Net position held in trust - beginning	941,409	(9,054)
Net position held in trust - ending	$ 1,093,713	$ (8,128)

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

Notes to the Financial Statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The County of Santa Barbara (County), which was established by an act of the Legislature on February 18, 1850, is a legal subdivision of the State of California charged with governmental powers. The County's powers are exercised through a five member Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles (GAAP) in the United States of America, the accompanying financial statements present the activities of the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Discrete Component Unit

The First 5 Children and Families Commission (Commission) was established by the California Children and Families Act of 1998 (Proposition 10). The Commission invests tobacco tax revenues in programs that improve the lives of children prenatal through age 5 and their families. The Commission is governed by a nine member Board of Commissioners, appointed by the County Board. The Board of Commissioners, as the governing body of the Commission, is responsible for the operation of the Commission. The Commission is discretely presented because its board is not substantively the same as the County's. A separately issued financial report can be obtained online at http://first5santabarbaracounty.org/ or by writing to: First 5 Children and Families Commission, 5385 Hollister Avenue, Building 10, Suite 110, Goleta, CA 93111.

Blended Component Units

While each of these component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as, or appointing, the governing board for each of the component units and its ability to impose its will. Because of their relationship with the County and the nature of their operations, component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined, or blended, with the activities of the County for purposes of reporting in the accompanying basic financial statements.

Additional detailed information of the County's component units can be obtained from the County Auditor-Controller's office located at 105 East Anapamu Street, Room 303, Santa Barbara, CA 93101.

Descriptions of the County's blended component units are as follows:

Component Unit	**Included in the Reporting Entity Because:**	**Separate Financial Statements**
County Service Areas: established to provide specific services to distinct geographical areas within the County. These services include street lighting, open space maintenance, library, community sewer sanitation and maintenance, and road maintenance. Revenues consist primarily of property taxes and benefit assessments.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available

IN THOUSANDS 48 NOTES TO THE FINANCIAL STATEMENTS

Public and Educational Access: established to receive grant revenue from the local cable television franchisee. The primary objectives and purposes of the fund are the support of educational and public information through programs aimed at expanding public access and educational access to telecommunication services.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Santa Barbara County Fire Protection District: established to provide a full range of fire services to most of the unincorporated territory of Santa Barbara County; the cities of Buellton, Solvang, and Goleta; and private lands within the National Forest. Revenues consist primarily of property taxes.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Flood Control and Water Conservation Districts: established to control flood and storm waters and to conserve such waters for beneficial public use. Revenues consist primarily of property taxes and aid from other governmental units.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Lighting Districts: established to provide operation and maintenance of streetlights in certain areas of the County. Revenues consist primarily of property taxes and benefit assessments.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Laguna County Sanitation District: established to provide water and sewage treatment services to users. The costs of operating this district are charged to the users in the form of water charges and sewer fees.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Community Facilities Districts: established to allow for financing of public improvements and services. The services and improvements that can be financed include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums, and other cultural facilities. Revenues consist primarily of Mello-Roos property taxes.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Sandyland Seawall Maintenance District: established to provide for maintenance of a seawall constructed in the Sandyland Cove area. Revenues consist primarily of benefit assessments levied against those properties adjacent to that beachfront area.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available

Water Agency: established to prepare investigations and reports on the County's water requirements, project development, and importation of water from the State Water Project. The Water Agency provides technical assistance to County departments, water districts, and the public relative to ground water availability and water-well locations and design. The Water Agency also administers the Cachuma Project and Twitchell Project contracts with the U.S. Bureau of Reclamation.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
In-Home Supportive Services Public Authority (IHSS): established to act as the employer of record for IHSS individual providers. As an administrative unit, IHSS carries out functions prescribed in Welfare & Institutions Code Section 12301.6. Those functions include a provider screening process, a registry that will match eligible providers and consumers, and collective bargaining with providers and their representatives. IHSS also offers access to training for providers and consumers while continuing to allow for consumer choice in the selection of providers.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Santa Barbara County Finance Corporation: established on July 28, 1983, this corporation is a nonprofit public benefit corporation and, in general, its purpose is to: purchase, lease or otherwise acquire real property; construct, install or acquire public improvements; operate, maintain, repair or improve real or personal property; and borrow money and become indebted for the purpose of acquiring and improving such property. The corporation facilitates financing for the County and other public entities.	1) Unit provides services almost entirely to the County	Not available

The accompanying financial statements include an Investment Trust Fund that holds assets of numerous self-governed school and special districts for which the County Treasurer acts as custodian. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments, and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. The County Auditor-Controller makes disbursements upon the request of the responsible school or special district officers. Activities of the school and special districts are administered by separate boards and are independent of the County Board. The Board has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, or to appropriate surplus funds available in these entities.

The accompanying financial statements also include a statutorily required Private-Purpose Trust Fund for the Santa Barbara County Redevelopment Successor Agency (Successor Agency). The Successor Agency was created to serve, in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency (RDA). The Successor Agency operates under the auspices of a legislatively formed oversight board who has authority over its financial affairs and supervises its operations and timely dissolution.

Its assets are held in trust for the benefit of the taxing entities within the former RDA boundaries and as such are not available for County use.

New Accounting Pronouncements

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

Statement No. 83	*"Certain Asset Retirement Obligations"*	The requirements of this statement are effective for periods beginning after June 15, 2018. (FY 18/19)
Statement No. 88	*"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"*	The requirements of this statement are effective for periods beginning after June 15, 2018. (FY 18/19)
Statement No. 89	*"Accounting for Interest Cost Incurred Before the End of a Construction Period"*	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)

Financial Statements

In accordance with GASB Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,"* updated through GASB Statement No. 89, *"Accounting for Interest Cost Incurred Before the End of a Construction Period,"* the financial statements consist of the following:

- Governmentwide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

The governmentwide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all of the nonfiduciary activities of the primary government and its component units. All internal balances in the Statement of Net Position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. The Statement of Activities presents function revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the Statement of Activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities. As a general rule, interfund activities (e.g., interfund transfers and interfund reimbursements) have been eliminated in the governmentwide Statement of Activities. Exceptions to the general rule are interfund services provided and used between functions, such as mental health services provided to certain inmates at the County jail. Elimination of these interfund activities would distort the direct costs and program revenues reported for the various functions concerned.

IN THOUSANDS 51 NOTES TO THE FINANCIAL STATEMENTS

The governmentwide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities of the County include policy and executive, public safety, health and public assistance, community resources and public facilities, general government and support services, and general County programs. The business-type activities of the County include resource recovery and waste management and sanitation operations.

The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual Countywide Cost Allocation Plan which allocates the cost of central service departments to service user departments. Costs allocated in the Cost Allocation Plan include administrative and support costs such as budget preparation and oversight, County counsel, landscaping, payroll, utilities, and facilities maintenance. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmentwide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The governmentwide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds' financial statements, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as a deferred inflow of resources as soon as all eligibility requirements have been met, except for the timing requirement.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County, in general, considers revenues available if they are collected within 180 days after fiscal year-end, except for property taxes, which the County considers available if they are collected within 60 days after fiscal year-end. Grants, Medi-Cal reimbursements and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures that meet accrual criteria are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the County considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services and other miscellaneous revenue are all considered to be susceptible to accrual, and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All expenditure-driven grants are recorded at the time of receipt or earlier. If qualifying expenditures have been incurred and all other eligibility requirements have been met, expenditure-driven grants are recognized as revenue. When all eligibility requirements are met, except for the timing requirement, a deferred inflow of resources is reported until time requirements have passed.

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements.

In accordance with GAAP, the County reports on each major governmental fund. By definition, the general fund is always considered a major fund. Governmental funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, 1) An individual governmental fund reports at least ten percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures; 2) an individual governmental fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

The County reports the following major governmental funds:

- The **General Fund** is the County's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County except those required to be accounted for in specialized funds.

- The **Roads Fund** is used to account for the planning, design, construction, maintenance and administration of County roads. It is also used to account for traffic safety and other transportation planning activities. Funding comes primarily from local sales and state highway user taxes, along with state and federal highway improvement grants.

- The **Public Health Fund** accounts for a variety of preventative health programs, outpatient services and inmate health programs. The fund is also used to account for Environmental Health and Emergency Medical Services. Revenue sources are primarily state and federal grants and vehicle license fees.

- The **Social Services Fund** accounts for a variety of public assistance and social service programs that are funded primarily from state and federal grants.

- The **Behavioral Wellness Fund** is used to account for mandated community health services under the California Mental Health Act including a mandated responsibility to "guarantee and protect public safety." Revenue sources are primarily charges for services, sales tax revenue and state grants.

- The **Flood Control District Fund** is used to account for the provision of flood protection activities. Revenues come from a variety of sources including property taxes, charges for services, benefits assessments, and federal grants.

- The **Affordable Housing Fund** is used to account for the various affordable housing programs administered by the County and provides local match to leverage federal funding for the creation of affordable housing.

- The **Fire Protection District Fund** is used to account for the finances of the Santa Barbara County Fire Department. The Fire Department utilizes property tax revenues, which are collected for public safety within the district's boundaries. The Fire Department provides a full range of emergency services for most of the unincorporated territory of Santa Barbara County; the Cities of Buellton, Solvang, and Goleta; and private lands within the National Forest. The National Forest and military installations provide their own fire protection.

- The **Capital Projects Fund** is used to account for financial resources used in constructing major facilities.

Proprietary funds distinguish 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Resource Recovery and Laguna Sanitation enterprise funds and of the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County reports the following proprietary funds:

- The **Resource Recovery and Waste Management Fund (Resource Recovery)** accounts for the activities of refuse collection, disposal, landfill operations, and recycling programs.

- The **Laguna County Sanitation District Fund (Laguna Sanitation)** accounts for the activities of sewer collection and sewage treatment in the Orcutt area.

- **Internal Service Funds** account for vehicle operations, risk management, information technology, communications operations, and utilities operations that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

Fiduciary funds include all Trust and Agency funds, which account for assets held by the County as a trustee, or as an agent for individuals or other government units.

The County reports the following fiduciary funds:

- The **Investment Trust Fund** accounts for the external portion of the County Treasurer's investment pool, which commingles resources of legally separate local governments within the County in an investment portfolio for the benefit of all participants. These entities include school and community college districts, other special districts governed by local boards, and regional boards and authorities. The County separately maintains these entities' money in 396 individual funds; these funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.

- The **Private-Purpose Trust Fund** is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Santa Barbara County Redevelopment Successor Agency (Successor Agency).

- **Agency Funds** are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including Clearing and Revolving Funds, Deposits Funds, Other Agency Funds, State and City Revenue Funds, and Tax Collection Funds) account for assets held by the County in an agency capacity for individuals or other government units. The County reports on 181 different agency funds.

Cash and Investments

The County's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County Treasurer in a cash management investment pool (Pool). The County has stated required investments at fair value in the accompanying financial statements using the fair value measurement within the fair value hierarchy established by GAAP.

The Pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

The Air Pollution Control District and the Santa Barbara County Association of Governments, as well as the public school districts, cemetery districts, fire protection districts, pest control districts, recreation and park districts, and resource conservation districts within the County are required by legal provisions to participate in the County's investment pool. The deposits held for these districts are included in the Investment Trust Fund.

Accounts Receivable and Payable

The County only accrues revenues at fiscal year-end and accrues only those revenues it deems collectible; as such, the County has no allowance for uncollectible accounts. The County expects to collect all accounts receivable within one year. County policy requires that all revenues and expenditures greater than $5 be accrued at fiscal year-end, while revenues and expenditures under $5 may be accrued at fiscal year-end at the discretion of individual departments.

The County levies, collects, and apportions property taxes for all taxing jurisdictions within the County including school and special districts. Article XIIIB of the State of California Constitution limits the property tax levy to support general government services of the various taxing jurisdictions to one dollar per 100 dollars of full cash value. Taxes levied to service voter-approved debt are excluded from this limitation.

Secured property taxes are levied in September of each year based upon the assessed valuation as of the previous January 1 (lien date). They are payable in two equal installments due on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10, respectively. Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31.

Since Fiscal Year (FY) 93-94, the County has used an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current tax levy to California entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in June of each year. This method also provides that all of the delinquent penalties and redemption penalties of the participating entity flow to the County's General Fund. All County entities receiving property taxes were required by statute to participate once the alternative method was elected. All delinquent taxes are recorded as accounts receivable in the General Fund. At June 30, 2019, property taxes receivable of $28,021 are recorded in the General Fund. In addition, the Teeter Plan requires that a property tax loss reserve be maintained in an amount equal to 1% of the current year's secured tax levy, which is shown as a nonspendable portion of fund balance in the General Fund (see Note 16).

Deferred Outflows and Inflows of Resources

The County recognizes deferred outflows of resources and/or deferred inflows of resources in the governmentwide Statement of Net Position, governmental funds balance sheets, and proprietary funds statement of net position. Deferred outflows of resources represent a consumption of net position by the County that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/expenditures) until that time. Deferred inflows of resources represent an acquisition of net position by the County that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue or a credit to expense) until that time.

The County, including its discretely presented component unit, recognized deferred outflows of resources in the government-wide Statement of Net Position related to: 1) Social Services benefit payments that did not meet the grant eligibility timing requirement to be recorded as an expenditure, 2) changes in the net pension liability, and 3) changes in the net OPEB liability. The County recognized deferred inflows of resources in the governmentwide Statement of Net Position related to: 1) assets and future installment payments of the Service Concession Arrangements, 2) principal balance of loans with a forgiveness clause included in the housing loan receivable amount, and 3) inflows from changes related to the net pension and net OPEB liabilities.

The table below details the deferred outflows and inflows of resources related to the governmentwide Statement of Net Position as of June 30, 2019.

	Governmentwide		
	Governmental Activities	Business-type Activities	Component Unit Activites
Deferred Outflows of Resources			
Deferred payables - Social Services	$ 603	$ -	$ -
Pension (Note 21)	246,800	4,663	464
OPEB (Note 22)	13,334	300	37
Total Deferred Outflows of Resources	$ 260,737	$ 4,963	$ 501
Deferred Inflows of Resources			
Service Concession Arrangements (Note 7)	$ 34,335	$ -	$ -
Housing Loan Payments (Note 5)	4,284	-	-
Pension (Note 21)	47,194	892	89
OPEB (Note 22)	2,529	57	7
Total Deferred Inflows of Resources	$ 88,342	$ 949	$ 96

Under the modified accrual basis of accounting, it is not enough that expenditures are incurred; they must also meet all eligibility requirements other than timing. The County recognized deferred outflows of resources on the Governmental Funds Balance Sheet from Social Service benefit payments. In addition, revenue that is earned must also be available to finance expenditures in the current period under the modified accrual basis of accounting. The County recognized deferred inflows of resources on the Governmental Funds Balance Sheet related to: 1) total housing loan principal and interest receivable amount and 2) deferred miscellaneous earned but unavailable revenue due to prior year Medi-Cal Settlement payments.

The table below details the deferred outflows and inflows of resources related to the Governmental Funds Balance Sheet as of June 30, 2019.

	Governmental Funds
Deferred Outflows of Resources	
Deferred payables - Social Services	$ 603
Total Deferred Outflows of Resources	$ 603
Deferred Inflows of Resources	
Loan Payments	
Affordable Housing (Note 5)	$ 52,395
Behavioral Wellness (Note 5)	2,469
Deferred miscellaneous unavailable revenue	
Behavioral Wellness (Note 5)	2,204
Capital Projects (Note 5)	890
Total Deferred Inflows of Resources	$ 57,958

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Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmentwide financial statements as "internal balances." In the governmental funds financial statements, advances between funds are offset by a corresponding nonspendable portion of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

Inventories for both governmental and proprietary funds, consisting principally of materials and supplies held for consumption, are valued at cost, approximating market value, using the first-in, first-out (FIFO) method. The costs of governmental funds inventories are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmentwide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as nonspendable.

Capital Assets

Capital assets include land, land improvements, structures and improvements (e.g., office buildings and building improvements), equipment (e.g., vehicles, machinery and computers), infrastructure (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., land easements and computer software). Pursuant to GASB Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*," the County also includes capital assets held by Service Concession Arrangements (SCA). Capital assets are reported in the applicable governmental or business-type activities columns in the governmentwide financial statements. If purchased or constructed, the capital assets are reported at historical or estimated historical cost. Capital assets received by the County in an SCA and donated capital assets, including works of art and historical treasures, are recorded at the estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The capitalization thresholds are $0 for land, $5 for equipment, and $100 for land improvements, buildings and improvements, infrastructure, and computer software.

Capital assets, with the exception of non-depreciable land, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Land improvements:	Parking lots, sidewalks, outdoor lighting, landscaping, drainage and irrigation systems	5 to 50 years
Buildings & improvements:	Office buildings	20 to 100 years
	Building improvements	5 to 50 years
Equipment:	Automobiles and light trucks	5 to 10 years
	Construction and maintenance vehicles	5 to 20 years
	General machinery and office equipment	2 to 25 years
Infrastructure:	Pavement and traffic signals	15 to 30 years
	Bridges	40 to 75 years
	All other	20 to 99 years
Intangible assets:	Computer software	2 to 10 years

Outlays for capital assets and improvements are capitalized, as projects are constructed, in accordance with the County's capitalization policy. Interest and indirect costs incurred during the construction phase of capital assets of proprietary funds are reflected in the capitalized value of the asset constructed. Depreciation/amortization expense is allocated to functions/programs and included as a direct expense in the Statement of Activities. Capital assets that are under construction or development and have not been completed are put into Work in Progress and are presented as a capital asset not being depreciated on the Statement of Net Position.

Lease Obligations

The County leases various assets under both operating and capital lease agreements. In the governmentwide and proprietary funds' financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net Position.

Long-term Debt

In the governmentwide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net Position. Bond premiums and discounts are amortized over the life of the bond and issuance costs are expensed in the year incurred.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized in the period issued. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e., portion that has come due for payment) is reported as a liability in the fund financial statement of the related fund.

Compensated Absences

County policy permits employees to accumulate earned but unused vacation, holiday, and sick pay benefits. County policy states that unused sick leave shall not be cashed out at time of separation from service with the

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County; therefore, no liability for unpaid accumulated sick leave exists. Employees eligible for full retirement benefits, however, may convert their unused sick leave to up to one year's service credit in determining their retirement benefits.

All vacation and holiday pay is accrued when incurred in the governmentwide and proprietary funds' financial statements. In the governmental funds financial statements, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations or retirements prior to year-end, and payment of the liability is made subsequent to year-end. This is in accordance with GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*"

Pensions

In governmentwide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 22 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the County recognizes a net pension liability, which represents the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Santa Barbara County Employees' Retirement System (SBCERS). The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's OPEB Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by Santa Barbara County Employees' Retirement System (SBCERS). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Equity

In the fund financial statements, in accordance with GASB Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions,"* governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds. As a result of limitations imposed by the California County Budget Act, this classification is currently not used by the County.
- *Unassigned fund balance* – the residual classification for the County's General Fund that includes amounts not contained in the other classifications. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Board establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution (ordinances and resolutions are considered of equal authority with respect to fund balance). This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the County's policy to use Restricted fund balance resources first, followed by the unrestricted resources in the Committed and Unassigned fund balances, as they are needed.

Fund Balance Policy

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain unrestricted fund balance in its County funds sufficient to fund cash flows of the County and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed and unassigned fund balances are considered unrestricted.

The purpose of the County's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The County has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 15% of operating revenue (approximately 60 days working capital) at the close of each fiscal year, consistent with the recommended level promulgated by the Government Finance Officers Association (GFOA).

Additional detailed information, along with the complete *Fund Balance Policy,* can be obtained from the County Auditor-Controller's office located at 105 East Anapamu Street, Room 303, Santa Barbara, CA 93102.

Strategic Reserve Policy

The County has established a separate committed fund balance account known as the Strategic Reserve. The target funding level for the Strategic Reserve is an amount equivalent to 8% of operating revenue (approximately 30 days working capital) for the General Fund. Funding for the Strategic Reserve is appropriated annually by the Board as part of the budget approval process.

The purpose of the County's Strategic Reserve is to:

1. Mitigate economic downturns that reduce County general revenue;
2. Mitigate state or federal budget actions that may reduce County revenue;
3. Maintain core service levels essential to public health, safety, and welfare;
4. Front-fund or completely fund, if necessary, disaster costs or costs associated with emergencies. Only those events that have been legally declared to be a disaster at the local, state, or federal level are eligible for funding from the Strategic Reserve; and
5. Absorb liability settlements in excess of available resources in the County's committed litigation fund balance.

The monies in the Strategic Reserve are separate monies used only for the purposes stated above. The funds are used only to support the operating budget when general revenue increases less than 3% from the prior fiscal year. Any transfer of funds is approved by the Board and does not exceed the amount sufficient to balance the General Fund. Transfers require approval by 3/5 vote during budget hearings and 4/5 vote at all other times during the fiscal year in accordance with the County Budget Act.

As of June 30, 2019, the County's Strategic Reserve fund balance was $34,116.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

Future Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements will be implemented in future financial statements:

Statement No. 84	*"Fiduciary Activities"*	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 87	*"Leases"*	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 90	*"Majority Equity Interests"*	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 91	*"Conduit Debt Obligations"*	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)

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2. RECONCILIATION OF GOVERNMENTWIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the Statement of Net Position are different from those reported on the Balance Sheet for governmental funds. The following two schedules provide a reconciliation of those differences:

	Total Governmental Funds (Page 37)	Long-term Assets and Liabilities (1)	Internal Service Funds (2) (Page 40)	Adjustments (3)	Total Governmental Activities (Page 34)
Assets & deferred outflows of resources:					
Assets					
Cash and investments	$ 339,221	$ --	$ 62,469	$ --	$ 401,690
Accounts receivable, net:					
Taxes	29,065	--	--	--	29,065
Licenses, permits, and franchises	660	--	--	--	660
Fines, forfeitures, and penalties	298	--	--	--	298
Use of money and property	2,014	--	311	--	2,325
Intergovernmental	54,100	--	--	--	54,100
Charges for services	31,857	--	81	--	31,938
Other	801	--	--	--	801
Due from other funds	6,911	--	--	(6,911)	--
Internal balances	--	--	--	591	591
Inventories	--	--	238	--	238
Prepaid items	50	--	--	--	50
Note receivable	--	10,960	--	--	10,960
Other receivables	9,106	2,187	307	--	11,600
Restricted cash and investments	25,902	--	10	--	25,912
Housing loans receivable	45,457	--	--	--	45,457
Housing loans interest receivable	9,407	--	--	--	9,407
Capital assets	--	772,962	33,611	--	806,573
Total assets	554,849	786,109	97,027	(6,320)	1,431,665
Deferred outflows of resources					
Deferred social services	603	--	--	--	603
Deferred pensions	--	243,066	3,734	--	246,800
Deferred OPEB	--	13,108	226	--	13,334
Total deferred outflows of resouces	603	256,174	3,960	--	260,737
Total assets & deferred outflows of resources	$ 555,452	$ 1,042,283	$ 100,987	$ (6,320)	$ 1,692,402
Liabilities, deferred inflows of resources, & fund balances/net position:					
Liabilities					
Accounts payable	$ 20,778	$ --	$ 1,861	$ --	$ 22,639
Salaries and benefits payable	20,834	--	364	--	21,198
Interest payable	--	176	--	--	176
Other payables and long-term obligations	3,613	1	--	--	3,614
Advances from grantors and third parties	39,113	--	--	--	39,113
Unearned revenue	1,582	--	--	--	1,582
Due to other funds	6,911	--	--	(6,911)	--
Customer deposits payable	14,294	--	--	--	14,294
Compensated absences	--	35,392	762	--	36,154
Capital lease obligations	--	1,315	--	--	1,315
Certificates of participation (COP)	--	25,908	--	--	25,908
Bonds and notes payable	--	8,765	2,890	--	11,655
Liability for self-insurance claims	--	--	21,367	--	21,367
Estimated litigation liability	--	1,547	--	--	1,547
Net pension liability	--	774,118	11,896	--	786,014
Net OPEB liability	--	111,664	1,924	--	113,588
Total liabilities	107,125	958,886	41,064	(6,911)	1,100,164
Deferred inflows of resources					
Deferred service concession arrangements	--	34,335	--	--	34,335
Deferred housing loan payments	54,864	(50,580)	--	--	4,284
Deferred pensions	--	46,479	715	--	47,194
Deferred OPEB	3,094	(3,094)	--	--	--
Deferred miscellaneous unavailable revenue	--	2,485	44	--	2,529
Total deferred inflows of resources	57,958	29,625	759	--	88,342
Fund balances/net position:					
Total fund balances/net position	390,369	53,772	59,164	591	503,896
Total liabilities, deferred inflows of resources, & fund balances/net position	$ 555,452	$ 1,042,283	$ 100,987	$ (6,320)	$ 1,692,402

IN THOUSANDS 63 NOTES TO THE FINANCIAL STATEMENTS

(1) Note receivable for governmental activities from the RDA Successor Agency Private-Purpose Trust Fund.		$ 10,960
Other receivables		2,187
Capital assets used in governmental activities (excluding Internal Service Funds) are not current financial resources and, therefore, are not reported in the Balance Sheet (Note 6).		772,962
Deferred outflows of resources reported in the Statement of Net Position (Note 1).		256,174
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Balance Sheet (Note 10):		
Other payables and long-term obligations	$ (1)	
Compensated absences (excluding Internal Service Funds)	(35,392)	
Capital lease obligations (excluding Internal Service Funds)	(1,315)	
Certificates of participation	(25,908)	
Bonds and notes payable (excluding Internal Service Funds)	(8,765)	
Estimated liability for litigation	(1,547)	
Net pension liability (excluding Internal Service Funds)	(774,118)	
Net OPEB liability (excluding Internal Service Funds)	(111,664)	
Total long-term liabilities		(958,710)
Accrued interest on long-term debt		(176)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds and recognized as revenue in the Statement of Activities (Note 1).		57,958
Deferred inflows of resources (excluding Internal Service Funds) reported in the Statement of Net Position (Note 1).		(87,583)
		$ 53,772
(2) Internal Service Funds are used by management to charge the costs of information technology, reprographics and digital imaging services, vehicle operations and maintenance, risk management and insurance, communications and utility services to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position.		$ 59,164
(3) Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year. Also included are immaterial rounding adjustments.		$ 591

3. CASH AND INVESTMENTS

Cash and investments include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer. The Santa Barbara County Treasury Pool (Pool) is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool.

Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Pool will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that, of the County's total bank balance, $250 is insured by the Federal Deposit Insurance Corporation (FDIC). The remaining $58,189 on deposit is collateralized with securities held by the pledging financial institution's agent. Per Government Code Section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral.

At June 30, 2019, the carrying amount of the Pool's deposits was $74,333 and the corresponding bank balance was $58,439. The difference of $15,894 was principally due to deposits in transit.

IN THOUSANDS 64 NOTES TO THE FINANCIAL STATEMENTS

Investments

Pursuant to Section 53646 of the Government Code, the County Treasurer prepares an Investment Policy Statement annually, presents it to the TOC for review and to the Board of Supervisors for approval. After approval, the policy is forwarded to the California Debt and Investment Advisory Commission.

The Investment Policy Statement provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the Treasurer's Investment Policy is more restrictive than state law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and the investment pools managed by a Joint Powers Authority. As of June 30, 2019, all investments are in compliance with State law and with the Treasurer's Investment Policy.

Investments are stated at fair value. Fair value is established quarterly based on quoted market prices received from the securities custodian. Fair value of investments held fluctuates with interest rates. The fair value of participants' position in the Pool is the same as the value of the Pool shares. The value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The Pool participates in LAIF and the California Asset Management Program (CAMP). Investments in LAIF and CAMP are governed by state statutes and overseen by a five member Local Investment Advisory Board and a seven member Board of Trustees, respectively. The Pool participates in the Federally Insured Cash Account program (FICA) which is governed by state and federal statutes and overseen by a seven member Board of Directors.

The California State Treasurer's Office operates the LAIF. LAIF is available for investment of funds administered by California local governments and special districts and is not registered with the SEC as an investment company. The enabling legislation for LAIF is Section 16429.1 et seq. of the California Government Code. The Local Investment Advisory Board (LIAB) provides oversight for LAIF.

CAMP is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p).

FICA is managed by StoneCastle Cash Management, LLC (StoneCastle) and is registered with the SEC as a Registered Investment Advisor. This program places the County's cash in deposit accounts at banks and savings institutions (Insured Depositories) in a manner that maintains full insurance of the funds by the FDIC. FICA is open to participants that are (a) both "accredited investors" under the Securities Act of 1933 and "qualified purchasers" under the Investment Company Act of 1940 as amended and/or (b) U.S. governmental units.

LAIF, CAMP, and FICA operate and report to participants on an amortized cost basis. For both LAIF and CAMP, the income, gains, and losses, net of administration fees, are allocated based upon the participant's average daily balance. CAMP and LAIF participants share proportionally in any realized gains or losses on investments. For FICA, interest is accrued daily on each Insured Depository and paid monthly. Deposits in LAIF and CAMP are not insured or otherwise guaranteed by the State of California, while the FICA deposit accounts are insured by the FDIC and are fully guaranteed by the U.S. Government. The fair value of the LAIF and CAMP investment pools are approximately equal to the value of the pool shares. The fair value of FICA is approximately equal to the value of all cash on deposit with the Insured Depositories.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The Treasurer's Investment Policy sets specific parameters by type of investment to be met at the time of purchase. Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services at a minimum of F1 by Fitch, P-1 by Moody's and A-1 by Standard & Poor's (S&P). Corporate notes, with a maturity greater than three years, shall be rated at a minimum of AA by at least two of the three major rating services. Corporate notes, with a maturity of three years or less, shall be rated at a minimum of AA- by at least two of the three major ratings services. Corporate Temporary Liquidity Guarantee Program (TLGP) notes shall be rated AAA by one of three major ratings services.

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2019:

	Moody's	S&P	Fitch	% of Portfolio
Treasurer's Pooled Investments:				
CAMP	NR*	AAAm	NR*	6.19%
LAIF	NR*	NR*	NR*	4.03%
FICA	NR*	NR*	NR*	5.57%
Government Agency Bonds and Notes	Aaa	AA+	NR*	37.38%
Government Agency Bonds and Notes	Aaa	AA+	AAA	26.51%
US Treasury Bills and Notes	Aaa	AA+	AAA	20.32%
Total Treasurer's Pooled Investments				100.00%

Instruments in any one issuer that represent 5% or more of the County's investments as of June 30, 2019 are as follows (excluding external investment pools and debt explicitly guaranteed by the U.S. government):

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Treasurer's Pooled Investments:			
Federal Home Loan Bank	Government Sponsored	$ 428,018	25.34%
Federal Home Loan Mortgage Corporation	Government Sponsored	320,355	18.97%
Federal Farm Credit Bank	Government Sponsored	176,620	10.46%
Federal National Mortgage Association	Government Sponsored	106,583	6.31%

Custodial Credit Risk

Custodial credit risk for investments is the risk that the Pool will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the Pool are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Treasurer's Investment Policy also dictates that the final maturity date of any individual security shall not exceed five years and that long-term investments (greater than one year), in the aggregate, shall not exceed 75% of the portfolio. At June 30, 2019, the weighted average days to maturity for the Pool was 289 days.

The fair value of investments generally changes with the fluctuations of interest rates. In a rising interest rate market, the fair value of investments could decline below original cost. Conversely, when interest rates decline, the fair value of investments increases. The Treasurer believes liquidity in the portfolio is sufficient to meet cash flow needs for the next six months and will preclude the Treasurer from having to sell investments below amortized cost.

At June 30, 2019, $40,012 or 2.94% of the Treasurer's Pooled Investments was held in U.S. agency step-up notes. These securities grant the issuer the option to call the note on a certain specified date(s). On a certain date, or dates, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note.

The net realized earnings on investments are apportioned to Pool participants quarterly based upon each participant's average daily cash balance. Unrealized gains and losses are also apportioned quarterly to participants based upon the participant's ending cash balance.

Investment income consisted of the following for the year ended June 30, 2019:

Investment earnings	$	26,717
Net increase in fair value of investments		16,200
Administrative expenses		(2,163)
Net investment income	$	40,754

The Treasurer may purchase securities at a discount from face value to earn higher than nominal rates of return. Under GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*," such discount, when realized, is considered a gain rather than interest.

IN THOUSANDS 67 NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of investments held by the County as of June 30, 2019:

Investment	Cost	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity
Treasurer's pooled investments:					
CAMP	$ 100,000	$ 100,000	2.50%	7/19 - 7/20	54
LAIF	65,000	65,000	2.40%	7/19 - 7/23	173
FICA	90,000	90,000	2.35%	1 Day	1 Day
US Treasury Bills*	162,393	163,994	Discount	7/19 - 2/20	108
US Treasury Notes	162,775	164,191	.75%-2.00%	7/19-10/21	327
Government Agency Bonds	186,616	187,198	1.00%-2.70%	8/19-4/22	357
Government Agency Discount Notes*	318,844	321,145	2.35%-2.68%	7/19-3/20	61
Government Agency Bonds - Callable	523,030	523,233	1.02%-2.70%	7/19-3/24	630
Total pooled and directed investments	$ 1,608,658	1,614,761			
Investments held with fiscal agents:		117,282			
Cash in banks:					
Non-interest bearing deposits		85,290			
Cash on hand:		59			
Total cash and investments		$ 1,817,392			
Total unrestricted cash and investments		$ 1,751,652			
Total restricted cash and investments (Note 4)		65,740			
Total cash and investments		$ 1,817,392			
Total cash and investments summary:					
Total governmental activities		$ 427,602			
Total business-type activities		208,432			
Total discrete component unit activities		4,563			
Total fiduciary funds		1,176,795			
Total cash and investments		$ 1,817,392			

* US Treasury Bills and Government Agency Discount Notes are purchased at a discount. The difference between maturity value and principal is apportioned to the investment pool as earnings.

The following is a reconciliation between cash and investments and the Net Position of the Treasurer's Investment Pool as of June 30, 2019:

Total cash and investments	$ 1,817,392
Less: investments held with fiscal agents	(117,282)
Less: cash on hand	(59)
Less: purchase interest	(81)
Less: Proposition 64 cash on hand	(5,878)
Add: cash and investment interest receivable	5,086
	$ 1,699,178

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The following represents a condensed Statement of Net Position and Changes in Net Position for the Treasurer's Investment Pool as of June 30, 2019:

Statement of Net Position	
Net position held in trust	$ 1,699,178
Equity of internal pool	$ 610,871
Equity of external pool participants (voluntary and involuntary)	1,088,307
Total equity	$ 1,699,178
Statement of Changes in Net Position	
Net position held for pool participants, July 1, 2018	$ 1,477,757
Net change in investments by pool	221,421
Net position held for pool participants, June 30, 2019	$ 1,699,178

Additional detailed information and/or separately issued financial statements of the County Treasurer's Investment Pool can be obtained by writing to the County Treasurer-Tax Collector's Office located at 105 East Anapamu Street, Room 109, Santa Barbara, CA 93101 or on their website at: http://countyofsb.org/ttcpapg/treas/index under Annual Reports.

Fair Value Measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The Pool has the following recurring fair value measurements as of June 30, 2019:

		Fair Value Measurements Using		
Investments by fair value level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
US Treasuries	$ 328,185	$ 328,185	$ --	$ --
Government agency bonds	187,198	--	187,198	--
Government agency discount notes	321,145	--	321,145	--
Government agency bonds - callable	523,233	--	523,233	--
Total investments measured at fair value	1,359,761	$ 328,185	$ 1,031,576	$ --
Investments measured at amortized cost				
CAMP	100,000			
LAIF	65,000			
FICA	90,000			
Total pooled and directed investments	$ 1,614,761			

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4. RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2019 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities		
General Fund		
Deposits by various developers	$ 13,823	
Property tax loss reserve	9,089	
Court ordered restitution funds	270	
Funds for disaster recovery	139	
Total General Fund		$ 23,321
Major Governmental Funds		
Energy efficiency loan loss reserve	1,376	
Total major governmental funds		1,376
Nonmajor Governmental Funds		
Debt service reserves	1,196	
Clean water plan check trust	9	
Total nonmajor governmental funds		1,205
Internal Service Funds		
Funds for underground tank clean-up	10	
Total internal service funds		10
Total governmental activities		25,912
Business-type Activities		
Resource Recovery Fund		
Funds for landfill site closure and maintenance costs	19,785	
Debt service reserves (see Note 15)	15,884	
Financial assurance for landfill corrective action (see Note 15)	2,070	
Financial assurance for UCSB Hazardous Household Waste Center corrective action	57	
Total Resource Recovery Fund		37,796
Laguna Sanitation Fund		
Financial assurance for landfill corrective action	600	
Total Laguna Sanitation Fund		600
Total business-type activities		38,396
Total restricted cash and investments*		$ 64,308

*Governmental and Business-type Activities do not include $1,432 of Fiduciary Private-Purpose Trust Fund restricted cash and investments.

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5. RECEIVABLES

GASB Statement No. 38, *"Certain Financial Statement Note Disclosures,"* requires disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements. The detail of receivable balances not expected to be collected within the next fiscal year is as follows:

Note Receivable
The County has recorded a note receivable for governmental activities from the RDA Successor Agency Private-Purpose Trust Fund. The total balance of the note receivable at June 30, 2019 is $10,960 and the amount not expected to be collected within the next fiscal year is $10,065.

Housing Loans Receivable and Loans Interest Receivable
A total of $45,457 was recorded as housing loans receivable and a total of $9,407 was recorded as housing loans interest receivable at June 30, 2019.

Housing and Community Development recorded $43,047 as loans receivable and $9,348 was recorded as interest receivable. These represent low or no interest mortgage notes and related accrued interest to finance multi-family and single family construction and rehabilitation projects, as well as homebuyer assistance for low income families, as part of the County's affordable housing program. Loan terms range from 5 to 55 years with interest rates from 0% to 7.2%. Loans, with a total principal balance of $3,868, contain a forgiveness clause and more than likely will not be repaid back to the County. The County's primary sources of funding for these loans come from grants from the federal HOME Investment Partnership (HOME) and Community Development Block Grant (CDBG) programs. The HOME and CDBG grants contain monitoring requirements to ensure grant compliance. These requirements are reflected in the loan agreements. Due to the terms of the loans, offsetting deferred inflows of resources of $52,395 have been established in the Governmental Funds Balance Sheet for the housing loan principal and interest payments. Additionally, offsetting deferred inflows of resources of $4,284 have been established in the Statement of Net Position for the principal and interest balance of loans with a forgiveness clause.

Behavioral Wellness recorded $2,410 as housing loans receivable and $59 as housing loan interest receivable. These represent Mental Health Services Act (MHSA) Housing Program funds to provide assistance in accordance with Welfare and Institutions Code. A 55-year loan of MHSA Housing Program funds for development of The Residences at Depot Street in Santa Maria provides for an 80 unit affordable rental housing project with 35 units dedicated for a term of 35 years for qualified MHSA tenants. The loan bears simple interest at 3% with principal and interest due and payable on the earlier of: 1) 55 years, 2) the date the property is sold or transferred, 3) borrower fails to commence construction, or 4) there is an uncured event of default by the borrower. Due to the terms of the loan, offsetting deferred inflows of resources of $2,469 have been established in the Governmental Funds Balance Sheet for the housing loan principal and interest.

Other Receivables
The County has recorded a total of $11,600 in other receivables for governmental activities; the following amounts are not expected to be received within the next fiscal year:

- $3,431 for impounded disputed property taxes; and
- $200 deposit with the County's workers' compensation claims administrator.

The County has recorded a total of $1,102 in other receivables for business-type activities for other operating revenues earned in the current period that are not expected to be received within the next fiscal year.

The County's discrete component unit recorded a total of $6 in other receivables that are not expected to be received within the next fiscal year.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 includes the following adjusted amounts:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Capital assets, non-depreciable:				
Land	$ 55,473	$ 3,460	$ --	$ 58,933
Land easements	53,133	--	--	53,133
Service concession arrangements	40,856	270	--	41,126
Work in progress	108,696	51,796	(11,797)	148,695
Total capital assets, non-depreciable	258,158	55,526	(11,797)	301,887
Capital assets, depreciable/amortizable:				
Land improvements	29,524	288	--	29,812
Structures and improvements	273,220	3,231	--	276,451
Equipment and software	155,613	12,978	(6,003)	162,588
Infrastructure	400,440	3,874	--	404,314
Total capital assets, depreciable/amortizable	858,797	20,371	(6,003)	873,165
Less accumulated depreciation/amortization for:				
Land improvements	(9,211)	(752)	--	(9,963)
Structures and improvements	(122,182)	(5,976)	--	(128,158)
Equipment and software	(94,025)	(12,324)	5,723	(100,626)
Infrastructure	(123,631)	(6,101)	--	(129,732)
Total accumulated depreciation/amortization	(349,049)	(25,153)	5,723	(368,479)
Total capital assets, depreciable/amortizable, net	509,748	(4,782)	(280)	504,686
Sub-total governmental activities	767,906	50,744	(12,077)	806,573
Business-type activities:				
Capital assets, non-depreciable:				
Land	15,654	--	--	15,654
Work in progress	7,613	49,156	(3,474)	53,295
Total capital assets, non-depreciable	23,267	49,156	(3,474)	68,949
Capital assets, depreciable/amortizable:				
Land improvements	483	--	--	483
Structures and improvements	11,145	4,319	--	15,464
Equipment and software	30,839	971	(148)	31,662
Infrastructure	74,114	1,969	--	76,083
Total capital assets, depreciable/amortizable	116,581	7,259	(148)	123,692
Less accumulated depreciation/amortization for:				
Land improvements	(223)	(10)	--	(233)
Structures and improvements	(5,160)	(458)	--	(5,618)
Equipment and software	(16,398)	(1,767)	141	(18,024)
Infrastructure	(26,179)	(1,573)	--	(27,752)
Total accumulated depreciation/amortization	(47,960)	(3,808)	141	(51,627)
Total capital assets, depreciable/amortizable, net	68,621	3,451	(7)	72,065
Sub-total business-type activities	91,888	52,607	(3,481)	141,014
Total capital assets, net	$ 859,794	$ 103,351	$ (15,558)	$ 947,587
First 5 Santa Barbara County				
Discrete component unit activities:				
Capital assets, depreciable/amortizable:				
Equipment and software	$ 25	$ --	$ --	$ 25
Less accumulated depreciation/amortization	(25)	--	--	(25)
Total capital assets, net	$ -	$ -	$ --	$ -

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Capital assets activity for each major enterprise fund for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Resource Recovery:				
Capital assets, non-depreciable:				
Land	$ 11,965	$ --	$ --	$ 11,965
Work in progress	3,474	48,669	(3,474)	48,669
Total capital assets, non-depreciable	15,439	48,669	(3,474)	60,634
Capital assets, depreciable/amortizable:				
Structures and improvements	3,478	4,319	--	7,797
Equipment and software	22,821	897	--	23,718
Infrastructure	46,997	1,866	--	48,863
Total capital assets, depreciable/amortizable	73,296	7,082	--	80,378
Less accumulated depreciation/amortization for:				
Structures and improvements	(1,978)	(237)	--	(2,215)
Equipment and software	(12,617)	(1,374)	--	(13,991)
Infrastructure	(15,518)	(981)	--	(16,499)
Total accumulated depreciation/amortization	(30,113)	(2,592)	--	(32,705)
Total capital assets, depreciable/amortizable, net	43,183	4,490	--	47,673
Sub-total Resource Recovery	58,622	53,159	(3,474)	108,307
Laguna Sanitation:				
Capital assets, non-depreciable:				
Land	3,689	--	--	3,689
Work in progress	4,139	487	--	4,626
Total capital assets, non-depreciable	7,828	487	--	8,315
Capital assets, depreciable/amortizable:				
Land improvements	483	--	--	483
Structures and improvements	7,667	--	--	7,667
Equipment and software	8,018	74	(148)	7,944
Infrastructure	27,117	103	--	27,220
Total capital assets, depreciable/amortizable	43,285	177	(148)	43,314
Less accumulated depreciation/amortization for:				
Land improvements	(223)	(10)	--	(233)
Structures and improvements	(3,182)	(221)	--	(3,403)
Equipment and software	(3,781)	(393)	141	(4,033)
Infrastructure	(10,661)	(592)	--	(11,253)
Total accumulated depreciation/amortization	(17,847)	(1,216)	141	(18,922)
Total capital assets, depreciable/amortizable, net	25,438	(1,039)	(7)	24,392
Sub-total Laguna Sanitation	33,266	(552)	(7)	32,707
Total capital assets, net - business-type activities	$ 91,888	$ 52,607	$ (3,481)	$ 141,014

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Internal Service Funds (ISF) predominantly serve the governmental funds. Accordingly, their capital assets are included within governmental activities. Capital assets activity for Internal Service Funds for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Internal Service Funds:				
Capital assets, depreciable/amortizable:				
Structures and improvements	$ 2,606	$ --	$ --	$ 2,606
Equipment and software	69,103	7,341	(4,204)	72,240
Total capital assets, depreciable/amortizable	71,709	7,341	(4,204)	74,846
Less accumulated depreciation/amortization for:				
Structures and improvements	(1,147)	(66)	--	(1,213)
Equipment and software	(38,393)	(5,667)	4,038	(40,022)
Total accumulated depreciation/amortization	(39,540)	(5,733)	4,038	(41,235)
Total capital assets, net - internal service funds	$ 32,169	$ 1,608	$ (166)	$ 33,611

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

	Depreciation/ Amortization (excluding ISF)	ISF Depreciation/ Amortization Allocation (1)	Total
Governmental activities:			
Policy & executive	$ 520	$ 108	$ 628
Public safety	5,082	2,860	7,942
Health & public assistance	2,178	1,346	3,524
Community resources & public facilities	8,180	979	9,159
General government & support services	3,387	440	3,827
General county programs	73	--	73
Sub-total governmental activities	19,420	5,733	25,153
Business-type activities:			
Resource Recovery	2,592	--	2,592
Laguna Sanitation	1,216	--	1,216
Sub-total business-type activities	3,808	--	3,808
Total depreciation expense	$ 23,228	$ 5,733	$ 28,961

(1) Depreciation/amortization of capital assets held by the County's ISF is charged to the various functions based on their usage of the assets.

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Work in progress at June 30, 2019 consists of the following projects for the primary government:

Governmental activities:		
Capital Outlay projects:		
North County jail	$ 96,845	
SB 82 Grant - Agnes St SM	1,033	
Cachuma Waterline	782	
SM Juv Hall 2nd Tier Barrier	578	
Other projects (individually less than $500)	3,069	
		102,307
Flood Control projects:		
Mission Creek Corps project	23,328	
Randall Road Debris Basin	4,177	
Unit II Channel Improvements	3,676	
Other projects (individually less than $500)	1,744	
		32,925
Roads projects:		
Floridale Avenue bridge	2,278	
Foothill Road Low Water Crossing replacement	1,823	
Bonita School Road Bridge	1,149	
Fernald Point bridge	1,003	
Hollister and State Improvement	747	
E. Mountain Low Water Crossing replacement	746	
Clark Avenue at 101 Interchange	743	
Patterson Widening	594	
Union Valley Parkway Barrier Walls	515	
Other projects (individually less than $500)	833	
		10,431
General Fund projects		466
Other Governmental Funds:		
Fire Hawk Helicopter Retrofitting	1741	
Santa Ynez Airport Authority improvement projects	825	
		2,566
Sub-total governmental activities		148,695
Business-type activities:		
Resource Recovery projects		48,669
Laguna Sanitation projects		4,626
Sub-total business-type activities		53,295
Total work in progress		$ 201,990

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB Statement No. 60 (GASB 60), *"Accounting and Financial Reporting for Service Concession Arrangements (SCA)"* defines an SCA as a type of public-private or public-public partnership. As used in GASB 60, an SCA is an arrangement between a government (the transferor) and an operator in which all of the following criteria are met:

a. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of a capital asset (referred to in the statement as a "facility") in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
b. The operator collects and is compensated by fees from third parties.

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c. The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.

The County has determined that the following arrangements meet the criteria set forth above (where the County is the transferor) and therefore included these SCAs in the County's financial statements. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as such an operator.

Boathouse Restaurant

On February 1, 2008, the County entered into a 10-year agreement (having options for a 10-year extension and a subsequent 5-year extension) with Santa Barbara Shellfish Company Incorporated (SB Shellfish), under which SB Shellfish will operate the Boathouse Restaurant, a walk-up snack bar, and rent beach-related equipment and supplies. On January 1, 2018, the 10-year extension option was exercised and approved. Services are to be provided at reasonable rates. A summary of the important details, capital assets and the present value of installment payments pertaining to this SCA follows.

Jalama Beach Store

On January 1, 2008, the County entered into a 10-year agreement (having an option for two 5-year extensions) with Jalama Beach Store Incorporated (Jalama), under which Jalama has the right to the sell food and beverages (including beer and wine), kitchen supplies, camping supplies, housekeeping and other related supplies and conveniences; rent swimming and beach equipment & supplies; operate a restaurant and delicatessen; and rent vacation trailers. On January 1, 2018, the first 5-year extension option was exercised and approved. Services are to be provided at reasonable rates. A summary of the important details, capital assets and the present value of installment payments pertaining to this SCA follows.

Beachside Restaurant

On March 25, 1985, the County entered into a 37-year agreement with Richhardy Corporation (Richhardy), under which Richhardy will have exclusive rights to operate and maintain a food and beverage business, fishing tackle and bait shop, and boat rental business. The County has the ability to review the rates Richhardy charges. A summary of the important details, capital assets, and the present value of installment payments pertaining to this SCA follows.

Cachuma Café - Smoke on Water

On May 7, 2019, the County entered into a 10-year agreement (having an option for an 8-year extension) with Smoke on Water, LLC, under which the SCA has exclusive rights to operate and maintain a food and beverage business. Services are to be provided at reasonable rates. The agreement contains a provision that a marketing credit up to $500 per month, from the date of commencement through March 31, 2022, may be paid by the County to the SCA for certain pre-approved marketing expenses. Additionally, should the SCA obtain an Alcoholic Beverage Control (ABC) license, the County shall receive 15% of gross sales derived from hard alcohol sales. A summary of the important details and present value of installment payments pertaining to this SCA follows.

Cachuma Store and Marina

On March 6, 2012, the County entered into a 10-year agreement with Pyramid Enterprises, Incorporated (Pyramid), under which Pyramid will operate the Cachuma store and marina and sell gas. Services are to be provided at reasonable rates. The structures and related equipment pertaining to the SCA have been fully depreciated. A summary of the important details of this SCA follows.

Santa Barbara County Bowl

On June 1, 2011, the County entered into a 45-year agreement (having an option for a 25-year extension) with the Santa Barbara County Bowl Foundation (Foundation), under which the Foundation will operate the outdoor amphitheater, maximizing access for community programs, stage events, musical performances, and other performing art events. Prices for merchandise, food, and beverages are to be comparable to prices charged at similar establishments; however, the Foundation sets ticket pricing. A portion of each ticket goes to the Santa Barbara Arts Commission with the remaining revenue used to run operations and maintain and improve facilities. A summary of the important details and the capital assets pertaining to this SCA follows.

A summary of the important details for each SCA over the term of their agreements are as follows:

	Date SCA Entered Into	Term of SCA	Expiration of SCA	Minimum Installment Payment (per month)	Revenue Sharing
Boathouse Restaurant	2/1/2008	10 yrs plus 10 yr extension	12/31/2027	$ 16	10% gross sales; 1.47% on income over $3.8 million
Jalama Beach Store	1/1/2008	10 yrs plus 5 yr extension	12/31/2022	3	8.5% of gross sales
Beachside Restaurant	3/25/1985	37 years	3/31/2022	2	6% of gross sales
Cachuma Café	5/7/2019	10 yrs plus 8 yr extension	3/31/2029	1	8% of gross sales until 3/31/2022; 8.5% of gross sales thereafter
Cachuma Store and Marina	3/6/2012	10 years	3/5/2022	-	10% of marina gross sales; 7% of store gross sales
Santa Barbara County Bowl	6/1/2011	45 years	5/31/2056	-	$0.50 per ticket sold up to $50,000 per concert season
				$ 22	

Capital assets balances for each SCA for the year ended June 30, 2019 and over the term of the agreement are as follows:

	Balance July 1, 2018	Additions/ Restatements	Balance June 30, 2019
Structures			
& Structure Improvements			
Santa Barbara County Bowl	$ 37,347	$ 270	$ 37,617
Boathouse Restaurant	1,698	--	1,698
Beachside Restaurant	568	--	568
Jalama Beach Store	55	--	55
Sub-total Structures & Structure Improvements	39,668	270	39,938
Land			
Santa Barbara County Bowl	1,188	--	1,188
Sub-total Land Improvements	1,188	--	1,188
Total SCA Capital Asset Balance	$ 40,856	$ 270	$ 41,126

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The deferred inflow of resources activity for each SCA for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions/ Restatements	Amortization Allocation (1)	Balance June 30, 2019
SCA Capital Assets (1)				
Santa Barbara County Bowl	$ 32,984	$ 271	$ (879)	$ 32,376
Beachside Restaurant	214	--	(59)	155
Boathouse Restaurant	117	--	(13)	104
Jalama Beach Store	3	--	(1)	2
Sub-total SCA capital assets	33,318	271	(952)	32,637
Present Value of Installment Payments (2):				
Boathouse Restaurant	1,644	--	(173)	1,471
Jalama Beach Store	155	--	(34)	121
Cachuma Café	-	58	(1)	57
Beachside Restaurant	66	--	(17)	49
Sub-total SCA installment payments	1,865	58	(225)	1,698
Total deferred inflows	$ 35,183	$ 329	$ (1,177)	$ 34,335

(1) Amortization is calculated using straight-line method for the term of agreement for each SCA.
(2) Installment payments present value is calculated using a discount rate of 2.1% for the term of agreement for each SCA.

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8. ADVANCES FROM GRANTORS AND THIRD PARTIES

Under both the accrual and modified accrual bases of accounting, revenue may be recognized only when earned. The governmentwide Statement of Net Position as well as governmental and enterprise funds therefore defer revenue recognition in connection with resources that have been received as of year-end, but have not yet been earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

At June 30, 2019, the various components of advances from grantors and third parties reported are as follows:

	Advances
General Fund:	
Camping and day use fees	$ 1,652
Roads Fund:	
Farmworker fare revenue	5,949
Transportation for road projects	1,062
Total Roads Fund	7,011
Social Services Fund:	
Grant drawdowns prior to meeting eligibility requirements	10,140
Behavioral Wellness Fund:	
Early, periodic, screening, diagnosis, and treatment	134
Mental Health Services Act capital/information technology	93
Total Behavioral Wellness Fund	227
Affordable Housing Fund:	
Advances on state & federal grants for Affordable Housing	10,576
Fire Protection District Fund:	
Developer mitigation fees	1,086
Fire district mitigation fees	686
Total Fire Protection District Fund	1,772
Capital Projects Fund:	
Developer mitigation fees	7,735
Total advances from grantors and third parties	$ 39,113

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9. LEASES

Operating Leases as Lessee

The following is a schedule of future minimum rental payments required under operating leases entered into by the Primary Government, and its discretely presented component unit, that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2019:

Year Ending June 30,	Amount
2020	$ 373
2021	264
2022	72
Total minimum rental payments	$ 709

The values in the table above reflect rent in the current year. There are 5 leases included in these amounts with scheduled annual rent increases. Two leases have future rental increases of 3% on January 1st, two leases have 3% rental increases on April 1st and September 1st, respectively, and one lease has a future rental increase of 2% on July 1st, for the term of the lease.

Total rental expenditure/expense for the year ended June 30, 2019 was $3,243 of which $271 was recorded in the General Fund.

Operating Leases as Lessor

The County as lessor leases sections of the Casa Nueva building to both the Santa Barbara County Association of Governments and the Santa Barbara Air Pollution Control District under operating leases with terms from July 2003 through April 2034. The original cost of the Casa Nueva building was $6,168. As of June 30, 2019, the building had a carrying amount of $4,317, net of accumulated depreciation of $1,850.

The County as lessor also leases sections of the Public Health building to the Veterans Affairs (VA) Clinic under an operating lease with a term of October 2007 through September 2019. The original cost of the VA Clinic was $891. As of June 30, 2019, the building had a carrying amount of $268, net of accumulated depreciation of $623.

The following is a schedule of future minimum rentals to be received under operating leases entered into by the County as lessor that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2019:

Year Ending June 30,	Amount
2020	$ 709
2021	393
2022	312
2023	312
2024	312
2025-2029	1,561
2030-2033	1,196
Total minimum rentals to be received	$ 4,795

As of the year ended June 30, 2019, total rental income was $776 all of which was recorded in the General Fund.

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Capital Leases

The County has entered into certain capital lease arrangements under which the related structures and equipment will become the property of the County when all terms of the lease agreements are met. The following is a schedule of future minimum capital lease payments, payable from the General Fund and certain special revenue funds, as of June 30, 2019:

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2020	$ 240	$ 66
2021	143	56
2022	150	49
2023	158	40
2024	167	32
2025-2029	457	38
Total present value of minimum lease payments	$ 1,315	$ 281

The following is a schedule of capital assets acquired through capital leases as of June 30, 2019:

	Governmental Activities
Land	$ 1,283
Structures and improvements	3,611
Equipment	10
Total capital assets, gross	4,904
Less: accumulated amortization	(1,269)
Total capital assets, net, acquired through capital leases	$ 3,635

The current year's amortization related to capital assets under capital leases for governmental activities was $10 and is included in the Governmental Activities depreciation/amortization of $25,153.

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10. LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Compensated absences	$ 33,430	$ 36,939	$ (34,215)	$ 36,154	$ 33,366
Certificates of participation (COP)	26,980	--	(973)	26,007	1,008
Unamortized premium on COP	2	--	(2)	--	--
Unamortized discount on COP	(110)	--	11	(99)	--
Other long-term obligations	1,238	164	(804)	598	--
Bonds from direct borrowings	14,730	--	(3,075)	11,655	3,140
Liability for self-insurance claims	19,653	14,605	(12,891)	21,367	6,134
Sub-total governmental activities	95,923	51,708	(51,949)	95,682	43,648
Business-type activities:					
Compensated absences	679	848	(774)	753	753
Certificates of participation	3,753	149,000	(2,455)	150,298	837
Unamortized premium on COP	13	17,331	(604)	16,740	--
Bonds and notes from direct borrowings and direct placements	5,139	--	(804)	4,335	821
Sub-total business-type activities	9,584	167,179	(4,637)	172,126	2,411
Total long-term liabilities	$ 105,507	$ 218,887	$ (56,586)	$ 267,808	$ 46,059
First 5 Santa Barbara County Component unit activities:					
Compensated absences	$ 86	$ 67	$ (100)	$ 53	$ 53
Total long-term liabilities	$ 86	$ 67	$ (100)	$ 53	$ 53

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Changes in long-term liabilities for each major enterprise fund for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Resource Recovery:					
Compensated absences	$ 558	$ 665	$ (617)	$ 606	$ 606
Certificates of participation	3,753	149,000	(2,455)	150,298	837
Unamortized premium on COP	13	17,331	(604)	16,740	--
Sub-total Resource Recovery	4,324	166,996	(3,676)	167,644	1,443
Laguna Sanitation:					
Compensated absences	121	183	(157)	147	147
Bonds and notes from direct borrowings and direct placements	5,139	--	(804)	4,335	821
Sub-total Laguna Sanitation	5,260	183	(961)	4,482	968
Total long-term liabilities - business-type activities	$ 9,584	$ 167,179	$ (4,637)	$ 172,126	$ 2,411

In governmental activities, the liability for the majority of employee compensated absences is liquidated by the General Fund. Other long-term liabilities consists of a multi-year payment on a Medicare settlement, is liquidated by the Behavior Wellness Fund. The self-insurance claims liability is reported in the risk management and insurance internal service fund and will be liquated by that fund.

Internal Service Funds predominantly serve the governmental funds. Accordingly, their long-term debt is included as part of the totals for governmental activities.

Changes in long-term liabilities for the Internal Service Funds for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Internal Service Funds:					
Compensated absences	$ 742	$ 671	$ (651)	$ 762	$ 637
Bonds from direct borrowings	3,235	--	(345)	2,890	350
Liability for self-insurance claims	19,653	14,605	(12,891)	21,367	6,134
Total long-term liabilities - Internal Service Funds	$ 23,630	$ 15,276	$ (13,887)	$ 25,019	$ 7,121

Rebateable Arbitrage Earnings

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings, and found that the County had no rebateable arbitrage liability at June 30, 2019.

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Governmental Activities - Conduit Debt

Fixed Rate Obligation – Montecito Retirement Association

In March 2004, the County issued conduit debt in the form of certificates of participation (COP) under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. This was done on behalf of the Montecito Retirement Association (Association). These funds were used to finance the construction of facilities in the County, to finance certain equipment used by the Association in its operations, and to refund other debt held by the Association.

In March 2012, the County issued new conduit debt in the form of a fixed rate obligation held by Santa Barbara Bank & Trust. These funds were used to refund the Association's 2004 COP obligations. This debt does not represent a liability of the County, as the County is not obligated in any manner for the debt. Accordingly, it is not reported as a liability in the accompanying financial statements. As of June 30, 2019, the conduit debt principal amount outstanding was $8,283.

11. CERTIFICATES OF PARTICIPATION (COP)

The Santa Barbara County Finance Corporation (Corporation), a public benefit corporation, was created to issue certificates of participation that are securities issued and marketed to investors. The certificates are sold to provide funds to the County to finance the costs of acquisition, installation and construction of capital projects. These certificates are secured by annual lease payments paid by the County to the Corporation and these lease payments are used by the Corporation to pay the interest and principal of the debt.

The certificates contain certain debt covenants, which are deemed by the County to be duties imposed by law. The County must include the applicable lease payments due each year in its annual budget and make the necessary appropriations. The County is also required to maintain certain levels of liability, property damage, casualty, business interruption, earthquake and title insurance in connection with each lease agreement. The County is in compliance with all significant financial restrictions and requirements as set forth in its various debt covenants.

In FY 09-10, the County issued $14,935 of taxable COP debt classified as Recovery Zone Economic Development Bonds (RZEDB) for purposes of the American Recovery and Reinvestment Act (ARRA). Pursuant to the ARRA, the County expects to receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable. The County received a subsidy of $393 during the year ended June 30, 2019.

In FY 18-19 the Resource Recovery and Waste Management Fund (Resource Recovery) issued $149,000 of COP debt classified as the Solid Waste Revenue Certificates of Participation: $8,130 of tax-exempt certificates, $129,870 tax-exempt AMT certificates, and $11,000 of taxable certificates. The COP debt was issued for the purpose of funding certain improvements to the County's solid waste system (Solid Waste System), including the costs of a Materials Recovery Facility, an Anaerobic Digestion Facility and landfill gas engines which collectively constitute the Tajiguas Resource Recovery Project (TRRP). The COP agreement contains a provision, that in the event of default, the outstanding principal balance and accrued interest are due and payable immediately. The Solid Waste System COP payments are secured by net revenues of user charges, fees and rates collected by the Solid Waste System.

A summary of COP principal outstanding as of June 30, 2019 is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of 6/30/2019
Governmental activities:					
2008 Capital Improvements	4.00-4.75	6/25/2008	12/1/2028	$ 17,000	$ 10,960
2010 Capital Improvements	3.00-5.00	6/10/2010	12/1/2019	884	112
2010 Capital Improvements - RZEDB	6.22-6.25	6/10/2010	12/1/2040	14,935	14,935
Sub-total governmental activities				32,819	26,007
Business-type activities:					
2008 Capital Improvements	3.00-4.50	6/25/2008	12/1/2023	6,600	2,586
2010 Capital Improvements	3.00-5.00	6/10/2010	12/1/2019	2,821	362
2018 Capital Improvements	3.30-5.25	11/28/2018	12/1/2038	149,000	147,350
Sub-total business-type activities				158,421	150,298
Total COP principal outstanding				$ 191,240	$ 176,305

The following is a schedule of total COP debt service requirements to maturity as of June 30, 2019:

	Governmental Activities		Business-type Activities	
Year Ending June 30,	Principal	Interest	Principal	Interest
2020	$ 1,008	$ 1,414	$ 837	$ 7,751
2021	1,430	1,358	2,950	7,334
2022	1,485	1,286	3,400	7,232
2023	1,545	1,209	3,870	7,109
2024	1,610	1,129	2,890	6,966
2025-2029	9,134	4,293	22,646	32,054
2030-2034	3,605	2,513	43,705	23,610
2035-2039	4,270	1,286	70,000	9,362
2040-2041	1,920	121	--	--
Sub-total	26,007	14,609	150,298	101,418
Unamortized premium	--	--	16,740	--
Unamortized discount	(99)	--	--	--
Total COP debt, net	$ 25,908	$ 14,609	$ 167,038	$ 101,418

12. BONDS AND NOTES PAYABLE

Governmental Activities (Excluding Internal Service Funds)

Bonds from Direct Borrowings

On September 27, 2011, the County issued $16,945 in direct borrowing tax-exempt bonds payable at an interest rate of 2.10%, and used the proceeds to refund the County's 2001 COP debt. The bonds payable outstanding at June 30, 2019 is $3,665.

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On December 17, 2014, the County issued $9,925 in direct borrowing bonds at an interest rate of 2.33% and used the proceeds to refund the County's 2005 COP debt. The bonds payable outstanding at June 30, 2019 is $5,100.

Total bonds payable outstanding at June 30, 2019 is $8,765. The following is the repayment schedule as of June 30, 2019:

	Bonds from Direct Borrowings		
Year Ending June 30,	Principal	Interest	Total
2020	$ 2,790	$ 177	$ 2,967
2021	2,845	115	2,960
2022	1,020	73	1,093
2023	1,040	49	1,089
2024	1,070	25	1,095
Total bonds payable	$ 8,765	$ 439	$ 9,204

Internal Service Funds

Photovoltaic Solar Energy Facility Qualified Energy Conservation Bonds from Direct Borrowings

On September 27, 2011, the County issued $5,250 in direct borrowing Qualified Energy Conservation Bonds (QECB) at an interest rate of 4.08% per annum. The proceeds were used to acquire a photovoltaic solar energy facility for the County's Calle Real campus.

The QECBs are taxable bonds that entitle the issuer to receive a direct subsidy payment from the United States Treasury (Treasury) equal to the lesser of (i) the taxable rate of the bonds or (ii) 70% of the Qualified Tax Credit Bond (QTCB) Rate on every semi-annual interest payment date. At the time of issuance, the QTCB Rate was 4.55%; therefore, the County will receive a Treasury subsidy of 70% of 4.55%, or approximately $1,395 over the life of the bonds, resulting in a true interest cost of 0.94%. These bonds will be repaid from the Utilities Fund.

The Calle Real solar facility bonds payable outstanding at June 30, 2019 is $2,890. The following is the repayment schedule as of June 30, 2019:

	Bonds from Direct Borrowings		
Year Ending June 30,	Principal	Interest	Total
2020	$ 350	$ 111	$ 461
2021	355	96	451
2022	355	82	437
2023	360	67	427
2024	365	53	418
2025-2029	1,105	68	1,173
Total bonds payable	$ 2,890	$ 477	$ 3,367

Business-type Activities

Laguna Sanitation Wastewater Treatment Plant Note from Direct Placement

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On August 16, 2001, the Laguna County Sanitation District (Laguna Sanitation) entered into a direct placement financing contract with the State of California (State) for the construction of a Total Dissolved Solids and Recycled Water Treatment Plant. Under the contract, the State made fifteen disbursements totaling $9,150 to Laguna Sanitation during the period of February 2002 through June 2003. Repayment of the note commenced in July 2004 and will continue through July 2023. Note payments are due on July 1st of each year; as such, these payments are regularly made in June of the prior fiscal year. The interest rate on the note is 2.40% per annum. The note contains a provision that, in the event of termination resulting from non-compliance by the County, the outstanding principle balance, accrued interest, and penalty assessments are due and payable immediately. Note payments are secured by revenues on fees and charges collected by Laguna Sanitation from the wastewater treatment plant.

The note payable outstanding at June 30, 2019 is $2,244. The following is the repayment schedule as of June 30, 2019:

	Note from Direct Placement					
Year Ending June 30,	Principal		Interest		Total	
2020	$	541	$	54	$	595
2021		554		41		595
2022		568		28		596
2023		581		14		595
Total note payable	$	2,244	$	137	$	2,381

Laguna Sanitation Qualified Energy Conservation Bonds from Direct Borrowings

On May 25, 2011, the Laguna County Sanitation District (Laguna Sanitation) issued $4,170 in direct borrowing Qualified Energy Conservation Bonds (QECB) at an interest rate of 5.25% per annum. The proceeds were used to acquire a photovoltaic solar energy facility, which is projected to save Laguna Sanitation $12,000 in financing, operating and maintenance costs over a 30 year period.

The QECBs are taxable bonds that entitle the issuer to receive a direct subsidy payment from the United States Treasury (Treasury) equal to the lesser of (i) the taxable rate of the bonds or (ii) 70% of the Qualified Tax Credit Bond (QTCB) Rate on every semi-annual interest payment date. At the time of issuance, the QTCB Rate was 4.95%; therefore, Laguna Sanitation will receive a Treasury subsidy of 70% of 4.95%, or $1,162 over the life of the bonds, resulting in a true interest cost of 1.97%. The bond documents contain a provision that, in the event of default, the outstanding principle balance and accrued interest shall become due and payable immediately. Bond payments are secured by net revenues on user rates and charges collected by Laguna Sanitation for sanitation services.

The Laguna Sanitation QECB bonds payable outstanding at June 30, 2019 is $2,091. The following is the repayment schedule as of June 30, 2019:

	Bonds from Direct Borrowings					
Year Ending June 30,	Principal		Interest		Total	
2020	$	280	$	106	$	386
2021		285		91		376
2022		295		76		371
2023		300		61		361
2024		305		45		350
2025-2029		626		41		667
Total bonds	$	2,091	$	420	$	2,511

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13. SELF-INSURANCE

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical malpractice. For these risks, the County has chosen to establish risk management internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits. In addition, the County has established separate self-insurance financing funds for unemployment claims and dental insurance benefits for employees and their dependents.

For general liability, medical malpractice, and workers' compensation claims, excess coverage is provided by the California State Association of Counties Excess Insurance Authority (Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its members, which include 95% of the counties in California and nearly 60% of the cities, as well as numerous school districts, special districts, housing authorities, fire districts, and other Joint Powers Authorities. A Board of Directors consisting of representatives from its members governs the Authority. The County's aggregate annual premium, including property insurance, paid to the Authority for the year ended June 30, 2019, was $18,758. The Authority issues its own audited Comprehensive Annual Financial Report which can be obtained from the Authority located at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

The Authority retains financial responsibility for risk management claims in excess of the County's self-insurance retention. Self-insurance and Authority limits are as follows:

Type of Coverage	Self-Insurance Limit	Authority Limit
General Liability	$ 500	$ 35,000
Medical Malpractice**	$ --	$ 25,000
Workers' Compensation*	$ --	Statutory

*Effective July 1, 2010, the County obtained first dollar Workers' Compensation coverage through the Authority's Primary Workers' Compensation program. Claims for injuries prior to that date are covered under the Authority's Excess Insurance program.

**Effective October 1, 2014, the County obtained first dollar Medical Malpractice coverage through the Authority's Primary Medical Malpractice program. Claims for injuries prior to that date are covered under the Authority's Excess Insurance program.

The County purchases property insurance through the Authority from commercial insurance companies via a pool comprised of a majority of California counties and other California Public Agencies. The County is insured up to $600,000 for all Risk and Flood coverage, and up to $540,000 for Earthquake coverages. All property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. Deductibles per occurrence are $10 for fire or other property damage, and $25 for flood. The earthquake deductible is 5% of total values per separate building per occurrence, subject to a $100 minimum.

Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The unpaid claims liabilities included in the risk management self-insurance internal service funds are based on the results of actuarial studies and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. General liability and workers' compensation liabilities are carried at present value using a discount rate of 1%. It is the County's practice to annually obtain full actuarial studies for general liability and workers' compensation coverages.

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Premiums are charged to departments using various allocation methods that include actual costs, trends in claims experience, and payroll costs. Premiums charged annually are established such that, when added with cash reserves on hand, adequate resources are provided to meet liabilities as they come due.

Changes in the claims liability for all self-insurance claims during the past two fiscal years are as follows:

	Fiscal Year Ended	
	June 30, 2018	June 30, 2019
Unpaid claims, beginning of year	$ 19,582	$ 19,653
Incurred claims	11,632	14,605
Claim payments	(11,561)	(12,891)
Unpaid claims, end of year	$ 19,653	$ 21,367

14. COMMITMENTS AND CONTINGENCIES

Litigation

The County is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of County operations. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability for litigation of $1,527, representing County Counsel's best estimate of the ultimate loss, has been accrued in the governmentwide Statement of Net Position. The timing of the payment of these losses cannot presently be determined.

A number of lawsuits and claims are pending against the County for which the financial loss to the County has been determined to be reasonably possible by County Counsel. These lawsuits include claims filed for inverse condemnation, tort liability, workers' compensation, civil rights violation, breach of contract, land use disputes, and storm damage. These lawsuits are seeking damages in excess of $1,812. The County intends to vigorously defend itself against these lawsuits. The aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments which may result from such claims will not, in the opinion of County Counsel, significantly affect the financial condition of the County.

Plaintiffs, owners of commercial space, allege the signature by a County official on an Estoppel Certificate extended the County's lease for the space. The County contends the Certificate—which Plaintiffs prepared—incorrectly stated the expiration date of the lease, and was signed by the County without knowledge of the error. The County's excess insurance generally covers liability for errors and omissions by public officials, but generally does not cover liability for breach of contract. County Counsel does not believe the potential loss can be estimated.

Grants

The County recognizes as revenue grant monies received as reimbursement for costs incurred in certain federal and state programs it administers. Although the County's federal grant programs are audited in accordance with the requirements of the U.S. Office of Management and Budget Uniform Guidance 2 CFR Part 200, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial, with the exception of the Behavioral Wellness Fund.

Behavioral Wellness Fund

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Counties provide mental health services to Medi-Cal beneficiaries through a publicly or privately operated mental health managed care plan contracted with the State Department of Health Care Services (DHCS) and share in the financial risk. Each California County operates its own mental health plan for Medi-Cal beneficiaries. The County, through the mental health plan, provides mental health services to adults and children directly and through Community Based Organizations (CBO).

Mental Health Medi-Cal claiming is a reimbursement system in which counties are provided an interim cash flow of State and Federal funding pending a three step process of reimbursement that includes filing a cost report, settlement of valid units of service and a cost report audit. Funding is made available through the Federal Medicaid entitlement program and California provides matching State and County funds. Claims are reimbursed based upon the appropriate Federal Medical Assistance Percentage (FMAP). This percentage represents the percentage of a claim for which the Federal government will pay Federal Financial Participation (FFP). Any amounts not provided by FFP must be matched by State or County funds. The year-end reporting process is the culmination of the mental health financial and statistical data accumulation for the services provided within the relevant Fiscal Year. The County is required to submit a cost report to DHCS by December 31 for all services provided by County and CBO staff for a fiscal year ending June 30. The cost report serves as a basis for computing the year-end settlement of approved service units and a settlement payment between DHCS and the County and is also the basic standardized record subject to audit. All year-end settlements are considered interim settlements and are subject to audit by DHCS. The audit is required to be completed three years after the year-end cost report is submitted and reconciled. Generally the cycle, from cost report submittal to final settlement, is not complete until five years after the initial cost report is filed by the County.

In past years this cost report settlement and audit process resulted in significant settlements with the State Department of Mental Health and now its successor agency DHCS. The County currently estimates a potential liability exposure of up to $598 thousand for outstanding issues with the State of California. The settlement and payment of these liabilities could span a five to ten year period. These liabilities have been recorded as other long-term liabilities payable in the Behavioral Wellness Fund.

Santa Barbara County Redevelopment Successor Agency

In accordance with Assembly Bill (AB) 1X 26 and AB 1434, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012. It is reasonably possible that the State Department of Finance could invalidate any of the obligations reported on the Successor Agency's Recognized Obligations Payment Schedule. The range of potential loss of revenue to pay these obligations is between $0 and $20,000 over the remaining life of the Successor Agency (10 years).

Contracts

The County has entered into contracts to purchase goods and services from various vendors. Approximately $241,066 will be payable upon future performance under these contracts, including $84,684 in contracts for the Tajiguas Resource Recovery Project and $3,886 for the Northern Branch Jail.

Federal and State Disaster Assistance

On January 2, 2018, a presidential major disaster was declared for the areas affected by the Thomas Fire. On January 11, 2018, the declaration was expanded to include areas affected by the Montecito Debris Flows. The declaration made federal disaster assistance available to the State of California to supplement the County's local recovery efforts. During fiscal years 2017-18 and 2018-19, the County received $198 and $18,200, respectively, of State and Federal disaster aid payments. The County also recognized $3,457 as a receivable for amounts obligated but not received as of June 30, 2019. While an estimated $19,496 of additional costs may be eligible for State and Federal assistance, no additional awards were obligated to the County through the date these financial statements were issued. Due to uncertainty in the amount of State and Federal awards that may be obligated in the future, no additional amounts have been recognized as of June 30, 2019.

15. LANDFILL CLOSURE AND POSTCLOSURE CARE

The County owns and operates three landfill sites: Tajiguas, Foxen Canyon, and New Cuyama. Two of the three sites are closed - New Cuyama closed in FY 95-96; Foxen Canyon was converted to a transfer station in FY 03-04 and subsequently closed in FY 08-09.

State and federal laws and regulations require the County to place a final cover on these landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at each site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the respective landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each Balance Sheet date.

The $32,201 reported as landfill closure and postclosure care liability at June 30, 2019, represents the cumulative amount reported to date based on the estimated percentages of used capacity of the landfills as follows:

Landfill	Capacity Used	Remaining Years	Remaining Postclosure Years
Tajiguas	89%	7	Open
Foxen Canyon	95%	closed	20
New Cuyama	100%	closed	10

The County will recognize the remaining estimated cost of closure and postclosure care of $3,740 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all remaining closure and postclosure care in 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. In FY 18-19, the Resource Recovery and Waste Management Fund initiated the Tajiguas Resource Recovery Project (TRRP). The intent of the project is to significantly extend the life of the landfill and reduce landfilling and greenhouse gas emissions.

The County is required by state and federal laws and regulations to make annual contributions and/or provide an alternative funding mechanism to finance closure and postclosure care. The County is in compliance with these requirements, and, at June 30, 2019, restricted cash and investments of $21,855 are held for these purposes. These are reported as restricted assets on the Balance Sheet (see Note 4).

Restricted cash for closure, postclosure care, and corrective action financial assurances costs at June 30, 2019 is comprised of the following:

Landfill	Closure Cost	Postclosure Care Cost	Corrective Action Cost	Total Restricted Cash
Tajiguas	$ 15,670	$ 3,260	$ 1,031	$ 19,961
Foxen Canyon	--	733	304	1,037
New Cuyama	--	122	735	857
Total	$ 15,670	$ 4,115	$ 2,070	$ 21,855

Additionally, the County has pledged revenues from future tipping fees generated at the Santa Barbara South Coast Transfer Station to fund a portion of the postclosure maintenance costs. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered through landfill tip fees and/or added program fees to the municipal refuse rates paid by County residents.

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16. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2019 is as follows:

	General	Roads	Public Health	Social Services	Behavioral Wellness	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Govern-mental Funds	Total Govern-mental Funds
Nonspendable in form:											
Teeter Tax Losses	$ 9,089	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 9,089
Receivables	2,268	--	--	--	--	--	--	--	--	--	2,268
Prepaids/Deposits	50	--	--	--	--	--	--	--	--	--	50
Total nonspendable fund balance	11,407	--	--	--	--	--	--	--	--	--	11,407
Restricted for:											
Purpose of Fund	2,042	23,470	869	4,386	13,048	50,003	4,576	15,377	--	24,807	138,578
Allocated for Capital Outlay	1	--	--	--	--	12,790	--	12,036	--	781	25,608
Local Realignment 2011	18,125	--	--	--	566	--	--	--	--	--	18,691
Health Care Programs	180	--	17,312	--	--	--	--	--	--	--	17,492
Public Safety Prop 172	4,145	--	--	--	--	--	--	--	--	--	4,145
Probation YOBG	3,660	--	--	--	--	--	--	--	--	--	3,660
Sheriff Categorical Grants	2,323	--	--	--	--	--	--	--	--	--	2,323
Recorder Modernization	2,228	--	--	--	--	--	--	--	--	--	2,228
MHSA Prudent Reserve	--	--	--	--	2,023	--	--	--	--	--	2,023
DMV/Livescan	--	--	--	--	--	--	--	--	1,817	--	1,817
P&D Offsite Mitigation	1,699	--	--	--	--	--	--	--	--	--	1,699
Housing Trust Funds	--	--	--	--	--	--	1,243	--	--	--	1,243
Donations	161	--	--	32	--	--	--	--	--	1,050	1,243
Probation LESF/COPS	1,228	--	--	--	--	--	--	--	--	--	1,228
Debt Service	--	--	--	--	--	--	--	--	--	1,200	1,200
PHD Special Projects	307	--	890	--	--	--	--	--	--	--	1,197
Alcoholism Programs	--	--	--	--	1,057	--	--	--	--	--	1,057
Measure A Roads Funds	--	1,017	--	--	--	--	--	--	--	--	1,017
Hollister Ranch Public Access	--	--	--	--	--	--	--	--	--	1,000	1,000
GATV Infrastructure	962	--	--	--	--	--	--	--	--	--	962
Recorder Operations	866	--	--	--	--	--	--	--	--	--	866
Maintenance-Casa Nueva Bldg	699	--	--	--	--	--	--	--	--	--	699
Forfeiture Penalty	659	--	--	--	--	--	--	--	--	--	659
Public Arts Program	642	--	--	--	--	--	--	--	--	--	642
Los Prietos Donation	640	--	--	--	--	--	--	--	--	--	640
Unrealized Gains	--	80	50	25	21	223	57	5	7	94	562
Assessor AB818	504	--	--	--	--	--	--	--	--	--	504
FY 12/13,13/14 Operating Plans	--	--	--	--	67	201	8	--	--	101	377
Gaviota Bikeway	335	--	--	--	--	--	--	--	--	--	335
Survey Monument	316	--	--	--	--	--	--	--	--	--	316
District Attorney Programs	307	--	--	--	--	--	--	--	--	--	307
Sustainability Programs	299	--	--	--	--	--	--	--	--	--	299
Recorder Micrographics	274	--	--	--	--	--	--	--	--	--	274
Dispute Resolution	--	--	--	--	--	--	--	--	--	238	238
Consumer/Environmental	215	--	--	--	--	--	--	--	--	--	215
Drug Abuse Programs	--	--	--	--	210	--	--	--	--	--	210
DSS Childrens Trust	--	--	--	205	--	--	--	--	--	--	205
CalVet Subvention Program	203	--	--	--	--	--	--	--	--	--	203
Vital Records	161	--	--	--	--	--	--	--	--	--	161
State Off Hwy Fee	147	--	--	--	--	--	--	--	--	--	147
DSA Surplus Health Allocations	145	--	--	--	--	--	--	--	--	--	145
ADP SAPT Block Grant Set-Aside	--	--	--	--	143	--	--	--	--	--	143
Recorder ERDS	128	--	--	--	--	--	--	--	--	--	128
Probation Programs	108	--	--	--	--	--	--	--	--	--	108
Animal Control Programs	105	--	--	--	--	--	--	--	--	--	105
Parks Projects	--	--	--	--	--	--	--	--	25	61	86
Weights and Measures	80	--	--	--	--	--	--	--	--	--	80
Recorder Redaction	69	--	--	--	--	--	--	--	--	--	69
Real Estate Fraud	41	--	--	--	--	--	--	--	--	--	41
DARE	40	--	--	--	--	--	--	--	--	--	40
Imprest Cash	10	1	3	15	4	--	--	--	--	1	34
COP Proceeds	--	--	--	--	--	--	--	--	--	12	12
	44,054	24,568	19,124	4,663	17,139	63,217	5,884	27,418	1,849	29,345	237,261

IN THOUSANDS 92 NOTES TO THE FINANCIAL STATEMENTS

A detailed schedule of fund balances at June 30, 2019 continued:

	General	Roads	Public Health	Social Services	Behavioral Wellness	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Govern-mental Funds	Total Govern-mental Funds
Committed to:											
Strategic Reserve	34,116	--	--	--	--	--	--	--	--	--	34,116
New Jail Operations	16,284	--	--	--	--	--	--	--	--	--	16,284
Purpose of Fund	1,550	--	--	2,602	--	--	--	--	5,646	1,163	10,961
Disaster Recovery	8,946	--	--	--	--	--	--	--	--	--	8,946
Health Care Programs	--	--	7,399	--	--	--	--	--	--	--	7,399
Litigation	6,713	--	--	--	--	--	--	--	--	--	6,713
Program Stabilization	4,250	--	--	--	--	--	--	--	--	--	4,250
Contingencies	3,855	--	--	--	--	--	--	--	--	--	3,855
Emerging Issues	3,563	--	--	--	--	--	--	--	--	--	3,563
General Services Projects	1,641	--	--	--	--	--	--	--	1,714	--	3,355
Parks Projects	1,513	--	--	--	--	--	--	--	1,624	--	3,137
Mental Health	2,924	--	--	--	--	--	--	--	--	--	2,924
Clerk Record Assessor Projects	1,795	--	--	--	--	--	--	--	--	--	1,795
Auditor Systems Maint/Develop	1,765	--	--	--	--	--	--	--	--	--	1,765
Planning/Development Projects	1,490	--	--	--	--	--	--	--	--	--	1,490
County Executive Programs	1,474	--	--	--	--	--	--	--	--	--	1,474
General County Programs	1,296	--	--	--	--	--	--	--	--	--	1,296
Sheriff Projects	362	--	--	--	--	--	--	--	774	--	1,136
P&D Land Use System	944	--	--	--	--	--	--	--	--	--	944
Elections Voting Equipment	916	--	--	--	--	--	--	--	--	--	916
Unrealized Gains	674	--	26	--	--	--	--	--	6	2	708
Accumulated Capital Outlay	700	--	--	--	--	--	--	--	--	--	700
Props 215/64 - Cannabis	679	--	--	--	--	--	--	--	--	--	679
Assessment Appeals Support	669	--	--	--	--	--	--	--	--	--	669
Tobacco Settlement	634	--	4	--	--	--	--	--	--	--	638
Treas Tax Collector Projects	622	--	--	--	--	--	--	--	--	--	622
Human Resources Programs	573	--	--	--	--	--	--	--	--	--	573
Facilities Maintenance	506	--	--	--	--	--	--	--	--	--	506
District Attorney Programs	492	--	--	--	--	--	--	--	--	--	492
Housing Programs	343	--	--	--	--	--	--	--	--	--	343
North County Jail Contingency	302	--	--	--	--	--	--	--	--	--	302
Public Defender Programs	220	--	--	--	--	--	--	--	--	--	220
Rental Maintenance	164	--	--	--	--	--	--	--	--	--	164
Probation Programs	49	--	--	--	--	--	--	--	--	--	49
Building & Safety Permitting	40	--	--	--	--	--	--	--	--	--	40
Imprest Cash	22	--	--	--	--	--	--	--	--	--	22
Ag Commissioner Projects	1	--	--	--	--	--	--	--	--	--	1
	102,087	--	7,429	2,602	--	--	--	--	9,764	1,165	123,047
Unassigned fund balance:	18,654	--	--	--	--	--	--	--	--	--	18,654
Total fund balances	$ 176,202	$ 24,568	$ 26,553	$ 7,265	$ 17,139	$ 63,217	$ 5,884	$ 27,418	$ 11,613	$ 30,510	$ 390,369

IN THOUSANDS 93 NOTES TO THE FINANCIAL STATEMENTS

17. RESTRICTED COMPONENT OF NET POSITION

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

The restricted component of net position at June 30, 2019 for governmental activities is as follows:

Restricted for Policy and Executive:		
County Executive Office	$ 972	
		$ 972
Restricted for Public Safety:		
Fire Protection District	27,417	
Probation	23,277	
Sheriff	9,769	
District Attorney	1,325	
Public Defender	217	
Trial Courts	238	
		62,243
Restricted for Health & Public Assistance:		
Public Health	21,901	
Behavioral Wellness	21,811	
Social Services	4,770	
Child Support Services	469	
		48,951
Restricted for Community Resources & Public Facilities:		
Flood Control District	63,218	
Housing	53,996	
Roads	24,568	
Water Agency	10,241	
County Service Areas	3,931	
Other	2,220	
Planning and Development	2,836	
Parks	2,443	
Coastal Resources Enhancement	506	
		163,959
Restricted for General Government & Support Services:		
Clerk-Recorder-Assessor	4,230	
General Services	1,731	
Other	203	
		6,164
Restricted for General County Programs:		
Other	15,726	
Public and Educational Access	3,275	
Criminal Justice and Courthouse Construction	1,051	
		20,052
Total restricted component of net position - governmental activities		$ 302,341

Included in governmental activities restricted net position at June 30, 2019 is net position restricted by enabling legislation of $931.

IN THOUSANDS 94 NOTES TO THE FINANCIAL STATEMENTS

18. DEFICIT IN NET POSITION

Internal Service Funds

The County's Risk Management and Insurance Fund has a deficit in net position of $770 at June 30, 2019. The County Liability Self Insurance and the Workers' Compensation Self Insurance programs both contributed to this deficit due in part to net pension and other post-employment benefit liabilities incurred by these programs which are not factored in to rates charged to users. In addition, both of these programs and the County unemployment insurance program experienced unanticipated increases in reportable claim liabilities during the year ended June 30, 2019. The portion of the deficit arising from these claim liabilities will be eliminated through future charges to users.

	Balance at July 1, 2018	Balance at June 30, 2019
Medical Malpractice Self-insurance	$ 430	$ -
Workers' Compensation Self-insurance	(432)	(564)
County Liability Self-insurance	210	(1,147)
County Unemployment Self-insurance	202	(150)
Dental Self-insurance	866	1,091
	$ 1,276	$ (770)

19. INTERFUND TRANSACTIONS

Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Behavioral Wellness	$ 3,875
Social Services	IHSS Public Authority	1,240
General Fund	Criminal Justice Construction	569
Criminal Justice	General Fund	500
General Fund	Affordable Housing	326
General Fund	Court Operations	252
Court Operations	General Fund	149
Total due to/from other funds		$ 6,911

The balances above are due to be paid in the subsequent fiscal year and resulted from when funds overdrew their share of pooled cash; or the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

There were no advances to/from other funds at June 30, 2019.

IN THOUSANDS 95 NOTES TO THE FINANCIAL STATEMENTS

Transfers

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, (2) move receipts identified for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers to/from other funds at June 30, 2019 are as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Nonmajor Governmental Funds	$ 9,886	General Fund Contribution
	Social Services Fund	8,631	General Fund Contribution
	Public Health Fund	7,188	General Fund Contribution
	Behavioral Wellness Fund	5,529	General Fund Contribution
	Roads Fund	3,230	Other
	Nonmajor Governmental Funds	2,636	Debt Service
	Roads Fund	1,797	General Fund Contribution
	Nonmajor Governmental Funds	1,482	Other
	Internal Service Funds	1,416	Other
	Capital Projects Fund	1,282	Capital Projects
	Capital Projects Fund	457	Other
	Internal Service Funds	328	Vehicles
	Public Health Fund	100	Other
	Fire Protection District Fund	61	Capital Projects
	Social Services Fund	30	Other
	Fire Protection District Fund	23	Other
		44,076	
Roads Fund	Nonmajor Governmental Funds	9	Other
Public Health Fund	General Fund	1,856	Other
	Behavioral Wellness Fund	313	Other
	Social Services Fund	10	Other
		2,179	
Social Services Fund	Behavioral Wellness Fund	85	Other
	General Fund	1	Other
		86	
Behavioral Wellness Fund	Capital Projects Fund	941	Other
	Nonmajor Governmental Funds	466	Debt Service
	General Fund	156	Other
	Internal Service Funds	23	Vehicles
	Social Services Fund	19	Other
		1,605	
Flood Control District Fund	Internal Service Funds	45	Vehicles
Affordable Housing Fund	General Fund	768	Other
	Capital Projects Fund	423	Other
	General Fund	210	Program Administration
		1,401	

IN THOUSANDS 96 NOTES TO THE FINANCIAL STATEMENTS

Transfers to/from other funds at June 30, 2019 (continued):

Transfer From	Transfer To	Amount	Purpose
Fire Protection District	General Fund	$ 1,989	Other
	Internal Service Funds	345	Other
	Internal Service Funds	269	Vehicles
	Nonmajor Governmental Funds	242	Debt Service
	Public Health Fund	12	Other
		2,857	
Capital Projects Fund	Internal Service Funds	335	Other
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,237	Debt Service
	General Fund	840	Other
	Fire Protection District Fund	190	Other
	Roads Fund	186	Other
	Capital Projects Fund	154	Other
	Internal Service Funds	62	Vehicles
	Flood Control Districts Fund	20	Other
		2,689	
Enterprise Funds	General Fund	80	Other
Internal Service Funds	Flood Control Districts Fund	137	Vehicles
	Capital Projects Fund	22	Other
	General Fund	20	Vehicles
	Internal Service Funds	15	Other
	Fire Protection District Fund	11	Other
		205	
	Total transfers	$ 55,567	

20. TAX ABATEMENTS

The County provides property tax abatements through the Agricultural Preserve Program. The program enrolls land in Williamson Act or Farmland Security Zone contracts whereby the land is enforceably restricted to agricultural, open space, or recreational uses in exchange for reduced property tax assessments. Participation in the program is voluntary. The Santa Barbara County Uniform Rules for Agricultural Preserves and Farmland Security Zones is the set of rules by which the County administers its Agricultural Preserve Program. The Agricultural Preserve Advisory Committee is responsible for administering the County's Agricultural Preserve Program.

Under the provisions of these contracts, land parcels are assessed for property tax purposes at a rate consistent with their actual use, rather than potential market value of the property. The minimum contract term is ten years and automatically renews until a nonrenewal or cancellation process is initiated. Under the nonrenewal process, the annual tax assessment increases over a defined period of time until the assessment reflects the market value of the property. Under the cancellation process, a significant onetime cancellation fee is assessed based upon a certain percentage of the unrestricted, current fair market value of the property.

No other commitments were made by the County as part of the Williamson Act or Farmland Security Zone contracts. For the fiscal year ended June 30, 2019, the Agricultural Preserve Program tax abatements were $5,049.

IN THOUSANDS 97 NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS

General Information about the Pension Plan

Plan Descriptions

The County, including the discretely presented component unit First 5 Children and Families Commission, provides pension benefits to eligible employees through cost sharing multiple-employer defined benefit pension plans (pension plans) administered by the Santa Barbara County Employees' Retirement System (SBCERS). Members of the pension plans include all permanent employees working full time, or at least 50% part time for the County, and the following independent special districts: Carpinteria-Summerland Fire Protection District, Mosquito and Vector Management District of Santa Barbara County, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Air Pollution Control District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court. SBCERS issues its own Comprehensive Annual Financial Report (CAFR) that may be obtained by writing to SBCERS at 3916 State St. Suite 210, Santa Barbara, CA 93105 or on the SBCERS website at: http://cosb.countyofsb.org/sbcers.

SBCERS was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for employees of the County and participating districts. The Santa Barbara County Board of Supervisors and the governing boards of the participating districts adopt resolutions, as permitted by the California State Government Code §31450 (County Employees' Retirement Law of 1937 (CERL)), which affect the benefits of the SBCERS members. SBCERS is governed by the California Constitution; CERL; and the bylaws, policies and procedures adopted by the SBCERS' Board of Retirement.

SBCERS administers six County pension plans. With the passage of the Public Employees' Pension Reform Act (PEPRA), the County established a new pension plan, Plan 8, with two rate tiers – one for safety and one for general members. As of January 1, 2013, Plan 8 is the only pension plan available to new employees. PEPRA made several changes to the pension benefits that may be offered to employees hired on or after January 1, 2013, including increasing minimum retirement ages, increasing the percentage required for member contributions, and excluding certain types of compensation as pensionable. PEPRA has also created limits on pensionable compensation tied to the Social Security taxable wage base. The cumulative effect of these PEPRA changes will ultimately reduce the County's retirement costs.

Summary of Plans and Eligible Participants

Open for New Enrollment:

General Plan 8 (PEPRA)	General members hired on or after January 1, 2013.*
Safety Plan 8 (PEPRA)	Safety members hired on or after January 1, 2013.*
	*Employees who transfer from and are eligible for reciprocity with another public employer will not be PEPRA members if their service in the reciprocal system was under a pre-PEPRA tier.

Closed to New Enrollment:

General Plan 2	Employees hired on or before June 30, 1999, who elected to join General Plan 2. Once vested, Plan 2 members have a one-time elction to defer accrued Plan 2 benefits and enter a contributory plan in effect at the time of election. Contributions are based upon age at time of transfer.
General Plan 5A	General employees hired before October 10, 1994, who did not elect to join General Plan 2.
General Plan 5B	Members in certain bargaining units hired on or after October 10, 1994.
General Plan 5C	Members in certain bargaining units hired on or after October 10, 1994. Members in those bargaining units transferred from Plan 5B on March 10, 2008.
General Plan 7	County General employees hired on or after June 25, 2012 and other new non-PEPRA General hires for employers that have adopted Plan 7.
Safety Plan 4A	Some safety members hired before October 10, 1994.
Safety Plan 4B	Employees in certain bargaining units hired on or after October 10, 1994. Some employees are in Safety Plan 4b without regard to hire date.
Safety Plan 4C	Members in certain bargaining units hired on or after October 10, 1994. All members in certain bargaining units. Members in those bargaining units transferred from Plan 4B on July 3, 2006.
Safety Plan 6A	Members in certain bargaining units hired prior to October 10, 1994. Members in those bargaining units transferred from Plan 4A on February 25, 2008.
Safety Plan 6B	Members in certain bargaining units hired on or after October 10, 1994. Members in those bargaining units transferred from Plan 4B on February 25, 2008.

Benefits Provided

All pension plans provide benefits, in accordance with CERL regulations, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing 5 years (or 10 years for Plan 2) of retirement service credit (5 or 10-year vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning 5 years (or 10 years for Plan 2) of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

IN THOUSANDS 99 NOTES TO THE FINANCIAL STATEMENTS

Service related disability benefits are based upon final average compensation or retirement benefits (if eligible). Non-service related disability benefits are based on 1) years of service and final average compensation or 2) retirement benefits (if eligible). General Plan 2 participants receive disability benefits through a long-term insurance policy. Death benefits are based upon a variety of factors including whether the participant was retired or not.

Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans except General Plan 2. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1 and is subject to an annual maximum dependent upon the provisions of the pension plans.

Detailed information about the retirement, disability or death benefit calculations and COLA maximums for each of the pension plans are available in the separately issued SBCERS CAFR.

Contributions

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the SBCERS Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the County's contractually required contribution rate for the year ended June 30, 2019, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Contributions to the pension plans from the County were $132,329 for the year ended June 30, 2019. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

For the measurement date June 30, 2018, employer and employee contribution rates and active members for each plan are as follows:

	Employer Contribution Rates	Employee Contribution Rates	Active Members
General Plan 2	23.25%	Non-contributory	6
General Plan 5A	34.30%	2.93 - 6.07%	361
General Plan 5B	34.79%	5.86 - 12.15%	199
General Plan 5C	36.06%	2.84 - 6.05%	1265
General Plan 7	34.64%	2.36 - 5.04%	105
General Plan 8	27.81%	8.32%	1020
Safety Plan 4A	54.95%	5.41 - 9.58%	24
Safety Plan 4B	54.04%	10.83 - 19.15%	10
Safety Plan 4C	53.68%	5.23 - 9.45%	302
Safety Plan 6A	62.69%	5.41 - 9.58%	39
Safety Plan 6B	61.87%	5.23 - 9.45%	257
Safety Plan 8	42.70%	14.37%	269

Beginning in FY 2018-19, members of certain plans and bargaining units paid a portion of the employer contributions as a result of FY 2017-18 employee/employer negotiations. No net change occurred in the combined pension contributions.

IN THOUSANDS 100 NOTES TO THE FINANCIAL STATEMENTS

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the County, including its discretely presented component unit, reported a liability of $802,341 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, updated to June 30, 2018. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all pension plan participants, actuarially determined. At June 30, 2018, the County's proportion was 92.8477%, which was a decrease of 0.2608% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County, including its discretely presented component unit, recognized pension expense of $137,298. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2019, the County and its discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Proportionate Share			
	County of Santa Barbara		First 5 Children and Families Commission	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	$ 48,086	$ --	$ 89
Changes in assumptions	97,970	--	181	--
	-	--		--
Net difference between projected and actual earnings on retirement plan investments	20,691	--	38	--
	-	--		--
Changes in proportion and differences between County contributions and proportionate share of contributions	472	--	1	--
	-	--		--
County contributions subsequent to the measurement date	132,330	--	244	--
	$ 251,463	$ 48,086	$ 464	$ 89

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

The County and its discretely presented component unit reported $132,574 as deferred outflows of resources related to pension contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

	Proportionate Share	
Year Ending June 30,	Couny of Santa Barbara	First 5 Children and Families Commission
2020	$ 53,265	$ 98
2021	27,056	50
2022	3,752	7
2023	(13,026)	(24)
	$ 71,047	$ 131

IN THOUSANDS 101 NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions

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

Increases in pay	3.00% wage inflation component plus additional longevity and promotion component based on employee classification and years of service
Investment rate of return	7.0%, net of investment expense
Administrative expenses	Base of $5.3 million for the FYE June 30, 2018 with 3.00% wage inflation increases annually
Basic COLA	The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 2.75% per year.
Post-Retirement COLA	Benefits are assumed to increase after retirement at the rate of 2.60% per year for General Plans 5A, 5B, and 5C, and Safety Plans 4A, 4B, 4C, 6, and 8 (PEPRA); 1.9% per year for General Plans 7 and Plan 8 (PEPRA), and 0% per year for General Plan 2.
Post-Retirement mortality	Healthy Lives: Mortality rates for retirees, beneficiaries, terminated vested, and reciprocals are based on the sex distinct 2014 California Public Employees' Retirement System (CalPERS) Healthy Annuitant Mortality Tables adjusted by 0.95 for males and 0.90 for females, with Generational improvement using Projection Scale MP-2016 from a base year of 2009. Non-duty related mortality rates for active members are based on the sex distinct 2014 CalPERS Pre-retirement Non-Industrial Mortality Table, with no adjustment, with Generational improvement using Projection Scale MP-2016 from a base year of 2009. Safety members are also subject to the CalPERS Pre-retirement Industrial Mortality Table for duty-related deaths, with the same Generational improvements applied. Disabled Lives: Mortality for disabled retirees are based on the CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2016 from a base

The actuarial assumptions used in the June 30, 2017, updated to June 30, 2018 valuation, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2016. As a result of the June 30, 2016 actuarial experience study, a decrease in the discount rate, decreases in COLA and wage inflation assumptions, and revised mortality assumptions were utilized in the June 30, 2017 actuarial valuation to more closely reflect actual experience.

The long-term expected rate of return, measured as of June 30, 2018, on pension plan investments (7.0 percent) 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

IN THOUSANDS 102 NOTES TO THE FINANCIAL STATEMENTS

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad U.S. equity	19%	4.30%
Developed market non-U.S. equity	11%	5.50%
Emerging markets equity	7%	7.75%
Core fixed income	17%	1.00%
Custom non-core fixed income	11%	2.92%
Custom real return	15%	3.57%
Custom real estate	10%	4.71%
Private equity	10%	7.50%
Cash	0%	-0.25%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County and its discretely presented component unit's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

Proportionate share - Net pension liability	1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
County of Santa Barbara	$ 1,314,171	$ 800,865	$ 382,150
First 5 Children and Families Commission	$ 2,422	$ 1,476	$ 704

Pension Fund Fiduciary Net Position

Detailed information about the pension fund's fiduciary net position is available in the separately issued SBCERS CAFR.

IN THOUSANDS 103 NOTES TO THE FINANCIAL STATEMENTS

22. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

The County's agent multiple-employer defined benefit postemployment healthcare plan (OPEB Plan) is administered by the Santa Barbara County Employees' Retirement System (SBCERS). The OPEB plan is funded by the County and other plan sponsors, and is administered in accordance with §401(h) of the Internal Revenue Code (IRC). It was established on September 16, 2008, by the County Board of Supervisors who created a 401(h) Medical Trust. Also in 2008, an application for determination and a voluntary compliance plan was submitted to the Internal Revenue Service (IRS), and in October 2013, the IRS acted favorably on the application. SBCERS and its plan sponsors currently operate under the Voluntary Compliance Plan Statement and regulations adopted in 2013.

Other employer OPEB plan sponsors include the Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Air Pollution Control District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

On June 26, 2012, the County closed the OPEB plan to new general employees, and on June 20, 2016, the OPEB plan was closed to new County Safety members.

SBCERS issues its own Comprehensive Annual Financial Report which includes note disclosures and required supplementary information for the OPEB Plan. This may be obtained by writing to the Santa Barbara County Employees' Retirement System at 3916 State St. Suite 210, Santa Barbara, CA 93105 or on the SBCERS website under the Comprehensive Annual Report Section http://cosb.countyofsb.org/sbcers.

Benefits Provided

The OPEB Plan offers healthcare, vision, and dental benefits to eligible County retirees and their dependents. Benefits are provided by third party providers. The County negotiates healthcare contracts with providers for both its active employees and the participating retired members of SBCERS. Retirees are offered the same health plans as active County employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees; as such, the County does not have a retiree premium implicit rate subsidy.

Retirees who elect to participate in a County-sponsored health insurance plan are eligible to receive an explicit subsidy for medical premiums funded by the County and other plan sponsors. The monthly subsidy is $15 per year of service. If the monthly premium for the health plan selected is less than $15 times the member's years of service, the subsidy is limited to the entire premium. The health plans include coverage for eligible spouses and dependents. After the member's death, a beneficiary is eligible to continue health plan coverage. The subsidy benefit will be equal to $15 per year of service times the survivor continuation percentage applicable for pension benefits.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of $187 per month or a subsidy of $15 per month per year of service, whichever is greater. This subsidy is treated as a nontaxable amount to the disabled recipient.

Retirees who choose not to participate in the County-sponsored health insurance plan receive a monthly benefit of $4 per year of service. This benefit, known as a Healthcare Reimbursement Arrangement, reimburses qualified health care expenses through a health savings account.

22. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description

The County's agent multiple-employer defined benefit postemployment healthcare plan (OPEB Plan) is administered by the Santa Barbara County Employees' Retirement System (SBCERS). The OPEB plan is funded by the County and other plan sponsors, and is administered in accordance with §401(h) of the Internal Revenue Code (IRC). It was established on September 16, 2008, by the County Board of Supervisors who created a 401(h) Medical Trust. Also in 2008, an application for determination and a voluntary compliance plan was submitted to the Internal Revenue Service (IRS), and in October 2013, the IRS acted favorably on the application. SBCERS and its plan sponsors currently operate under the Voluntary Compliance Plan Statement and regulations adopted in 2013.

Other employer OPEB plan sponsors include the Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Air Pollution Control District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

On June 26, 2012, the County closed the OPEB plan to new general employees, and on June 20, 2016, the OPEB plan was closed to new County Safety members.

SBCERS issues its own Comprehensive Annual Financial Report which includes note disclosures and required supplementary information for the OPEB Plan. This may be obtained by writing to the Santa Barbara County Employees' Retirement System at 3916 State St. Suite 210, Santa Barbara, CA 93105 or on the SBCERS website under the Comprehensive Annual Report Section http://cosb.countyofsb.org/sbcers.

Benefits Provided

The OPEB Plan offers healthcare, vision, and dental benefits to eligible County retirees and their dependents. Benefits are provided by third party providers. The County negotiates healthcare contracts with providers for both its active employees and the participating retired members of SBCERS. Retirees are offered the same health plans as active County employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees; as such, the County does not have a retiree premium implicit rate subsidy.

Retirees who elect to participate in a County-sponsored health insurance plan are eligible to receive an explicit subsidy for medical premiums funded by the County and other plan sponsors. The monthly subsidy is $15 per year of service. If the monthly premium for the health plan selected is less than $15 times the member's years of service, the subsidy is limited to the entire premium. The health plans include coverage for eligible spouses and dependents. After the member's death, a beneficiary is eligible to continue health plan coverage. The subsidy benefit will be equal to $15 per year of service times the survivor continuation percentage applicable for pension benefits.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of $187 per month or a subsidy of $15 per month per year of service, whichever is greater. This subsidy is treated as a nontaxable amount to the disabled recipient.

Retirees who choose not to participate in the County-sponsored health insurance plan receive a monthly benefit of $4 per year of service. This benefit, known as a Healthcare Reimbursement Arrangement, reimburses qualified health care expenses through a health savings account.

Employees Covered By Benefit Terms

At the OPEB liability measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2,583
Inactive employees entitled to but not yet receiving benefit payments	871
Active employees	4,001
	7,455

Contributions

On March 1, 2016, the County adopted a resolution approving an OPEB (401(h) Account) Funding Policy. This policy provides for funding the OPEB Plan at 4% of Covered Payroll for the 401(a) Pension Plan (as opposed to the smaller covered payroll of the OPEB Plan). This funding policy went into effect on July 1, 2016. Employees are not required to contribute to the OPEB Plan.

Net OPEB Liability

At June 30, 2019, the County, including its discretely presented component unit, reported a net OPEB liability of $116,463. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, updated to June 30, 2018.

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Actuarial Assumptions

The total OPEB liability measured as of June 30, 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increase rate	3% plus an additional longevity and promotion increase compounded based on years of service
Investment rate of return	7.00%, net of investment expense
Healthcare cost trend rates	The Healthcare Cost Trend Rate is not applicable because the total cost of health benefits is not valued. Only the monthly benefit provided is valued using the assumption that no future increase will be granted to the amount.
Future retiree plan election	55% - monthly subsidy of $15 per year of service; 45% - $4 cash benefit option
Mortality rates	Healthy Lives: Mortality rates for retirees, beneficiaries, terminated vested, and reciprocals are based on the sex distinct CalPERS Healthy Annuitant Mortality Tables adjusted by 0.95 for males and 0.90 for females, with Generational improvement using Projection Scale MP-2016 from a base year of 2009. Non-duty related morality rates for active members are based on the sex distinct CalPERS Preretirement Non-Industrial Mortality Table, with no adjustment, with Generational improvement using Projection Scale MP-2016 from a base year of 2009. Safety members are also subject to the CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with the same Generational improvements applied. Disabled Lives: Mortality rates for disabled retirees are based on CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

The actuarial assumptions used in the valuation as of June 30, 2017, updated to June 30, 2018, were based on 1) the demographic assumptions determined in the actuarial experience study of July 1, 2013 – June 30, 2016 for the Pension Plan, 2) implementation of the OPEB Funding Policy, and 3) current experience for OPEB Plan election by retirees. As the benefit for the OPEB Plan is a fixed payment per year of service that is currently lower than the premiums paid for coverage, and is expected to remain so into the future, no age related costs are required to be developed.

The OPEB assets are invested in the same commingled vehicles as the pension plan, but with a more simple asset allocation. It is expected that as the OPEB assets continue to grow, the asset allocation will shift to be more like that of the pension plan. Therefore, in the long run, we expect the OPEB Plan to realize the same long-term rate of return as the pension plan. The long-term expected rate of return, measured as of June 30, 2018, on pension plan investments (7.0 %) 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	60%	4.30%
Fixed income	40%	1.25%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that County contributions will continue based upon the current OPEB (401(h) Account) Funding Policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of OPEB Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2018 for the County and its discretely presented component unit's proportionate share.

	Increase (Decrease)			Proportionate Share	
				County of Santa Barbara	First 5 Children and Families Commission
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	Net OPEB Liability	Net OPEB Liability
Balances at 6/30/2018	$ 133,690	$ 11,414	$ 122,276	$ 121,890	$ 386
Changes for the year:					
Service cost	1,741	-	1,741	1,736	5
Interest	9,131	-	9,131	9,106	25
Differences between expected and actual experience	(3,456)	-	(3,456)	(3,447)	(9)
Contributions - employer	-	12,763	(12,763)	(12,728)	(35)
Net investment income	-	863	(863)	(861)	(2)
Benefit payments	(8,352)	(8,352)	-	-	-
Administrative expense	-	(397)	397	396	1
Allocation basis adjustment*	-	-	-	56	(56)
Net changes	(936)	4,877	(5,813)	(5,742)	(71)
Balances at 6/30/2019	$ 132,754	$ 16,291	$ 116,463	$ 116,148	$ 315

*The percentage allocation basis for the County and First 5's proportionate share change year-over-year. This adjustment corrects for the change in allocation basis percentage from FY 17-18 to FY 18-19.

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

The following presents the net OPEB liability of the County and its discretely presented component unit as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current discount rate:

Proportionate share - Net OPEB liability	1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
County of Santa Barbara	$ 130,803	$ 116,148	$ 103,796
First 5 Children and Families Commission	$ 355	$ 315	$ 281

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued SBCERS financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the County, including its discretely presented component unit, recognized OPEB expense of $9,488. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2019, the County and its discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Proportionate Share			
	County of Santa Barbara		First 5 Children and Families Commission	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,586	$ -	$ 7
Net difference between projected and actual earnings on retirement plan investments	76	-	-	-
County contributions subsequent to the measurement date	13,558	-	37	-
	$ 13,634	$ 2,586	$ 37	$ 7

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Proportionate Share	
Year Ending June 30,	County of Santa Barbara	First 5 Children and Families Commission
2020	$ (842)	$ (2)
2021	(842)	(2)
2022	(842)	(3)
2023	16	--
	$ (2,510)	$ (7)

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23. DEFERRED COMPENSATION PLANS

Santa Barbara County Supplemental Retirement Plan

The Santa Barbara County Supplemental Retirement Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employer-only annual contributions are calculated based upon a percentage of employee compensation under annual agreements with employee bargaining groups and unions.

This plan is administered through a third-party administrator, Empower Retirement, and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

The County's actual contributions for the current year and the two preceding years are as follows:

Fiscal Year Ended	Contributions	
6/30/2017	$	195
6/30/2018		193
6/30/2019		222

County of Santa Barbara Employee Contribution Deferred Compensation Plan

The County offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of $18,500 (in whole dollars) during 2018 (calendar year), and $19,000 (in whole dollars) during 2019 (calendar year) so as to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

This plan is administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

County of Santa Barbara Social Security Compliance Deferred Compensation Plan

The Social Security Compliance Deferred Compensation Plan is a supplemental retirement program utilized by the County in lieu of payments to Social Security (FICA), governed under Internal Revenue Code Sections 3121 and 457. Enrollment in this plan is mandatory for contract, extra-help, seasonal and temporary employees. Employees enrolled in the regular SBCERS pension plans are not eligible for this plan. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals 6.0% and the County's contribution equals 1.5% for a combined total of 7.5%.

This plan is administered through a third-party administrator and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

IN THOUSANDS 109 NOTES TO THE FINANCIAL STATEMENTS

The County's actual contributions for the current year and the two preceding years are as follows:

Fiscal Year Ended	Contributions
6/30/2017	$ 165
6/30/2018	156
6/30/2019	154

24. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of $494 was made to increase the governmental funds beginning fund balance and governmental activities beginning net position. The prior period adjustment is the result of timing related to the receipt of anticipated revenue and recognition of a deferred inflow of resources in the governmental funds balance sheet.

The restatement of beginning net position of the governmental activities is summarized as follows:

Governmental Activities	
Net position at July 1, 2018, as previously stated	$ 400,644
Fire prior period adjustment	494
Net position at July 1, 2018, as restated	$ 401,138

The restatement of beginning fund balance of the governmental funds is summarized as follows:

Governmental Funds	
Fund Balance at July 1, 2018, as previously stated	$ 336,627
Fire prior period adjustment	494
Fund Balance at July 1, 2018, as restated	$ 337,121

IN THOUSANDS 110 NOTES TO THE FINANCIAL STATEMENTS

Required Supplementary Information

Santa Barbara County Employees' Retirement System - Schedule of the County's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
County's proportion of the net pension liability	92.8477%	93.1085%	92.7824%	92.8017%	92.6470%	92.3325%
County's proportionate share of the net pension liability	$ 802,341	$ 875,937	$ 780,034	$ 675,252	$ 565,460	$ 721,772
County's covered payroll	$ 319,452	$ 316,948	$ 304,480	$ 295,365	$ 283,430	$ 277,298
County's proportionate share of the net pension liability as a percentage of its covered payroll	251.20%	276.40%	256.20%	228.60%	199.50%	260.30%
Plan fiduciary net position as a percentage of the total pension liability	77.60%	74.90%	75.20%	77.70%	80.46%	73.66%
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

**Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.*

Santa Barbara County Employees' Retirement System - Schedule of the County's Contributions

Last 10 Fiscal Years[1]

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Actuarially determined contribution	$ 132,574	$ 122,369	$ 113,544	$ 113,889	$ 114,714	$ 110,461
Contributions in relation to the actuarially determined contribution	132,574	122,369	113,544	114,197	114,946	110,756
Contribution deficiency (excess)	$ -	$ -	$ -	$ (308)	$ (232)	$ (295)
County's covered payroll	$ 340,995	$ 319,452	$ 316,948	$ 304,480	$ 295,365	$ 283,430
Contributions as a percentage of covered payroll	38.88%	38.31%	35.82%	37.51%	38.92%	39.08%
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

(1) Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

The information presented above relates solely to the County and its discretely presented component unit and not Santa Barbara County Employees' Retirement System as a whole.

The Notes to Required Supplementary Information (RSI) are integral to the above schedules.

UNAUDITED AND IN THOUSANDS 112 REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefits (OPEB) Plan - Schedule of Changes in the County's Net OPEB Liability and Related Ratios

Last 10 Fiscal Years*

	FY 2019	FY 2018
Total OPEB liability		
Service cost	$ 1,741	$ 1,856
Interest	9,131	8,962
Changes of benefit terms	-	-
Differences between expected and actual experience	(3,456)	-
Changes of assumptions	-	-
Benefit payments	(8,352)	(8,342)
Net change in total OPEB liability	(936)	2,476
Total OPEB liability - beginning	133,690	131,214
Total OPEB liability - ending (a)	$ 132,754	$ 133,690
Plan fiduciary net position		
Contributions - employer	$ 12,763	$ 12,642
Net investment income	863	589
Benefit payments	(8,352)	(8,342)
Administrative expense	(397)	(352)
Net change in plan fiduciary net position	4,877	4,537
Plan fiduciary net position - beginning	11,414	6,877
Plan fiduciary net position - ending (b)	$ 16,291	$ 11,414
County's net OPEB liability - ending (a) - (b)	$ 116,463	$ 122,276
Plan fiduciary net position as a percentage of the total OPEB liability	12.27%	8.54%
Covered payroll	$ 319,452	$ 316,948
County's net OPEB liability as a percentage of covered payroll	36.46%	38.58%
Measurement date	6/30/2018	6/30/2017

**Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.*

The information presented above relates solely to the County and its discretely presented component unit and not Santa Barbara County Employees' Retirement System as a whole.

The Notes to RSI are integral to the above schedules.

UNAUDITED AND IN THOUSANDS 113 REQUIRED SUPPLEMENTARY INFORMATION

Governmental Funds – General and Major Special Revenue

COUNTY OF SANTA BARBARA, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 240,988	$ 241,696	$ 244,812	$ 3,116
Licenses, permits, and franchises	18,685	18,709	16,515	(2,194)
Fines, forfeitures, and penalties	5,080	5,776	5,508	(268)
Use of money and property	2,006	2,837	5,954	3,117
Intergovernmental	88,039	107,401	103,059	(4,342)
Charges for services	75,302	77,195	73,234	(3,961)
Other	2,685	3,425	4,608	1,183
Total revenues	432,785	457,039	453,690	(3,349)
Expenditures				
Current:				
Policy & executive	19,916	22,980	21,707	1,273
Public safety	240,647	242,181	233,223	8,958
Health & public assistance	12,067	12,143	11,365	778
Community resources & public facilities	55,695	56,958	49,128	7,830
General government & support services	59,474	60,141	53,495	6,646
General county programs	1,732	824	316	508
Total expenditures	389,531	395,227	369,234	25,993
Excess of revenues over expenditures	43,254	61,812	84,456	22,644
Other financing sources (uses)				
Transfers in	5,837	6,493	5,920	(573)
Transfers out	(44,402)	(47,876)	(44,076)	3,800
Proceeds from sale of capital assets	8	8	27	19
Total other financing uses, net	(38,557)	(41,375)	(38,129)	3,246
Net change in fund balances	4,697	20,437	46,327	25,890
Fund balances - beginning	129,875	129,875	129,875	--
Fund balances - ending	$ 134,572	$ 150,312	$ 176,202	$ 25,890

COUNTY OF SANTA BARBARA, CALIFORNIA
ROADS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 7,230	$ 7,230	$ 7,976	$ 746
Licenses, permits, and franchises	332	332	492	160
Use of money and property	98	179	619	440
Intergovernmental	32,115	32,600	26,602	(5,998)
Charges for services	7,086	7,336	5,535	(1,801)
Other	103	103	155	52
Total revenues	46,964	47,780	41,379	(6,401)
Expenditures				
Current:				
Community resources & public facilities	54,318	55,534	40,568	14,966
Total expenditures	54,318	55,534	40,568	14,966
Excess (deficiency) of revenues over (under) expenditures	(7,354)	(7,754)	811	8,565
Other financing sources (uses)				
Transfers in	7,576	9,069	8,059	(1,010)
Transfers out	(2,549)	(3,852)	(2,855)	997
Proceeds from sale of capital assets	20	20	61	41
Total other financing sources, net	5,047	5,237	5,265	28
Net change in fund balances	(2,307)	(2,517)	6,076	8,593
Fund balances - beginning	18,492	18,492	18,492	--
Fund balances - ending	$ 16,185	$ 15,975	$ 24,568	$ 8,593

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 41,379
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(4,244)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 37,135
Actual amounts (budgetary basis) Total Expenditures from the budgetary comparison schedule	$ 40,568
Expenditures resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(4,244)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 36,324
Actual amounts (budgetary basis) Total Other Financing Sources, Net	$ 5,265
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(2,846)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	2,846
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 5,265

COUNTY OF SANTA BARBARA, CALIFORNIA
PUBLIC HEALTH SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ 56	$ 56	$ 62	$ 6
Fines, forfeitures, and penalties	404	475	460	(15)
Use of money and property	235	472	608	136
Intergovernmental	20,107	20,990	21,252	262
Charges for services	46,504	46,526	46,066	(460)
Other	3,870	4,461	4,555	94
Total revenues	71,176	72,980	73,003	23
Expenditures				
Current:				
Health & public assistance	78,762	79,607	77,349	2,258
Total expenditures	78,762	79,607	77,349	2,258
Deficiency of revenues under expenditures	(7,586)	(6,627)	(4,346)	2,281
Other financing sources (uses)				
Transfers in	10,119	10,119	9,175	(944)
Transfers out	(6,062)	(5,767)	(4,054)	1,713
Total other financing sources, net	4,057	4,352	5,121	769
Net change in fund balances	(3,529)	(2,275)	775	3,050
Fund balances - beginning	25,778	25,778	25,778	--
Fund balances - ending	$ 22,249	$ 23,503	$ 26,553	$ 3,050

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 73,003
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(17)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 72,986
Actual amounts (budgetary basis) Total Expenditures from the budgetary comparison schedule	$ 77,349
Expenditures resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(17)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 77,332
Actual amounts (budgetary basis) Total Other Financing Sources, Net	$ 5,121
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(1,875)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	1,875
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 5,121

COUNTY OF SANTA BARBARA, CALIFORNIA
SOCIAL SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ 66	$ 66	$ 82	$ 16
Fines, forfeitures, and penalties	13	13	13	--
Use of money and property	297	328	331	3
Intergovernmental	150,271	153,332	143,628	(9,704)
Charges for services	11	41	61	20
Other	500	500	880	380
Total revenues	151,158	154,280	144,995	(9,285)
Expenditures				
Current:				
Health & public assistance	163,804	165,138	151,762	13,376
Total expenditures	163,804	165,138	151,762	13,376
Deficiency of revenues under expenditures	(12,646)	(10,858)	(6,767)	4,091
Other financing sources (uses)				
Transfers in	8,720	8,690	8,690	--
Transfers out	(92)	(343)	(86)	257
Total other financing sources, net	8,628	8,347	8,604	257
Net change in fund balances	(4,018)	(2,511)	1,837	4,348
Fund balances - beginning	5,428	5,428	5,428	--
Fund balances - ending	$ 1,410	$ 2,917	$ 7,265	$ 4,348

COUNTY OF SANTA BARBARA, CALIFORNIA
BEHAVIORAL WELLNESS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 24	$ 44	$ 39	$ (5)
Use of money and property	232	254	318	64
Intergovernmental	54,616	57,704	56,036	(1,668)
Charges for services	61,821	62,516	56,538	(5,978)
Other	103	2,648	2,639	(9)
Total revenues	116,796	123,166	115,570	(7,596)
Expenditures				
Current:				
Health & public assistance	126,118	125,809	114,029	11,780
Total expenditures	126,118	125,809	114,029	11,780
Excess (deficiency) of revenues over (under) expenditures	(9,322)	(2,643)	1,541	4,184
Other financing sources (uses)				
Transfers in	9,346	9,525	8,280	(1,245)
Transfers out	(3,986)	(3,994)	(3,958)	36
Total other financing sources, net	5,360	5,531	4,322	(1,209)
Net change in fund balances	(3,962)	2,888	5,863	2,975
Fund balances - beginning	11,276	11,276	11,276	--
Fund balances - ending	$ 7,314	$ 14,164	$ 17,139	$ 2,975

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 115,570
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(11,647)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 103,923
Actual amounts (budgetary basis) Total Expenditures from the budgetary comparison schedule	$ 114,029
Expenditures resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(11,647)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 102,382
Actual amounts (budgetary basis) Total Other Financing Sources, Net	$ 4,322
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(2,353)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	2,353
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 4,322

COUNTY OF SANTA BARBARA, CALIFORNIA
FLOOD CONTROL DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 11,259	$ 11,259	$ 11,737	$ 478
Licenses, permits, and franchises	--	--	74	74
Use of money and property	430	653	1,902	1,249
Intergovernmental	5,078	5,078	8,452	3,374
Charges for services	3,923	3,923	3,820	(103)
Other	2	2	571	569
Total revenues	20,692	20,915	26,556	5,641
Expenditures				
Current:				
Community resources & public facilities	29,424	35,606	28,106	7,500
Total expenditures	29,424	35,606	28,106	7,500
Deficiency of revenues under expenditures	(8,732)	(14,691)	(1,550)	13,141
Other financing sources (uses)				
Transfers in	641	1,610	989	(621)
Transfers out	(620)	(1,482)	(877)	605
Proceeds from sale of capital assets	20	20	--	(20)
Total other financing sources, net	41	148	112	(36)
Net change in fund balances	(8,691)	(14,543)	(1,438)	13,105
Fund balances - beginning	64,655	64,655	64,655	--
Fund balances - ending	$ 55,964	$ 50,112	$ 63,217	$ 13,105

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 26,556
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(4,030)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 22,526
Actual amounts (budgetary basis) Total Expenditures from the budgetary comparison schedule	$ 28,106
Expenditures resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(4,030)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 24,076
Actual amounts (budgetary basis) Total Other Financing Sources, Net	$ 112
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(832)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	832
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 112

COUNTY OF SANTA BARBARA, CALIFORNIA
AFFORDABLE HOUSING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ --	$ --	$ 1	$ 1
Use of money and property	42	99	331	232
Intergovernmental	3,588	15,786	4,874	(10,912)
Charges for services	50	50	53	3
Other	2,488	2,988	1,506	(1,482)
Total revenues	6,168	18,923	6,765	(12,158)
Expenditures				
Current:				
Community resources & public facilities	7,394	9,794	7,503	2,291
Total expenditures	7,394	9,794	7,503	2,291
Excess (deficiency) of revenues over (under) expenditures	(1,226)	9,129	(738)	(9,867)
Other financing uses				
Transfers out	(883)	(2,045)	(1,401)	644
Total other financing uses, net	(883)	(2,045)	(1,401)	644
Net change in fund balances	(2,109)	7,084	(2,139)	(9,223)
Fund balances - beginning	8,023	8,023	8,023	--
Fund balances - ending	$ 5,914	$ 15,107	$ 5,884	$ (9,223)

COUNTY OF SANTA BARBARA, CALIFORNIA
FIRE PROTECTION DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 55,442	$ 55,442	$ 55,024	$ (418)
Licenses, permits, and franchises	20	20	22	2
Use of money and property	--	339	374	35
Intergovernmental	1,003	1,003	1,755	752
Charges for services	24,479	24,643	27,010	2,367
Other	267	411	224	(187)
Total revenues	81,211	81,858	84,409	2,551
Expenditures				
Current:				
Public safety	80,912	84,844	80,736	4,108
Total expenditures	80,912	84,844	80,736	4,108
Excess (deficiency) of revenues over (under) expenditures	299	(2,986)	3,673	6,659
Other financing sources (uses)				
Transfers in	213	285	285	--
Transfers out	(8,912)	(9,167)	(2,857)	6,310
Proceeds from sale of capital assets	--	--	75	75
Total other financing uses, net	(8,699)	(8,882)	(2,497)	6,385
Net change in fund balances	(8,400)	(11,868)	1,176	13,044
Fund balances - beginning	25,748	25,748	25,748	--
Prior period adjustment (Note 24)	494	494	494	--
Fund balances, beginning, as restated	26,242	26,242	26,242	--
Fund balances - ending	$ 17,842	$ 14,374	$ 27,418	$ 13,044

Notes to Required Supplementary Information

Other Postemployment Benefits (OPEB) Plan

Beginning in FY 2014, the County adopted an OPEB funding rate based upon pensionable payroll. The funding rates were 3.5% for FY 2015 and 3.75% for FY 2016. Effective July 1, 2016, the County OPEB (401(h) Account) Funding Policy adopted an ongoing rate of 4% of covered payroll for the 401(a) Pension Plan.

Budgetary Compliance

The County is legally required to adopt an annual budget and adhere to the provisions of the California Government Code (Sections 29000 – 29144 and 30200), commonly known as the County Budget Act. Budgets are adopted for the general, special revenue, debt service and capital projects funds. Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP). The Board of Supervisors (Board) annually conducts a public hearing for the discussion of a recommended budget. At the conclusion of the hearings, statutorily no later than October 2, the Board adopts the final budget including revisions by resolution. However, it has been the County's practice to adopt the budget prior to the start of the fiscal year. The Board also adopts subsequent revisions that occur throughout the year. All annual appropriations lapse at fiscal year-end.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is maintained at the fund, department, and object level with more stringent control over capital assets, and fund balance accounts which are controlled at the line item level. Except for payroll, the County's financial system does not process payments and disbursements when over-expenditure of object levels would result. For capital asset and fund balance transactions, payments are not processed if over-expenditure at the line item would result. Presentation of the basic financial statements at the legal level is not feasible due to excessive length; therefore, the budget and actual statements have been aggregated by function. The County prepares a separate Final Budget document that demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website http://www.countyofsb.org/auditor, or can be obtained from the Auditor-Controller's office.

For the year ended June 30, 2019, no instances existed in which expenditures exceeded appropriations.

The Board must approve amendments or transfers of appropriations between funds or departments, as well as items related to capital assets, and fund balance accounts. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. Finally, the Chief Executive Officer (CEO) approves amendments or transfers of appropriations between object levels within the same department, unless related to capital assets or fund balance in which case Board approval is required. Any deficiency caused by expenditures and other financing uses being greater than revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Other Supplementary Information

Other Major Governmental Fund

COUNTY OF SANTA BARBARA, CALIFORNIA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 5	$ 88	$ 189	$ 101
Intergovernmental	24,004	25,060	20,729	(4,331)
Charges for services	61	1,913	451	(1,462)
Other	136	1,561	1,442	(119)
Total revenues	24,206	28,622	22,811	(5,811)
Expenditures				
Capital outlay	48,125	55,756	35,416	20,340
Total expenditures	48,125	55,756	35,416	20,340
Deficiency of revenues under expenditures	(23,919)	(27,134)	(12,605)	14,529
Other financing sources (uses)				
Transfers in	11,551	13,434	3,528	(9,906)
Transfers out	--	(885)	(584)	301
Total other financing sources, net	11,551	12,549	2,944	(9,605)
Net change in fund balances	(12,368)	(14,585)	(9,661)	4,924
Fund balances - beginning	21,274	21,274	21,274	--
Fund balances - ending	$ 8,906	$ 6,689	$ 11,613	$ 4,924

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total other financing sources, net	$ 2,944
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(249)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	249
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 2,944

Nonmajor Governmental Funds

Nonmajor governmental funds are funds that do not meet the definition of a major fund, as described in the glossary. The following funds are presented as nonmajor funds in the CAFR:

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to finance particular governmental activities and are financed by specific taxes or other revenues. Such funds are authorized by statutory provisions to pay for certain activities of a continuing nature. Included in the Special Revenue classification are the following funds:

Fish and Game

The Fish and Game Fund is used to account for fines and forfeitures received under Section 13003 of the State of California Fish and Game Code and for other revenues and expenditures for the propagation and conservation of fish and game. The Board of Supervisors authorizes expenditures on advice of the Fish and Game Commission.

Petroleum

The Petroleum Fund, established pursuant to Chapter 25 of the County Code, is used to account for the revenues and expenditures associated with administering the Petroleum Ordinance. The Petroleum Ordinance regulates the issuing of oil well drilling permits. It also regulates drilling, operating and abandoning petroleum wells, pipelines, tanks and associated petroleum equipment for prevention of erosion, pollution and fire hazards and for safety controls.

Public and Educational Access

The fund for Public and Educational Access was established in December 2001 by the Board of Supervisors to receive grant revenue from the local cable television franchisee. The primary objectives and purposes of the fund are the support of education and public information through programs aimed at expanding public access and educational access to telecommunication services.

Special Aviation

The Special Aviation Fund is used to account for activity related to the Santa Ynez Airport. It is funded primarily by state and federal grants for airport improvements.

In-Home Supportive Services (IHSS) Public Authority

The In-Home Supportive Services Public Authority Fund was established by the Board of Supervisors to act as the employer of record for IHSS individual providers. As an administrative unit, it carries out functions prescribed in Welfare & Institutions Code Section 12301.6. Those functions include a provider screening process, a registry that will match eligible providers and consumers, and collective bargaining with providers and their representatives. IHSS also offers access to training for providers and consumers while continuing to allow for consumer choice in the selection of providers.

Child Support Services

AB 196, AB 150, and SB 542 established the Child Support Services Fund during FY 00-01 to provide separate fund accountability as required. These legislative bills mandated that all Family Support Divisions located in the District Attorney's Offices become separate and independent departments. Child Support Services establishes paternity, obtains and enforces court orders for child support, collects and distributes payments, and provides community outreach about those services for the benefit of minor children.

Fishermen Assistance

This column combines the following individual County funds:

Fisheries Enhancement

The Fisheries Enhancement Fund (FEF) was established to mitigate impacts to the commercial fishing industry from offshore oil and gas development. Impact fees paid by offshore energy producers, pursuant to permit conditions, supports the FEF. In early 1993, the Planning Commission approved a supplemental needs assessment that, pursuant to Board of Supervisors adopted FEF Guidelines, recommends specific projects to be pursued for FEF awards.

Local Fishermen's Contingency

The Local Fishermen's Contingency Fund is financed by County permit conditions placed upon energy projects to mitigate impacts to the commercial fishing industry. The intent of the fund is to provide an interest-free loan program to fishermen awaiting payment of claims from the Federal Fishermen's Contingency Fund. The claims are for damage or loss resulting from outer continental shelf development or production, and to reimburse fishermen for damage or loss of gear, not covered under the federal fund, which occurs in state waters because of federal or state oil and gas development, or because of oil production activities such as transport.

Coastal Resources Enhancement

The Coastal Resources Enhancement Fund was established on May 10, 1988 to account for revenues received from offshore oil and gas projects pursuant to permit conditions, and expanded by the Board of Supervisors to projects that mitigate impacts to coastal recreation, aesthetics, tourism, and/or sensitive environmental resources.

Court Activities

AB 2544 in FY 94-95 established the Court Activities Fund to account for the state's portion of Trial Court Funding. AB 233, adopted in FY 97-98, transferred state funding out of the County entity. This fund represents the portion of Trial Court Operations under the County's control.

Criminal Justice Construction

The Criminal Justice Construction Fund was established to account for state authorized surcharges on criminal fines, which are statutorily designated for the establishment of adequate criminal justice facilities in the County.

Courthouse Construction

The Courthouse Construction Fund was established to account for state authorized surcharges on fines for non-parking and other criminal cases, which are statutorily designated for renovation and/or construction of courtroom facilities.

Inmate Welfare

The Inmate Welfare Fund was established pursuant to Penal Code Section 4025 to account for profits from the County jail store and any money attributable to the use of pay telephones. The funds are expended primarily for the benefit, education, and welfare of the inmates confined within the jail.

SPECIAL DISTRICTS UNDER THE BOARD OF SUPERVISORS

Separate special districts have been established for the purpose of providing specific services to distinct geographical areas within the County. Those special districts that are under the jurisdiction of the Board of Supervisors are included within the Special Revenue Fund classification. These are financed principally from property taxes and benefit assessments, and are comprised of the following:

County Service Areas (CSAs)

This column combines the following individual County funds:

County Service Area #3

This service area serves part of the Goleta Valley, providing extended park and open space acquisition and maintenance, enhanced library services and street lighting. It provides 1,430 streetlights and maintains approximately 535 acres of open space and 148 acres of parks. This fund also made payments for the Goleta Valley Community Center and the Santa Barbara Shores property prior to the transfer of these assets to the City of Goleta.

County Service Area #4

This service area is located north of the City of Lompoc and serves the communities of Mission Hills and Vandenberg Village. It maintains approximately 52 acres of open space.

County Service Area #5
This service area serves the Orcutt area south of Santa Maria, providing extended park and open space activities. Extending from Waller Park, to just south of Rice Ranch Road, CSA #5 encompasses approximately 68 acres of parkland (Waller Park) and 11 acres of open space.

County Service Area #11
This service area embraces the unincorporated urbanized area of Carpinteria Valley and Summerland. The service area provides the community with parks and 77 streetlights.

County Service Area #12 – Mission Canyon Sewer Service Charge
This service area was established for the purpose of assessing property owners for the ongoing maintenance of the sewer system and septic tank inspection services for those properties in the prohibition area, but not on public sewers. A separate assessment is charged to properties remaining on septic systems in order to provide septic performance tracking.

County Service Area #31
This service area embraces the unincorporated community of Isla Vista, located west of the University of California at Santa Barbara, and provides 277 streetlights; installation, maintenance and repair of sidewalks, curbs and gutters and planting, along with maintenance and care of street trees.

County Service Area #41
This service area was established to assess property owners of the Rancho Santa Rita Subdivision, located outside the City of Lompoc, for road repairs, maintenance and improvements.

Community Facilities Districts (CFDs)

This column combines the following individual County funds:

Orcutt Community Facilities District
In October 2002, qualified landowners approved the formation of a CFD within the Orcutt Planning Area, located south of the City of Santa Maria. The CFD levied a special tax that may be used to finance infrastructure construction, fire and sheriff protection services, maintenance of parks, parkways and open space, and flood and storm protection services.

Providence Landing Community Facilities District
This Mello-Roos district encompasses the Providence Landing subdivision in South Vandenberg Village and provides funding for the maintenance of a public park.

Lighting Districts

This column combines the following individual County funds:

Mission Lighting District
This district provides 19 streetlights in the unincorporated area of Mission Canyon, located east of the City of Santa Barbara, and is financed by property taxes and benefit assessments.

North County Lighting District
Casmalia, Los Alamos, and Orcutt Lighting Districts and the lighting function of CSA #4 and CSA #5 were consolidated in FY 94-95 to form the North County Lighting District which provides 2,764 streetlights in the North County. This district is financed by property taxes and benefit assessments.

Sandyland Seawall Maintenance District

This district provides for the maintenance of a seawall constructed in the Sandyland Cove area, and is financed through benefit assessments levied against those properties adjacent to that beachfront area.

Water Agency

This agency prepares investigations and reports on the County's water requirements, project development, and efficient use of water. The agency provides technical assistance to other County departments, water districts, and the public concerning water availability and water well locations and design. The agency also administers the Cachuma Project and Twitchell Dam Project contracts with the U.S. Bureau of Reclamation. It is funded primarily by state grants and property tax revenue.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt.

Santa Barbara County Finance Corporation

The Santa Barbara County Finance Corporation Debt Service Fund accounts for the accumulation of resources for, and payment of, principal and interest incurred from the sale of Certificates of Participation and other municipal debt that is issued to finance various County capital projects.

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019 (in thousands)

	Special Revenue						
	Fish and Game	Petroleum	Public and Educational Access	Special Aviation	IHSS Public Authority	Child Support Services	Fishermen Assistance
Assets							
Assets:							
Cash and investments	$ 77	$ 288	$ 1,046	$ 160	$ 134	$ 384	$ 419
Accounts receivable, net:							
Fines, forfeitures, and penalties	--	--	--	--	--	--	--
Use of money and property	--	2	5	1	(2)	6	2
Intergovernmental	--	--	--	12	1,837	305	--
Charges for services	--	--	--	--	--	95	--
Due from other funds	--	--	--	--	--	--	--
Other receivables	--	--	--	--	--	--	--
Restricted cash and investments	--	--	--	--	--	--	--
Total assets	$ 77	$ 290	$ 1,051	$ 173	$ 1,969	$ 790	$ 421
Liabilities and fund balances							
Liabilities:							
Accounts payable	$ --	$ 1	$ --	$ --	$ 67	$ 33	$ --
Salaries and benefits payable	--	12	--	--	--	288	--
Other payables	--	--	--	38	--	--	--
Due to other funds	--	--	--	--	1,240	--	--
Customer deposits payable	--	--	--	--	--	--	--
Total liabilities	--	13	--	38	1,307	321	--
Fund balances:							
Restricted	77	277	1,051	135	107	469	421
Committed	--	--	--	--	555	--	--
Total fund balances	77	277	1,051	135	662	469	421
Total liabilities and fund balances	$ 77	$ 290	$ 1,051	$ 173	$ 1,969	$ 790	$ 421

	Special Revenue						
	Coastal Resources Enhancement	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	County Service Areas	Community Facilites Districts
Assets							
Assets:							
Cash and investments	$ 2,431	$ 237	$ --	$ 3,187	$ 2,988	$ 4,488	$ 930
Accounts receivable, net:							
Fines, forfeitures, and penalties	--	144	73	73	--	--	--
Use of money and property	12	(6)	(4)	15	14	24	5
Intergovernmental	--	--	--	--	--	--	--
Charges for services	--	245	--	--	--	--	--
Due from other funds	--	149	500	--	--	--	--
Other receivables	--	--	--	--	--	9	--
Restricted cash and investments	--	--	--	--	--	--	--
Total assets	$ 2,443	$ 769	$ 569	$ 3,275	$ 3,002	$ 4,521	$ 935
Liabilities and fund balances							
Liabilities:							
Accounts payable	$ --	$ 208	$ --	$ --	$ 5	$ 324	$ --
Salaries and benefits payable	--	--	--	--	21	--	--
Other payables	--	--	--	--	--	--	--
Due to other funds	--	252	569	--	--	--	--
Customer deposits payable	--	--	--	--	--	--	--
Total liabilities	--	460	569	--	26	324	--
Fund balances:							
Restricted	2,443	238	--	3,275	2,976	4,197	935
Committed	--	71	--	--	--	--	--
Total fund balances	2,443	309	--	3,275	2,976	4,197	935
Total liabilities and fund balances	$ 2,443	$ 769	$ 569	$ 3,275	$ 3,002	$ 4,521	$ 935

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019 (in thousands)

	Special Revenue				Debt Service	
	Lighting Districts	Sandyland Seawall Maintenance District	Water Agency	Special Revenue Total	Santa Barbara County Finance Corporation	Total Nonmajor Governmental Funds
Assets						
Assets:						
Cash and investments	$ 455	$ 762	$ 10,694	$ 28,680	$ 117	$ 28,797
Accounts receivable, net:						
Fines, forfeitures, and penalties	--	--	--	290	--	290
Use of money and property	2	4	53	133	1	134
Intergovernmental	--	--	150	2,304	--	2,304
Charges for services	--	--	4	344	--	344
Due from other funds	--	--	--	649	--	649
Other receivables	4	--	42	55	--	55
Restricted cash and investments	--	--	9	9	1,196	1,205
Total assets	$ 461	$ 766	$ 10,952	$ 32,464	$ 1,314	$ 33,778
Liabilities and fund balances						
Liabilities:						
Accounts payable	$ 38	$ --	$ 121	$ 797	$ --	$ 797
Salaries and benefits payable	--	--	42	363	--	363
Other payables	--	--	--	38	--	38
Due to other funds	--	--	--	2,061	--	2,061
Customer deposits payable	--	--	9	9	--	9
Total liabilities	38	--	172	3,268	--	3,268
Fund balances:						
Restricted	423	766	10,241	28,031	1,314	29,345
Committed	--	--	539	1,165	--	1,165
Total fund balances	423	766	10,780	29,196	1,314	30,510
Total liabilities and fund balances	$ 461	$ 766	$ 10,952	$ 32,464	$ 1,314	$ 33,778

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Special Revenue						
	Fish and Game	Petroleum	Public and Educational Access	Special Aviation	IHSS Public Authority	Child Support Services	Fishermen Assistance
Revenues							
Taxes	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Licenses, permits, and franchises	--	13	--	--	--	--	--
Fines, forfeitures, and penalties	8	79	--	--	--	--	--
Use of money and property	2	8	30	2	2	26	12
Intergovernmental	--	--	--	110	8,441	9,396	--
Charges for services	--	421	--	--	--	--	--
Other	--	--	--	--	--	7	11
Total revenues	10	521	30	112	8,443	9,429	23
Expenditures							
Current:							
Public safety	--	--	--	--	--	--	--
Health & public assistance	--	--	--	--	9,147	9,357	--
Community resources & public facilities	12	543	--	--	--	--	18
General government & support services	--	--	--	145	--	--	--
General county programs	--	--	--	--	--	--	--
Debt service:							
Principal	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Total expenditures	12	543	--	145	9,147	9,357	18
Excess (deficiency) of revenues over (under) expenditures	(2)	(22)	30	(33)	(704)	72	5
Other financing sources (uses)							
Transfers in	--	--	--	--	704	--	--
Transfers out	--	--	--	--	--	(75)	--
Proceeds from sale of capital assets	--	--	--	--	--	3	--
Total other financing sources (uses)	--	--	--	--	704	(72)	--
Net change in fund balances	(2)	(22)	30	(33)	--	--	5
Fund balances - beginning	79	299	1,021	168	662	469	416
Fund balances - ending	$ 77	$ 277	$ 1,051	$ 135	$ 662	$ 469	$ 421

Coastal Resources Enhancement	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	County Service Areas	Community Facilities Districts	
			Special Revenue				
							Revenues
$ --	$ --	$ --	$ --	$ --	$ 1,483	$ 738	Taxes
--	--	--	--	--	--	--	Licenses, permits, and franchises
--	1,412	681	684	--	--	--	Fines, forfeitures, and penalties
62	21	(12)	81	696	122	23	Use of money and property
--	--	--	--	--	13	--	Intergovernmental
--	2,880	--	--	--	549	39	Charges for services
449	1,137	--	--	1,504	--	--	Other
511	5,450	669	765	2,200	2,167	800	Total revenues
							Expenditures
							Current:
--	15,331	--	--	1,421	--	--	Public safety
--	--	--	--	--	--	--	Health & public assistance
83	--	--	--	--	895	190	Community resources & public facilities
--	--	--	--	--	--	--	General government & support services
--	--	--	--	--	--	--	General county programs
							Debt service:
--	--	--	--	--	--	--	Principal
--	--	--	--	--	--	--	Interest
83	15,331	--	--	1,421	895	190	Total expenditures
428	(9,881)	669	765	779	1,272	610	Excess (deficiency) of revenues over (under) expenditures
							Other financing sources (uses)
--	9,889	350	--	--	9	--	Transfers in
--	--	(1,019)	(219)	--	(943)	(422)	Transfers out
--	--	--	--	--	--	--	Proceeds from sale of capital assets
--	9,889	(669)	(219)	--	(934)	(422)	Total other financing sources (uses)
428	8	--	546	779	338	188	Net change in fund balances
2,015	301	--	2,729	2,197	3,859	747	Fund balances - beginning
$ 2,443	$ 309	$ --	$ 3,275	$ 2,976	$ 4,197	$ 935	Fund balances - ending

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Special Revenue				Debt Service	
	Lighting Districts	Sandyland Seawall Maintenance District	Water Agency	Special Revenue Total	Santa Barbara County Finance Corporation	Total Nonmajor Governmental Funds
Revenues						
Taxes	$ 524	$ --	$ 3,057	$ 5,802	$ --	$ 5,802
Licenses, permits, and franchises	--	--	20	33	--	33
Fines, forfeitures, and penalties	--	--	(1)	2,863	--	2,863
Use of money and property	13	22	272	1,382	39	1,421
Intergovernmental	4	--	708	18,672	1,382	20,054
Charges for services	--	--	156	4,045	--	4,045
Other	--	--	713	3,821	--	3,821
Total revenues	541	22	4,925	36,618	1,421	38,039
Expenditures						
Current:						
Public safety	--	--	--	16,752	--	16,752
Health & public assistance	--	--	--	18,504	--	18,504
Community resources & public facilities	520	22	3,376	5,659	--	5,659
General government & support services	--	--	--	145	--	145
General county programs	--	--	--	--	18	18
Debt service:						
Principal	--	--	--	--	4,026	4,026
Interest	--	--	--	--	1,775	1,775
Total expenditures	520	22	3,376	41,060	5,819	46,879
Excess (deficiency) of revenues over (under) expenditures	21	--	1,549	(4,442)	(4,398)	(8,840)
Other financing sources (uses)						
Transfers in	--	--	596	11,548	4,410	15,958
Transfers out	--	--	(11)	(2,689)	--	(2,689)
Proceeds from sale of capital assets	--	--	--	3	--	3
Total other financing sources (uses)	--	--	585	8,862	4,410	13,272
Net change in fund balances	21	--	2,134	4,420	12	4,432
Fund balances - beginning	402	766	8,646	24,776	1,302	26,078
Fund balances - ending	$ 423	$ 766	$ 10,780	$ 29,196	$ 1,314	$ 30,510

COUNTY OF SANTA BARBARA, CALIFORNIA
FISH AND GAME SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 12	$ 12	$ 8	$ (4)
Use of money and property	1	1	2	1
Total revenues	13	13	10	(3)
Expenditures				
Current:				
Community resources & public facilities	27	27	12	15
Total expenditures	27	27	12	15
Deficiency of revenues under expenditures	(14)	(14)	(2)	12
Net change in fund balances	(14)	(14)	(2)	12
Fund balances - beginning	79	79	79	--
Fund balances - ending	$ 65	$ 65	$ 77	$ 12

COUNTY OF SANTA BARBARA, CALIFORNIA
PETROLEUM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ 55	$ 55	$ 13	$ (42)
Fines, forfeitures, and penalties	--	--	79	79
Use of money and property	2	3	8	5
Charges for services	626	626	421	(205)
Total revenues	683	684	521	(163)
Expenditures				
Current:				
Community resources & public facilities	691	691	543	148
Total expenditures	691	691	543	148
Deficiency of revenues under expenditures	(8)	(7)	(22)	(15)
Net change in fund balances	(8)	(7)	(22)	(15)
Fund balances - beginning	299	299	299	--
Fund balances - ending	$ 291	$ 292	$ 277	$ (15)

COUNTY OF SANTA BARBARA, CALIFORNIA
PUBLIC AND EDUCATIONAL ACCESS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 3	$ 32	$ 30	$ (2)
Total revenues	3	32	30	(2)
Expenditures				
Current:				
General county programs	8	8	--	8
Total expenditures	8	8	--	8
Excess (deficiency) of revenues over (under) expenditures	(5)	24	30	6
Net change in fund balances	(5)	24	30	6
Fund balances - beginning	1,021	1,021	1,021	--
Fund balances - ending	$ 1,016	$ 1,045	$ 1,051	$ 6

COUNTY OF SANTA BARBARA, CALIFORNIA
SPECIAL AVIATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ --	$ 1	$ 2	$ 1
Intergovernmental	50	203	110	(93)
Total revenues	50	204	112	(92)
Expenditures				
Current:				
General government & support services	48	357	145	212
Total expenditures	48	357	145	212
Excess (deficiency) of revenues over (under) expenditures	2	(153)	(33)	120
Net change in fund balances	2	(153)	(33)	120
Fund balances - beginning	168	168	168	--
Fund balances - ending	$ 170	$ 15	$ 135	$ 120

COUNTY OF SANTA BARBARA, CALIFORNIA
IN-HOME SUPPORTIVE SERVICES (IHSS) PUBLIC AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ --	$ --	$ 2	$ 2
Intergovernmental	8,748	8,028	8,441	413
Total revenues	8,748	8,028	8,443	415
Expenditures				
Current:				
Health & public assistance	9,846	9,207	9,147	60
Total expenditures	9,846	9,207	9,147	60
Deficiency of revenues under expenditures	(1,098)	(1,179)	(704)	475
Other financing sources				
Transfers in	704	784	704	(80)
Total other financing sources	704	784	704	(80)
Net change in fund balances	(394)	(395)	--	395
Fund balances - beginning	662	662	662	--
Fund balances - ending	$ 268	$ 267	$ 662	$ 395

COUNTY OF SANTA BARBARA, CALIFORNIA
CHILD SUPPORT SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 4	$ 5	$ 26	$ 21
Intergovernmental	9,492	9,492	9,396	(96)
Other	--	--	7	7
Total revenues	9,496	9,497	9,429	(68)
Expenditures				
Current:				
Health & public assistance	9,547	9,469	9,357	112
Total expenditures	9,547	9,469	9,357	112
Excess (deficiency) of revenues over (under) expenditures	(51)	28	72	44
Other financing sources (uses)				
Transfers out	--	(78)	(75)	3
Proceeds from sale of capital assets	--	--	3	3
Total other financing uses	--	(78)	(72)	6
Net change in fund balances	(51)	(50)	--	50
Fund balances - beginning	469	469	469	--
Fund balances - ending	$ 418	$ 419	$ 469	$ 50

COUNTY OF SANTA BARBARA, CALIFORNIA
FISHERMEN ASSISTANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 3	$ 4	$ 12	$ 8
Other	11	11	11	--
Total revenues	14	15	23	8
Expenditures				
Current:				
Community resources & public facilities	30	30	18	12
Total expenditures	30	30	18	12
Excess (deficiency) of revenues over (under) expenditures	(16)	(15)	5	20
Net change in fund balances	(16)	(15)	5	20
Fund balances - beginning	416	416	416	--
Fund balances - ending	$ 400	$ 401	$ 421	$ 20

COUNTY OF SANTA BARBARA, CALIFORNIA
COASTAL RESOURCES ENHANCEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 6	$ 15	$ 62	$ 47
Other	450	450	449	(1)
Total revenues	456	465	511	46
Expenditures				
Current:				
Community resources & public facilities	1,033	1,033	83	950
Total expenditures	1,033	1,033	83	950
Excess (deficiency) of revenues over (under) expenditures	(577)	(568)	428	996
Net change in fund balances	(577)	(568)	428	996
Fund balances - beginning	2,015	2,015	2,015	--
Fund balances - ending	$ 1,438	$ 1,447	$ 2,443	$ 996

COUNTY OF SANTA BARBARA, CALIFORNIA
COURT ACTIVITIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 1,438	$ 1,438	$ 1,412	$ (26)
Use of money and property	15	23	21	(2)
Charges for services	3,173	3,180	2,880	(300)
Other	1,124	1,156	1,137	(19)
Total revenues	5,750	5,797	5,450	(347)
Expenditures				
Current:				
Public safety	14,576	15,834	15,331	503
Total expenditures	14,576	15,834	15,331	503
Deficiency of revenues under expenditures	(8,826)	(10,037)	(9,881)	156
Other financing sources				
Transfers in	8,793	10,051	9,889	(162)
Total other financing sources	8,793	10,051	9,889	(162)
Net change in fund balances	(33)	14	8	(6)
Fund balances - beginning	301	301	301	--
Fund balances - ending	$ 268	$ 315	$ 309	$ (6)

COUNTY OF SANTA BARBARA, CALIFORNIA
CRIMINAL JUSTICE CONSTRUCTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 850	$ 850	$ 681	$ (169)
Use of money and property	--	--	(12)	(12)
Total revenues	850	850	669	(181)
Expenditures				
Total expenditures	--	--	--	--
Excess of revenues over expenditures	850	850	669	(181)
Other financing sources (uses)				
Transfers in	171	421	350	(71)
Transfers out	(1,021)	(1,021)	(1,019)	2
Total other financing uses, net	(850)	(600)	(669)	(69)
Net change in fund balances	--	250	--	(250)
Fund balances - beginning	--	--	--	--
Fund balances - ending	$ --	$ 250	$ --	$ (250)

COUNTY OF SANTA BARBARA, CALIFORNIA
COURTHOUSE CONSTRUCTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 750	$ 750	$ 684	$ (66)
Use of money and property	10	21	81	60
Total revenues	760	771	765	(6)
Expenditures				
Total expenditures	--	--	--	--
Excess of revenues over expenditures	760	771	765	(6)
Other financing uses				
Transfers out	(220)	(220)	(219)	1
Total other financing uses	(220)	(220)	(219)	1
Net change in fund balances	540	551	546	(5)
Fund balances - beginning	2,729	2,729	2,729	--
Fund balances - ending	$ 3,269	$ 3,280	$ 3,275	$ (5)

COUNTY OF SANTA BARBARA, CALIFORNIA
INMATE WELFARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 540	$ 550	$ 696	$ 146
Other	1,335	1,335	1,504	169
Total revenues	1,875	1,885	2,200	315
Expenditures				
Current:				
Public safety	2,007	2,007	1,421	586
Total expenditures	2,007	2,007	1,421	586
Excess (deficiency) of revenues over (under) expenditures	(132)	(122)	779	901
Net change in fund balances	(132)	(122)	779	901
Fund balances - beginning	2,197	2,197	2,197	--
Fund balances - ending	$ 2,065	$ 2,075	$ 2,976	$ 901

COUNTY OF SANTA BARBARA, CALIFORNIA
COUNTY SERVICE AREAS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 1,476	$ 1,476	$ 1,483	$ 7
Use of money and property	20	36	122	86
Intergovernmental	6	6	13	7
Charges for services	526	526	549	23
Total revenues	2,028	2,044	2,167	123
Expenditures				
Current:				
Community resources & public facilities	1,105	1,105	895	210
Total expenditures	1,105	1,105	895	210
Excess of revenues over expenditures	923	939	1,272	333
Other financing sources (uses)				
Transfers in	--	9	9	--
Transfers out	(757)	(994)	(943)	51
Total other financing uses, net	(757)	(985)	(934)	51
Net change in fund balances	166	(46)	338	384
Fund balances - beginning	3,859	3,859	3,859	--
Fund balances - ending	$ 4,025	$ 3,813	$ 4,197	$ 384

COUNTY OF SANTA BARBARA, CALIFORNIA
COMMUNITY FACILITIES DISTRICTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 611	$ 616	$ 738	$ 122
Use of money and property	2	5	23	18
Charges for services	--	--	39	39
Total revenues	613	621	800	179
Expenditures				
Current:				
Community resources & public facilities	203	208	190	18
Total expenditures	203	208	190	18
Excess of revenues over expenditures	410	413	610	197
Other financing uses				
Transfers out	(427)	(427)	(422)	5
Total other financing uses	(427)	(427)	(422)	5
Net change in fund balances	(17)	(14)	188	202
Fund balances - beginning	747	747	747	--
Fund balances - ending	$ 730	$ 733	$ 935	$ 202

COUNTY OF SANTA BARBARA, CALIFORNIA
LIGHTING DISTRICTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 525	$ 525	$ 524	$ (1)
Use of money and property	3	5	13	8
Intergovernmental	2	2	4	2
Total revenues	530	532	541	9
Expenditures				
Current:				
Community resources & public facilities	588	588	520	68
Total expenditures	588	588	520	68
Excess (deficiency) of revenues over (under) expenditures	(58)	(56)	21	77
Net change in fund balances	(58)	(56)	21	77
Fund balances - beginning	402	402	402	--
Fund balances - ending	$ 344	$ 346	$ 423	$ 77

COUNTY OF SANTA BARBARA, CALIFORNIA
SANDYLAND SEAWALL MAINTENANCE DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 3	$ 5	$ 22	$ 17
Total revenues	3	5	22	17
Expenditures				
Current:				
Community resources & public facilities	175	175	22	153
Total expenditures	175	175	22	153
Deficiency of revenues under expenditures	(172)	(170)	--	170
Net change in fund balances	(172)	(170)	--	170
Fund balances - beginning	766	766	766	--
Fund balances - ending	$ 594	$ 596	$ 766	$ 170

COUNTY OF SANTA BARBARA, CALIFORNIA
WATER AGENCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 2,960	$ 2,960	$ 3,057	$ 97
Licenses, permits, and franchises	--	--	20	20
Fines, forfeitures, and penalties	--	--	(1)	(1)
Use of money and property	52	90	272	182
Intergovernmental	6,882	6,882	708	(6,174)
Charges for services	126	126	156	30
Other	--	--	713	713
Total revenues	10,020	10,058	4,925	(5,133)
Expenditures				
Current:				
Community resources & public facilities	11,313	11,313	3,376	7,937
Total expenditures	11,313	11,313	3,376	7,937
Excess (deficiency) of revenues over (under) expenditures	(1,293)	(1,255)	1,549	2,804
Other financing sources (uses)				
Transfers in	596	596	601	5
Transfers out	(71)	(71)	(16)	55
Total other financing sources, net	525	525	585	60
Net change in fund balances	(768)	(730)	2,134	2,864
Fund balances - beginning	8,646	8,646	8,646	--
Fund balances - ending	$ 7,878	$ 7,916	$ 10,780	$ 2,864

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Actual amounts (budgetary basis) Total other financing sources, net	$ 585
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	5
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(5)
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 585

COUNTY OF SANTA BARBARA, CALIFORNIA
SANTA BARBARA COUNTY FINANCE CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 30	$ 30	$ 39	$ 9
Intergovernmental	1,383	1,383	1,382	(1)
Total revenues	1,413	1,413	1,421	8
Expenditures				
Current:				
General county programs	15	65	18	47
Debt service:				
Principal	4,027	4,027	4,026	1
Interest	1,777	1,777	1,775	2
Total expenditures	5,819	5,869	5,819	50
Deficiency of revenues under expenditures	(4,406)	(4,456)	(4,398)	58
Other financing sources				
Transfers in	4,436	4,436	4,410	(26)
Total other financing sources	4,436	4,436	4,410	(26)
Net change in fund balances	30	(20)	12	32
Fund balances - beginning	1,302	1,302	1,302	--
Fund balances - ending	$ 1,332	$ 1,282	$ 1,314	$ 32

Internal Service Funds

INTERNAL SERVICE FUNDS

Internal Service Funds are established to account for services furnished to the County and various other governmental agencies. They are exempt from legal compliance for budgetary control and follow commercial accounting principles for a determination of operating, rather than budgetary, results. Their major source of revenue consists of charges to user departments for services rendered. These charges are based upon standard rates calculated on an estimated cost recovery basis. A more detailed description of the funds established and used by the County follows:

Information Technology Services

This fund provides enterprise information technology services to County departments and various other governmental agencies. Four lines of service are supported: Network and Security, Infrastructure, Desktop Support, and Enterprise Applications. Costs are allocated to all users based upon utilization factors for each service and are designed to recover costs of each system. Profits or losses are carried forward and used to adjust allocations in subsequent years. Costs of operating the fund include personnel, supplies, utilities, maintenance, and depreciation of equipment.

Vehicle Operations and Maintenance

This fund provides for the maintenance, servicing and repair of County vehicles. Rental rates, which include the cost of gas, oil, maintenance, replacement of equipment and personnel costs, are charged to the user department to support the vehicle program. Vehicles are replaced based on mileage and age criteria which varies per class of vehicle; new additions to the vehicle fleet are provided through the Garage Equipment and Motor Pool budgets of the General Fund and through contributions from other funds.

Risk Management and Insurance

This column combines the County's five self-insurance funds: Dental, Unemployment, Workers' Compensation, General Liability, and Medical Malpractice.

Dental Self-Insurance

This fund provides for the payment of dental expenses incurred by County employees, eligible dependents and retirees who are part of the self-funded plan. This fund does not account for employees or retirees on the Dental Net, Prudential or Firefighter health plans. Professional administrators process all claims and make payments to claimants based on a payment schedule of medical and dental benefits. The fund reimburses the claims administrator for the payment of claims plus a fee for administration and participation in a prescription drug program. Additionally, the County contracts with a preferred provider organization for reduced fees from member dental service providers, physicians, and other specialists. The County contributes towards the cost of employee coverage through departmental budgets; the employee pays any remaining employee or dependent coverage.

Unemployment Self-Insurance

State law requires the County to maintain unemployment insurance. The County has elected to be self-insured and has established this fund for the payment of unemployment insurance claims by County employees, which have been processed and approved by the State Employment Development Department. Each department has been charged a percentage of its gross payroll for the establishment of a general reserve for this program and to provide for claim payments.

Workers' Compensation Self-Insurance

This fund provides for investigation services, temporary disability and medical payments, excess insurance, permanent disability awards, administrative services, litigation costs, and safety services. Premiums based on employee worker classifications are charged to each department to maintain actuarially recommended reserves for claims proportionate to current industry rates applicable to job functions.

General Liability Self-Insurance

This fund provides for payment of self-insured general liability and automobile liability claims, excess insurance, claims adjusting services, litigation costs, and administrative services. Contributions are made by participating County departments and funds based on past claims experience and appropriate risk factors.

Medical Malpractice Self-Insurance

This fund provides for the payment of self-insured medical malpractice and general liability claims, excess insurance, claim investigation services, and litigation costs. Contributions are made by covered participating County departments and are based on allocation of expenses by past claims experience and appropriate risk factor.

Communications Services

This fund provides communication services to County departments and various other governmental agencies. Telephone, Radio and Audio-Visual Systems are maintained. Costs are billed from a standard price schedule which is periodically adjusted to reflect cost changes and are designed to recover costs of each system. Profits or losses are carried forward and used to adjust allocations in subsequent years. Costs of operating the fund include personnel, supplies, utilities, maintenance, and depreciation of equipment.

Utilities

This fund provides for payment of County-wide utility costs. Utility costs are allocated to various County departments based on their energy consumption. Charging County departments for their energy usage fosters awareness and accountability related to energy costs and savings.

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2019 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi-cations Services	Utilities	Total
Assets						
Current assets:						
Cash and investments (Note 3)	$ 6,285	$ 22,878	$ 22,612	$ 9,230	$ 1,464	$ 62,469
Accounts receivable, net:						
Use of money and property	33	111	118	42	7	311
Charges for services	--	2	65	--	14	81
Inventories	--	128	--	110	--	238
Total current assets	6,318	23,119	22,795	9,382	1,485	63,099
Noncurrent assets:						
Other receivables	--	--	207	--	100	307
Restricted cash and investments (Note 4)	--	10	--	--	--	10
Capital assets, net of accumulated depreciation/amortization (Note 6)	5,054	19,556	3	5,638	3,360	33,611
Total noncurrent assets	5,054	19,566	210	5,638	3,460	33,928
Total assets	11,372	42,685	23,005	15,020	4,945	97,027
Deferred outflows of resources						
Deferred pensions (Note 21)	1,706	825	475	589	139	3,734
Deferred OPEB (Note 22)	104	46	27	41	8	226
Total deferred outflows of resources	1,810	871	502	630	147	3,960
Liabilities						
Current liabilities:						
Accounts payable	197	357	913	339	55	1,861
Salaries and benefits payable	171	80	45	56	12	364
Compensated absences (Note 10)	306	158	59	90	24	637
Bonds and notes payable (Note 12)	--	--	--	--	350	350
Liability for self-insurance claims (Note 13)	--	--	6,134	--	--	6,134
Total current liabilities	674	595	7,151	485	441	9,346
Noncurrent liabilities:						
Compensated absences (Note 10)	25	13	56	31	--	125
Bonds and notes payable (Note 12)	--	--	--	--	2,540	2,540
Liability for self-insurance claims (Note 13)	--	--	15,233	--	--	15,233
Net pension liability (Note 21)	5,434	2,629	1,514	1,875	444	11,896
Net OPEB liability (Note 22)	888	392	227	349	68	1,924
Total noncurrent liabilities	6,347	3,034	17,030	2,255	3,052	31,718
Total liabilities	7,021	3,629	24,181	2,740	3,493	41,064
Deferred inflows of resources						
Deferred pensions (Note 21)	326	158	91	113	27	715
Deferred OPEB (Note 22)	20	9	5	8	2	44
Total deferred inflows of resources	346	167	96	121	29	759
Net position						
Net investment in capital assets	5,054	19,556	4	5,638	470	30,722
Unrestricted	761	20,204	(774)	7,151	1,100	28,442
Total net position	$ 5,815	$ 39,760	$ (770)	$ 12,789	$ 1,570	$ 59,164

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi-cations Services	Utilities	Total
Operating revenues						
Charges for services	$ 9,000	$ 12,072	$ 30,082	$ 4,209	$ 5,996	$ 61,359
Self-insurance recovery	--	--	3,670	--	--	3,670
Other operating revenues	97	121	59	221	21	519
Total operating revenues	9,097	12,193	33,811	4,430	6,017	65,548
Operating expenses						
Salaries and benefits	4,148	1,927	1,396	1,622	240	9,333
Services and supplies	2,755	5,554	19,594	2,271	5,745	35,919
Self-insurance claims	--	--	14,605	--	--	14,605
Contractual services	145	7	347	212	70	781
Depreciation and amortization	1,071	3,569	--	720	373	5,733
County overhead allocation	276	298	478	95	16	1,163
Total operating expenses	8,395	11,355	36,420	4,920	6,444	67,534
Operating income (loss)	702	838	(2,609)	(490)	(427)	(1,986)
Non-operating revenues (expenses)						
Use of money and property	186	588	678	384	41	1,877
Interest expense	--	--	--	--	(125)	(125)
Gain (loss) on sale of capital assets	--	(31)	--	--	--	(31)
Other non-operating revenues (expenses)	1	14	(115)	--	539	439
Total non-operating revenues (expenses)	187	571	563	384	455	2,160
Income (loss) before transfers	889	1,409	(2,046)	(106)	28	174
Transfers in	425	772	--	1,626	15	2,838
Transfers out	--	(183)	--	(22)	--	(205)
Total transfers in, net	425	589	--	1,604	15	2,633
Change in net position	1,314	1,998	(2,046)	1,498	43	2,807
Total net position - beginning	4,501	37,762	1,276	11,291	1,527	56,357
Total net position - ending	$ 5,815	$ 39,760	$ (770)	$ 12,789	$ 1,570	$ 59,164

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi-cations Services	Utilities	Total
Cash flows from operating activities						
Receipts from interfund services provided	$ 9,130	$ 12,207	$ 30,118	$ 4,440	$ 6,016	$ 61,911
Receipts from self-insurance recovery	--	--	3,670	--	--	3,670
Payments to employees	(4,308)	(2,035)	(1,163)	(1,417)	(303)	(9,226)
Payments to suppliers	(2,760)	(5,365)	(19,745)	(2,187)	(5,780)	(35,837)
Payments for self-insurance claims	--	--	(12,891)	--	--	(12,891)
County overhead allocation payments (to) from the General Fund	(276)	(298)	(478)	(95)	(16)	(1,163)
Other receipts	1	14	(115)	--	439	339
Net cash provided (used) by operating activities	1,787	4,523	(604)	741	356	6,803
Cash flows from noncapital financing activities						
Transfers from other funds	425	772	--	1,626	15	2,838
Transfers to other funds	--	(183)	--	(22)	--	(205)
Net cash provided by noncapital financing activities	425	589	--	1,604	15	2,633
Cash flows from capital and related financing activities						
Purchase of capital assets	(2,722)	(2,027)	--	(2,555)	(34)	(7,338)
Proceeds from sales of capital assets	--	137	--	--	--	137
Principal paid on bonds and notes payable	--	--	--	--	(345)	(345)
Interest paid on bonds and notes payable	--	--	--	--	(125)	(125)
Net cash used by capital and related financing activities	(2,722)	(1,890)	--	(2,555)	(504)	(7,671)
Cash flows from investing activities						
Use of money and property received	115	335	406	277	24	1,157
Changes in fair market value of investments	67	210	229	94	16	616
Net cash provided by investing activities	182	545	635	371	40	1,773
Net change in cash and cash equivalents	(328)	3,767	31	161	(93)	3,538
Cash and cash equivalents - beginning	6,613	19,121	22,581	9,069	1,557	58,941
Cash and cash equivalents - ending	$ 6,285	$ 22,888	$ 22,612	$ 9,230	$ 1,464	$ 62,479
Reconciliation of cash and cash equivalents to the Statement of Net Position						
Cash and investments per Statement of Net Position	$ 6,285	$ 22,878	$ 22,612	$ 9,230	$ 1,464	62,469
Restricted cash and investments per Statement of Net Position	--	10	--	--	--	10
Total cash and cash equivalents per Statement of Net Position	$ 6,285	$ 22,888	$ 22,612	$ 9,230	$ 1,464	$ 62,479
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 702	$ 838	$ (2,609)	$ (490)	$ (427)	$ (1,986)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,071	3,569	--	720	373	5,733
Other non-operating revenue	1	14	(115)	--	439	339
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:						
Accounts and other receivables	33	16	(23)	14	--	40
Inventories	--	52	--	--	--	52
Accounts payable	140	144	196	296	35	811
Salaries and benefits payable	(160)	(110)	232	201	(64)	99
Liability for self-insurance claims	--	--	1,715	--	--	1,715
Net cash provided (used) by operating activities	$ 1,787	$ 4,523	$ (604)	$ 741	$ 356	$ 6,803
Noncash investing, capital, and financing activities	$ --	$ --	$ --	$ --	$ --	$ --

Agency Funds

AGENCY FUNDS

Agency funds are custodial in nature and do not involve the measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals and entities at some future time.

Clearing and Revolving Funds provide clearing facilities for items such as payroll withholdings and warrant redemption. These funds are used to temporarily accumulate and hold resources for distribution to third parties.

Deposits Funds account for deposits under the control of the County departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Other Agency Funds account for assets held by the County in a fiduciary capacity for other entities.

State and City Revenue Funds temporarily hold various fees, fines, and penalties collected by the County departments for the State of California or various cities in Santa Barbara County, which are passed through to these entities.

Tax Collection Funds account for monies received for current and delinquent taxes, which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. These funds also account for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are dispersed as directed by the courts or by parties to the dispute.

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2019 (in thousands)

	July 1, 2018	Additions	Deductions	June 30, 2019
Clearing and revolving funds				
Assets:				
Cash and investments	$ 17,626	$ 1,313,683	$ 1,313,723	$ 17,586
Interest receivable	8	44	38	14
Total assets	$ 17,634	$ 1,313,727	$ 1,313,761	$ 17,600
Liabilities:				
Accounts payable	$ 10,781	$ 314,662	$ 315,076	$ 10,367
Funds held as agent for others	6,853	1,628,803	1,628,423	7,233
Total liabilities	$ 17,634	$ 1,943,465	$ 1,943,499	$ 17,600
Deposits funds				
Assets:				
Cash and investments	$ 2,312	$ 15,447	$ 15,633	$ 2,126
Interest receivable	2	8	8	2
Total assets	$ 2,314	$ 15,455	$ 15,641	$ 2,128
Liabilities:				
Accounts payable	$ 33	$ 2,935	$ 2,968	$ -
Funds held as agent for others	2,281	18,423	18,576	2,128
Total liabilities	$ 2,314	$ 21,358	$ 21,544	$ 2,128
Other agency funds				
Assets:				
Cash and investments	$ 8,734	$ 188,823	$ 188,374	$ 9,183
Interest receivable	23	114	104	33
Total assets	$ 8,757	$ 188,937	$ 188,478	$ 9,216
Liabilities:				
Accounts payable	$ -	$ 3,022	$ 2,945	$ 77
Funds held as agent for others	8,757	191,882	191,500	9,139
Total liabilities	$ 8,757	$ 194,904	$ 194,445	$ 9,216
State and city revenue funds				
Assets:				
Cash and investments	$ 24,308	$ 228,353	$ 224,256	$ 28,405
Interest receivable	130	578	503	205
Total assets	$ 24,438	$ 228,931	$ 224,759	$ 28,610
Liabilities:				
Accounts payable	$ 36	$ 105,954	$ 105,962	$ 28
Funds held as agent for others	24,402	334,893	330,713	28,582
Total liabilities	$ 24,438	$ 440,847	$ 436,675	$ 28,610
Tax collection funds				
Assets:				
Cash and investments	$ 29,031	$ 3,043,995	$ 3,044,666	$ 28,360
Interest receivable	411	1,594	1,524	481
Total assets	$ 29,442	$ 3,045,589	$ 3,046,190	$ 28,841
Liabilities:				
Accounts payable	$ -	$ 37,192	$ 37,192	$ -
Funds held as agent for others	29,442	3,082,781	3,083,382	28,841
Total liabilities	$ 29,442	$ 3,119,973	$ 3,120,574	$ 28,841
Total - all agency funds				
Assets:				
Cash and investments	$ 82,011	$ 4,790,301	$ 4,786,652	$ 85,660
Interest receivable	574	2,338	2,177	735
Total assets	$ 82,585	$ 4,792,639	$ 4,788,829	$ 86,395
Liabilities:				
Accounts payable	$ 10,850	$ 463,765	$ 464,143	$ 10,472
Funds held as agent for others	71,735	5,256,782	5,252,594	75,923
Total liabilities	$ 82,585	$ 5,720,547	$ 5,716,737	$ 86,395

See accompanying independent auditor's report.

STATISTICAL SECTION

STATISTICAL SECTION

COUNTY OF SANTA BARBARA

CALIFORNIA

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

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Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

COUNTY OF SANTA BARBARA, CALIFORNIA
NET POSITION BY CATEGORY (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Governmental activities										
Net investment in capital assets	$ 466,916	$ 480,240	$ 493,753	$ 511,144	$ 578,314	$ 588,989	$ 612,548	$ 648,420	$ 692,549	$ 736,255
Restricted for:										
Policy & executive	--	--	--	--	--	--	--	436	716	972
Public safety	12,007	9,533	13,450	19,594	24,107	28,640	38,927	49,093	54,810	62,243
Health & public assistance	32,943	42,328	33,627	33,734	31,005	37,477	35,910	36,411	36,848	48,951
Community resources & public facilities	101,591	106,691	95,892	97,710	103,497	152,739	149,668	154,523	154,848	163,959
General government & support services	5,483	4,523	5,240	3,886	4,951	4,960	5,242	5,804	5,447	6,164
General county programs	15,009	15,271	15,957	14,959	15,596	12,736	16,232	18,352	18,373	20,052
Debt service	--	--	--	--	--	--	--	--	--	--
Unrestricted	32,215	16,708	37,170	30,976	62,497	(551,588)	(529,641)	(532,968)	(562,947)	(534,700)
Total governmental activities net position	$ 666,164	$ 675,294	$ 695,089	$ 712,003	$ 819,967	$ 273,953	$ 328,886	$ 380,071	$ 400,644	$ 503,896
Business-type activities										
Net investment in capital assets	$ 59,750	$ 60,029	$ 64,943	$ 65,806	$ 70,562	$ 73,988	$ 78,188	$ 80,852	$ 83,764	$ 82,723
Restricted for:										
Debt service	--	--	--	--	--	--	--	--	--	--
Unrestricted	10,851	12,353	16,606	21,648	25,191	14,062	19,888	21,326	34,638	45,582
Total business-type activities net position	$ 70,601	$ 72,382	$ 81,549	$ 87,454	$ 95,753	$ 88,050	$ 98,076	$ 102,178	$ 118,402	$ 128,305
Primary government										
Net investment in capital assets	$ 526,666	$ 540,269	$ 558,696	$ 576,950	$ 648,876	$ 662,977	$ 690,736	$ 729,272	$ 776,313	$ 818,978
Restricted for:										
Policy & executive	--	--	--	--	--	--	--	436	716	972
Public safety	12,007	9,533	13,450	19,594	24,107	28,640	38,927	49,093	54,810	62,243
Health & public assistance	32,943	42,328	33,627	33,734	31,005	37,477	35,910	36,411	36,848	48,951
Community resources & public facilities	101,591	106,691	95,892	97,710	103,497	152,739	149,668	154,523	154,848	163,959
General government & support services	5,483	4,523	5,240	3,886	4,951	4,960	5,242	5,804	5,447	6,164
General county programs	15,009	15,271	15,957	14,959	15,596	12,736	16,232	18,352	18,373	20,052
Debt service	--	--	--	--	--	--	--	--	--	--
Unrestricted	43,066	29,061	53,776	52,624	87,688	(537,526)	(509,753)	(511,642)	(528,309)	(489,118)
Total primary government net position	$ 736,765	$ 747,676	$ 776,638	$ 799,457	$ 915,720	$ 362,003	$ 426,962	$ 482,249	$ 519,046	$ 632,201

COUNTY OF SANTA BARBARA, CALIFORNIA
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Expenses										
Governmental activities:										
Policy & executive	$ 7,356	$ 11,074	$ 11,635	$ 14,455	$ 14,057	$ 10,721	$ 13,056	$ 14,315	$ 18,938	$ 17,878
Public safety	200,418	215,903	224,486	271,326	282,251	276,688	275,809	314,026	361,703	341,931
Health & public assistance	297,590	308,149	304,747	307,239	319,565	335,132	363,789	364,675	360,185	361,494
Community resources & public facilities	85,914	83,770	88,871	89,382	92,377	88,788	94,254	94,387	110,529	119,654
General government & support services	31,750	31,123	28,965	29,585	33,931	37,766	37,131	37,716	39,023	37,982
General county programs	19,494	20,694	15,077	5,664	3,980	2,462	2,807	2,206	2,514	963
Interest on long-term debt	4,645	4,926	4,146	3,712	3,505	2,651	2,275	2,152	2,024	1,895
Subtotal governmental activities expenses	693,977	722,869	723,982	721,363	749,666	754,208	789,121	829,477	894,916	881,797
Business-type activities:										
Resource Recovery	21,659	21,258	20,601	20,529	20,300	26,250	23,017	29,196	24,507	32,819
Laguna Sanitation	5,633	5,946	5,793	6,181	6,176	6,270	5,631	6,822	6,564	7,204
Other	10	--	--	--	--	--	--	--	--	--
Subtotal business-type activities expenses	27,302	27,204	26,394	26,710	26,476	32,520	28,648	36,018	31,071	40,023
Total expenses	$ 721,279	$ 750,073	$ 750,376	$ 748,073	$ 776,142	$ 786,728	$ 817,769	$ 865,495	$ 925,987	$ 921,820
Program revenues										
Governmental activities:										
Charges for services										
Health & public assistance	-	-	-	-	75,536	86,215	93,580	97,921	94,589	108,234
Public safety	-	-	-	-	43,635	44,118	51,704	55,405	59,746	57,201
Other	-	-	-	-	54,704	54,258	54,348	57,559	61,750	66,119
Operating grants & contributions	293,672	306,564	308,610	325,138	332,533	346,620	349,865	364,316	386,829	416,369
Capital grants & contributions	85	209	57	50	52,352	44	85	3,201	200	58
Subtotal governmental activities	468,760	482,922	471,369	325,188	558,760	531,255	549,582	578,402	603,114	647,981
Business-type activities:										
Charges for services										
Resource Recovery	20,157	21,151	21,370	22,381	23,439	23,184	24,617	26,053	30,721	31,060
Laguna Sanitation	6,827	7,304	7,688	8,662	9,907	11,069	12,377	12,644	13,183	14,091
Other	--	--	--	--	--	--	--	--	--	--
Operating grants & contributions	2,778	1,245	6,202	1,732	1,038	987	1,150	1,155	1,049	2,437
Capital grants & contributions	--	--	--	--	--	--	--	--	--	--
Subtotal business-type activities	29,762	29,700	35,260	32,775	34,384	35,240	38,144	39,852	44,953	47,588
Total program revenues	$ 498,522	$ 512,622	$ 506,629	$ 357,963	$ 593,144	$ 566,495	$ 587,726	$ 618,254	$ 648,067	$ 695,569
Net (expense) / revenue										
Governmental activities	$ (225,217)	$ (239,947)	$ (252,613)	$ (396,175)	$ (190,906)	$ (222,953)	$ (239,539)	$ (251,075)	$ (291,802)	$ (233,816)
Business-type activities	2,460	2,496	8,866	6,065	7,908	2,720	9,496	3,834	13,882	7,565
Total net expense	$ (222,757)	$ (237,451)	$ (243,747)	$ (390,110)	$ (182,998)	$ (220,233)	$ (230,043)	$ (247,241)	$ (277,920)	$ (226,251)
General revenues and other changes in net position										
Governmental activities:										
Taxes										
Property taxes	$ 207,169	$ 208,595	$ 186,047	$ 227,452	$ 231,247	$ 244,139	$ 254,166	$ 267,613	$ 284,284	$ 290,046
Motor vehicle in-lieu tax	--	--	931	187	155	150	147	167	198	182
Sales taxes	13,444	12,756	14,700	13,527	14,039	15,306	16,332	18,172	18,118	18,995
Transient occupancy tax	5,950	6,977	7,570	6,993	7,539	8,550	9,072	10,068	8,364	10,320
Cannabis tax	--	--	--	--	--	--	--	--	--	6,761
Unrestricted investment earnings	2,404	1,372	1,048	453	1,407	1,661	854	335	753	4,356
Transfers	(995)	1,002	6	2	(34)	--	(15)	--	36	80
Other	10,559	11,877	39,268	8,419	8,100	8,474	9,494	5,905	5,778	5,834
Subtotal governmental activities	238,531	242,579	249,570	257,033	262,453	278,280	290,050	302,260	317,531	336,574
Business-type activities:										
Unrestricted investment earnings	374	286	290	(95)	344	254	416	265	405	2,370
Transfers	995	(1,002)	(6)	(2)	13	--	15	--	(36)	(80)
Other	(126)	1	17	38	34	(38)	99	3	--	48
Subtotal business-type activities	1,243	(715)	301	(59)	391	216	530	268	369	2,338
Total primary government	$ 239,774	$ 241,864	$ 249,871	$ 256,974	$ 262,844	$ 278,496	$ 290,580	$ 302,528	$ 317,900	$ 338,912
Extraordinary Items										
RDA dissolution transactions	$ --	$ --	$ 16,345	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Changes in net position										
Governmental activities	$ 13,314	$ 2,632	$ 13,302	$ 16,309	$ 71,547	$ 55,327	$ 50,511	$ 51,185	$ 25,729	$ 102,758
Business-type activities	3,703	1,781	9,167	6,006	8,299	2,936	10,026	4,102	14,251	9,903
Total primary government	$ 17,017	$ 4,413	$ 22,469	$ 22,315	$ 79,846	$ 58,263	$ 60,537	$ 55,287	$ 39,980	$ 112,661

COUNTY OF SANTA BARBARA, CALIFORNIA
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(modified accrual basis of accounting)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
General Fund										
Nonspendable	$ 26,704	$ 25,570	$ 8,780	$ 9,618	$ 10,138	$ 11,042	$ 12,130	$ 13,619	$ 11,977	$ 11,407
Restricted	8,271	7,844	17,536	19,800	21,245	22,946	27,527	31,529	38,002	44,054
Committed	53,444	46,096	52,002	50,298	58,018	61,887	67,703	60,161	69,305	102,087
Assigned	--	--	--	--	--	--	--	--	--	--
Unassigned	736	4,330	7,591	8,092	3,405	3,242	7,684	7,761	10,591	18,654
Subtotal General Fund	89,155	83,840	85,909	87,808	92,806	99,117	115,044	113,070	129,875	176,202
All Other Governmental Funds (1)										
Nonspendable	507	681	586	1,084	791	1,129	1,496	1,942	1,714	--
Restricted	180,115	182,036	149,010	145,842	151,021	162,156	163,656	175,173	175,660	193,207
Committed	16,590	13,623	9,604	18,930	18,630	18,642	19,236	30,864	29,378	20,960
Assigned	932	883	1,817	1,287	--	--	--	--	--	--
Unassigned	22,860	(26,600)	(2,822)	(2,850)	--	--	--	--	--	--
Subtotal all other governmental funds	221,004	170,623	158,195	164,293	170,442	181,927	184,388	207,979	206,752	214,167
Total governmental fund balance	$ 310,159	$ 254,463	$ 244,104	$ 252,101	$ 263,248	$ 281,044	$ 299,432	$ 321,049	$ 336,627	$ 390,369

Notes:
(1) Substantial increases or decreases in fund balance components are explained in the Management's Discussion and Analysis (MD&A).

COUNTY OF SANTA BARBARA, CALIFORNIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(modified accrual basis of accounting)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues (by source)										
Taxes	$ 231,648	$ 234,354	$ 241,142	$ 249,414	$ 254,177	$ 269,412	$ 281,279	$ 295,066	$ 309,983	$ 325,337
Licenses, permits, and franchises	13,223	12,639	12,966	14,011	14,030	13,660	14,282	14,221	16,758	17,281
Fines, forfeitures, and penalties	13,527	13,299	10,990	9,582	10,883	9,581	9,160	9,141	11,281	8,883
Use of money and property	6,121	4,582	4,307	2,321	4,995	4,902	4,809	3,332	4,324	12,047
Intergovernmental	290,440	304,347	306,609	321,765	380,785	340,807	345,428	361,392	382,633	402,412
Charges for services	162,525	164,630	139,685	135,625	141,839	161,637	181,022	189,834	189,613	201,067
Other	17,046	22,872	25,920	19,582	20,804	19,033	16,149	16,177	16,255	20,252
Total revenues	734,530	756,723	741,619	752,300	827,513	819,032	852,129	889,163	930,847	987,279
Expenditures (by function)										
Policy & executive	13,266	15,661	15,172	15,349	15,408	15,563	16,484	16,585	21,242	21,707
Public safety	233,156	248,359	250,145	259,968	270,605	281,211	288,174	303,151	329,172	330,711
Health & public assistance	298,239	307,900	300,536	304,982	317,322	343,584	351,911	361,796	353,241	361,345
Community resources & public facilities	100,047	97,672	97,130	100,838	145,572	93,443	106,380	99,463	108,561	122,690
General government & support services	48,818	47,073	42,643	43,691	44,194	47,357	50,104	52,597	53,563	53,640
General county programs	18,449	18,957	12,287	5,091	8,199	3,190	2,679	2,167	1,590	334
Debt service										
Principal	7,506	5,621	23,749	4,133	4,502	15,318	3,764	3,874	3,951	4,026
Interest	4,637	4,918	4,183	3,518	3,308	2,516	2,111	2,002	1,889	1,775
Capital outlay	8,639	18,094	15,795	7,290	7,079	8,353	6,229	24,983	39,756	35,416
Total expenditures	732,757	764,255	761,640	744,860	816,189	810,535	827,836	866,618	912,965	931,644
Excess (deficiency) of revenues over (under) expenditures	1,773	(7,532)	(20,021)	7,440	11,324	8,497	24,293	22,545	17,882	55,635
Other financing sources (uses)										
Transfers in	146,179	88,586	96,986	86,395	49,715	60,305	54,535	68,603	57,082	52,729
Transfers out	(146,991)	(91,204)	(96,912)	(86,338)	(49,965)	(61,278)	(55,935)	(69,673)	(59,669)	(55,282)
Proceeds from sale of capital assets	52	174	220	500	73	347	205	142	283	166
Long-term debt issued	20,387	--	16,957	--	--	9,925	10	--	--	--
Long-term receivable collected	--	--	356	--	--	--	--	--	--	--
Issuance discount on long-term debt	(148)	--	--	--	--	--	--	--	--	--
Issuance premium on long-term debt	278	--	--	--	--	--	--	--	--	--
Total other financing sources (uses)	19,757	(2,444)	17,607	557	(177)	9,299	(1,185)	(928)	(2,304)	(2,387)
Extraordinary Items										
RDA dissolution transactions	--	--	(13,092)	--	--	--	--	--	--	--
Net change in fund balance	$ 21,530	$ (9,976)	$ (2,414)	$ 7,997	$ 11,147	$ 17,796	$ 23,108	$ 21,617	$ 15,578	$ 53,248
Debt service as a percentage of noncapital expenditures (1):	1.71%	1.44%	3.84%	1.07%	1.06%	2.27%	0.74%	0.71%	0.68%	0.65%

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Expenditures (2)										
General government	$ 62,761	$ 64,450	$ 48,395	$ 64,886	$ 65,289	$ 64,462	$ 68,216	$ 74,054	$ 74,874	$ 82,831
Public protection	288,599	296,982	303,442	302,982	316,926	328,238	336,139	353,536	386,355	382,468
Public ways and facilities	32,111	32,489	35,540	29,814	28,226	25,750	30,620	23,720	29,672	37,417
Health and sanitation	157,155	157,961	157,298	155,560	157,460	171,631	173,590	180,615	180,185	186,688
Public assistance	138,166	145,085	138,397	139,800	148,702	159,753	165,569	166,155	158,593	161,040
Education	3,289	3,410	2,734	3,199	3,128	3,132	3,568	3,800	4,097	3,866
Recreational and cultural services	12,899	11,089	10,866	10,504	11,422	12,811	14,237	14,022	16,306	14,776
Debt service	12,144	10,539	27,933	7,651	7,809	17,834	5,875	5,876	5,840	5,801
Capital outlay	25,633	42,250	37,035	30,464	77,227	26,924	30,021	44,840	57,043	56,757
Total expenditures	$ 732,757	$ 764,255	$ 761,640	$ 744,860	$ 816,189	$ 810,535	$ 827,835	$ 866,618	$ 912,965	$ 931,644

Notes:

(1) In FY 16-17 the calculation for debt service as a percentage of noncapital expenditures was revised to include the appropriate amounts. This change impacted all years reported.

(2) By State Controller function.

COUNTY OF SANTA BARBARA, CALIFORNIA
ASSESSED VALUE OF TAXABLE PROPERTY AND ACTUAL VALUE OF PROPERTY (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

Due to the 1978 passage of the property tax initiative Proposition 13 (Prop 13), the County does not track the estimated actual value of all County properties. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the consumer price index (CPI) on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.

Fiscal Year	(1) Secured	(2) Unsecured	(3) Unitary	(4) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate (%)
2009 - 2010	$ 60,136,238	$ 2,874,141	$ 718,678	$ (2,128,966)	$ 61,600,091	1.00000
2010 - 2011	60,558,017	2,901,856	746,117	(2,322,086)	61,883,904	1.00000
2011 - 2012	61,739,881	2,923,496	807,247	(2,713,216)	62,757,408	1.00000
2012 - 2013	62,696,346	2,896,396	883,587	(3,074,291)	63,402,038	1.00000
2013 - 2014	65,478,241	2,897,317	897,504	(3,308,629)	65,964,433	1.00000
2014 - 2015	68,635,212	3,441,635	925,196	(3,353,701)	69,648,342	1.00000
2015 - 2016	71,941,255	3,619,135	1,004,561	(3,505,586)	73,059,365	1.00000
2016 - 2017	75,131,736	3,603,348	1,064,198	(3,807,072)	75,992,210	1.00000
2017 - 2018	79,372,934	3,798,374	1,001,291	(4,123,907)	80,048,692	1.00000
2018 - 2019	83,555,061	3,870,105	1,053,450	(4,560,120)	83,918,496	1.00000

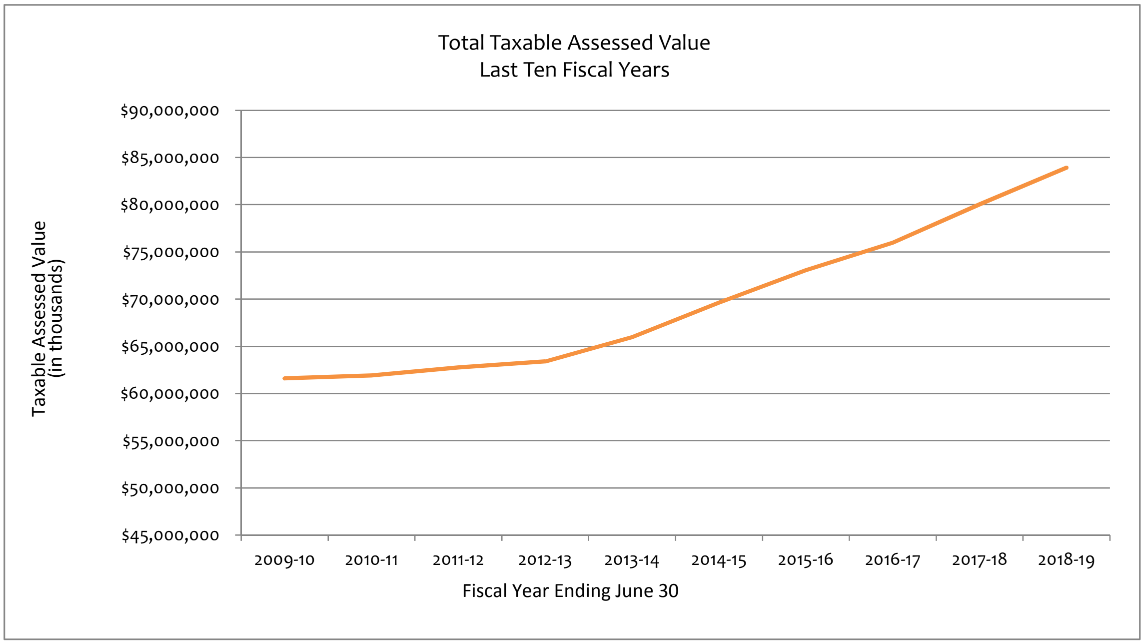
Notes:

(1) Local assessed secured property is generally real property, defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.

(2) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.

(3) Unitary properties are railroads and utilities crossing the County and are assessed by the State Board of Equalization. Most of the amount reported is unitary but includes a small amount of other state-assessed property.

(4) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.



Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
($1 PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

	County Direct Rates	Overlapping Rates		
Fiscal Year	Santa Barbara County General	Cities (1)	Schools (2)	Total
2009 - 2010	1.00000%	0.00012%	0.01265%	1.01277%
2010 - 2011	1.00000%	0.00012%	0.01284%	1.01296%
2011 - 2012	1.00000%	0.00014%	0.01310%	1.01324%
2012 - 2013	1.00000%	0.00012%	0.01352%	1.01364%
2013 - 2014	1.00000%	0.00013%	0.01462%	1.01475%
2014 - 2015	1.00000%	0.00012%	0.01473%	1.01485%
2015 - 2016	1.00000%	0.00011%	0.01979%	1.01990%
2016 - 2017	1.00000%	0.00010%	0.01875%	1.01885%
2017 - 2018	1.00000%	0.00010%	0.01816%	1.01826%
2018 - 2019	1.00000%	0.00014%	0.02339%	1.02353%

Notes:
(1) Rates shown represent a weighted average of the eight incorporated cities within the County.
(2) Rates shown represent a weighted average of the various school district tax rate areas within the County.

Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2019 AND June 30, 2010 (in thousands)

In accordance with GASB Statement No. 44, the following tables present information for the County's principal property taxpayers as of June 30, 2019 and June 30, 2010

June 30, 2019:

Taxpayers	Type of Business	(1) Net Assessed Secured Property Value	Percentage of Total Net Assessed Value	(2) Total Secured Tax Levy Fiscal Year 2018-19	Percentage of Total Secured Tax Levy Fiscal Year 2018-19
Cwi Santa Barbara Hotel LP (Bacara)	Hotel	$ 379,312	0.45%	$ 4,107	0.52%
Southern California Edison Co	Utility	320,949	0.38%	4,170	0.52%
United Launch Alliance LLC	Aerospace	288,573	0.34%	3,380	0.42%
Southern California Gas Company	Utility	245,543	0.29%	3,193	0.40%
Windset Farms California Inc	Agriculture	234,952	0.28%	2,633	0.33%
1260 Bb Property LLC (Biltmore)	Hotels	223,616	0.27%	2,961	0.37%
Pacific Gas & Electric Co	Utility	191,158	0.23%	2,485	0.31%
Fairway Bb Property LLC	Residental Estate	160,428	0.19%	1,659	0.21%
Sp Maravilla LLC	Rest Homes	118,022	0.14%	1,349	0.17%
Celite Corporation	Mining	115,890	0.14%	1,409	0.18%
Ten largest taxpayers		2,278,442	2.71%	27,345	3.43%
All other taxpayers		81,640,054	97.29%	769,104	96.57%
Total		$ 83,918,496	100.00%	$ 796,449	100.00%

June 30, 2010:

Taxpayers	Type of Business	(1) Net Assessed Secured Property Value	Percentage of Total Net Assessed Value	(2) Total Secured Tax Levy Fiscal Year 2009-10	Percentage of Total Secured Tax Levy Fiscal Year 2009-10
Exxon Corporation	Petroleum & Gas	$ 345,281	0.56%	$ 3,544	0.61%
Southern California Gas Company	Utility	169,248	0.27%	1,933	0.33%
Fairway Bb Property LLC	Residental Estates	149,741	0.24%	1,534	0.26%
Verizon California Inc	Utility	149,536	0.24%	1,751	0.30%
Southern California Edison Co	Utility	142,527	0.23%	1,664	0.29%
1260 Bb Property LLC (Biltmore)	Hotels	130,000	0.21%	1,637	0.28%
Pacific Offshore Pipeline Co	Petroleum & Gas	120,447	0.20%	1,235	0.21%
Ht-Santa Barbara Inc (Bacara)	Hotels	118,000	0.19%	1,290	0.22%
Breitburn Energy Companies	Petroleum & Gas	108,281	0.18%	1,185	0.20%
Sp Maravilla LLC	Rest Homes	107,987	0.18%	1,225	0.21%
Ten largest taxpayers		1,541,047	2.50%	16,998	2.91%
All other taxpayers		60,059,043	97.50%	563,534	97.09%
Total		$ 61,600,090	100.00%	$ 580,532	100.00%

Notes:
(1) Net Assessed Secured amounts include Secured & Unitary less exemptions.
See "Assessed Value of Taxable Property and Actual Value of Property" schedule for total assessed value.
(2) Includes 1%, bonds, fixed charges, late penalties and costs (Only Secured & Unitary Tax Levy amounts).

Source:
County of Santa Barbara Treasurer / Tax Collector

COUNTY OF SANTA BARBARA, CALIFORNIA
PROPERTY TAX LEVIES and COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(1) Taxes Levied	(2) Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2009 - 2010	$ 580,532	$ 566,808	97.64%	$ 13,704	$ 580,512	100.00%
2010 - 2011	579,901	573,537	98.90%	6,311	579,848	99.99%
2011 - 2012	590,345	583,214	98.79%	7,039	590,253	99.98%
2012 - 2013	599,416	593,841	99.07%	5,508	599,349	99.99%
2013 - 2014	626,258	621,794	99.29%	4,323	626,117	99.98%
2014 - 2015	658,542	653,778	99.28%	4,526	658,304	99.96%
2015 - 2016	690,326	684,131	99.10%	5,728	684,131	99.10%
2016 - 2017	720,855	714,505	99.12%	5,424	719,929	99.87%
2017 - 2018	759,352	751,947	99.02%	5,391	757,338	99.73%
2018 - 2019	796,449	788,819	99.04%	--	788,819	99.04%

Notes:
(1) Secured and Unitary tax levy for the County itself, school districts, cities, and special districts under the supervision of their own governing boards.
(2) Included are amounts collected by the County on behalf of itself, school districts, cities, and special districts under the supervision of their own governing boards.

Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands, except per capita)

	Governmental Activities					Business-Type Activities						
Fiscal Year	Certificates of Participation (1)	Capital Leases	Long-Term Loans	Long-Term Settle-ment (4)	Bonds and Notes Payable	Certificates of Participation (1)	Capital Leases	Long-Term Settlement	Bonds and Notes Payable	Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
2009 - 2010	$ 76,824	$ 4,782	$ --	$ --	$ --	$ 6,933	$ 8	$ --	$ 6,581	$ 95,128	0.49%	$ 218
2010 - 2011	68,759	4,017	--	--	--	9,532	--	--	10,314	92,622	0.49%	216
2011 - 2012	44,840	3,735	--	--	22,195	8,144	--	--	9,637	88,551	0.47%	207
2012 - 2013	43,161	3,418	--	2,222	19,740	7,473	--	--	8,928	84,942	0.43%	193
2013 - 2014	41,414	3,013	--	2,434	17,070	6,781	--	--	8,203	78,915	0.37%	177
2014 - 2015	29,550	2,686	--	2,740	23,580	6,061	--	--	7,462	72,079	0.32%	159
2015 - 2016	28,693	2,351	--	2,266	20,690	5,323	--	--	6,704	66,027	0.29%	143
2016 - 2017	27,798	1,983	--	1,069	17,745	4,554	--	--	5,930	59,079	0.24%	129
2017 - 2018	26,872	1,636	--	1,238	14,730	3,766	--	--	5,139	53,381	0.21%	118
2018 - 2019	25,908	1,315	--	598	11,655	167,038	--	--	4,335	210,849	0.84%	465

Notes:

(1) Beginning in fiscal year 2013-14, the Certifcates of Particpation totals in this schedule were updated to included unamortized premiums and discounts.

(2) See the "Demographics and Economic Statistics" schedule for personal income and population data. Note that this ratio is calculated using population for the latest calendar year for each corresponding fiscal year.

(3) See the "Demographics and Economics Statistics" schedule for population figures. Note that this ratio is calculated using population for the latest calendar year for each corresponding fiscal year.

(4) Beginning in fiscal year 2018-19, this schedule was updated to include Long-Term Settlements. Prior year balances have been updated to reflect this change.

Source:

Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(1) Assessed Value	(2) Legal Debt Limit	Total Net Applicable Debt	(3) Legal Debt Margin	Legal Debt Margin / Debt Limit
2009 - 2010	$ 61,600,091	$ 770,001	$ --	$ 770,001	100%
2010 - 2011	61,883,904	773,549	--	773,549	100%
2011 - 2012	62,757,408	784,468	--	784,468	100%
2012 - 2013	63,402,039	792,525	--	792,525	100%
2013 - 2014	65,964,432	824,555	--	824,555	100%
2014 - 2015	69,453,967	868,175	--	868,175	100%
2015 - 2016	73,059,365	913,242	--	913,242	100%
2016 - 2017	75,992,210	949,903	--	949,903	100%
2017 - 2018	80,048,692	1,000,609	--	1,000,609	100%
2018 - 2019	83,918,496	1,048,981	--	1,048,981	100%

Notes:

(1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value of Taxable Property and Actual Value of Property" schedule.

(2) California Government Code Section 29909 read in conjunction with Revenue and Taxation Code Section 135 imposes a legal debt limitation for General Obligation Bond indebtedness to 1.25% of the total full cash valuation.

(3) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)
AS OF June 30, 2019

2018-2019 Assessed Valuation: $ 83,918,496

Overlapping Tax and Assessment Debt:	Percent Applicable (1)	Debt
Allan Hancock Joint Community College District	99.625%	$ 148,615
Santa Barbara Community College District	100%	58,885
Santa Maria Jt. Union High School District	99.997%	116,731
Santa Ynez Valley Union High School District	100%	13,775
Carpinteria Unified School District	100%	60,410
Cuyama Jt. Unified School District	69.413%	2,742
Lompoc Unified School District	100%	17,016
Santa Barbara Unified School District & High School District	100%	205,674
Santa Barbara Unified School District & Elementary School District	100%	89,684
Buellton Union School District	100%	6,921
Cold Spring School District	100%	3,886
College School District	100%	6,344
Goleta Union School District	100%	12,755
Guadalupe Union School District	100%	2,685
Hope Elementary School District	100%	9,840
Los Olivos School District	100%	3,486
Montecito Union School District	100%	2,100
Orcutt Union School District	100%	24,910
Santa Maria-Bonita Joint School District	99.996%	44,998
Solvang School District	100%	6,469
Lompoc Healthcare District	100%	68,415
City and Special District 1915 Act Bonds	62.113%-100	4,202
Total Overlapping Tax and Assessment Debt		910,541
Direct and Overlapping General Fund Debt		
Santa Maria-Bonita School District Certificates of Participation	99.996%	31,399
Cuyama Joint Unified School District Certificates of Participation	69.413%	1,103
Santa Ynez Valley Union High School District Certificates of Participation	100%	1,989
Santa Maria Joint Union High School District Certificates of Participation	99.997%	2,303
College School District Certificates of Participation	100%	2,076
Guadalupe Union School District Certificates of Participation	100%	3,175
City of Santa Barbara Certificates of Participation	100%	29,825
Carpinteria Sanitary District General Fund Obligations	98.372%	7,063
Total Gross Overlapping General Fund Obligation Debt		78,932
Less: Less: Santa Barbara County utility supported obligations		(2,890)
Less: City of Santa Barbara revenue bonds supported by airport revenues		(29,825)
Less: Carpinteria Sanitary District revenue bonds supported by wastewater system revenues		(7,063)
Total Net Overlapping General Fund Obligation Debt		39,154
Total Net Overlapping Tax and Assessment and General Fund Obligation Debt		949,695
Overlapping Tax Increment Debt:		31,460
Direct General Fund Obligation Debt:		
Governmental Activities Certificates of Participation and Bonds and Notes Payable		37,662
Business-type Activities Certificates of Participation (3)		2,948
Total Direct General Fund Obligation Debt		40,610
Total Net Combined Overlapping and Direct Debt		$ 1,021,765
Total Gross Combined Overlapping and Direct Debt		$ 1,061,543 (2)

Ratio to 2018-19 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.09%
Ratios to Adjusted Assessed Valuation:	
Total Gross Direct Debt	0.05%
Total Net Direct Debt	0.04%
Gross Combined Total Debt	1.26%
Net Combined Total Debt	1.22%

Notes:

(1) Percentage of overlapping agency's assessed valuation located within the boundaries of the County.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations and state contractual obligations within the Department of Water Resources.

(3) 2008 and 2010 COP's for Business-type activities are legal obligations of the General Fund. Detailed information can be found at Note-11 Certificates of Participation (COP).

Source:
California Municipal Statistics, Incorporated

COUNTY OF SANTA BARBARA, CALIFORNIA
DEMOGRAPHICS AND ECONOMIC STATISTICS (UNAUDITED)
LAST FISCAL TEN YEARS (in thousands)

(1) Year	(2) Population	(3),(4) Personal Income	Per Capita Personal Income	(5) School Enrollment	(6) Unemployment Rate
2010	434	$ 18,600,000	42.9	66	8.8%
2011	426	19,000,000	44.6	66	8.9%
2012	427	19,000,000	44.5	66	7.9%
2013	429	19,300,000	45.0	66	6.3%
2014	433	20,600,000	47.6	67	5.4%
2015	437	21,700,000	49.7	68	4.7%
2016	447	22,300,000	49.9	69	4.9%
2017	451	24,200,000	53.7	69	4.3%
2018	453	25,000,000	55.2	70	3.9%
2019	455	26,646,853	58.6	69	3.5%

Detail of estimated population, as of January 1, 2019 (whole numbers):

(2) Incorporated Cities	
Buellton	5,453
Carpinteria	13,680
Goleta	32,759
Guadalupe	7,839
Lompoc	43,649
Santa Barbara	93,532
Santa Maria	107,356
Solvang	5,822
Total of Incorporated Cities	310,090
Total of Unincorporated Areas	144,503
Total Population	454,593

Notes:
(1) Calendar year
(2) Population as of January 1
(3) Estimated amounts

Sources:
(2) California Department of Finance
(4) Bureau of Economic Analysis
(5) California Department of Education
(6) Employment Development Department Research Center

COUNTY OF SANTA BARBARA, CALIFORNIA
PRINCIPAL EMPLOYERS (UNAUDITED)
June 30, 2019 AND June 30, 2010

June 30, 2019

Company or Organization	Type of Business	Jobs (1, 2)	Percent of Total County Employment
County of Santa Barbara	Government	4,600	2.23%
University of California, Santa Barbara	Education	4,300	2.08%
Cottage Health Organization	Health	3,600	1.74%
Vandenberg Air Force Base	Defense	2,500	1.21%
Santa Maria-Bonita School District	Education	2,120	1.03%
Chumash Casino Resort	Recreation/Hospitality	2,000	0.97%
Marian Regional Medical Center	Health	1,920	0.93%
Allan Hancock College	Education	1,480	0.72%
Santa Barbara Unified School District	Education	1,400	0.68%
Safran*	Manufacturer	1,200	0.59%
Total ten largest		25,120	12.16%
Total all other		181,422	87.84%
Total companies or organizations		206,542	100.00%

June 30, 2010

Company or Organization	Type of Business	Jobs (3)	Percent of Total County Employment
Vandenberg Air Force Base	Defense	6,330	3.12%
University of California, Santa Barbara	Education	6,230	3.07%
County of Santa Barbara	Government	4,025	1.99%
Santa Barbara Unified School District	Government	2,500	1.23%
Santa Barbara Cottage Hospital	Health	2,468	1.22%
Santa Barbara City College	Education	2,281	1.13%
Santa Maria-Bonita School District	Education	1,886	0.93%
U.S. Postal Service	Government	1,881	0.93%
City of Santa Barbara	Government	1,687	0.82%
Chumash Casino Resort	Recreation/Hospitality	1,500	0.74%
Total ten largest		30,788	15.19%
Total all other		171,912	84.81%
Total companies or organizations		202,700	100.00%

* Safran was previously called Zodiac Aerospace before the two companies merged in December 2018.

Sources:
(1) Pacific Coast Business Times "Book of Lists" - individual company data
(2) University of California, Santa Barbara "Economic Summit" - total employment data
(3) County of Santa Barbara CAFR for fiscal year presented

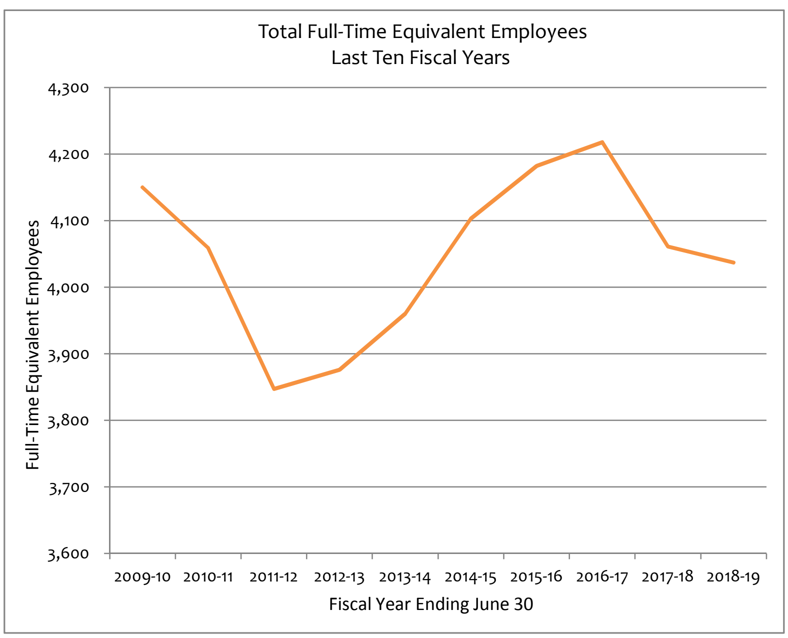
COUNTY OF SANTA BARBARA, CALIFORNIA
COUNTY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Paid employees (1)										
Policy & executive	85	93	92	94	96	99	105	103	106	109
Public safety	1,556	1,524	1,455	1,467	1,478	1,498	1,521	1,540	1,540	1,550
Health & public assistance	1,765	1,779	1,634	1,732	1,799	1,926	1,973	1,961	1,806	1,751
Community resources & public facilities	451	432	416	419	424	419	424	443	442	453
General government & support services	410	385	343	334	334	350	359	361	348	341
General county programs	30	15	17	6	5	3	6	6	5	5
Resource Recovery	85	83	81	79	83	81	77	80	77	78
Laguna Sanitation	16	16	16	16	16	16	15	16	17	18
Total County employees	4,398	4,327	4,054	4,147	4,235	4,392	4,480	4,510	4,341	4,305
Actual full-time equivalent employees (2)										
Policy & executive	79	86	85	88	88	91	94	93	93	97
Public safety	1,500	1,455	1,390	1,386	1,394	1,415	1,433	1,448	1,452	1,463
Health & public assistance	1,633	1,637	1,548	1,608	1,679	1,796	1,841	1,842	1,697	1,652
Community resources & public facilities	421	404	391	389	392	382	389	402	402	413
General government & support services	392	369	328	315	313	326	335	339	325	320
General county programs	29	14	13	--	--	1	1	1	1	--
Resource Recovery	80	78	76	74	78	77	74	77	74	75
Laguna Sanitation	16	16	16	16	16	15	15	16	17	17
Total County employees	4,150	4,059	3,847	3,876	3,960	4,103	4,182	4,218	4,061	4,037

Note:

(1) Paid employees: Count of employees paid, including terminated employees. Employees with more than one job will be counted once for each job for which the employee was paid.

(2) Actual full-time equivalent employees: Count of number of full-time equivalents paid. For full-time and part-time, the full-time equivalent (FTE) used is from the employee's assigned work schedule. For extra help and contractors, the FTE is calculated as the number of hours worked this pay period divided by 80.



Source:
Santa Barbara County payroll records as of June 30.

COUNTY OF SANTA BARBARA, CALIFORNIA
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Public safety										
Other:										
Filed felonies-District Attorney	2,482	2,462	2,741	2,979	3,176	2,499	2,898	2,835	2,659	2,801
Filed misdemeanors-District Attorney	14,633	13,264	10,983	10,022	9,838	11,347	12,355	12,404	11,124	10,065
Public Defender's total new caseload (2)	23,056	23,563	21,642	18,963	20,973	23,391	24,024	23,414	24,014	12,316
Fire emergency responses	11,278	11,512	12,714	13,989	13,842	13,927	14,307	15,123	15,763	15,634
Sheriff:										
Total miles patrolled	1,530,054	1,519,651	1,447,978	1,230,191	1,477,038	1,413,902	1,439,005	1,413,060	1,454,032	1,441,414
Processed and booked adult offenders	18,319	17,552	15,763	16,677	16,780	17,117	17,744	15,623	14,130	13,710
Probation:										
Juvenile referrals processed	5,431	4,978	4,122	3,449	3,070	3,313	3,371	3,150	2,964	2,656
Adult and Juvenile cases supervised	10,808	9,480	8,364	8,321	8,331	8,196	8,114	8,112	7,358	6,088
Institutional care for minors	67,861	65,313	58,923	52,268	38,763	34,894	37,372	34,214	26,695	22,147
Submit written reports to courts on Adults	4,941	5,544	5,146	6,582	6,628	6,838	6,856	7,337	6,763	5,238
Health & public assistance										
ADMHS clients served	14,785	12,063	11,825	12,313	12,647	13,936	14,653	15,344	13,004	14,711
Established orders for child support	14,800	13,648	12,963	12,565	11,922	11,544	11,452	11,317	11,270	11,227
Assistance claims paid to eligible recipients	77,966	80,025	76,762	72,678	70,924	99,513	99,597	97,127	91,623	88,672
Patient encounters at Public Health clinics	136,867	131,489	120,540	120,700	114,000	111,000	107,000	115,000	111,000	118,500
Community resources & public facilities										
Building inspections	19,159	19,450	19,736	20,689	23,752	22,431	22,583	21,804	24,230	26,930
Enhanced or maintained road lanes (miles)	195	96	81	67	82	73	24	23	21	44
Flood control work requests (1)	195	90	95	--	--	--	--	--	--	--
General government & support services										
Clerk-Recorder-Assessor										
Recorded documents & vital copies issued	108,178	117,932	119,522	135,053	103,060	102,694	110,846	110,089	95,912	90,740
Resource Recovery										
Waste recycled (tons per month)	6,576	7,312	7,824	7,043	7,244	6,792	5,084	5,241	5,825	7,645
Landfill waste disposal (tons per month)	15,626	14,614	13,891	14,607	14,894	15,163	16,690	17,172	19,050	19,215

Note:
(1) Beginning in FY 12-13 Public Works no longer tracks flood control work requests.
(2) Beginning in FY 18-19 Public Defender does not include cases previously appointed that were reappointed during the fiscal year

Sources:
Various Department Personnel, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Function/Program										
Policy & executive										
Buildings	Occupied with general government and support services									
Public safety										
Court buildings	7	7	7	7	7	7	7	7	7	7
Other buildings	5	5	5	5	5	5	5	5	5	5
Fire stations	16	16	16	16	16	16	16	16	16	16
Fire trucks	42	42	42	42	42	42	41	41	43	43
Ambulances	4	4	6	6	6	6	6	6	6	6
Sheriff sub stations	3	4	4	4	4	4	4	4	4	4
Patrol units	49	49	49	49	49	52	52	60	60	59
Aircrafts	6	6	6	6	6	6	6	6	6	7
Jail and detention facilities	6	6	6	6	6	6	6	6	6	6
Administration buildings	9	9	9	9	9	9	9	9	9	10
Health & public assistance										
Clinics	7	7	7	7	7	7	9	9	9	11
Administration buildings	5	5	5	5	5	5	5	5	5	3
Community resources & public facilities										
Public parks & open space acreage	2,469	1,798	2,027	2,122	2,122	2,122	2,122	2,122	2,122	2,122
Day use & camping parks	23	25	26	26	26	26	26	26	26	26
Open space areas (County developed)	18	42	43	45	45	45	45	45	45	45
Outdoor events center	1	1	1	1	1	1	1	1	1	1
Veterans buildings	3	3	3	3	3	3	3	3	3	3
Seawalls	2	2	2	2	2	2	2	2	2	2
Road lane miles	1,685	1,685	1,670	1,671	1,671	1,671	1,671	1,651	1,650	1,650
Bridges	112	113	113	115	115	115	115	115	118	120
Traffic signals	26	26	43	44	44	44	44	44	43	43
Roads heavy equipment	51	51	51	43	43	43	43	43	48	48
Sanitary sewers (miles of collection)	121	121	121	129	129	129	129	129	129	129
Treatment capacity (million gallons per day)	4	4	4	4	4	4	4	4	4	4
Resource Recovery heavy equipment	84	73	78	72	69	57	58	59	71	72
General government & support services										
Buildings	5	5	7	7	7	7	7	7	7	7

Notes:
Buildings include those that are capitalized but exclude real property that is leased.

Sources:
Various Department Personnel, County of Santa Barbara

GLOSSARY

ACCOUNTS PAYABLE - A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE - An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS OF ACCOUNTING - The recording of the financial effects of a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION - A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

ACTIVE EMPLOYEES - Individuals employed at the end of the reporting or measurement period, as applicable.

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFIT PAYMENTS - Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

ACTUARIAL VALUATION - The determination, as of a point in time (the actuarial valuation date), of the service cost, total pension liability or total OPEB liability, and related actuarial present value of projected benefit payments for pensions or OPEB performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

ACTUARIAL VALUATION DATE - The date as of which an actuarial valuation is performed.

ACTUARIALLY DETERMINED CONTRIBUTION - A target or recommended contribution to either a defined benefit pension plan or a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

AGENCY FUND - A fund normally used to account for assets held by a government as an agent for individuals, private organizations, or other governments and/or other funds.

AGENT MULTIPLE-EMPLOYER PLAN - A multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria of GASB Statement No. 75 and in which OPEB plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

AMORTIZATION - The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

APPROPRIATION - A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION - A valuation set upon real estate or other property by a government as a basis for levying taxes.

ASSIGNED FUND BALANCE - Amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

AUDITOR'S REPORT - In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET - The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS) - The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: governmentwide financial statements, fund financial statements, and notes to the financial statements.

BASIS OF ACCOUNTING - A term used to refer to *when* revenues, expenditures, expenses, and transfers, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

BENEFICIAL INTEREST - The right to a portion of the benefits from donated resources pursuant to a split-interest agreement in which the donor enters into a trust or other legally enforceable agreement with characteristics that are equivalent to a split-interest agreement and transfers the resources to an intermediary.

BUDGET - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL - The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

BUSINESS-TYPE ACTIVITIES - One of two classes of activities reported in the governmentwide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are usually reported in enterprise funds.

CAPITAL ASSETS - Long-lived assets obtained or controlled as a result of past transactions, events, or circumstances. Capital assets include equipment, buildings, and improvements other than buildings; land; infrastructure; and intangible assets. In the private sector, these assets are referred to most often as property, plant and equipment, and intangible assets.

CAPITAL OUTLAY - Expenditures resulting in the acquisition of or addition to the government's general capital assets.

CAPITALIZATION POLICY - The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE - An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time. See **LEASE-PURCHASE AGREEMENTS**.

CAPITAL PROJECTS FUND - A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS OF ACCOUNTING - A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH EQUIVALENT – Short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash and (2) so near their maturity that they present insignificant risk of changes in value due to changes in interest rates.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM - A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs/Component Unit Financial Reports (CUFRs) and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS - The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

CLOSED AMORTIZATION PERIOD - Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension and other postemployment benefit plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth.

COLLECTIVE DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS AND OPEB - Deferred outflows of resources and deferred inflows of resources related to pensions or OPEB arising from certain changes in the collective net pension liability or the collective net OPEB liability.

COLLECTIVE NET PENSION OR OPEB LIABILITY - The net pension or OPEB liability for benefits provided through (1) a cost-sharing pension or OPEB plan or (2) a single-employer or agent pension or OPEB plan in circumstances in which there is a special funding situation.

COLLECTIVE PENSION OR OPEB EXPENSE – Pension or OPEB expense arising from certain changes in the collective net pension or OPEB liability.

COLLECTIVE TOTAL PENSION LIABILITY - The total pension liability for benefits provided through (a) a pension or plan that is used to provide pensions to the employees of a primary government and its component units or (b) a pension plan in circumstances in which there is a special funding situation.

COMMITTED FUND BALANCE - Amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

COMPENSATED ABSENCES - Absences, such as vacation, illness, and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe benefits, such as group insurance and long-term disability pay.

COMPONENT UNIT – Legally separate organization for which the elected officials of the primary government are financially accountable.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) - A CAFR is a financial report that encompasses all funds and component units of the government. It contains (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. It is the governmental unit's official annual report and it also contains introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

CONTINGENT LIABILITY - Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

CONTRIBUTIONS - Additions to a pension or OPEB plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension or OPEB plan or from recognition by the pension or OPEB plan of a receivable from one of these sources.

COST-OF-LIVING ADJUSTMENTS - Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (COST-SHARING PENSION PLAN) - A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

COVERED PAYROLL - Term used in connection with defined benefit pension and other postemployment benefit plans to describe all elements of annual compensation paid to active employees on which contributions to a plan are based.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS - Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

DEBT - An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

DEBT SERVICE FUND - A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEFERRED INFLOWS OF RESOURCES – An acquisition of net position that is applicable to a future reporting period.

DEFERRED OUTFLOWS OF RESOURCES – A consumption of net position that is applicable to a future reporting period.

DEFICIT - (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

DEFINED BENEFIT OPEB - OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums.

DEFINED BENEFIT OPEB PLAN – OPEB plans that are used to provide defined benefit OPEB.

DEFINED BENEFIT PENSION PLAN - Pension plans that are used to provide defined benefit pensions.

DEFINED BENEFIT PENSIONS - Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation.

DEPRECIATION - (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DISCOUNT RATE - A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

DUE FROM OTHER FUNDS - An asset account reflecting amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

DUE TO OTHER FUNDS - A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

ECONOMIC RESOURCES MEASUREMENT FOCUS - Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for governmentwide financial reporting. It is also used by business enterprises in the private sector.

EMPLOYER'S CONTRIBUTIONS - Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

ENCUMBRANCES - Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

ENTERPRISE FUND - Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

ENTRY AGE ACTUARIAL COST METHOD - A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost.* The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the *actuarial accrued liability.*

EXCHANGE-LIKE TRANSACTION - Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

EXPENDITURES - Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service, and capital outlays, and intergovernmental grants, entitlement, and shared revenues.

EXPENDITURE-DRIVEN GRANTS - Government-mandated or voluntary non-exchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

EXPENSES - Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

EXTERNAL AUDITORS - Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL - An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FIDUCIARY FUNDS - The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

FINANCIAL RESOURCES - Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables or investments). Financial resources may also include inventories and prepaids (because they obviate the need to expend current available resources).

FISCAL AGENT - A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FUND - A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

FUND BALANCE - The difference between fund assets and fund liabilities of governmental and similar trust funds.

FUND FINANCIAL STATEMENTS - Basic financial statements presented on the basis of funds. Term used in contrast with *governmentwide financial statements*.

FUND TYPE - Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

FUNDING POLICY - The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

GENERAL FUND - The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERAL REVENUES - All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g., property tax, sales tax, and transient occupancy tax). All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) - The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by Statement of Accounting Standards (SAS) No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.*

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) - An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local governments since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

GOVERNMENTAL ACCOUNTING - The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) - The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL ACTIVITIES - Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

GOVERNMENTAL FUNDS - Funds generally used to account for tax-supported activities. The five different types of governmental funds are as follows: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

GOVERNMENTWIDE FINANCIAL STATEMENTS - Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic governmentwide financial statements: the statement of net position and the statement of activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

HEALTHCARE COST TREND RATES - The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

IMPROVEMENT - An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

INACTIVE EMPLOYEES - Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.

INDIRECT EXPENSES - Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

INFRASTRUCTURE - Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

INTERFUND RECEIVABLE/PAYABLE - Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

INTERFUND TRANSFERS - Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

INTERMEDIARY - The trustee, fiscal agent, government, or any other legal or natural person that is holding and administering donated resources pursuant to a split-interest agreement. An intermediary is not required to be a third party.

INTERNAL SERVICE FUND - A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

INVESTMENTS WITH FISCAL AGENT - An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

IRREVOCABLE SPLIT-INTEREST AGREEMENT - A split-interest agreement in which the donor has not reserved, or conferred to another person, the right to terminate the agreement at will and have the assets returned to the donor or a third party.

JOINT VENTURE - A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

LAPSE - As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEAD INTEREST - A type of beneficial interest that confers the right to receive all or a portion of the benefits of resources during the term of a split-interest agreement.

LEGAL LEVEL OF BUDGETARY CONTROL - The level at which spending in excess of budgeted amounts would be a violation of law.

LEVEL PERCENTAGE OF PROJECTED PAYROLL AMORTIZATION METHOD - Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

LIABILITIES - Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

LIFE-CONTINGENT TERM - A term specifying that the termination of a split-interest agreement is contingent upon the occurrence of a specified event, commonly the death of either the donor or other lead interest beneficiary.

LOANS RECEIVABLE - An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

MAJOR FUND - A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

MEASUREMENT FOCUS - A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of governmentwide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MEASUREMENT PERIOD - The period between the prior and the current measurement dates.

MODIFIED ACCRUAL BASIS OF ACCOUNTING - The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN - A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.

NET INVESTMENT IN CAPITAL ASSETS - One of three components of net position that must be reported in both governmentwide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

NET OPEB LIABILITY - The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria of GASB Statement No. 75.

NET PENSION LIABILITY - The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.

NET POSITION – The residual of all other elements presented in a statement of financial position.

NONSPENDABLE FUND BALANCE - Amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

OPERATING TRANSFERS – All interfund transfers other than residual equity transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).

OTHER FINANCING SOURCES - An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

OTHER FINANCING USES - A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as postemployment healthcare benefits paid in the period after employment (if any), regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits or termination payments for sick leave.

OPEB PLANS - Arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due.

OVERLAPPING DEBT - The proportionate share that property within a government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

PAY-AS-YOU-GO - a method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

PAYROLL GROWTH RATE - an actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

PENSION BENEFITS - Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan.

PENSION PLANS - Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

PENSIONS - Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.

PERIOD-CERTAIN TERM - A term specifying that the termination of a split-interest agreement occurs after a specified period. (For example, a number of years.)

PLAN MEMBERS - Individuals that are covered under the terms of a pension or OPEB plan. Plan members generally include (a) employees in active service (active plan members) and (b) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).

POSTEMPLOYMENT – The period after employment.

POSTEMPLOYMENT BENEFIT CHANGES - Adjustments to the pension or OPEB of an inactive employee.

POSTEMPLOYMENT HEALTHCARE BENEFITS - Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.

PROJECTED BENEFIT PAYMENTS - All benefits estimated to be payable through the pension or OPEB plan to current active and inactive employees as a result of their past service and their expected future service.

PROGRAM REVENUES - Term used in connection with the governmentwide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROJECTED BENEFIT PAYMENTS - All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.

PROPRIETARY FUNDS - Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

REAL RATE OF RETURN - The rate of return on an investment after adjustment to eliminate inflation.

REBATEABLE ARBITRAGE - A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

REMAINDER INTEREST - A type of beneficial interest that confers the right to receive all or a portion of the resources remaining at the end of a split-interest agreement's term.

REPORTING ENTITY - The oversight unit and all of its component units, if any, that are combined in the CAFR/BFS.

REQUIRED SUPPLEMENTARY INFORMATION - Consists of statements, schedules, statistical data, or other information that according to the GASB is necessary to supplement, although not required to be a part of, the basic financial statements.

RESTRICTED ASSETS - Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED FUND BALANCE - Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET POSITION - A component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

REVENUE BONDS - Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

REVENUES – (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds and residual equity transfers. Also, general long-term debt proceeds and operating transfers in are classified as "other financing sources", rather than as revenues. (2) Increases in the net total assets of a proprietary fund type from other than expense refunds, capital contributions, and residual equity transfers. Also, operating transfers in are classified separately from revenues.

RISK MANAGEMENT - All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SELF-INSURANCE - A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

SERVICE COSTS - The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

SERVICE LIFE – The average remaining years of service of all members of the retirement plan (both current employees and retirees).

SINGLE AUDIT - An audit performed in accordance with *Title 2 U.S. Code of Federal Regulations.* The Single Audit allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

SPECIAL DISTRICT - An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, cemetery districts, transit authorities, port authorities, and electric power authorities.

SPECIAL REVENUE FUND - A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

SPLIT-INTEREST AGREEMENT - An agreement in which the donor enters into a trust or other legally enforceable agreement (with characteristics that are equivalent to a split-interest agreement) under which the donor transfers resources to an intermediary to administer for the benefit of at least two beneficiaries, one of which could be a government.

SUBSTANTIVE PLAN - Terms of an OPEB plan as understood by the employer(s) and plan members.

TAX ABATEMENT – A reduction of or exemption from taxes granted to encourage certain activities.

TAX AND REVENUE ANTICIPATION NOTES (TRAN) - Notes issued in anticipation of the collection of taxes and revenues, usually retirable only from tax collections, and frequently only from the proceeds of the tax and revenue levy whose collection they anticipate.

TERMINATION BENEFITS- Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.

TOTAL PENSION LIABILITY - The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service.

TRUST FUNDS - Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

UNASSIGNED FUND BALANCE – The residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

UNCONDITIONAL BENEFIT - A right belonging to the government that cannot be taken away without the government's consent, such as an unconditional beneficial interest.

UNEARNED REVENUES - Resource inflows that do not yet meet the criteria for revenue recognition. In governmental funds, earned amounts also are reported as unearned revenue until they are available to liquidate liabilities of the current period.

UNMODIFIED OPINION - An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESTRICTED NET POSITION - That portion of net position that is neither restricted nor invested in capital assets (net of related debt).

VARIANCE POWER - The unilateral power to redirect the benefit of the transferred resources to another beneficiary, overriding the donor's instructions. This transfer would occur without the approval of the donor, specified beneficiaries, or any other interested party.

KERN COUNTY WATER AGENCY
BAKERSFIELD, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

KERN COUNTY WATER AGENCY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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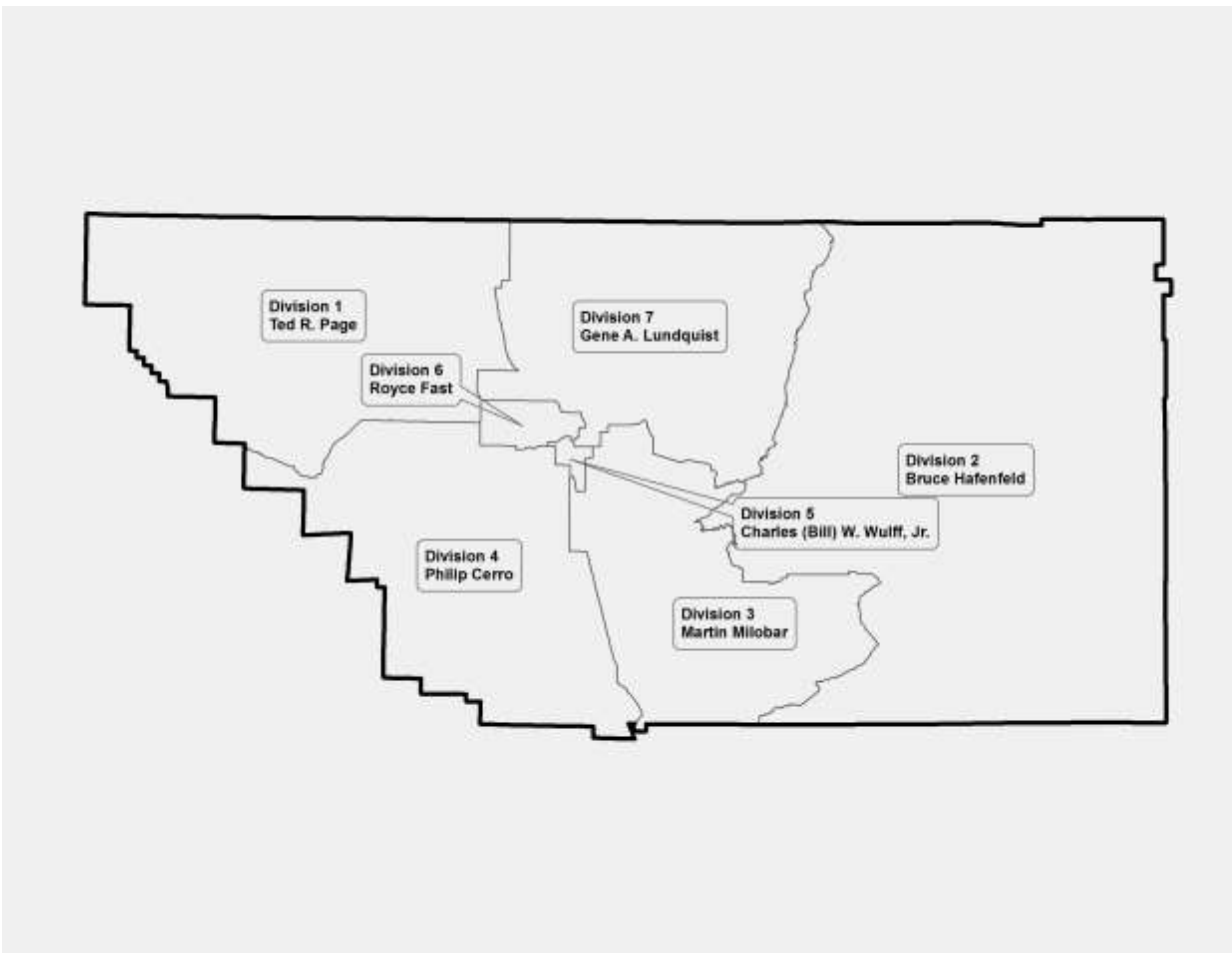
Board of Directors



KERN COUNTY WATER AGENCY

Elected Seven-Member Board

GENERAL COUNSEL
Amelia T. Minaberrigarai

GENERAL MANAGER
Vacant

Human Resources Manager
Christina M. Van Meter
Human Resources Analyst
Jessica L. Massey (III)

ASST. GENERAL MANAGER
Bay-Delta / Government Relations
Brent E. Walthall

ADMINISTRATIVE OPERATIONS

AO Manager
Nick L. Pavletich

Management Assistant
Vacant

Business Manager
Steven M. Ruettgers
IT/Network Services Coordinator
Christopher R. Bumatay
Admin. Services Coordinator
Audrey A. Garcia (II)
Support Pool Coordinator
Cecilia M. Seymour
Office Assistant
Richelle A. Reyes

Controller
Vacant
Accountant
Veronica Arreola (II)
Accounting Clerk
Elizabeth Perez (II)

ENGINEERING AND GROUNDWATER SERVICES

EGS Manager
Martin M. Varga

Management Assistant
Denise D. Kini (II)

Geologist
Michelle L. Anderson (III)
Water Resources Planner
Maegan A. Allen (III)

Engineer
Michael E. McGovern (III)
Matthew G. Garrison (III)
Scott T. Chambless (II)

Maintenance Supervisor
Martin K. Taylor
Electrical & Control Technician
Robert M. Dill (III)
Timothy M. Stone (III)
Asst. Maintenance Supervisor
Jason R. Lancaster
Journeyman Maint. Mechanic
James M. Fleming
Maintenance Mechanic
D.J. Billiard (II)
Miguel G. De La Torre (II)
Maintenance Worker
Tyler R. Swartz

IMPROVEMENT DISTRICT NO. 4

ID4 Manager
David R. Beard

Water Resources Planner
Donna E. Semar (III)

Superintendent
Vacant
Water Purification Plant Operator
John M. Annear (IV)
Brian R. Sarver (IV)
Gabriel A. Ornelas (III)
Brenner J. Corbett (III)
Aiden T. Kelly (II)
Vacant
Laboratory Supervisor
Paul A. Wagner
Laboratory Analyst
Laura D. Monahan (III)
Vacant

WATER RESOURCES

WR Manager
Holly L. Melton

Management Assistant
Stephanie N. Prince (II)

Water Resources Planner
Craig A. Wallace (IV)
Lauren A. Bauer (III)
Nicholas R. Gatti (III)
Trent E. Taylor (III)
Monica C. Tennant (I)

O&M Superintendent
Thane J. Campbell
Electrical & Control Foreman
Douglas A. Tisinger
Pump Maintenance Technician
Martin J. Ansolabehere (II)
Heavy Equipment Operator
Robert L. Carls
Systems/Heavy Equip. Operator
Victor M. Aguilar
Systems Operator
Kent G. Thompson (II)
Kenneth R. Schoenborn (II)
Steve W. Yoder (II)
William P. Barrett (II)
David S. Downs (II)

Filled Positions:	54
Vacant Positions:	5

7/1/19

FINANCIAL SECTION

DANIELLS PHILLIPS
VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kern County Water Agency
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of **Kern County Water Agency**, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise **Kern County Water Agency**'s basic financial statements as listed in the table of contents.

The summarized financial information for **Kern County Water Agency** as of and for the years ended June 30, 2017, 2016 and 2015 is presented for purposes of additional analysis. This information was derived from audit reports for those years, however it does not include all disclosures required for a presentation in accordance with accounting principles generally accepted in the United States of America for those years.

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

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

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

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Kern County Water Agency** as of June 30, 2019 and 2018, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the net OPEB liability and related ratios and schedule of OPEB contributions on pages 3-7 and 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise **Kern County Water Agency**'s basic financial statements. The schedules of functional expenses and combining financial statements, as listed in the table of contents as other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of functional expenses and combining financial statements, as listed in the table of contents as other supplementary information, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020 on our consideration of **Kern County Water Agency'**s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Kern County Water Agency**'s internal control over financial reporting and compliance.

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 21, 2020

KERN COUNTY WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Kern County Water Agency (Agency) for the fiscal year ended June 30, 2019. The purpose of the CAFR is to provide the Board of Directors, the Member Units and other interested parties with reliable financial information about the Agency. The Agency's Administrative Operations Department has prepared the CAFR in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Agency management. Staff believes the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of the operation of the Agency.

FINANCIAL HIGHLIGHTS

In the Fiscal Years ended June 30, 2019 and 2018, the Agency's total assets were $489.2 and $467.3 million, respectively. Current and Other Assets totaled $168.4 million at June 30, 2019 and $141.2 million at June 30, 2018. Current Liabilities totaled $67.3 and $58.6 million as of June 30, 2019 and 2018, respectively. Noncurrent liabilities equaled $157.3 and $168.4 million at June 30, 2019 and 2018, respectively.

Kern County Water Agency's Net Assets

(in millions)

	2019	2018
Current and Other Non Capital Assets	$ 168.4	$ 141.2
Capital Assets (Net of Depreciation)	320.8	326.1
Total Assets	489.2	467.3
Deferred Outflows of Resources	8.6	9.0
Total Assets and Deferred Outflows of Resources	$ 497.8	$ 476.3
Current Liabilities	$ 67.3	$ 58.6
Noncurrent Liabilities	157.3	168.4
Total Liabilities	224.6	227.0
Deferred Inflows of Resources	9.9	4.4
Total Liabilities and Deferred Inflows of Resources	234.5	231.4
Invested in Capital Assets, Net of Related Debt	198.0	195.1
Unrestricted	65.3	49.8
Total Net Position	263.3	244.9
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 497.8	$ 476.3

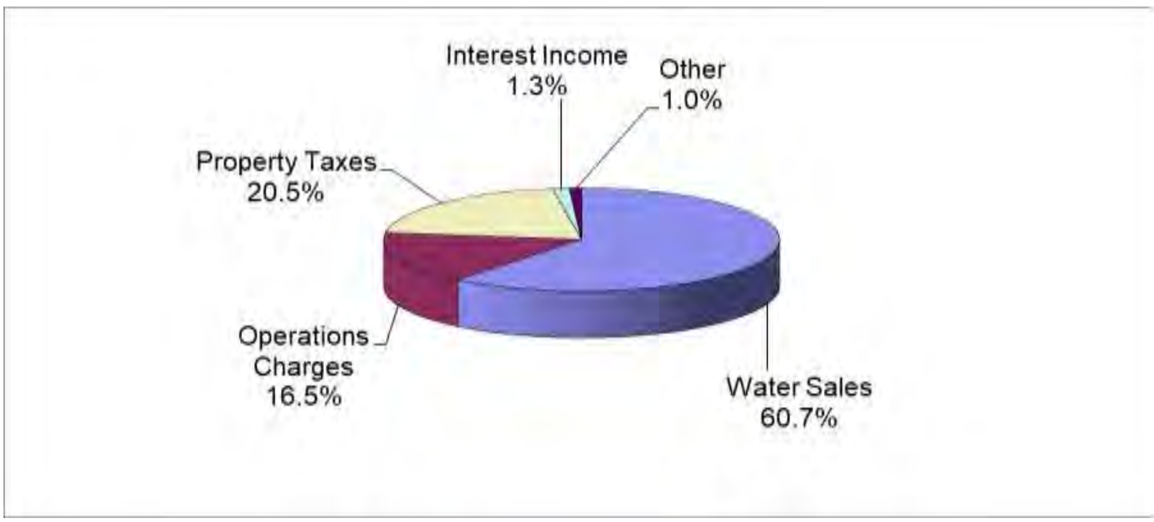
Total revenues as reported in the Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years ended June 30, 2019 and 2018, were $203.7 and $220.5 million which includes total operating revenues of $157.2 and $174.5 million and non-operating revenues of $46.5 and $46.0 million, respectively, which includes taxes and interest income.

Total operating and non-operating expenses for Fiscal Years ended June 30, 2019 and 2018 were $185.3 and $203.5 million, respectively (includes non-operating expenses, interest and other expenditures). Operating costs were $179.5 and $195.0 million including depreciation and amortization expenses of $8.9 and $8.5 million and non-operating expenses were $5.8 and $8.5 million, for the Fiscal Years ended June 30, 2019 and 2018, respectively.

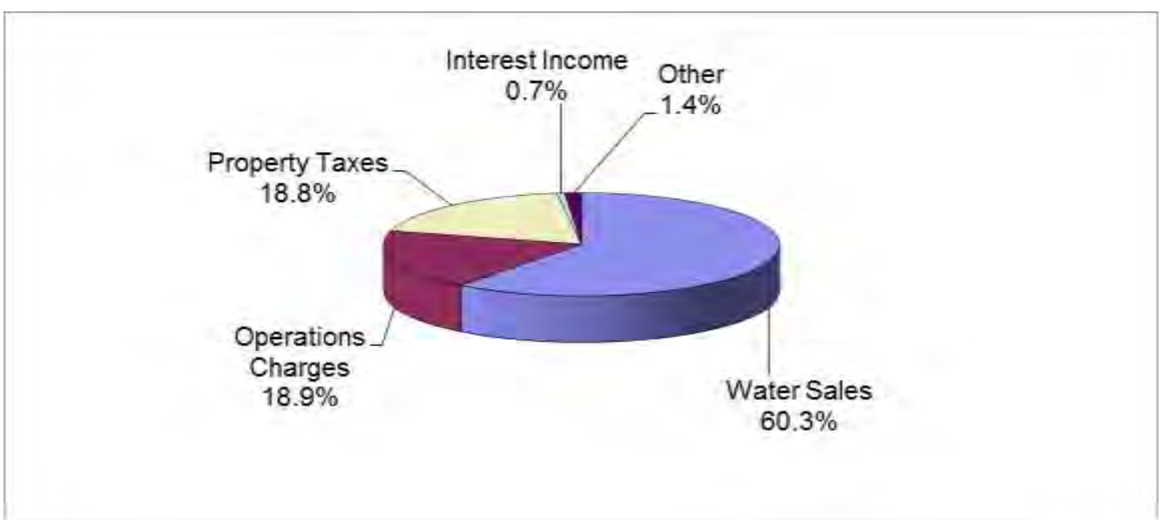
Kern County Water Agency's Increase in Net Assets
(in millions)

	2019	2018
Operating Revenues	$ 157.2	$ 174.5
Operating Expenses	179.5	195.0
Operating (Loss)	(22.3)	(20.5)
Non-operating Revenues	46.5	46.0
Non-operating Expenses	5.8	8.5
Net Non-operating Income	40.7	37.5
Change in Net Position	$ 18.4	$ 17.0

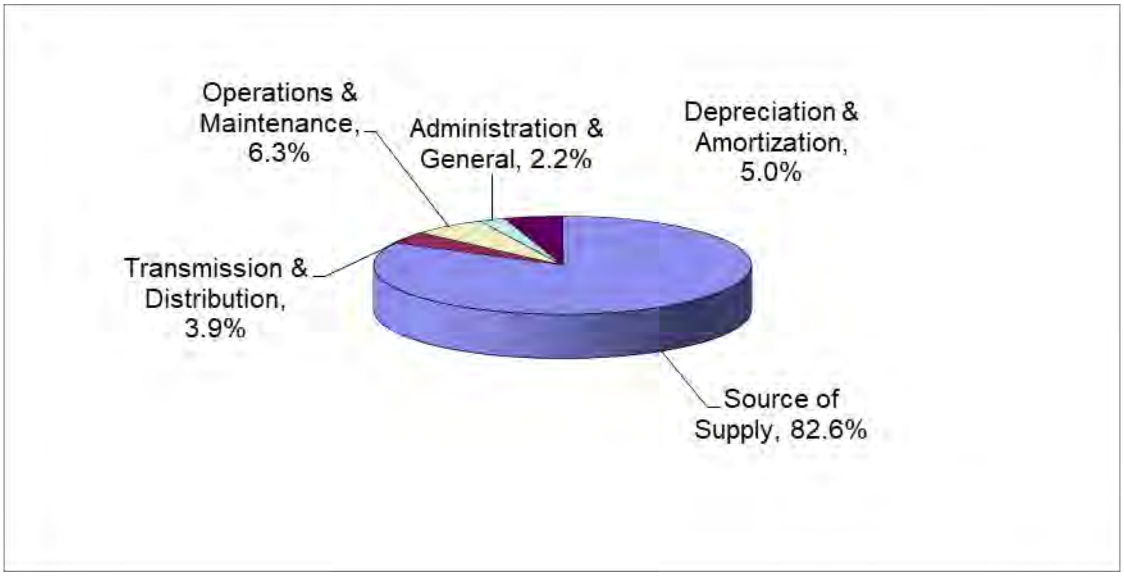
Sources of Revenue for Fiscal Year Ended June 30, 2019



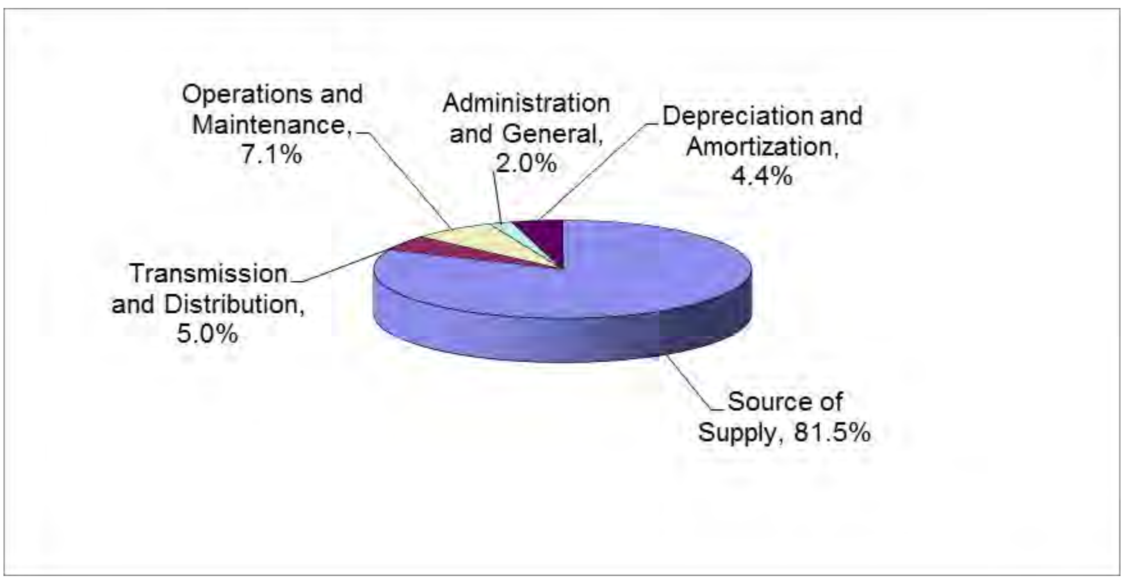
Sources of Revenue for Fiscal Year Ended June 30, 2018



Functional Expenses for Fiscal Year Ended June 30, 2019



Functional Expenses for Fiscal Year Ended June 30, 2018



CAPITAL ASSETS AND CAPITAL IMPROVEMENT PROGRAM

The Agency's Fiscal Year 2018-2019 capital assets were $426.1 million net of $105.3 million of accumulated depreciation for a net book value of $320.8 million. Included in the total reported on the Statement of Net Position is $3.7 million in construction in progress reflecting capital projects in various stages of completion.

The Agency's Fiscal Year 2017-2018 capital assets were $422.6 million net of $96.5 million of accumulated depreciation for a net book value of $326.1 million. Included in the total reported on the Statement of Net Position is $2.8 million in construction in progress reflecting capital projects in various stages of completion.

LONG-TERM DEBT

For the fiscal years ended June 30, 2019 and 2018, the Agency had approximately $122.8 and $127.7 million, respectively, in bonds, notes and certificates of participations outstanding, a decrease of $4.9 million from last year. More detailed information about the Agency's long-term debts is presented in Notes 5 and 6 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Agency relies on property taxes to cover administration costs in its General Fund. Budgeted property tax revenues for the General Fund are not expected to increase in Fiscal Year 2019-20. Fiscal Year 2019-20 budgeted expenditures in the General Fund are down $1.0 million from the prior year budget.

REPORTING ENTITY

The Agency is accounted for as an enterprise fund. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses, in which the purpose is to conserve and add to basic resources, while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continual basis and that are financed substantially by revenues derived from user charges. As an enterprise fund, the Agency uses the accrual basis of accounting; revenues are recognized when they become measurable and available, and expenditures are recognized as they are incurred.

The Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary operations, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

The Administrative Operations Department is responsible for providing financial services for the Agency, including: financial accounting and reporting; accounts payable; custody and investment of funds; borrowing of funds and protection of credit ratings in the investment market; long-range financial planning; billing and collection of water charges, taxes, and other revenues; and special financial analyses.

INTERNAL CONTROLS

Agency management is responsible for establishing and maintaining a system of internal controls designed to safeguard the Agency's assets from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing controls, management recognizes that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost vs. benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards the Agency's assets and provides reasonable assurance that accounting transactions are properly recorded.

BUDGETARY CONTROLS

The Agency is required to prepare an annual budget, which contains revenues and expenditures that range in nature from regular annual operations to one-time capital projects. The completion of some operations and one-time capital projects is contingent on the receipt of certain revenues. If certain revenues are not forthcoming during a particular fiscal year, the operation or capital project may not be completed in that fiscal year. Budgetary authority is required before funds may be expended during the next fiscal year. Some operations and projects included within the Agency's budget are contingent upon receiving funding from sources both outside the Agency and between Agency-operated funds.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board of Directors, the Agency's Member Units, taxpayers, creditors and investors with a general overview of the Kern County Water Agency's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Kern County Water Agency's Administrative Operations Department at 3200 Rio Mirada Drive, Bakersfield, California 93308.

ACKNOWLEDGEMENTS

Staff wishes to thank the Directors for their continued leadership in excellence in financial management.

BASIC FINANCIAL STATEMENTS

KERN COUNTY WATER AGENCY

STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and investments (Note 2)	**$ 151,105,290**	$ 123,177,186
Receivables:		
Accounts receivable	**3,158,366**	4,981,028
Taxes receivable	**267,500**	110,874
Interest receivable	**836,314**	512,738
Prepaid expenses	**560,674**	261,291
Inventories (Note 3)	**7,542,794**	7,310,209
Total current assets	**163,470,938**	136,353,326
Restricted Cash and Investments (Note 2)	**4,968,216**	4,928,934
Property and Equipment (Note 4)	**320,761,974**	326,080,889
Total assets	**489,201,128**	467,363,149
Deferred Outflows of Resources		
Related to pensions (Note 7)	**7,487,019**	7,941,871
Related to other postemployment benefits (OPEB) (Note 10)	**1,073,076**	1,044,880
Deferred bond refunding	**-**	-
Total assets and deferred outflows of resources	**$ 497,761,223**	$ 476,349,900
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Current portion of long-term debt (Notes 5 and 6)	**$ 5,062,560**	$ 4,866,157
Accounts payable	**12,633,648**	9,158,011
Accrued expenses	**10,336,483**	8,582,646
Deferred revenue	**39,291,672**	35,984,732
Total current liabilities	**67,324,363**	58,591,546
Noncurrent Liabilities		
Long-term debt (Notes 5 and 6)	**117,735,648**	122,798,150
Net pension liability (Notes 7 and 11)	**25,420,676**	24,828,434
OPEB liability (Notes 10 and 11)	**14,100,006**	20,808,452
Total noncurrent liabilities	**157,256,330**	168,435,036
Commitments and Contingencies (Note 8)		
Deferred Inflows of Resources		
Related to pensions (Note 7)	**2,201,688**	2,202,854
Related to OPEB (Note 10)	**7,681,499**	2,207,128
Total deferred inflows of resources	**9,883,187**	4,409,982
Net Position		
Net investment in capital assets	**197,963,766**	195,072,891
Unrestricted	**65,333,577**	49,840,445
Total net position	**263,297,343**	244,913,336
Total liabilities, deferred inflows of resources and net position	**$ 497,761,223**	$ 476,349,900

See Notes to the Basic Financial Statements.

Summarized Financial Information

2017	2016	2015
$ 121,054,431	$ 117,266,230	$ 110,065,111
5,828,534	10,965,797	5,535,997
247,363	230,401	158,097
322,016	194,578	120,967
720,998	225,620	155,504
6,463,738	6,230,682	6,471,328
134,637,080	135,113,308	122,507,004
4,914,468	4,903,010	5,048,868
326,319,314	326,261,774	332,090,067
465,870,862	466,278,092	459,645,939
7,603,042	6,047,562	4,400,332
-	-	-
2,529,284	5,564,425	-
$ 476,003,188	$ 477,890,079	$ 464,046,271
$ 4,850,022	$ 4,469,251	$ 3,996,407
11,576,940	8,988,482	8,399,464
12,386,703	9,727,808	11,424,641
43,988,513	37,689,912	39,715,496
72,802,178	60,875,453	63,536,008
127,664,243	132,514,264	129,068,461
23,954,836	22,263,402	19,135,552
16,640,488	15,514,658	14,151,750
168,259,567	170,292,324	162,355,763
1,716,942	1,091,553	2,259,134
-	-	-
1,716,942	1,091,553	2,259,134
190,461,358	185,934,568	195,681,508
42,763,143	59,696,181	40,213,858
233,224,501	245,630,749	235,895,366
$ 476,003,188	$ 477,890,079	$ 464,046,271

KERN COUNTY WATER AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Charges for untreated water	$ 112,998,972	$ 121,838,788
Charges for treated water	8,381,686	8,702,541
Ground water charges	2,291,152	2,324,845
Charges for operations and maintenance	15,311,093	16,175,348
Charges for power	6,718,688	8,340,065
Exchange and conveyance fees	1,473,796	1,457,976
Other user charges	569,919	273,417
Refunds and credits	7,639,170	9,041,896
Reimbursements	1,822,121	6,309,316
	157,206,597	174,464,192
Operating Expenses		
Source of supply	148,157,502	158,861,127
Transmission and distribution	7,057,149	9,826,693
Operations and maintenance	11,346,087	13,936,426
Administration and general	4,027,842	3,840,092
Depreciation	8,936,221	8,524,549
	179,524,801	194,988,887
Operating (loss)	(22,318,204)	(20,524,695)
Non-operating Revenues (Expenses)		
Property taxes:		
General purpose distribution	6,326,293	6,053,407
Voter approved	35,389,060	35,255,438
Cost sharing income	-	55,102
Interest income	2,740,922	1,654,233
County collection charges	(163,603)	(156,381)
Interest expense	(5,661,470)	(8,356,256)
Other	2,071,009	2,977,151
	40,702,211	37,482,694
Change in net position	18,384,007	16,957,999
Net position, beginning, as previously stated	244,913,336	233,224,501
Prior period adjustment (Note 11)	-	(5,269,164)
Net position, beginning, as restated	244,913,336	227,955,337
Net position, ending	$ 263,297,343	$ 244,913,336

See Notes to the Basic Financial Statements.

Summarized Financial Information

2017	2016	2015
$ 104,938,338	$ 111,515,169	$ 123,625,975
7,232,216	6,511,410	6,224,820
2,267,114	2,237,175	2,729,699
14,947,852	10,621,450	14,130,229
5,974,567	8,356,222	9,291,292
610,173	1,719,222	1,264,692
445,294	1,236,361	2,610,737
7,044,905	4,685,042	10,651,774
3,401,583	2,051,639	1,714,495
146,862,042	148,933,690	172,243,713
156,276,666	134,112,821	158,461,910
3,787,681	4,398,147	4,091,192
14,729,815	16,313,688	17,627,320
4,706,537	4,585,226	5,403,151
8,912,254	8,779,898	9,495,023
188,412,953	168,189,780	195,078,596
(41,550,911)	(19,256,090)	(22,834,883)
5,806,216	6,164,395	6,863,700
27,398,692	25,391,136	24,629,097
750	1,161,086	89,302
1,083,617	582,918	359,649
(128,276)	(154,226)	(144,958)
(9,232,544)	(5,652,368)	(7,080,023)
4,216,208	1,498,532	902,877
29,144,663	28,991,473	25,619,644
(12,406,248)	9,735,383	2,784,761
245,630,749	235,895,366	250,395,637
-	-	(17,285,032)
245,630,749	235,895,366	233,110,605
$ 233,224,501	$ 245,630,749	$ 235,895,366

KERN COUNTY WATER AGENCY

STATEMENTS OF CASH FLOWS (Page 1 of 2)
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Receipts from users	**$ 162,336,199**	$ 167,307,920
Source of supply purchases	**(148,435,042)**	(159,696,599)
Payments for administration services	**(4,427,112)**	(3,696,445)
Payments for suppliers for goods and services	**(13,245,263)**	(26,070,034)
Net cash provided by (used in) operating activities	**(3,771,218)**	(22,155,158)
Cash Flows From Noncapital Financing Activities		
Receipt of cost sharing income	**-**	55,102
(Increase) decrease in restricted cash and investments	**(39,282)**	(14,466)
Proceeds from property taxes	**41,558,727**	41,445,334
Other non-operating income	**1,935,315**	2,847,148
Net cash provided by noncapital financing activities	**43,454,760**	44,333,118
Cash Flows From Capital And Related Financing Activities		
Principal payments on long term-debt	**(4,866,099)**	(4,849,958)
Interest payments	**(5,689,379)**	(8,382,634)
Purchases of property and equipment	**(3,617,306)**	(8,286,124)
Proceeds from sale of property and equipment	**-**	-
Net cash (used in) capital and related financing activities	**(14,172,784)**	(21,518,716)
Cash Flows From Investing Activities		
Interest received -		
Net cash provided by investing activities	**2,417,346**	1,463,511
Net increase in cash and investments	**27,928,104**	2,122,755
Cash and investments		
Beginning	**123,177,186**	121,054,431
Ending	**$ 151,105,290**	$ 123,177,186

See Notes to the Basic Financial Statements.

Summarized Financial Information

2017	2016	2015
$ 158,297,906	$ 141,478,305	$ 192,746,586
(156,301,960)	(133,665,724)	(158,116,923)
(4,457,432)	(3,675,932)	(4,662,390)
(12,335,215)	(21,329,562)	(11,925,568)
(14,796,701)	(17,192,913)	18,041,705
750	1,161,086	89,302
(11,458)	145,858	(4,375,674)
33,187,946	31,483,227	31,581,220
4,152,941	1,515,697	807,098
37,330,179	34,305,868	28,101,946
(1,434,109)	(1,645,779)	(3,811,040)
(9,297,553)	(5,759,055)	(7,105,258)
(8,969,794)	(3,016,309)	(3,817,727)
-	-	546,695
(19,701,456)	(10,421,143)	(14,187,330)
956,179	509,307	301,424
3,788,201	7,201,119	32,257,745
117,266,230	110,065,111	77,807,366
$ 121,054,431	$ 117,266,230	$ 110,065,111

KERN COUNTY WATER AGENCY

STATEMENTS OF CASH FLOWS (Page 2 of 2)
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of operating (loss) to net cash provided by (used in) operating activities		
Operating (loss)	**$ (22,318,204)**	$ (20,524,695)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	**8,936,221**	8,524,549
Changes in:		
Deferred outflows of resources	**426,656**	1,819,806
Net pension liability	**592,242**	873,598
OPEB liability	**(6,708,446)**	(1,775,431)
Deferred inflows of resources	**5,473,205**	2,693,040
Changes in working capital components:		
(Increase) decrease in:		
Accounts receivable	**1,822,662**	847,506
Prepaid expenses	**(299,383)**	459,707
Inventories	**(232,585)**	(846,471)
Increase (decrease) in:		
Accounts payable	**3,475,637**	(2,418,929)
Accrued expenses	**1,753,837**	(3,804,057)
Deferred revenue	**3,306,940**	(8,003,781)
Net cash provided by (used in) operating activities	**$ (3,771,218)**	$ (22,155,158)

See Notes to the Basic Financial Statements.

Summarized Financial Information

2017	2016	2015
$ (41,550,911)	$ (19,256,090)	$ (22,834,883)
8,912,254	8,779,898	9,495,023
(1,555,479)	(1,647,229)	(2,012,806)
1,691,434	3,127,850	(537,006)
1,125,830	1,362,908	1,422,540
625,388	(1,167,581)	2,259,134
5,137,263	(5,429,800)	(749,019)
(495,378)	(70,116)	265,607
(233,056)	240,646	488,073
2,588,458	589,018	4,073,785
2,658,895	(1,696,833)	4,919,362
6,298,601	(2,025,584)	21,251,895
$ (14,796,701)	$ (17,192,913)	$ 18,041,705

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Agency

Kern County Water Agency (the Agency) was established July 6, 1961 under the provisions of the Kern County Water Agency Act. The Agency is a completely separate and autonomous body from the County of Kern, except for the fact that the County Board of Supervisors must approve the Agency's annual budget. The budget must be approved or disapproved as a total package. The County has no responsibility or authority to change line items within the budget or express authority for budget overages. Accounting policies of the Agency conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The Agency operates under a Board of Directors/Manager form of government and provides the following services as authorized by its charter: Acquiring water supplies for its Member Units, authorizing the acquisition of property and works to carry out the purpose of the Agency, authorizing the incurrence of indebtedness, providing for the issuance of bonds, providing for the levy and collection of taxes for the payment of such indebtedness, and providing for its organization, operation and management. The Agency's Directors are elected to four-year terms by the population of Kern County in its general election held in even numbered years.

A summary of the Agency's significant accounting policies follows:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates with respect to the Agency's financial statements include amounts receivable from the state of California with respect to various contracts, the net pension liability and the OPEB liability.

Reporting Entity

The criteria used in determining what accounting entities, agencies, commissions and authorities are part of the Agency's operations include how the budget is adopted, whether debt is secured by general obligation of the Agency, the Agency's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no other agencies, organizations or activities meeting any of the above criteria that are excluded from the Agency reporting entity.

Basis of Presentation

The Agency accounts for its operations as an enterprise fund, and the accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting in conformity with the Uniform System of Accounts for Special Districts as prescribed by the Controller of the State of California. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

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 Agency’s principal ongoing operations. The principal operating revenues of the Agency are charges for wholesale water sales to purveyors within the Agency. Operating expenses of the Agency include cost of sales, administrative expenses, depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a result of the implementation of GASB 68 for the year ended June 30, 2015 as explained in Note 7, beginning net position was restated as required, as explained in Note 11.

As a result of the implementation of GASB 75 for the year ended June 30, 2018 as explained in Note 10, beginning net position was restated as required, as explained in Note 11. As such the Agency has elected to present comparative financial statements, however, years prior to June 30, 2018 have not been restated as all information is not readily available to restate prior years.

Cash and Short-Term Investments

The Agency has adopted GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB No. 31, investments consisting of short-term cash equivalents, are reported at their fair value and all changes in fair value are reflected in income of the period in which they occur. In addition, all interest income generated from investment pools are allocated to all funds based on the cash balance within each fund. See Note 2 for further information on cash and short-term investments.

Restricted Cash

These assets consist of cash and investments restricted by various funds for specific purposes. See Note 2 for a detail listing of the restricted cash amounts.

Inventories

Inventories are stated at cost, not to exceed market value, using the first-in/first-out method. Banked water inventory is calculated using actual cost per acre-foot, not to exceed market value. Other inventory items held for consumption consist of the cost of chemicals on hand for water treatment.

Property and Equipment

Property and equipment is stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation with a capitalization policy of $2,500 or greater for items that are expected to be utilized by the Agency in excess of one year.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Structures and Improvements	15 to 40 years
Equipment	7 years
Wells	20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Deferred Revenue

Deferred revenue is primarily the result of advance billings during the last month of the fiscal year for water or services to be provided subsequent to year-end.

Long-term Obligations

Long-term debt is recognized as a liability when incurred. Bonds payable represent general obligations of Improvement District No. 4 (Urban Bakersfield). The Board of Directors of the Agency is obligated to levy ad valorem taxes for payment of bond principal and interest on all taxable property, exclusive of mineral rights, within the boundaries of Improvement District No. 4, subject to taxation by the Agency without limitation of rate or amount.

Although the bonds are general obligations, it is the intention of the Agency to pay the bond service from a combination of revenue sources, which include ad valorem taxes, water sales and a pump tax generated within Improvement District No. 4.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Year End Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Measurement Period	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

Net Position/Fund Equity

The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Net Investment In Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* - This category represents net position of the Agency not restricted for any project or other purpose.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation, sick and disability pay and are presented as a component of fringe benefits in the financial statements.

The Agency accrues a liability for compensated absences which meet the following criteria:

- The Agency's obligation relating to employees' rights to receive compensation for future absences is attributed to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, expenditures for vacation and vested sick leave benefits are recognized when earned and expensed as salaries in the year earned.

Property Taxes

The County of Kern bills and collects taxes on behalf of the Agency. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable to the County in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. Tax revenues are recognized by the Agency when they are both measurable and available.

Budgets and Budgetary Accounting

Annually, the Agency produces a budget for the forthcoming year which details ongoing and future Agency activities. The procedures established to develop a final budget are as follows:

By May's regular board meeting each year, the Business Manager prepares a preliminary budget based upon the Agency's goals and objectives for the coming fiscal year. The operating budget includes proposed expenditures and the means of financing them for the year, along with estimates for the current year and actual financial data for the two preceding years. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/cost center level.

The budget is then reviewed by the Agency's Board Administrative Committee before the May board meeting. A public hearing is opened at the May board meeting to receive public comments, in accordance with the requirements of Section 7.6 of the Agency Act. The public hearing is closed and the budget is adopted (with any changes) on or before the June board meeting.

Reclassifications

Certain items in the 2018 financial statements and the 2017, 2016 and 2015 summarized financial information have been reclassified to conform to the 2019 presentation, with no effect on change in net position.

Subsequent Events

The Agency has evaluated subsequent events through February 21, 2020, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

Authoritative Pronouncements Not Yet Adopted:

The following statements issued by the Governmental Accounting Standards Board (GASB) are effective for year ends after June 30, 2019 and management is evaluating the impact of the implementation of these statements on their financial statements.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Early application is encouraged.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019 and 2018 are classified in the accompanying financial statements as follows:

	2019	2018
Cash and investments:		
Cash in bank and on hand	$ 1,329,512	$ 5,214,428
Cash in Local Agency Investment Fund	62,451,385	35,036,798
Investments in County Treasury	87,324,393	82,925,960
	151,105,290	123,177,186
Restricted cash and investments:		
Cash with fiscal agent - notes payable	337,269	330,330
Cash with fiscal agent - 2008 bonds	235,316	214,274
Ag rate management trust	4,395,631	4,384,330
	4,968,216	4,928,934
Total cash and investments	$ 156,073,506	$ 128,106,120

Deposits are carried at cost plus accrued interest. The bank balances are protected by a combination of FDIC insurance and the bank's collateral pool, in accordance with the California Government Code.

For all cash on hand and on deposit at June 30, 2019 and 2018 amortized cost approximates fair market value.

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

The table below identifies the *investment types* that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or Agency's investment policy, where more restrictive) that address *interest rate risk, credit risk,* and *custodial or credit risk.*

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations: CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper: Non-pooled Funds	270 days or less	25% of the agency's money	Highest letter and number rating by an NRSRO
Commercial Paper: Pooled Funds	270 days or less	40% of the agency's money	Highest letter and number rating by an NRSRO
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-term Notes	5 years or less	30%	"A" rating category or its equivalent or better
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years or less	30%	"AA" rating category or its equivalent or better

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All Agency investments are considered short-term investments with maturities of 12 months or less.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will 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. The Agency is required to disclose the rating for all investments. Cash invested in the Local Agency Investment Fund (LAIF) and the Kern County Treasury are considered "exempt from disclosure" under GASB No. 40. The investments held in cash with fiscal agent are federal treasury obligations and rated AAA at June 30, 2019 and 2018.

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 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. The California Government Code and the Agency'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.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investments in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to be 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.

NOTE 3 – INVENTORIES

Inventories consist of the following at June 30, 2019 and 2018:

	2019	2018
Improvement District No. 4:		
Chemicals	$ 176,609	$ 110,585
Banked water	4,207,153	4,040,592
Total Improvement District No. 4	4,383,762	4,151,177
General Fund:		
Banked water	2,854,333	2,854,333
Lower Kern River:		
Banked water	304,699	304,699
Total Inventory	$ 7,542,794	$ 7,310,209

Changes in banked water inventory for Improvement District No. 4 were as follows:

	Acre-Feet	Valuation
Balance at June 30, 2017	240,629	$ 3,446,148
Additions	36,213	594,444
Balance at June 30, 2018	276,842	4,040,592
Additions	3,298	166,561
Balance at June 30, 2019	280,140	$ 4,207,153

Changes in banked water inventory for Ground Water Banking were as follows:

	Acre-Feet	Valuation
Balance at June 30, 2017	110,872	$ 2,863,859
Additions	58,472	295,173
Balance at June 30, 2018	169,344	3,159,032
Additions	-	-
Balance at June 30, 2019	169,344	$ 3,159,032

NOTE 4 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2019 and 2018 was as follows:

	Balance 7/1/2018	Additions	Deletions	Transfers	Balance 6/30/2019
Land	$ 15,825,736	$ -	$ -	$ -	$ 15,825,736
Water Rights	36,223,143	-	-	-	36,223,143
Construction in Progress	2,844,583	1,957,814	-	(1,133,085)	3,669,312
Subtotal	54,893,462	1,957,814	-	(1,133,085)	55,718,191
Structures & Improvements	334,698,640	38,203	-	776,629	335,513,472
Equipment	8,938,319	1,621,289	(110,591)	356,456	10,805,473
Wells	24,019,652	-	-	-	24,019,652
Subtotal	367,656,611	1,659,492	(110,591)	1,133,085	370,338,597
Accumulated depreciation:					
Structures & Improvements	84,076,995	7,541,959	-	-	91,618,954
Equipment	5,344,865	487,079	(110,591)	-	5,721,353
Wells	7,047,324	907,183	-	-	7,954,507
Subtotal	96,469,184	8,936,221	(110,591)	-	105,294,814
Net Depreciable Capital Assets	271,187,427	(7,276,729)	-	1,133,085	265,043,783
Total Capital Assets	$ 326,080,889	$ (5,318,915)	$ -	$ -	$ 320,761,974

	Balance 7/1/2017	Additions	Deletions	Transfers	Balance 6/30/2018
Land	$ 15,825,736	$ -	$ -	$ -	$ 15,825,736
Water Rights	36,223,143	-	-	-	36,223,143
Construction in Progress	7,932,043	6,126,038	-	(11,213,498)	2,844,583
Subtotal	59,980,922	6,126,038	-	(11,213,498)	54,893,462
Structures & Improvements	323,464,301	216,649	-	11,017,690	334,698,640
Equipment	7,147,938	1,594,573	-	195,808	8,938,319
Wells	23,670,788	348,864	-	-	24,019,652
Subtotal	354,283,027	2,160,086	-	11,213,498	367,656,611
Accumulated depreciation:					
Structures & Improvements	76,804,865	7,272,130	-	-	84,076,995
Equipment	5,063,071	281,794	-	-	5,344,865
Wells	6,076,699	970,625	-	-	7,047,324
Subtotal	87,944,635	8,524,549	-	-	96,469,184
Net Depreciable Capital Assets	266,338,392	(6,364,463)	-	11,213,498	271,187,427
Total Capital Assets	$ 326,319,314	$ (238,425)	$ -	$ -	$ 326,080,889

NOTE 5 - LONG-TERM DEBT

The following is a summary of the long-term debt activity for the years ended June 30, 2019 and 2018:

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019	Amount Due in One Year
Certificates of Participation:					
2008 Certificates of Participation	$ 30,720,000	$ -	$ 780,000	$ 29,940,000	$ 830,000
Water Revenue Refunding Bond:					
2016 Water Revenue Refunding Bond	86,525,000	-	3,265,000	83,260,000	3,400,000
Premium on Water Revenue Refunding Bond - 2016	7,638,260	-	385,120	7,253,140	385,122
	94,163,260	-	3,650,120	90,513,140	3,785,122
Notes Payable:					
California Dept. of Water Resources - Pioneer Project	927,645	-	300,964	626,681	309,119
California Dept. of Water Resources SRF-ID4 Operations	1,853,402	-	135,015	1,718,387	138,319
	2,781,047	-	435,979	2,345,068	447,438
	$ 127,664,307	$ -	$ 4,866,099	$ 122,798,208	$ 5,062,560

	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018	Amount Due in One Year
Certificates of Participation:					
2008 Certificates of Participation	$ 33,445,000	$ -	$ 2,725,000	$ 30,720,000	$ 780,000
Water Revenue Refunding Bond:					
2016 Water Revenue Refunding Bond	87,840,000	-	1,315,000	86,525,000	3,265,000
Premium on Water Revenue Refunding Bond - 2016	8,023,382	-	385,122	7,638,260	385,122
	95,863,382	-	1,700,122	94,163,260	3,650,122
Notes Payable:					
California Dept. of Water Resources - Pioneer Project	1,220,645	-	293,000	927,645	300,964
California Dept. of Water Resources SRF-ID4 Operations	1,985,238	-	131,836	1,853,402	135,071
	3,205,883	-	424,836	2,781,047	436,035
	$ 132,514,265	$ -	$ 4,849,958	$ 127,664,307	$ 4,866,157

Total interest expense incurred during the years ended June 30, 2019 and 2018 was $5,661,470 and $8,356,256, respectively.

NOTE 6 - CERTIFICATES OF PARTICIPATION, WATER REVENUE REFUNDING BOND, AND NOTES PAYABLE

In April 2006, the Agency issued $17,150,000 2006 A Water Revenue Certificates of Participation and $10,550,000 2006 B Water Revenue Certificates of Participation, to provide funding for the expansion of the Agency's Henry C. Garnett Water Purification Plant.

The 2006 A series certificates had an interest rate range of 4.00% to 4.60% and the 2006 B series certificates had an interest rate of 5.85%. Under the terms of the agreement, the Agency was responsible for interest payments on May 1 and November 1 of each year. The Agency was responsible for principal payments once per year.

In May 2008, the Agency issued $84,365,000 2008 A Water Revenue Certificates of Participation and $36,555,000 2008 B Water Revenue Certificates of Participation, to provide funding for the expansion of the Agency's Cross Valley Canal.

The 2008 A series certificates had an interest rate range of 3% to 5%. The 2008 B series certificates have an interest rate range of 4.838% to 6.649%. Under the terms of the agreement, the Agency is responsible for interest payments on May 1 and November 1 of each year. The Agency is responsible for principal payments once per year.

The annual principal and interest requirements for retirement of the 2008 certificates of participation are as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2008 B Series:			
2020	$ 1,990,711	$ 830,000	$ 2,820,711
2021	1,935,524	885,000	2,820,524
2022	1,876,680	945,000	2,821,680
2023	1,813,847	1,010,000	2,823,847
2024	1,746,692	1,075,000	2,821,692
2025-2029	7,562,240	6,540,000	14,102,240
2030-2034	5,078,839	9,025,000	14,103,839
2035-2038	1,652,277	9,630,000	11,282,277
Total 2008 COP's	$ 23,656,810	$ 29,940,000	$ 53,596,810

On May 1, 2016 the Agency issued $88,107,958 in 2016 A Water Revenue Refunding Bonds and $9,361,800 in 2016 B Water Revenue Refunding Bonds, for a total of $97,469,758. The interest rates range from 3.00% to 5.00% and 1.45% to 4.276% on the A and B COP Bonds, respectively. The 2016 Water Revenue Refunding Bonds were issued to advance refund $12,325,000 of outstanding 2006 Series A COPs with interest rates ranging from 4.00% to 4.60%, $9,015,000 of outstanding 2006 Series B COPs with an interest rate of 5.85%, and $67,700,000 of outstanding 2008 Series A COPs with interest rates ranging from 3.00% to 5.00%. As a result of the refunding, the All-In True Interest Cost decreased from approximately 5.02% to 3.16%. The net proceeds of $88,900,000 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 A and B COP's, as well as the remaining portion of the 2008 Series A COPs. As a result, the 2006 A and B COP's and all but $3,905,000 of the 2008 Series A COPs are considered to be defeased, and the liabilities for those bonds have been removed from the statement of net position.

The deferred refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,564,425. This difference, reported in the financial statements as deferred outflows of resources, has been charged to operations through the year 2018 using the effective-interest rate method. The Agency completed the deferred refunding to reduce its total debt service payments over the next 21 years by $12,033,966 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $4,439,532. Under the terms of the agreement, the Agency is responsible for interest payments on May 1 and November 1 of each year. The Agency is responsible for principal payments once per year. The annual principal and interest requirements for retirement of the 2016 Water Revenue Refunding Bonds are as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2016 A Series:			
2020	$ 3,122,975	$ 3,035,000	$ 6,157,975
2021	3,001,575	3,155,000	6,156,575
2022	2,843,825	2,810,000	5,653,825
2023	2,703,325	2,955,000	5,658,325
2024	2,555,575	3,110,000	5,665,575
2025-2029	10,287,125	18,015,000	28,302,125
2030-2034	5,862,425	22,435,000	28,297,425
2035-2038	1,822,225	19,445,000	21,267,225
	32,199,050	74,960,000	107,159,050
2016 B Series:			
2020	320,649	365,000	685,649
2021	312,144	375,000	687,144
2022	302,394	385,000	687,394
2023	291,499	395,000	686,499
2024	279,333	405,000	684,333
2025-2029	1,166,328	2,275,000	3,441,328
2030-2034	646,530	2,810,000	3,456,530
2035-2036	83,382	1,290,000	1,373,382
	3,402,259	8,300,000	11,702,259
Total 2016 Water Revenue Refunding Bonds	$ 35,601,309	$ 83,260,000	$ 118,861,309

California Department of Water Resources - Pioneer Project

On November 18, 1999, the Agency entered into a contract with the California DWR to borrow up to $5 million under the Department's Prop 204 groundwater recharge construction loan program. The loan proceeds were used to construct new groundwater recovery wells and rehabilitate existing wells all located on the Agency's Pioneer property. The loan has an interest rate of 2.7% and is payable in semi-annual installments over a period of 20 years from the Pioneer Project budget. As of June 30, 2019 and 2018, the Agency had borrowings against the loan totaling $626,681 and $927,645, respectively. The Agency is responsible for interest and principal payments on April 1 and October 1 of each year. According to the contract, the payments remaining at June 30, 2019 are due as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2020	$ 14,880	$ 309,119	$ 323,999
2021	6,436	317,562	323,998
Total	$ 21,316	$ 626,681	$ 647,997

California Department of Water Resources SRF Loan – ID4 Operations

During fiscal year 2008, the Agency entered into a contract with the California DWR to borrow up to $2,825,780 under the Department's Safe Drinking Water State Revolving Fund loan program. The loan proceeds were used to construct infrastructure to enable the Agency to continue to meet safe drinking water standards of the State of California. The loan has an interest rate of 2.39% and is payable in semi-annual installments over a period of 20 years beginning six months from completion of the project, which occurred in December 2009. Interest payments began January 1, 2009. As of June 30, 2019 and 2018, the Agency had borrowings against the loan totaling $1,718,387 and $1,853,402, respectively. The Agency is responsible for interest and principal payments on April 1 and October 1 of each year. According to the contract, the payments remaining at June 30, 2019 are due as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2020	$ 40,245	$ 138,319	$ 178,564
2021	36,919	141,644	178,563
2022	33,514	145,050	178,564
2023	30,026	148,537	178,563
2024	26,455	152,109	178,564
2025-2029	75,629	817,191	892,820
2030	3,151	175,537	178,688
Total	$ 245,939	$ 1,718,387	$ 1,964,326

NOTE 7 - RETIREMENT PLAN

Kern County Employees Retirement Plan

General Information about the Pension Plan

Plan Description: The Agency contributes to the Kern County Employees' Retirement Association (KCERA), a cost-sharing multiple-employer defined benefit pension plan which covers all permanent employees of the Agency. KCERA was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. State statutes assign the authority to establish and amend benefit provisions to the Kern County Board of Supervisors. KCERA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to KCERA, 11125 River Run Boulevard, Bakersfield, CA 93311 or by calling (661) 381-7700.

Benefits provided: KCERA provides service retirement, disability, death, survivor and supplemental benefits to eligible employees. All regular full-time employees of the Agency who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire. General members (excluding Tier III) are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire once they have attained the age of 70 regardless of service or at age 52 and have acquired 5 or more years of retirement service credit. The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier. A member with five years of service, regardless of age, who becomes permanently incapacitated from the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated from the performance of duty as a result of an injury or disease arising out of and in the course of employment is eligible for a service-connected disability, regardless of service length or age. An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions, plus interest, and one month's salary for each full year of service, up to a maximum of six months of salary. If a member dies after retirement, a death benefit of $5,000 is payable to the designated beneficiary(ies) or the estate. KCERA provides an annual cost-of-living benefit to all retirees. The annual cost-of-living adjustment is capped at 2.5%, depending on the rate of inflation.

The KCERA plan provisions and benefits in effect at June 30, 2019 and 2018 are summarized as follows:

		2019	2018
Hire date	Prior to January 1, 2013	On or after January 1, 2013	
Benefit formula (Tier I)	3% @ 60	3% @ 60	3% @ 60
Benefit formula (Tier II)	1.62% @ 65	1.62% @ 65	1.62% @ 65
Benefit vesting schedule	5-10 years of service	5-10 years of service	5-10 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-52	50-52	50-52
Monthly benefits, as a % of eligible compensation	1.62% to 3%	1.62% to 3%	1.62% to 3%
Retirement employee contribution rates	4.25% to 17.50%	4.45% to 18.48%	4.45% to 18.48%
Required employer contribution rates	30.68% to 57.89%	28.72% to 63.48%	27.33% to 62.97%

Contributions: The Agency contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from KCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2018 for 2017-2018 (based on the June 30, 2016 valuation) was 44.78% of compensation. The average employer contribution rate as of June 30, 2017 for 2016-2017 (based on the June 30, 2015 valuation) was 45.11% of compensation.

Members are required to make contributions to KCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2018 for 2017-2018 (based on the June 30, 2016 valuation) was 6.22% of compensation. The average member contribution rate as of June 30, 2017 for 2016-2017 (based on the June 30, 2015 valuation) was 6.01% of compensation.

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

	2019	2018
Contributions - employer	$ 3,196,318	$ 2,846,661
Contributions - employee (paid by employer)	$ 231,540	$ 221,415

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

As of June 30, 2019 and 2018, the Agency reported net pension liability for its proportionate shares of the net pension liability of $25,420,676 and $24,828,434, respectively.

The Agency's net pension liability as of June 30, 2019 is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial evaluation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2018 was as follows:

Proportion - June 30, 2017	1.050%
Proportion - June 30, 2018	1.091%
Change - Increase	0.041%

The Agency's net pension liability as of June 30, 2018 is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial evaluation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability as of June 30, 2016 and June 30, 2017 was as follows:

Proportion - June 30, 2016	0.992%
Proportion - June 30, 2017	1.050%
Change - Decrease	0.058%

For the years ended June 30, 2019 and 2018, the Agency recognized pension expense of $4,242,245 and $3,867,342, respectively. At June 30, 2019 and 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 3,196,318	$ -	$ 2,846,661	$ -
Changes in assumptions	1,417,293	46,170	2,176,859	68,154
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	2,053,784	-	2,125,250	-
Net differences between projected and actual earnings on plan investments	819,624	2,155,518	793,101	2,134,700
Total	$ 7,487,019	$ 2,201,688	$ 7,941,871	$ 2,202,854

$3,196,318 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2020	$ 1,297,941
2021	590,363
2022	113,331
2023	87,555
2024	(177)
	$ 2,089,013

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

	2019	2018
Valuation date	June 30, 2017	June 30, 2016
Measurement date	June 30, 2018	June 30, 2017
Actuarial cost method	Entry-Age actuarial cost method	
Actuarial assumptions:		
Discount rate	7.25%	7.25%
Inflation	3.00%	3.00%
Projected salary increase	General: 4.00% - 9.00% (a)	General: 4.00% - 9.00% (a)
Investment rate of return	7.25% (b)	7.25% (b)
Mortality	(c)	(c)

(a) Varies by service, including inflation
(b) Net of pension plan investment expense, including inflation
(c) Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward one year for males and set forward two years for females, projected to 2034 with the two-dimensional MP-2016 projection scale, weighted 30% male and 70% female.

Discount Rate: The discount rate used to measure the total pension liability was 7.25% as of June 30, 2018. The projection of cash flows used to determine the discount rates assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Cap U.S. Equity	15%	5.61%
Small Cap U.S. Equity	4%	6.37%
Global Equity	6%	6.50%
Developed International Equity	8%	6.96%
Emerging Markets Equity	4%	9.28%
U.S. Core Fixed Income	19%	1.06%
High Yield/Specialty	6%	3.65%
Emerging Market Debt	4%	3.85%
Core Real Estate	5%	4.37%
Value Added Real Estate	5%	6.00%
Commodities	4%	3.76%
Hedge Funds	10%	4.70%
Private Equity	5%	8.70%
Private Credit	5%	5.10%
Total	100%	

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

The following represents the Agency's proportionate share of the net pension liability, calculated using the discount rate, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2019	2018
1% Decrease	6.25%	6.25%
Net Pension Liability	$ 34,887,756	$ 33,757,685
Current Discount Rate	7.25%	7.25%
Net Pension Liability	$ 25,420,676	$ 24,828,434
1% Increase	8.25%	8.25%
Net Pension Liability	$ 17,641,769	$ 17,497,668

Pension Plan Fiduciary Net Position: Detailed information about KCERA's fiduciary net position is available in the separately issued KCERA financial report.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating Lease

The Agency leases office space under a non-cancelable operating lease that expires in April 2022. Rent expense for the years ended June 30, 2019 and 2018 was $55,276 and $52,309, respectively.

At June 30, 2019 total annual rental commitments are as follows:

Year ending June 30,		
2020	$	56,769
2021		58,472
2022		49,939
	$	165,180

Litigation

The Agency is involved in various litigation and subject to claims in the normal course of business. While it is not feasible to determine the outcome of any of these uncertainties, it is the opinion of management that their outcomes will not have a material adverse effect on the financial position, results of operations, or cash flows of the Agency.

In addition, the County of Kern is involved in litigation regarding protested tax assessments. The contested assessments at June 30, 2019 and 2018 totaled approximately $2,218,600 and $2,810,000, respectively. In the opinion of legal counsel for the County of Kern, a large majority of the appeals will be withdrawn by the applicant or settled by a stipulation of value, and the County Tax Assessor will prevail in the majority of appeals. Accordingly, liabilities have not been recorded for these amounts.

Construction Commitments

The Agency has entered into several construction contracts for its facilities. At June 30, 2019 the total outstanding commitments were $25,636.

NOTE 9 - JOINT VENTURES

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) whose members have pooled funds to be self-insured for Liability and Property Insurance. The JPIA was created on July 5, 1979, and has continued without interruption since that time. The Agency has an auto and general liability self-insured retention level of $25,000.

The relationship between the Agency and the JPIA is such that the JPIA is not a component unit of the Agency for financial reporting purposes.

Condensed financial information for JPIA for the years ended September 30, 2018 and 2017 (the most recent data available) is as follows:

	2018	2017
Total Assets	$ 188,344,217	$ 199,365,344
Deferred Outflows of Resources	1,098,315	1,404,974
Total Liabilities	(100,820,701)	(123,871,469)
Deferred Inflows of Resources	(2,156,227)	(1,576,175)
Net Position	$ 86,465,604	$ 75,322,674
Total Revenues	$ 176,339,229	$ 170,789,587
Total Expenses	165,196,299	164,170,540
Net Increase in Net Position	$ 11,142,930	$ 6,619,047

The JPIA had no outstanding debt at September 30, 2018 or 2017. The Agency's share of year-end assets, liabilities and fund equity has not been computed.

The Agency is a participant in the Kern Water Bank Authority (KWBA) which was established in 1995 after the Kern Water Bank was transferred from the California Department of Water Resources to local ownership. The Agency’s percentage of ownership in the KWBA is 9.62% within Improvement District No. 4.

The relationship between the Agency and KWBA is such that the KWBA is not a component unit of the Agency for financial reporting purposes.

Condensed financial information for KWBA for the years ended December 31, 2018 and 2017 (the most recent data available) is as follows:

	2018	2017
Total Assets and Deferred Outflows of Resources	$ 73,310,306	$ 76,474,621
Total Liabilities	16,772,734	20,391,743
Total Net Position	$ 56,537,572	$ 56,082,878
Total Revenues	$ 8,273,155	$ 14,650,521
Total Expenses	7,818,461	7,502,222
Increase in Net Position	$ 454,694	$ 7,148,299

The KWBA had an outstanding loan in the amount of $11,878,434 and $13,248,419 at December 31, 2018 and 2017, respectively. The Agency’s share of year-end assets, liabilities and retained earnings has not been computed.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description: The Kern County Water Agency Post-Employment Benefits Plan (the Plan) is a single-employer, defined benefit healthcare plan administered by Kern County Water Agency. The Plan provides medical insurance benefits to eligible employees and their spouses. Agency employees who retire directly from the Kern County Employees’ Retirement Association (KCERA) are eligible for retiree health benefits if they satisfy the retirement eligibility rules of KCERA and meet the “Rule of 70” (age plus years of continuous agency service is greater than or equal to 70), for employees hired prior to January 1, 2018, or “Rule of 80” (age plus years of continuous agency service is greater than or equal to 80) for employees hired on or after that date. The Agency contributes a portion of the retiree and spouse health premiums for eligible Agency retirees, their dependent spouses, and any surviving spouses of retirees who remain covered under the

Agency's health plan. Effective January 1, 2014, the Agency's contribution to each medical plan is equivalent to the previous year's contribution plus 75 percent of any increase or decrease to that medical plan's premium for the subsequent year. The employee/retiree contribution to each medical plan is equivalent to the previous year's contribution plus 25 percent of any increase or decrease to that medical plan's premium for the subsequent year. However, calculated employee/retiree contributions for each medical plan shall not be less than zero and may result in a further adjustment to the Agency's contribution. The Agency's Board of Directors has the authority to establish and amend benefit provisions.

The Agency invests its assets in the California Employers' Retiree Benefit Trust Fund (CERBT) to fund its OPEB liabilities.

Employees Covered: As of the June 30, 2017 and 2016 actuarial valuations, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	60
Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to, but not yet receiving benefits	-
	108

Contributions: The Plan and its contribution requirements are established by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the Agency's cash contributions were $573,076 in annual pay-as-you-go costs, increased by $160,209 to reflect the estimated implicit rate subsidy. Additionally, the Agency made a deposit of $500,000 into the OPEB Trust subsequent to the measurement date of June 30, 2018. The sum of the contributions resulted in total payments of $1,233,285. For the fiscal year ended June 30, 2018, the Agency's cash contributions were $521,160 in annual pay-as-you-go costs, increased by $153,071 to reflect the estimated implicit rate subsidy. Additionally, the Agency established an OPEB Trust subsequent to the measurement date of June 30, 2017, and made an initial deposit of $500,000 into the trust. The sum of the contributions resulted in total payments of $1,174,231.

Net OPEB Liability: The Agency's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	6.75%
Mortality Rate	(a)
Pre-Retirement Turnover	(b)
Healthcare Trend Rate	(c)

The Agency's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	3.58%
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	3.58%
Mortality Rate	(a)
Pre-Retirement Turnover	(b)
Healthcare Trend Rate	(c)

(a) RP-2014 Headcount-Weighted Healthy Annuitant, set forward one year for males and set forward two years for females, projected generationally with 2D mortality improvement scale MP-2016

(b) Tier I employees - 3% @ 60 and Tier II employees - 1.62% @ 65; based on the retirement eligibility rules of KCERA and meet the KCERA "Rule of 70"

(c) Health costs and premiums are based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trends

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Cap U.S. Equity	15%	5.61%
Small Cap U.S. Equity	4%	6.37%
Global Equity	6%	6.50%
Developed International Equity	8%	6.96%
Emerging Markets Equity	4%	9.28%
U.S. Core Fixed Income	19%	1.06%
High Yield/Specialty	6%	3.65%
Emerging Market Debt	4%	3.85%
Core Real Estate	5%	4.37%
Value Added Real Estate	5%	6.00%
Commodities	4%	3.76%
Hedge Funds	10%	4.70%
Private Equity	5%	8.70%
Private Credit	5%	5.10%
Total	100%	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability: The changes to the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability/Asset (c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date June 30, 2016)	$ 22,583,881	$ -	$ 22,583,881
Changes recognized for the measurement period:			
Service cost	855,420	-	855,420
Interest cost	658,480	-	658,480
Changes of benefit terms	-	-	-
Differences between actual and expected experience with regard to economic or demographic factors	-	-	-
Changes of assumptions	(2,615,098)	-	(2,615,098)
(Benefit payments)	(674,231)	(674,231)	-
Contributions from employer	-	674,231	(674,231)
Net investment income	-	-	-
Administrative expense	-	-	-
Other changes	-	-	-
Net increase within fiscal 2017/18	(1,775,429)	-	(1,775,429)
Balance at June 30, 2018 (Valuation Date June 30, 2017)	20,808,452	-	20,808,452
Changes recognized for the measurement period:			
Service cost	716,200	-	716,200
Interest cost	758,212	-	758,212
Changes of benefit terms	-	-	-
Differences between actual and expected experience with regard to economic or demographic factors	-	-	-
Changes of assumptions	(6,965,966)	-	(6,965,966)
(Benefit payments)	(697,205)	(697,205)	-
Contributions from employer	-	1,197,205	(1,197,205)
Net investment income	-	19,875	(19,875)
Administrative expense	-	(188)	188
Other changes	-	-	-
Net increase within fiscal 2018/19	(6,188,759)	519,687	(6,708,446)
Balance at June 30, 2019 (Measurement Date June 30, 2018)	$ 14,619,693	$ 519,687	$ 14,100,006

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Agency if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018 and 2017:

	2019	2018
1% Decrease	5.75%	5.75%
Net OPEB Liability	$ 15,264,611	$ 24,515,279
Current Discount Rate	6.75%	6.75%
Net OPEB Liability	$ 14,100,006	$ 20,808,452
1% Increase	7.25%	7.25%
Net OPEB Liability	$ 11,836,701	$ 17,885,285

Sensitivity to the Net OPEB Liability to Changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018 and 2017:

	2019	2018
1% Decrease (various rates grading to:)	3.50%	3.50%
Net OPEB Liability	$ 11,728,985	$ 17,811,000
Current Discount Rate (various rates grading to:)	4.50%	4.50%
Net OPEB Liability	$ 14,100,006	$ 20,808,452
1% Increase (various rates grading to:)	5.50%	5.50%
Net OPEB Liability	$ 15,451,180	$ 24,735,922

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB. For the fiscal year ended June 30, 2019 and 2018, the Agency recognized OPEB expense of $(1,262,270) and $1,044,880, respectively. At June 30, 2019 and 2018, the Agency reported deferred outflows of resources and deferred inflow of resources related to the OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 1,073,076		$ 1,044,880	$ -
Changes of assumption	-	7,678,389	-	2,207,128
Net difference between projected and actual earnings	-	3,110	-	-
	$ 1,073,076	$ 7,681,499	$ 1,044,880	$ 2,207,128

The $1,073,076 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year ended June 30,	
2020	$ 1,495,483
2021	1,495,483
2022	1,495,483
2023	1,495,483
2024	1,254,003
Later years	445,564
	$ 7,681,499

NOTE 11 – PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB 68 for the year ended June 30, 2015, a restatement to beginning net position for that year was required. Net pension liability recognized for the Agency's proportionate share of KCERA Defined Benefit Plan resulted in a decrease to beginning net position of $17,285,032.

As a result of the implementation of GASB 75 for the year ended June 30, 2018, a restatement to beginning net position for that year was required. Net OPEB liability recognized for the Agency's Post-Employment Benefits Plan resulted in a decrease to beginning net position of $5,269,164.

REQUIRED SUPPLEMENTARY INFORMATION

KERN COUNTY WATER AGENCY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of June 30, 2019

Last 10 Years*

	2019	2018	2017	2016	2015
Proportion of the net pension liability	1.091%	1.050%	0.992%	1.011%	0.925%
Proportionate share of the net pension liability	$ 25,420,676	$ 24,828,434	$ 23,954,836	$ 22,263,402	$ 19,135,553
Covered - employee payroll	$ 6,670,825	$ 6,215,199	$ 6,342,198	$ 6,490,763	$ 6,138,341
Proportionate share of the net pension liability as a percentage of covered-employee payroll	381.07%	399.48%	377.71%	343.00%	311.74%
Plan's fiduciary net position	$ 4,198,862,285	$ 3,962,895,176	$ 3,571,587,594	$ 3,625,093,183	$ 3,576,111,526
Plan fiduciary net position as a percentage of the total pension liability	59.22%	57.91%	59.67%	62.20%	63.35%

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

KERN COUNTY WATER AGENCY

SCHEDULE OF PENSION CONTRIBUTIONS
As of June 30, 2019

Last 10 Years*

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 2,805,082	$ 2,550,718	$ 2,551,466	$ 2,630,706	$ 2,533,907
Contributions in relation to the actuarially determined contributions	3,196,318	2,846,661	2,694,136	2,716,443	2,602,731
Contribution deficiency (excess)	$ 391,236	$ 295,943	$ 142,670	$ 85,737	$ 68,824
Covered-employee payroll	$ 6,670,825	$ 6,215,199	$ 6,342,198	$ 6,490,763	$ 6,138,341
Contributions as a percentage of determine covered-employee payroll	42.05%	41.04%	40.23%	40.53%	41.28%
Notes to Schedule					
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013

Methods and assumptions used to determine contribution rates:

	2019	2018	2017	2016	2015
Actuarial cost method	Entry Age Actuarial Cost Method				
Amortization method	Level percent of payroll for total unfunded liability				
Remaining amortization period	17.5 years	18.5 years	19.5 years	20.5 years	21.5 years
Asset valuation method	Market value of assets (MVA) less unrecognized returns in each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized semi-annually over a five-year period. The Actuarial Value of Assets (AVA) cannot be less than 50% of MVA, nor greater than 150% of MVA. The AVA is reduced by the value of the non-valuation reserves.				
Inflation	3.00%	3.00%	3.25%	3.25%	3.25%
Salary increases	4.00% to 9.00%	4.00% to 9.00%	4.25% to 9.25%	4.25% to 9.25%	4.25% to 9.25%
Investment rate of return	7.25% (a)	7.25% (a)	7.50% (a)	7.50% (a)	7.50% (a)
Retirement age	70, or 50 with 10 years of credited service				
Mortality	(b)	(b)	(c)	(c)	(c)

(a) Net of pension plan investment expenses, including inflation
(b) Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward one year for males and set forward two years for females, projected to 2034 with the two-dimensional MP-2016 projection scale, weighted 30% male and 70% female
(c) RP 2000 combined Healthy Mortality Table projected with Scale BB to 2023 set forward one year for males and females

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

KERN COUNTY WATER AGENCY

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
As of June 30, 2019

Last 10 Years*

Measurement Period	2018	2017
Total OPEB Liability		
Service cost	$ 716,200	$ 855,420
Interest on the total OPEB liability	758,212	658,480
Actual and expected experience difference	-	-
Changes in assumptions	(6,965,966)	(2,615,098)
Changes in benefit terms	-	-
Benefit payments	(697,205)	(674,231)
Net change in total OPEB liability	(6,188,759)	(1,775,429)
Total OPEB liability - beginning	20,808,452	22,583,881
Total OPEB liability - ending (a)	14,619,693	20,808,452
Plan Fiduciary Net Position		
Contributions - employer	1,197,205	674,231
Net investment income	19,875	-
Benefit payments	(697,205)	(674,231)
Administrative expense	(188)	-
Net change in plan fiduciary net position	519,687	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	519,687	-
Net OPEB liability - ending (a) - (b)	$ 14,100,006	$ 20,808,452
Plan fiduciary net position as a percentage of the total OPEB liability	3.55%	0.00%
Covered-employee payroll	$ 6,670,825	$ 6,215,199
Net OPEB liability as a percentage of covered-employee payroll	211.37%	334.80%

Notes to Schedule:

Changes in assumptions: The discount rate was changed from 3.58% (net of administrative expense) to 6.75% for the measurement period June 30, 2018.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

KERN COUNTY WATER AGENCY

SCHEDULE OF OPEB CONTRIBUTIONS
As of June 30, 2019

Last Ten Fiscal Years*

Fiscal Year Ended June 30	2019	2018
Actuarially Determined Contribution (ADC)	$ 2,140,000	$ 2,311,764
Contributions in relation to the ADC	1,197,205	674,231
Contribution deficiency (excess)	$ 942,795	$ 1,637,533
Covered-employee payroll	$ 6,670,825	$ 6,215,199
Contributions as a percentage of covered-employee payroll	17.95%	10.85%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 and 2018 were from the June 30, 2017 and 2016 actuarial valuations, respectively.

Methods and Assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal Cost Method (EAN)
Amortization Method/Period	Amortized as a level dollar amount over 20 years on an "open" basis.
Asset Valuation Method	Market value
Inflation	2.50%
Payroll Growth	3.00%
Investment Rate of Return	2018 6.75%; 2017 3.58%
Healthcare cost-trend rates	Health costs and premiums are based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trends.
Retirement Age	Tier I employees - 3% @ 60 and Tier II employees - 1.62% @ 65; based on the retirement eligibility rules of KCERA and meet the KCERA "Rule of 70"
Mortality	RP-2014 Headcount-Weighted Healthy Annuitant, set forward one year for males and set forward two years for females, projected generationally with 2D mortality improvement scale MP-2016.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

OTHER SUPPLEMENTARY INFORMATION

KERN COUNTY WATER AGENCY

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Source of Supply	Transmission and Distribution	Operations and Maintenance	Administration and General	Total
Water purchases	$ 133,891,967	$ -	$ -	$ -	$ 133,891,967
Salaries, wages and benefits	2,593,966	2,025,085	4,697,213	3,194,890	12,511,154
Refunds and credits	7,639,170	-	-	29,068	7,668,238
Power	91,770	3,621,222	3,496,590	-	7,209,582
Association and membership fees	1,620,856	18,485	239,897	25,771	1,905,009
Professional fees	582,354	163,407	600,216	122,511	1,468,488
Maintenance	25,625	384,938	750,275	189,956	1,350,794
Operations	78,001	80,246	1,070,706	11,023	1,239,976
Other	604,679	150,161	163,025	94,495	1,012,360
Recharge and recovery fees	668,044	-	-	-	668,044
Exchange and conveyance fees	135,058	469,339	-	-	604,397
Capital outlay	8,980	68,699	136,246	28,169	242,094
Other administrative	2,829	20,225	49,995	145,198	218,247
Telephone and utilities	35,161	31,204	31,144	102,448	199,957
Meeting and travel	81,501	2,544	23,050	34,009	141,104
Insurance	29,039	17,260	49,352	43,259	138,910
Director fees	68,502	4,334	38,378	7,045	118,259
	$ 148,157,502	$ 7,057,149	$ 11,346,087	$ 4,027,842	$ 170,588,580

KERN COUNTY WATER AGENCY

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Source of Supply	Transmission and Distribution	Operations and Maintenance	Administration and General	Total
Water purchases	$ 143,675,930	$ -	$ -	$ -	$ 143,675,930
Salaries, wages and benefits	2,598,205	1,861,732	5,866,192	3,009,649	13,335,778
Power	439,290	6,004,113	4,320,737	-	10,764,140
Refunds and credits	9,041,896	-	-	19,067	9,060,963
Maintenance	40,685	853,144	1,206,959	173,590	2,274,378
Association and membership fees	1,550,760	2,661	270,022	18,387	1,841,830
Operations	87,919	269,621	1,012,539	9,475	1,379,554
Professional fees	513,388	175,278	247,487	184,337	1,120,490
Other	348,046	25,646	328,705	64,197	766,594
Exchange and conveyance fees	137,513	525,540	-	-	663,053
Capital outlay	8,631	16,383	455,401	43,459	523,874
Meeting and travel	160,497	3,129	29,694	26,183	219,503
Insurance	30,881	39,142	90,000	46,543	206,566
Telephone and utilities	40,721	28,515	26,044	110,400	205,680
Other administrative	5,847	14,096	56,996	128,716	205,655
Director fees	73,116	7,693	25,650	6,089	112,548
Recharge and recovery fees	107,802	-	-	-	107,802
	$ 158,861,127	$ 9,826,693	$ 13,936,426	$ 3,840,092	$ 186,464,338

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - SUMMARY OF ALL ACTIVITIES
June 30, 2019

	State Contract Activities	Treatment Transportation Flood Control Activities	Groundwater Banking Activities	General and Administrative Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ 76,175,244	$ 27,159,462	$ 6,443,207	$ 37,821,284
Receivables:				
Accounts receivable	599,796	1,940,639	1,319,052	37,464
Taxes receivable	165,921	58,610	-	42,969
Interest receivable	434,957	155,186	35,109	211,062
Due from other funds	-	-	156,596	44,109
Prepaid expenses	8,474,127	5,776,541	643,389	1,006,247
Inventories	-	4,383,762	304,699	2,854,333
Total current assets	85,850,045	39,474,200	8,902,052	42,017,468
Restricted Cash and Investments	4,395,631	2,766,397	-	1,312,281
Property and Equipment	9,081	270,274,882	36,158,067	14,809,753
Total assets	90,254,757	312,515,479	45,060,119	58,139,502
Deferred Outflows of Resources				
Related to pensions	796,997	3,611,706	-	3,078,316
Related to OPEB	153,032	592,221	-	327,823
Total assets and deferred outflows of resources	$ 91,204,786	$ 316,719,406	$ 45,060,119	$ 61,545,641
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt	$ -	$ 4,753,441	$ 309,119	$ -
Accounts payable	9,887,416	1,131,439	918,314	696,479
Accrued expenses	1,264,964	7,188,666	816,030	1,805,408
Due to other funds	-	-	44,109	156,596
Deferred revenue	45,160,575	7,877,095	1,465,646	127,986
Total current liabilities	56,312,955	20,950,641	3,553,218	2,786,469
Noncurrent Liabilities				
Long-term debt	-	117,418,086	317,562	-
Net pension liability	2,683,911	12,181,090	-	10,555,675
OPEB liability	1,463,207	7,050,004	-	5,586,795
Total noncurrent liabilities	4,147,118	136,649,180	317,562	16,142,470
Deferred Inflows of Resources				
Related to pensions	232,496	1,041,420	-	927,772
Related to OPEB	794,997	3,830,435	-	3,056,067
Total deferred inflows of resources	1,027,493	4,871,855	-	3,983,839
Net Position				
Net investment in capital assets	9,081	148,103,355	35,531,386	14,809,753
Unrestricted	29,708,139	6,144,375	5,657,953	23,823,110
Total net position	29,717,220	154,247,730	41,189,339	38,632,863
Total liabilities, deferred inflows of resources, and net position	$ 91,204,786	$ 316,719,406	$ 45,060,119	$ 61,545,641

Subtotal	Interfund Eliminations	2019 Total	2018 Total
$ 147,599,197	$ 3,506,093	$ 151,105,290	$ 123,177,186
3,896,951	(738,585)	3,158,366	4,981,028
267,500	-	267,500	110,874
836,314	-	836,314	512,738
200,705	(200,705)	-	-
15,900,304	(15,339,630)	560,674	261,291
7,542,794	-	7,542,794	7,310,209
176,243,765	(12,772,827)	163,470,938	136,353,326
8,474,309	(3,506,093)	4,968,216	4,928,934
321,251,783	(489,809)	320,761,974	326,080,889
505,969,857	(16,768,729)	489,201,128	467,363,149
7,487,019	-	7,487,019	7,941,871
1,073,076	-	1,073,076	1,044,880
$ 514,529,952	$ (16,768,729)	$ 497,761,223	$ 476,349,900
$ 5,062,560	$ -	$ 5,062,560	$ 4,866,157
12,633,648	-	12,633,648	9,158,011
11,075,068	(738,585)	10,336,483	8,582,646
200,705	(200,705)	-	-
54,631,302	(15,339,630)	39,291,672	35,984,732
83,603,283	(16,278,920)	67,324,363	58,591,546
117,735,648	-	117,735,648	122,798,150
25,420,676	-	25,420,676	24,828,434
14,100,006	-	14,100,006	20,808,452
157,256,330	-	157,256,330	168,435,036
2,201,688	-	2,201,688	2,202,854
7,681,499	-	7,681,499	2,207,128
9,883,187	-	9,883,187	4,409,982
198,453,575	(489,809)	197,963,766	195,072,891
65,333,577	-	65,333,577	49,840,445
263,787,152	(489,809)	263,297,343	244,913,336
$ 514,529,952	$ (16,768,729)	$ 497,761,223	$ 476,349,900

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - STATE CONTRACT ACTIVITIES
June 30, 2019

	State Contract Payment	Supplemental Water	Westlands Payback
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and investments	$ 45,691,969	$ -	$ 1,418,457
Receivables:			
Accounts receivable	179,376	-	-
Taxes receivable	-	-	-
Interest receivable	275,941	-	7,897
Due from other funds	-	-	-
Prepaid expenses	-	-	-
Inventories	-	-	-
Total current assets	46,147,286	-	1,426,354
Restricted Cash and Investments	4,395,631	-	-
Property and Equipment	9,081	-	-
Total assets	50,551,998	-	1,426,354
Deferred Outflows of Resources			
Related to pensions	796,997	-	-
Related to OPEB	153,032	-	-
Total assets and deferred outflows of resources	$ 51,502,027	$ -	$ 1,426,354
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities			
Current portion of long-term debt	$ -	$ -	$ -
Accounts payable	9,887,416	-	-
Accrued expenses	1,264,964	-	-
Due to other funds	-	-	-
Deferred revenue	43,731,586	-	1,427,105
Total current liabilities	54,883,966	-	1,427,105
Noncurrent Liabilities			
Long-term debt	-	-	-
Net pension liability	2,683,911	-	-
OPEB liability	1,463,207	-	-
Total noncurrent liabilities	4,147,118	-	-
Deferred Inflows of Resources			
Related to pensions	232,496	-	-
Related to OPEB	794,997	-	-
Total deferred inflows of resources	1,027,493	-	-
Net Position			
Net investment in capital assets	9,081	-	-
Unrestricted	(8,565,631)	-	(751)
Total net position	(8,556,550)	-	(751)
Total liabilities, deferred inflows of resources, and net position	$ 51,502,027	$ -	$ 1,426,354

Zone of Benefit No. 17	Zone of Benefit No. 18	Zone of Benefit No. 19	2019 Total	2018 Total
$ 14,534,001	$ 1,993,527	$ 12,537,290	$ 76,175,244	$ 69,554,695
209,268	25,723	185,429	599,796	959,112
85,558	15,980	64,383	165,921	48,354
75,606	10,670	64,843	434,957	247,697
-	-	-	-	-
4,237,063	482,679	3,754,385	8,474,127	8,934,603
-	-	-	-	-
19,141,496	2,528,579	16,606,330	85,850,045	79,744,461
-	-	-	4,395,631	4,384,331
-	-	-	9,081	8,081
19,141,496	2,528,579	16,606,330	90,254,757	84,136,873
-	-	-	796,997	844,199
-	-	-	153,032	107,418
$ 19,141,496	$ 2,528,579	$ 16,606,330	$ 91,204,786	$ 85,088,490
$ -	$ -	$ -	$ -	$ -
-	-	-	9,887,416	7,200,697
-	-	-	1,264,964	1,545,631
-	-	-	-	-
-	1,884	-	45,160,575	42,263,024
-	1,884	-	56,312,955	51,009,352
-	-	-	-	-
-	-	-	2,683,911	2,622,452
-	-	-	1,463,207	2,139,187
-	-	-	4,147,118	4,761,639
-	-	-	232,496	232,617
-	-	-	794,997	226,901
-	-	-	1,027,493	459,518
-	-	-	9,081	8,081
19,141,496	2,526,695	16,606,330	29,708,139	28,849,900
19,141,496	2,526,695	16,606,330	29,717,220	28,857,981
$ 19,141,496	$ 2,528,579	$ 16,606,330	$ 91,204,786	$ 85,088,490

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - TREATMENT TRANSPORTATION FLOOD CONTROL ACTIVITIES
June 30, 2019

	Cross Valley Canal Operations	Improvement District No. 1	Improvement District No. 3	Improvement District No. 4 Operations
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ 3,175,960	$ 148,350	$ (73,108)	$ 7,335,900
Receivables:				
Accounts receivable	611,848	-	-	1,328,791
Taxes receivable	-	720	62	-
Interest receivable	16,664	818	484	34,301
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	1,332,457
Inventories	-	-	-	4,383,762
Total current assets	3,804,472	149,888	(72,562)	14,415,211
Restricted Cash and Investments	-	-	120,644	-
Property and Equipment	108,149,866	629,115	48,227	26,087,444
Total assets	111,954,338	779,003	96,309	40,502,655
Deferred Outflows of Resources				
Related to pensions	1,305,806	-	-	2,305,900
Related to OPEB	169,651	-	-	422,570
Total assets and deferred outflows of resources	$ 113,429,795	$ 779,003	$ 96,309	$ 43,231,125
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt	$ -	$ -	$ -	$ 138,319
Accounts payable	457,395	-	110	673,934
Accrued expenses	366,686	1,403	459	2,683,827
Due to other funds	-	-	-	-
Deferred revenue	2,764,248	-	-	3,009,031
Total current liabilities	3,588,329	1,403	569	6,505,111
Noncurrent Liabilities				
Long-term debt	-	-	-	1,580,068
Net pension liability	4,314,674	-	-	7,866,416
OPEB liability	2,261,322	-	-	4,788,682
Total noncurrent liabilities	6,575,996	-	-	14,235,166
Deferred Inflows of Resources				
Related to pensions	351,302	-	-	690,118
Related to OPEB	1,228,630	-	-	2,601,805
Total deferred inflows of resources	1,579,932	-	-	3,291,923
Net Position				
Net investment in capital assets	108,149,866	629,115	48,227	24,369,057
Unrestricted	(6,464,328)	148,485	47,513	(5,170,132)
Total net position	101,685,538	777,600	95,740	19,198,925
Total liabilities, deferred inflows of resources, and net position	$ 113,429,795	$ 779,003	$ 96,309	$ 43,231,125

Improvement District No. 4 Bonds	Zone of Benefit No. 7	2019 Total	2018 Total
$ 2,344,074	$ 14,228,286	$ 27,159,462	$ 21,625,519
-	-	1,940,639	4,308,819
-	57,828	58,610	62,520
15,152	87,767	155,186	99,771
-	-	-	-
-	4,444,084	5,776,541	4,790,574
-	-	4,383,762	4,151,177
2,359,226	18,817,965	39,474,200	35,038,380
43,025	2,602,728	2,766,397	4,092,184
135,360,230	-	270,274,882	274,759,349
137,762,481	21,420,693	312,515,479	313,889,913
-	-	3,611,706	3,839,132
-	-	592,221	517,557
$ 137,762,481	$ 21,420,693	$ 316,719,406	$ 318,246,602
$ 4,615,122	$ -	$ 4,753,441	$ 4,565,193
-	-	1,131,439	1,504,890
996,268	3,140,023	7,188,666	6,764,370
-	-	-	-
2,103,816	-	7,877,095	7,127,669
7,715,206	3,140,023	20,950,641	19,962,122
115,838,018	-	117,418,086	122,171,469
-	-	12,181,090	11,884,969
-	-	7,050,004	10,306,990
115,838,018	-	136,649,180	144,363,428
-	-	1,041,420	1,042,003
-	-	3,830,435	1,093,250
-	-	4,871,855	2,135,253
14,907,090	-	148,103,355	144,678,996
(697,833)	18,280,670	6,144,375	7,106,803
14,209,257	18,280,670	154,247,730	151,785,799
$ 137,762,481	$ 21,420,693	$ 316,719,406	$ 318,246,602

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - GROUNDWATER BANKING ACTIVITIES
June 30, 2019

	Kern Water Bank	Lower Kern River	Pioneer Project	Proposition 204 Loan
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ (400,334)	$ 1,895,682	$ 3,610,627	$ 468,394
Receivables:				
Accounts receivable	353,433	521,317	410,904	-
Taxes receivable	-	-	-	-
Interest receivable	-	10,930	18,899	457
Due from other funds	-	-	-	-
Prepaid expenses	-	54,183	-	-
Inventories	-	304,699	-	-
Total current assets	(46,901)	2,786,811	4,040,430	468,851
Restricted Cash and Investments	-	-	-	-
Property and Equipment	-	14,163,616	14,906,429	3,687,544
Total assets	(46,901)	16,950,427	18,946,859	4,156,395
Deferred Outflows of Resources				
Related to pensions	-	-	-	-
Related to OPEB	-	-	-	-
Total assets and deferred outflows of resources	$ (46,901)	$ 16,950,427	$ 18,946,859	$ 4,156,395
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt	$ -	$ -	$ -	$ 309,119
Accounts payable	150,027	320,228	404,221	-
Accrued expenses	22,981	49,589	233,040	144
Due to other funds	-	-	-	-
Deferred revenue	-	188,631	801,153	86,900
Total current liabilities	173,008	558,448	1,438,414	396,163
Noncurrent Liabilities				
Long-term debt	-	-	-	317,562
Net pension liability	-	-	-	-
OPEB liability	-	-	-	-
Total noncurrent liabilities	-	-	-	317,562
Deferred Inflows of Resources				
Related to pensions	-	-	-	-
Related to OPEB	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Net Position				
Net investment in capital assets	-	14,163,616	14,906,429	3,060,863
Unrestricted	(219,909)	2,228,363	2,602,016	381,807
Total net position	(219,909)	16,391,979	17,508,445	3,442,670
Total liabilities, deferred inflows of resources, and net position	$ (46,901)	$ 16,950,427	$ 18,946,859	$ 4,156,395

Entitlement Retention	Joint KCWA/BM Water Banking	Agency Participation in CVC	2019 Total	2018 Total
$ (394,358)	$ 1,096,569	$ 166,627	$ 6,443,207	$ 3,251,150
21,992	-	11,406	1,319,052	1,953,610
-	-	-	-	-
(2,183)	6,114	892	35,109	15,738
-	156,596	-	156,596	156,596
380,046	-	209,160	643,389	569,335
-	-	-	304,699	304,699
5,497	1,259,279	388,085	8,902,052	6,251,128
-	-	-	-	-
-	3,400,478	-	36,158,067	36,997,094
5,497	4,659,757	388,085	45,060,119	43,248,222
-	-	-	-	-
-	-	-	-	-
$ 5,497	$ 4,659,757	$ 388,085	$ 45,060,119	$ 43,248,222
$ -	$ -	$ -	$ 309,119	$ 300,964
-	25,031	18,807	918,314	90,320
298,225	2,891	209,160	816,030	1,201,575
-	44,109	-	44,109	44,109
103,655	285,307	-	1,465,646	640,919
401,880	357,338	227,967	3,553,218	2,277,887
-	-	-	317,562	626,681
-	-	-	-	-
-	-	-	-	-
-	-	-	317,562	626,681
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	3,400,478	-	35,531,386	36,069,449
(396,383)	901,941	160,118	5,657,953	4,274,205
(396,383)	4,302,419	160,118	41,189,339	40,343,654
$ 5,497	$ 4,659,757	$ 388,085	$ 45,060,119	$ 43,248,222

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - GENERAL AND ADMINISTRATIVE ACTIVITIES
June 30, 2019

	General	Water Management	Western Hills
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and investments	$ 16,564,029	$ 19,014,316	$ 2,242,118
Receivables:			
Accounts receivable	11,000	-	26,464
Taxes receivable	42,969	-	-
Interest receivable	127,128	72,615	12,521
Due from other funds	44,109	-	-
Prepaid expenses	418,387	-	587,860
Inventories	2,854,333	-	-
Total current assets	20,061,955	19,086,931	2,868,963
Restricted Cash and Investments	312,281	1,000,000	-
Property and Equipment	14,809,753	-	-
Total assets	35,183,989	20,086,931	2,868,963
Deferred Outflows of Resources			
Related to pensions	3,078,316	-	-
Related to OPEB	327,823	-	-
Total assets and deferred outflows of resources	$ 38,590,128	$ 20,086,931	$ 2,868,963
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities			
Current portion of long-term debt	$ -	$ -	$ -
Accounts payable	689,298	-	7
Accrued expenses	1,293,208	-	531,620
Due to other funds	156,596	-	-
Deferred revenue	-	-	127,986
Total current liabilities	2,139,102	-	659,613
Noncurrent Liabilities			
Long-term debt	-	-	-
Net pension liability	10,555,675	-	-
OPEB liability	5,586,795	-	-
Total noncurrent liabilities	16,142,470	-	-
Deferred Inflows of Resources			
Related to pensions	927,772	-	-
Related to OPEB	3,056,067		
Total deferred inflows of resources	3,983,839	-	-
Net Position			
Net investment in capital assets	14,809,753	-	-
Unrestricted	1,514,964	20,086,931	2,209,350
Total net position	16,324,717	20,086,931	2,209,350
Total liabilities, deferred inflows of resources, and net position	$ 38,590,128	$ 20,086,931	$ 2,868,963

Section 125	Kern Fan Monitoring Committee	2019 Total	2018 Total
$ 11,596	$ (10,775)	$ 37,821,284	$ 23,885,960
-	-	37,464	56,560
-	-	42,969	-
-	(1,202)	211,062	149,532
-	-	44,109	44,109
-	-	1,006,247	168,592
-	-	2,854,333	2,854,333
11,596	(11,977)	42,017,468	27,159,086
-	-	1,312,281	1,312,281
-	-	14,809,753	14,806,174
11,596	(11,977)	58,139,502	43,277,541
-	-	3,078,316	3,258,540
-	-	327,823	419,905
$ 11,596	$ (11,977)	$ 61,545,641	$ 46,955,986
$ -	$ -	$ -	$ -
7,021	153	696,479	362,104
(21,192)	1,772	1,805,408	1,368,143
-	-	156,596	156,596
-	-	127,986	154,933
(14,171)	1,925	2,786,469	2,041,776
-	-	-	-
-	-	10,555,675	10,321,013
-	-	5,586,795	8,362,275
-	-	16,142,470	18,683,288
-	-	927,772	928,234
		3,056,067	886,977
-	-	3,983,839	1,815,211
-	-	14,809,753	14,806,174
25,767	(13,902)	23,823,110	9,609,537
25,767	(13,902)	38,632,863	24,415,711
$ 11,596	$ (11,977)	$ 61,545,641	$ 46,955,986

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - SUMMARY OF ALL ACTIVITIES
Year Ended June 30, 2019

	State Contract Activities	Treatment Transportation Flood Control Activities	Groundwater Banking Activities	General and Administrative Activities
Operating Revenues				
Charges for untreated water	$ 137,834,926	$ -	$ 794,540	$ 1,077,982
Charges for treated water	-	8,395,240	-	-
Ground water charges	-	2,291,152	-	-
Charges for operations and maintenance	-	14,755,453	2,838,770	-
Charges for power	-	5,957,521	1,981,498	-
Exchange and conveyance fees	-	793,784	890,896	-
Other user charges	-	33,265	582,034	132,651
Refunds and credits	7,639,170	-	-	-
Reimbursements	369,129	365,164	1,095,378	14,738
	145,843,225	32,591,579	8,183,116	1,225,371
Operating Expenses				
Salaries, wages and benefits	2,153,398	6,232,389	918,496	3,206,871
Water purchases	150,393,879	8,500,041	853,780	852,743
Exchange and conveyance fees	-	268,462	580,722	-
Recharge and recovery fees	-	880,574	-	-
Power	-	6,965,453	1,400,009	-
Refunds and credits	7,668,238	-	-	-
Operations	60,874	1,140,118	32,261	11,023
Maintenance	4,761	2,282,319	787,457	189,956
Other administrative	(902)	64,223	9,713	145,213
Insurance	24,885	60,781	9,873	43,371
Telephone and utilities	33,697	60,834	2,977	117,323
Meeting and travel	81,065	23,740	2,287	34,012
Association and membership fees	1,618,089	219,407	41,417	26,096
Director fees	67,390	27,900	15,924	7,045
Professional fees	490,481	498,527	365,621	122,111
Capital outlay	58	278,288	9,042	28,169
Depreciation	2,890	7,740,565	991,268	201,498
Agency overhead allocation	831,443	1,950,020	623,703	(3,405,167)
Other	72,254	892,807	659,438	261,650
	163,502,500	38,086,448	7,303,988	1,841,914
Operating income (loss)	(17,659,275)	(5,494,869)	879,128	(616,543)
Non-operating Revenues (Expenses)				
Property taxes:				
General purpose distribution	-	-	-	6,326,293
Voter approved	24,034,272	11,354,788	-	-
Cost sharing income	-	573,356	-	-
Interest income	1,392,944	588,316	126,592	633,070
County collection charges	(58,409)	(28,632)	(34)	(76,528)
Interest expense	-	(5,624,779)	(35,350)	(1,341)
Other	133,048	1,094,786	62,025	781,150
Transfers to other funds	(7,894,527)	(1,278,639)	(186,676)	(915,098)
Transfers from other funds	911,186	1,277,604	-	8,086,149
	18,518,514	7,956,800	(33,443)	14,833,695
Change in net position	859,239	2,461,931	845,685	14,217,152
Net position, beginning, as previously stated	28,857,981	151,785,799	40,343,654	24,415,711
Prior period adjustment	-	-	-	-
Net position, beginning, as restated	28,857,981	151,785,799	40,343,654	24,415,711
Net position, ending	$ 29,717,220	$ 154,247,730	$ 41,189,339	$ 38,632,863

Subtotal	Interfund Eliminations	2019 Total	2018 Total
$ 139,707,448	$ (26,708,476)	$ 112,998,972	$ 121,838,788
8,395,240	(13,554)	8,381,686	8,702,541
2,291,152	-	2,291,152	2,324,845
17,594,223	(2,283,130)	15,311,093	16,175,348
7,939,019	(1,220,331)	6,718,688	8,340,065
1,684,680	(210,884)	1,473,796	1,457,976
747,950	(178,031)	569,919	273,417
7,639,170	-	7,639,170	9,041,896
1,844,409	(22,288)	1,822,121	6,309,316
187,843,291	(30,636,694)	157,206,597	174,464,192
12,511,154	-	12,511,154	13,335,778
160,600,443	(26,708,476)	133,891,967	143,675,930
849,184	(244,787)	604,397	663,053
880,574	(212,530)	668,044	107,802
8,365,462	(1,155,880)	7,209,582	10,764,139
7,668,238	-	7,668,238	9,060,963
1,244,276	(4,300)	1,239,976	1,379,554
3,264,493	(1,913,699)	1,350,794	2,274,378
218,247	-	218,247	205,655
138,910	-	138,910	206,566
214,831	(14,874)	199,957	205,680
141,104	-	141,104	219,503
1,905,009	-	1,905,009	1,841,830
118,259	-	118,259	112,548
1,476,740	(8,252)	1,468,488	1,120,490
315,557	(73,463)	242,094	523,874
8,936,221	-	8,936,221	8,524,549
(1)	1	-	-
1,886,149	(873,789)	1,012,360	766,595
210,734,850	(31,210,049)	179,524,801	194,988,887
(22,891,559)	573,355	(22,318,204)	(20,524,695)
6,326,293	-	6,326,293	6,053,407
35,389,060	-	35,389,060	35,255,438
573,356	(573,356)	-	55,102
2,740,922	-	2,740,922	1,654,233
(163,603)	-	(163,603)	(156,381)
(5,661,470)	-	(5,661,470)	(8,356,256)
2,071,009	-	2,071,009	2,977,151
(10,274,940)	511,043	(9,763,897)	(16,406,161)
10,274,939	(511,042)	9,763,897	16,406,161
41,275,566	(573,355)	40,702,211	37,482,694
18,384,007	-	18,384,007	16,957,999
245,403,145	(489,809)	244,913,336	233,224,501
-	-	-	(5,269,164)
245,403,145	(489,809)	244,913,336	227,955,337
$ 263,787,152	$ (489,809)	$ 263,297,343	$ 244,913,336

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STATE CONTRACT ACTIVITIES

Year Ended June 30, 2019

	State Contract Payment	Supplemental Water	Westlands Payback
Operating Revenues			
Charges for untreated water	$ 137,834,926	$ -	$ -
Charges for treated water	-	-	-
Ground water charges	-	-	-
Charges for operations and maintenance	-	-	-
Charges for power	-	-	-
Exchange and conveyance fees	-	-	-
Other user charges	-	-	-
Refunds and credits	7,639,170	-	-
Reimbursements	369,129	-	-
	145,843,225	-	-
Operating Expenses			
Salaries, wages and benefits	2,153,398	-	-
Water purchases	133,891,966	(1,906)	-
Exchange and conveyance fees	-	-	-
Recharge and recovery fees	-	-	-
Power	-	-	-
Refunds and credits	7,639,170	-	29,068
Operations	60,874	-	-
Maintenance	4,761	-	-
Other administrative	(902)	-	-
Insurance	24,885	-	-
Telephone and utilities	33,697	-	-
Meeting and travel	81,065	-	-
Association and membership fees	1,618,089	-	-
Director fees	67,390	-	-
Professional fees	490,481	-	-
Capital outlay	58	-	-
Depreciation	2,890	-	-
Agency overhead allocation	830,065	1,378	-
Other	72,254	-	-
	146,970,141	(528)	29,068
Operating (loss)	(1,126,916)	528	(29,068)
Non-operating Revenues (Expenses)			
Property taxes:			
General purpose distribution	-	-	-
Voter approved	-	-	-
Cost sharing income	-	-	-
Interest income	715,096	160,473	29,068
County collection charges	-	-	-
Interest expense	-	-	-
Other	133,048	-	-
Transfers to other funds	-	(7,894,527)	-
Transfers from other funds	911,186	-	-
	1,759,330	(7,734,054)	29,068
Change in net position	632,414	(7,733,526)	-
Net position, beginning, as previously stated	(9,188,964)	7,733,526	(751)
Prior period adjustment	-	-	-
Net position, beginning, as restated	(9,188,964)	7,733,526	(751)
Net position, ending	$ (8,556,550)	$ -	$ (751)

Zone of Benefit No. 17	Zone of Benefit No. 18	Zone of Benefit No. 19	2019 Total	2018 Total
$ -	$ -	$ -	$ 137,834,926	$ 146,202,902
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	7,639,170	9,041,896
-	-	-	369,129	429,433
-	-	-	145,843,225	155,674,231
-	-	-	2,153,398	2,127,046
8,248,692	937,538	7,317,589	150,393,879	160,749,906
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	7,668,238	9,060,963
-	-	-	60,874	59,283
-	-	-	4,761	3,033
-	-	-	(902)	509
-	-	-	24,885	24,928
-	-	-	33,697	38,634
-	-	-	81,065	160,115
-	-	-	1,618,089	1,547,563
-	-	-	67,390	71,847
-	-	-	490,481	468,478
-	-	-	58	8,379
-	-	-	2,890	2,121
-	-	-	831,443	808,528
-	-	-	72,254	101,208
8,248,692	937,538	7,317,589	163,502,500	175,232,541
(8,248,692)	(937,538)	(7,317,589)	(17,659,275)	(19,558,310)
-	-	-	-	-
12,013,905	1,335,713	10,684,654	24,034,272	23,902,254
-	-	-	-	-
243,385	34,831	210,091	1,392,944	815,390
(29,202)	(3,335)	(25,872)	(58,409)	(53,394)
-	-	-	-	-
-	-	-	133,048	12,492
-	-	-	(7,894,527)	(613,706)
-	-	-	911,186	14,131,261
12,228,088	1,367,209	10,868,873	18,518,514	38,194,297
3,979,396	429,671	3,551,284	859,239	18,635,987
15,162,100	2,097,024	13,055,046	28,857,981	10,787,783
-	-	-	-	(565,789)
15,162,100	2,097,024	13,055,046	28,857,981	10,221,994
$ 19,141,496	$ 2,526,695	$ 16,606,330	$ 29,717,220	$ 28,857,981

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - TREATMENT TRANSPORTATION FLOOD CONTROL ACTIVITIES

Year Ended June 30, 2019

	Cross Valley Canal Operations	Improvement District No. 1	Improvement District No. 3	Improvement District No. 4 Operations
Operating Revenues				
Charges for untreated water	$ -	$ -	$ -	$ -
Charges for treated water	-	-	-	8,395,240
Ground water charges	-	-	-	2,291,152
Charges for operations and maintenance	5,593,512	-	-	784,588
Charges for power	3,607,253	-	-	2,350,268
Exchange and conveyance fees	249,191	-	-	544,593
Other user charges	-	-	-	33,265
Refunds and credits	-	-	-	-
Reimbursements	-	-	-	365,164
	9,449,956	-	-	14,764,270
Operating Expenses				
Salaries, wages and benefits	2,025,085	7,581	51,013	4,148,710
Water purchases	-	-	-	-
Exchange and conveyance fees	-	-	-	268,462
Recharge and recovery fees	-	-	-	880,574
Power	3,618,065	-	-	3,347,388
Refunds and credits	-	-	-	-
Operations	80,246	-	-	1,059,872
Maintenance	384,938	44	-	1,897,337
Other administrative	20,227	-	280	43,716
Insurance	17,260	151	737	42,633
Telephone and utilities	31,204	-	721	28,909
Meeting and travel	2,544	-	241	20,955
Association and membership fees	18,275	-	-	201,132
Director fees	4,334	-	1,464	22,102
Professional fees	163,407	-	93,092	241,628
Capital outlay	68,699	-	-	209,589
Depreciation	3,223,166	19,533	-	760,170
Agency overhead allocation	739,399	19,553	52,420	1,138,648
Other	150,161	-	270	733,336
	10,547,010	46,862	200,238	15,045,161
Operating income (loss)	(1,097,054)	(46,862)	(200,238)	(280,891)
Non-operating Revenues (Expenses)				
Property taxes:				
General purpose distribution	-	-	-	-
Voter approved	-	103,084	14,887	-
Cost sharing income	573,356	-	-	-
Interest income	63,587	2,174	3,413	138,035
County collection charges	-	(1,262)	(127)	-
Interest expense	-	-	-	(43,471)
Other	17,003	-	-	692,661
Transfers to other funds	-	(1,035)	-	(1,277,604)
Transfers from other funds	-	-	-	-
	653,946	102,961	18,173	(490,379)
Change in net position	(443,108)	56,099	(182,065)	(771,270)
Net position, beginning, as previously stated	102,128,646	721,501	277,805	19,970,195
Prior period adjustment	-	-	-	-
Net position, beginning, as restated	102,128,646	721,501	277,805	19,970,195
Net position, ending	$ 101,685,538	$ 777,600	$ 95,740	$ 19,198,925

Improvement District No. 4 Bonds	Zone of Benefit No. 7	2019 Total	2018 Total
$ -	$ -	$ -	$ -
-	-	8,395,240	8,712,723
-	-	2,291,152	2,324,845
8,377,353	-	14,755,453	14,430,218
-	-	5,957,521	8,857,567
-	-	793,784	87,457
-	-	33,265	33,265
-	-	-	-
-	-	365,164	3,736,244
8,377,353	-	32,591,579	38,182,319
-	-	6,232,389	7,270,613
-	8,500,041	8,500,041	9,851,122
-	-	268,462	79,915
-	-	880,574	214,320
-	-	6,965,453	9,687,615
-	-	-	-
-	-	1,140,118	1,252,423
-	-	2,282,319	2,605,958
-	-	64,223	65,291
-	-	60,781	117,166
-	-	60,834	52,776
-	-	23,740	32,057
-	-	219,407	242,790
-	-	27,900	24,365
400	-	498,527	382,162
-	-	278,288	524,122
3,737,696	-	7,740,565	7,275,565
-	-	1,950,020	1,931,770
9,040	-	892,807	5,329,100
3,747,136	8,500,041	38,086,448	46,939,130
4,630,217	(8,500,041)	(5,494,869)	(8,756,811)
-	-	-	-
-	11,236,817	11,354,788	11,353,184
-	-	573,356	5,205,849
102,382	278,725	588,316	324,634
-	(27,243)	(28,632)	(25,568)
(5,581,308)	-	(5,624,779)	(8,325,257)
385,122	-	1,094,786	2,212,811
-	-	(1,278,639)	(1,297,695)
1,277,604	-	1,277,604	2,200,483
(3,816,200)	11,488,299	7,956,800	11,648,441
814,017	2,988,258	2,461,931	2,891,630
13,395,240	15,292,412	151,785,799	151,299,472
-	-	-	(2,405,303)
13,395,240	15,292,412	151,785,799	148,894,169
$ 14,209,257	$ 18,280,670	$ 154,247,730	$ 151,785,799

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - GROUNDWATER BANKING ACTIVITIES

Year Ended June 30, 2019

	Kern Water Bank	Lower Kern River	Pioneer Project	Proposition 204 Loan
Operating Revenues				
Charges for untreated water	$ -	$ -	$ -	$ -
Charges for treated water	-	-	-	-
Ground water charges	-	-	-	-
Charges for operations and maintenance	-	-	1,811,411	325,063
Charges for power	-	556,602	385,262	-
Exchange and conveyance fees	-	-	598,215	-
Other user charges	2,550	-	577,126	-
Refunds and credits	-	-	-	-
Reimbursements	506,801	588,577	-	-
	509,351	1,145,179	3,372,014	325,063
Operating Expenses				
Salaries, wages and benefits	310,831	41,428	489,909	-
Water purchases	-	-	-	-
Exchange and conveyance fees	124,657	-	199,262	-
Recharge and recovery fees	-	-	-	-
Power	151,719	-	742,964	-
Refunds and credits	-	-	-	-
Operations	13,423	-	15,134	-
Maintenance	11,876	-	22,773	-
Other administrative	2,345	11	5,999	-
Insurance	2,702	360	5,831	-
Telephone and utilities	1,248	14	1,514	-
Meeting and travel	183	171	1,854	-
Association and membership fees	163	123	38,765	-
Director fees	-	1,112	14,812	-
Professional fees	-	88,995	273,000	-
Capital outlay	86	-	120	-
Depreciation	-	-	862,683	37,455
Agency overhead allocation	142,063	46,957	335,675	-
Other	2,290	652,709	2,775	1,130
	763,586	831,880	3,013,070	38,585
Operating income (loss)	(254,235)	313,299	358,944	286,478
Non-operating Revenues (Expenses)				
Property taxes:				
General purpose distribution	-	-	-	-
Voter approved	-	-	-	-
Cost sharing income	-	-	-	-
Interest income	-	39,978	52,500	9,885
County collection charges	-	(34)	-	-
Interest expense	(1,292)	-	-	(23,034)
Other	-	-	62,025	-
Transfers to other funds	(11,045)	(144,783)	(23,995)	-
Transfers from other funds	-	-	-	-
	(12,337)	(104,839)	90,530	(13,149)
Change in net position	(266,572)	208,460	449,474	273,329
Net position, beginning, as previously stated	46,663	16,183,519	17,058,971	3,169,341
Prior period adjustment	-	-	-	-
Net position, beginning, as restated	46,663	16,183,519	17,058,971	3,169,341
Net position, ending	$ (219,909)	$ 16,391,979	$ 17,508,445	$ 3,442,670

Entitlement Retention	Joint KCWA/BM Water Banking	Agency Participation in CVC	2019 Total	2018 Total
$ 794,540	$ -	$ -	$ 794,540	$ 1,300,000
-	-	-	-	-
-	-	-	-	-
-	17,598	684,698	2,838,770	3,974,441
-	35,935	1,003,699	1,981,498	3,466,355
-	66,296	226,385	890,896	1,376,392
-	2,358	-	582,034	154,020
-	-	-	-	-
-	-	-	1,095,378	2,127,660
794,540	122,187	1,914,782	8,183,116	12,398,868
3,143	73,185	-	918,496	924,735
853,780	-	-	853,780	(67,608)
-	10,401	246,402	580,722	583,138
-	-	-	-	-
-	106,104	399,222	1,400,009	4,484,653
-	-	-	-	-
-	3,704	-	32,261	58,373
-	8,988	743,820	787,457	1,857,975
-	1,358	-	9,713	11,139
67	913	-	9,873	17,863
-	201	-	2,977	3,870
-	79	-	2,287	1,146
186	1,970	210	41,417	40,939
-	-	-	15,924	10,247
748	2,878	-	365,621	101,731
-	8,836	-	9,042	1,716
-	91,130	-	991,268	1,034,349
10,718	79,167	9,123	623,703	596,168
-	534	-	659,438	555,539
868,642	389,448	1,398,777	7,303,988	10,215,973
(74,102)	(267,261)	516,005	879,128	2,182,895
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	21,686	2,543	126,592	58,617
-	-	-	(34)	(28)
(11,024)	-	-	(35,350)	(30,999)
-	-	-	62,025	-
(481)	(6,372)	-	(186,676)	(278,855)
-	-	-	-	-
(11,505)	15,314	2,543	(33,443)	(251,265)
(85,607)	(251,947)	518,548	845,685	1,931,630
(310,776)	4,554,366	(358,430)	40,343,654	38,412,024
-	-	-	-	-
(310,776)	4,554,366	(358,430)	40,343,654	38,412,024
$ (396,383)	$ 4,302,419	$ 160,118	$ 41,189,339	$ 40,343,654

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - GENERAL AND ADMINISTRATIVE ACTIVITIES
Year Ended June 30, 2019

	General	Water Management	Western Hills
Operating Revenues			
Charges for untreated water	$ -	$ -	$ 1,077,982
Charges for treated water	-	-	-
Ground water charges	-	-	-
Charges for operations and maintenance	-	-	-
Charges for power	-	-	-
Exchange and conveyance fees	-	-	-
Other user charges	-	-	-
Refunds and credits	-	-	-
Reimbursements	14,738	-	-
	14,738	-	1,077,982
Operating Expenses			
Salaries and wages	3,135,282	-	11,981
Water purchases	-	-	852,743
Exchange and conveyance fees	-	-	-
Recharge and recovery fees	-	-	-
Power	-	-	-
Refunds and credits	-	-	-
Operations	9,070	-	-
Maintenance	187,055	-	-
Other administrative	144,722	-	17
Insurance	42,468	-	112
Telephone and utilities	117,116	-	1
Meeting and travel	33,981	-	3
Association and membership fees	25,737	27	298
Director fees	7,045	-	-
Professional fees	122,111	-	-
Capital outlay	28,120	-	-
Depreciation	201,498	-	-
Agency overhead allocation	(3,473,487)	1,269	17,155
Other	83,435	-	177,325
	664,153	1,296	1,059,635
Operating income (loss)	(649,415)	(1,296)	18,347
Non-operating Revenues (Expenses)			
Property taxes:			
General purpose distribution	6,326,293	-	-
Voter approved	-	-	-
Cost sharing income	-	-	-
Interest income	325,040	258,271	49,759
County collection charges	(76,528)	-	-
Interest expense	-	-	-
Other	12,649	768,501	-
Transfers to other funds	-	(911,186)	(631)
Transfers from other funds	209,410	7,876,739	-
	6,796,864	7,992,325	49,128
Change in net position	6,147,449	7,991,029	67,475
Net position, beginning, as previously stated	10,177,268	12,095,902	2,141,875
Prior period adjustment	-	-	-
Net position, beginning, as restated	10,177,268	12,095,902	2,141,875
Net position, ending	$ 16,324,717	$ 20,086,931	$ 2,209,350

Section 125	Kern Fan Monitoring Committee	2019 Total	2018 Total
$ -	$ -	$ 1,077,982	$ 1,193,376
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	132,651	132,651	87,010
-	-	-	-
-	-	14,738	37,411
-	132,651	1,225,371	1,317,797
70	59,538	3,206,871	3,013,384
-	-	852,743	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	1,953	11,023	9,475
-	2,901	189,956	173,590
-	474	145,213	128,716
-	791	43,371	46,609
-	206	117,323	122,322
-	28	34,012	26,185
-	34	26,096	18,752
-	-	7,045	6,089
-	-	122,111	181,337
-	49	28,169	43,459
-	-	201,498	212,514
-	49,896	(3,405,167)	(3,336,466)
-	890	261,650	215,047
70	116,760	1,841,914	861,013
(70)	15,891	(616,543)	456,784
-	-	6,326,293	6,053,407
-	-	-	-
-	-	-	-
-	-	633,070	455,592
-	-	(76,528)	(77,391)
-	(1,341)	(1,341)	-
-	-	781,150	751,848
-	(3,281)	(915,098)	(14,734,983)
-	-	8,086,149	593,495
-	(4,622)	14,833,695	(6,958,032)
(70)	11,269	14,217,152	(6,501,248)
25,837	(25,171)	24,415,711	33,215,031
-	-	-	(2,298,072)
25,837	(25,171)	24,415,711	30,916,959
$ 25,767	$ (13,902)	$ 38,632,863	$ 24,415,711

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

Board of Directors
Kern County Water Agency
Bakersfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Kern County Water Agency**, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise **Kern County Water Agency**'s basic financial statements, and have issued our report thereon dated February 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Kern County Water Agency**'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Kern County Water Agency**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Kern County Water Agency**'s internal control.

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

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

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

Compliance and Other Matters

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

Purpose of this Report

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

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 21, 2020

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2019 and 2018

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2019 and 2018

Prepared by:

Office of the Chief Financial Officer

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2019 and 2018

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THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Executive Office

December 12, 2019

To the Board of Directors of
The Metropolitan Water District of Southern California:

We are pleased to present the Comprehensive Annual Financial Report for The Metropolitan Water District of Southern California (Metropolitan) for the fiscal years ended June 30, 2019 and 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the basic financial statements are free of any material misstatements.

KPMG LLP, an independent public accounting firm, has issued an unmodified opinion on Metropolitan's basic financial statements for the fiscal years ended June 30, 2019 and 2018. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of Metropolitan

Metropolitan is a public agency and a quasi-municipal corporation, which was created by an act of the state Legislature in 1928. Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses and purposes at wholesale rates to its member public agencies. Most member agencies have other sources of water. Metropolitan is comprised of 26 member agencies consisting of 14 cities, 11 municipal water districts, and one county water authority, which collectively provide services in more than 300 cities and numerous unincorporated communities. Its service area spans some 5,200 square miles, and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura.

700 N. Alameda Street, Los Angeles, California 90012 • Mailing Address: Box 54153, Los Angeles, California 90054-0153 •
Telephone (213) 217-6000

Metropolitan has historically provided between 40 and 60 percent of the water used by nearly 19 million Southern Californians who reside within its service area. Metropolitan imports water from two principal sources, Northern California, via the Edmund G. Brown California Aqueduct of the State Water Project owned by the State of California, and the Colorado River, via the Colorado River Aqueduct (CRA) owned by Metropolitan.

Metropolitan is governed by a 38-member Board of Directors (Board), with each member agency having at least one representative on the Board. Representation and voting rights are based upon the assessed valuation of real property within the jurisdictional boundary of each member agency. The Board elects the Chair and Secretary, and the Vice Chairs are appointed by the Chair.

Metropolitan's biennial budget for fiscal years 2019-20 included 1,905 full time positions with approximately 1,812 positions filled at fiscal year ended June 30, 2019, and the remaining positions under recruitment or vacant. Employees are represented by the American Federation of State, County and Municipal Employees, Locals 1001 and 1902, the Association of Confidential Employees, and the Supervisors Association of Metropolitan. Metropolitan is an equal opportunity employer and encourages diversity in contracting and in the workforces of Metropolitan contractors.

Financial Policies and Highlights

Metropolitan has a comprehensive set of financial policies. These policies set forth guidelines to maintain control and accountability over revenue and expenses, maintain a reasonable balance between debt and assets in providing funding for capital assets, and ensure proper appropriation of reserves and restricted funds.

Rate Stabilization

Metropolitan’s reserve policy provides for minimum reserve requirement and target amount of unrestricted reserves at June 30 of each year. The minimum reserve requirement at June 30 of each year is equal to the portion of fixed costs estimated to be recovered by water revenues for the 18 months beginning with the immediately succeeding July. Funds representing the minimum reserve requirement are held in the Revenue Remainder Fund. Any funds in excess of the minimum reserve requirement are held in the Water Rate Stabilization Fund. The target amount of unrestricted reserves is equal to the portion of the fixed costs estimated to be recovered by water revenues during the two years immediately following the 18-month period used to calculate the minimum reserve requirement. If the fixed charge coverage ratio is less than 1.2, funds in excess of the target amount are to be utilized for capital expenditures in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper as determined by the Board. Provided that the fixed charge coverage ratio is at or above 1.2, amounts in excess of the target may be expended for any lawful purpose of Metropolitan, as determined by the Board.

Investment

Annually, the Board adopts an investment policy that is in compliance with the

California Government Code, Sections 53600 et seq. The investment of idle funds is delegated by the Board to Metropolitan's Treasurer who assumes full responsibility for the transactions of the investment program, which includes the investment of bond proceeds and debt service reserves. Metropolitan's investments are in compliance with the adopted investment policy. Refer to Note 3 in the Notes to the Basic Financial Statements for detailed investment information.

Ad Valorem Tax

In addition to water revenues, Metropolitan is expressly empowered under the Metropolitan Water District Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations. As a result of legislation enacted in 1984, tax levies beginning in fiscal year 1990-91, other than annexation taxes, are limited to the amount needed to pay debt service on Metropolitan's general obligation bonds and Metropolitan's proportionate share of state general obligation bond debt service under the State Water Contract. However, under the terms of the 1984 legislation, the Board may, following a public hearing, suspend this particular restriction upon a finding that doing so is essential to Metropolitan's fiscal integrity. The Board made such a finding for fiscal years ended June 30, 2014 through 2020, and maintained the tax rate for those fiscal years at the rate levied during fiscal year ended June 30, 2013 to pay a portion of State Water Contract costs other than debt service.

Budget and Rates

Metropolitan's budget system incorporates features of program budgeting, management by objectives, and performance reporting, which provides for funding, analysis, review, and control. Operating budgets are prepared by each group and department biennially. Each program and its required resources are reviewed by management and, upon acceptance, are incorporated into the overall budget for approval by the Board. Costs are maintained by project and activity, and expenditures are controlled by Board-approved appropriations.

The adopted biennial budget for fiscal years 2018-19 and 2019-20 meets the fixed charge coverage target, makes progress towards meeting the revenue bond coverage target, provides increased funding from revenues for the Capital Investment Plan, and promotes the long-term fiscal sustainability goals of Metropolitan. The total budgets for fiscal years 2018-19 and 2019-20 were $1.94 billion and $2.06 billion, respectively. The adopted biennial budget includes an overall water rates and charges increase of 3.0% effective January 1, 2019 and an additional 3.0% on January 1, 2020.

Each month, variances between budget estimates and actual receipts and expenditures are identified and evaluated. This review is performed as one of several control measures to assure progress in meeting Metropolitan's goals and program objectives.

Metropolitan's budgetary accounting method is done on a modified accrual basis. The modified accrual basis of accounting that Metropolitan uses varies from the accrual basis of accounting in the following respects: depreciation and amortization are not recorded and payments of debt service are recorded when due and payable. Under the modified accrual basis of accounting, revenues are recognized in the fiscal year in which they are earned and available and certain expenses are recognized when incurred.

Metropolitan's Economic Condition

Local Economy

Metropolitan's service area has an economic base that is diversified and well positioned to participate in U.S. and world economic growth over the next ten years. In 2018, the economy of the six county area served by Metropolitan (Six County Area) was larger than all but twelve nations of the world, ranking between South Korea and Australia, with an estimated gross domestic product of $1.54 trillion. In 2018, the major sectors of the economy providing employment in the Six County Area were education and health services; professional and business services, which include architecture, design, computer, research and development, advertising, legal, accounting, and internet-related and management services; government; leisure and hospitality; and retail trade. Educational and health services and leisure and hospitality have shown the largest growth since 2010. The Six County Area has an above-average share of four additional fast-growing sectors - wholesale trade and transportation, tied to the area's projected growth in foreign trade; information which, includes motion pictures; and the tourism component of leisure and hospitality, tied to growth in disposable income in the U.S. and worldwide. Longer-term, international trade has been a leading growth sector in the Six County Area, with Los Angeles and Long Beach ports being the nation's leading port complex in terms of trade volume.

The Six County Area has an employed labor force of approximately 9.6 million. The Six County Area had 22.3 million residents in 2018, approximately 56 percent of the State's population. High housing prices and large job losses have contributed to slowing population growth since 2005, yet the population grew by approximately 1.7 million residents between 2000 and 2010 and another 1.3 million between 2010 and 2018. It is anticipated that the Six County Area's population will increase to 25.8 million by 2040.

Long-term Financial Planning

Metropolitan currently has several major construction projects underway. These projects primarily involve infrastructure and system reliability, either as upgrades to existing capital assets or replacements and refurbishments of existing facilities, to ensure reliability as well as enhance operational efficiency and flexibility, and comply with water quality regulations. As set forth in the adopted biennial budget for fiscal years 2018-19 and 2019-20, Metropolitan's capital investment plan for the fiscal years ending June 30, 2020 through 2024 totals approximately $1.21 billion.

Metropolitan's capital investment plan is regularly reviewed and updated. Implementation and construction of specific elements of the program are subject to Board approval, and the amount and timing of borrowings will depend upon, among other factors, status of construction activity and water demands within Metropolitan's service area. Major projects in the capital investment plan are highlighted below.

Funding of the capital investment plan is accomplished with external and internal resources. The Board has adopted an internal funding objective to fund 60 percent of capital program expenditures. The amount of internal funding is determined by the Board as part of the biennial budget process. The remainder of capital program expenditures is funded primarily through the issuance of water revenue bonds payable from net operating revenues. Additional information on Metropolitan's capital investment plan can be found in Note 9g of the Notes to Basic Financial Statements.

Highlights of the Capital Investment Plan

Colorado River Aqueduct Facilities. Deliveries through the CRA began in 1941. Through annual inspections and maintenance activities, the performance and reliability of the various components of the CRA are regularly evaluated. Projects under the CRA facilities program are designed to replace or refurbish facilities and components on the CRA system in order to reliably convey water from the Colorado River to Southern California. A variety of projects have been completed over the past 10 years, including, among other things, replacement of high voltage circuit breakers and transformers at the five pumping plant switchyards, refurbishment of operators and power centers on the head gates downstream of the pumping plants, replacement of several miles of deteriorated concrete canal liner, new wastewater systems at the Hinds and Eagle Mountain Pumping Plants, replacement of the sand trap facilities upstream of the Hinds, Eagle, and Iron Mountain pumping plants, and replacement of the outlet gates and appurtenant electrical, mechanical, and control systems at the Copper Basin Reservoir. Refurbishment or replacement of many of the electrical system components, including the transformers, circuit breakers and motor control centers, is currently under way. Additionally, many of the mechanical and electrical components, including the nine main pumps and motors at each of the five pumping plants will be evaluated and replaced or refurbished over the next several years.

Distribution System - Prestressed Concrete Cylinder Pipe. Metropolitan's distribution system is comprised of approximately 830 miles of pipelines ranging in diameter from 30 inches to over 200 inches. 163 miles of the distribution system is made up of prestressed concrete cylinder pipe ("PCCP"). In response to PCCP failures experienced by several water agencies, Metropolitan initiated the PCCP Assessment Program in December 1996 to evaluate the condition of Metropolitan's PCCP lines and investigate inspection and refurbishment methods. As a result, Metropolitan has identified and made improvements to several sections of PCCP. The costs for these improvements through February 2019 were $96.7 million. Rather than continue to make spot repairs to pipe segments, Metropolitan has initiated a long-term capital program to rehabilitate approximately 100 miles of PCCP in five pipelines by relining with a welded steel liner. The first major contract to reline approximately 4.5 miles of PCCP on the Second Lower Feeder was completed in August 2018. The second major contract to reline approximately 1.9 miles of PCCP on the Second Lower Feeder was awarded in November 2018. Subsequent contracts are planned to be awarded annually depending on shutdown scheduling.

Distribution System - Refurbishments and Improvements. In addition to the long-term program to rehabilitate Metropolitan's PCCP lines, several other components of the distribution system are being refurbished and/or improved. Major projects completed to date include the $70 million replacement of the outlet facilities at Lake Mathews, the first two phases of the

Orange County Feeder and Etiwanda Pipeline relining projects and various other facility refurbishment and replacement projects. Ongoing projects to ensure the reliability of the distribution system, primarily due to age, include multiple replacements or refurbishments of isolation and control valves and gates, lining replacement of remaining portions of the Etiwanda Pipeline and Orange County Feeder, refurbishment to pressure control and hydroelectric power facilities, system improvements to provide drought relief, and various other upgrades.

System Reliability. System Reliability projects are implemented at facilities throughout Metropolitan's system to utilize new processes or technologies, to improve safety, or to increase overall reliability. Significant projects in this category include seismic strengthening of Metropolitan's headquarters building, construction of operations support facilities such as the La Verne machine and fabrication shops, security system enhancements, and information technology infrastructure projects.

F.E. Weymouth Treatment Plant Improvements. The F.E. Weymouth Treatment Plant, built in 1938, is Metropolitan's oldest water treatment facility. It has been subsequently expanded several times since its original construction. Metropolitan has completed several upgrades and refurbishment/replacement projects to maintain the plant's reliability and improve its efficiency. These include power systems upgrades, a residual solids dewatering facility, refurbishment/ replacement of the mechanical equipment in two of the eight flocculation and settling basins, a new plant maintenance facility, new chemical feed systems and storage tanks, replacement of the plant domestic/fire water system, seismic upgrades to the plant inlet structure and filter buildings, upgrades to the plants filters, and a new chlorine handling and containment facility. Significant projects over the next several years include refurbishment of four of the plant's settling basins, seismic retrofits to the administration building, and replacement of the valves used to control filter operation.

Robert B. Diemer Treatment Plant Improvements. The Robert B. Diemer Treatment Plant, built in 1963 and subsequently expanded in 1968, is Metropolitan's second oldest water treatment facility. Several upgrades and refurbishment/replacement projects have been completed at the Diemer plant, including power system upgrades, a new residual solids dewatering facility, new vehicle and plant maintenance facilities, new chemical feed systems and storage tanks, a new chlorine handling and containment facility, construction of a roller-compacted concrete slope stabilization system, a new secondary access road, and upgrades to half of the plant's settling basins and filter valves. Significant projects over the next several years include the completion of refurbishment of the plant's settling basins and replacement of the valves used to control filter operation, and seismic retrofits to the filter buildings and administration building.

Major Initiatives

Metropolitan faces a number of challenges in providing adequate, reliable, and high quality supplemental water supply for Southern California. These challenges include population growth in Metropolitan's service area, increased competition for low-cost water supplies, variable weather conditions, increased environmental regulations, and climate change. Metropolitan's resources and strategies for meeting these long-term challenges are identified in its Integrated Water Resources Plan (IRP).

The Board-adopted IRP was developed by Metropolitan, its member agencies, sub-agencies, and groundwater basin managers with the purpose of balancing local and imported water resources to meet the water supply reliability and water quality needs for the service area in a cost-effective and environmentally sound manner. On January 12, 2016, the IRP was updated (2015 IRP Update) enabling Metropolitan and its member agencies to manage future challenges and changes in California's water conditions and to balance investments with water reliability benefits. The 2015 IRP Update seeks to provide regional reliability by stabilizing Metropolitan's traditional imported water supplies and continuing to develop additional conservation programs and local resources. It also advances long-term planning for potential future contingency resources, such as storm water capture and seawater desalination. Metropolitan is preparing to undertake the next IRP update in 2020.

On July 10, 2018, Metropolitan's Board approved the funding of up to 64.6 percent, approximately $10.8 billion (in 2017 dollars) of the overall capital cost of the California WaterFix, a project designed as an improvement to the State Water Project by updating the aging infrastructure of Southern California's water delivery system to improve reliability of water supply. Metropolitan's funding commitment was intended to support the full two tunnel project. However, on February 12, 2019, on his State of the State address, Governor Gavin Newsom announced the shift from a twin tunnel California WaterFix project to a single tunnel project now referred to as the Delta Conveyance Project. Subsequently, on April 29, 2019, Governor Newsom issued an executive order calling for the development of a water resilience portfolio that meets the needs of California's communities, economy, and environment through the 21st century. Following the Governor's executive order, on May 2, 2019, the Department of Water Resources (DWR) withdrew the approval for the California WaterFix project, decertified the Environmentl Impact Report, and rescinded various permitting applications including those submitted to the State Water Resources Control Board, U.S. Army Corps of Engineers, and State and federal Endangered Species Acts permits. Concurrently, DWR announced that it would launch a new environmental review and planning process for a single tunnel project which is expected to take approximately 18 to 36 months.

Metropolitan will continue to add storage and conservation resources to its diverse water supply portfolio as well as focus on water quality improvements. In addition, Metropolitan will work to stabilize its traditional imported water supplies. Commitment of the resources to achieve these goals will enable Metropolitan to meet its member agencies' and the region's water reliability and quality needs in a fiscally responsible manner.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metropolitan for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-fifth consecutive year that Metropolitan has received this prestigious award. In order to be awarded a Certificate of Achievement, Metropolitan published an easily readable and efficiently organized CAFR. This report satisfies both Generally Accepted Accounting Principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Office of the Assistant General Manager/Chief Financial Officer. I would like to express my appreciation to all staff that assisted and contributed to the preparation of this report. Credit must also be given to the General Manager and the Board for their unfailing support for maintaining the highest standards of professionalism in the management of Metropolitan's finances. Any questions regarding the content of this report may be directed to the Controller, Bernadette Robertson (213) 217-7547.

Respectfully,

Katano Kasaine
Assistant General Manager/Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Metropolitan Water District of Southern California

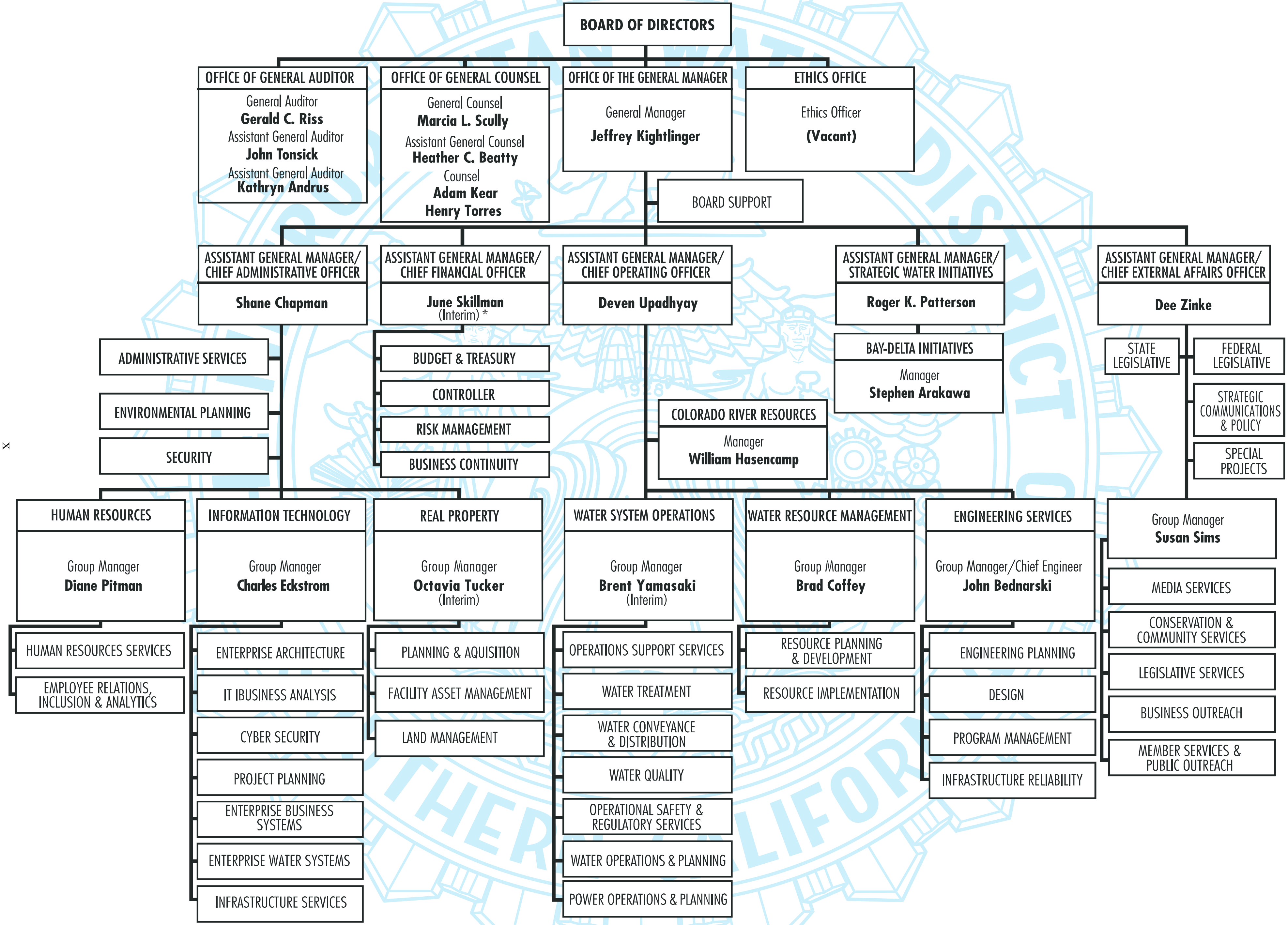
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



Updated as of June 30, 2019

*Katano Kasaine assumed the Cheif Financial Officer position in August 2019

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Officers of the Board of Directors

(As of June 30, 2019)

Chair
GLORIA D. GRAY

Vice Chair	Vice Chair	Vice Chair	Secretary
CYNTHIA KURTZ	JERRY BUTKIEWICZ	LORRAINE PASKETT	JUDY ABDO

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BARRY D. PRESSMAN

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STEVE BLOIS

Central Basin Municipal Water District
ROBERT APODOCA
FRANK M. HELDMAN

Compton
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Eastern Municipal Water District
RANDY A. RECORD

Foothill Municipal Water District
RICHARD W. ATWATER

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Inland Empire Utilities Agency
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Las Virgenes Minicipal Water District
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San Diego County Water Authority
JERRY BUTKIEWICZ
S. GAIL GOLDBERG
MICHAEL T. HOGAN
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San Fernando
SYLVIA BALLIN

San Marino
JOHN T. MORRIS

Santa Ana
JOSE SOLORIO

Santa Monica
JUDY ABDO

Three Valleys Municipal Water District
DAVID D. DE JESUS

Torrance
RUSSELL LEFEVRE

Upper San Gabriel Valley Municipal Water District
CHARLES M. TREVINO

West Basin Municipal Water District
HAROLD C. WILLIAMS
GLORIA D. GRAY

Western Municipal Water District of Riverside County
DONALD D. GALLEANO

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Metropolitan Water District of Southern California:

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3-16 and the pension and other postemployment benefits supplementary information on pages 92-95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019 on our consideration of Metropolitan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metropolitan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan's internal control over financial reporting and compliance.

KPMG LLP

October 14, 2019

The following discussion and analysis of The Metropolitan Water District of Southern California's (Metropolitan) financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2019 and 2018. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

Metropolitan operates as a utility enterprise and maintains its accounting records in accordance with generally accepted accounting principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. The statements of net position include all of Metropolitan's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position, some of which is restricted in accordance with bond covenants or other commitments. The statements of revenues, expenses and changes in net position report all of Metropolitan's revenues and expenses during the periods indicated. The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from taxes and investment income, and cash used for construction projects, State Water Project costs and principal and interest payments on borrowed money. Certain amounts reported in fiscal year 2018 have been reclassified to conform to the fiscal year 2019 presentation. Such reclassification had no effect on the previously reported change in net position.

During the fiscal year ended June 30, 2018, Metropolitan implemented GASB Statement No.75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses the accounting and financial reporting for postemployment benefits other than pensions (OPEB). Metropolitan did not restate the financial statements for the fiscal year ended June 30, 2017 because the necessary actuarial information was not provided to Metropolitan by the California Public Employees' Retirement System (CalPERS). As of July 1, 2017, Metropolitan restated the beginning net position in the amount of $138.9 million to record the beginning deferred OPEB contributions and net OPEB liability.

CONDENSED FINANCIAL INFORMATION

Condensed Schedule of Net Position

	June 30,		
(Dollars in millions)	**2019**	2018	2017
Assets and deferred outflows of resources			
Capital assets, net	**$ 10,393.5**	$ 10,410.0	$ 10,534.1
Other assets	**1,845.0**	1,818.2	1,901.8
Total assets	**12,238.5**	12,228.2	12,435.9
Deferred outflows of resources	**182.1**	239.6	224.5
Total assets and deferred outflows of resources	**12,420.6**	12,467.8	12,660.4
Liabilities and deferred inflows of resources			
Long-term liabilities, net of current portion	**4,865.4**	5,235.0	5,063.2
Other liabilities	**686.9**	502.9	817.6
Total liabilities	**5,552.3**	5,737.9	5,880.8
Deferred inflows of resources	**32.1**	43.4	21.9
Total liabilities and deferred inflows of resources	**5,584.4**	5,781.3	5,902.7
Net position			
Net investment in capital assets, including State Water Project costs	**6,131.6**	5,968.8	6,067.0
Restricted	**418.6**	407.6	407.0
Unrestricted	**286.0**	310.1	283.7
Total net position	**$ 6,836.2**	$ 6,686.5	$ 6,757.7

Capital Assets, Net

Net capital assets include plant, participation rights, and construction work in progress, net of accumulated depreciation and amortization.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, net capital assets totaled $10.4 billion, or 83.7 percent of total assets and deferred outflows of resources, and were $16.5 million lower than the prior year. The decrease included depreciation and amortization of $352.1 million and $32.3 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred, offset by Metropolitan's continued expenditures on the capital investment plan of $227.7 million (including $4.7 million of capitalized interest) and a net increase of $140.2 million in participation rights in State Water Project (SWP) and other facilities. See the capital assets section on pages 14-15 for additional information.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, net capital assets totaled $10.4 billion, or 83.5 percent of total assets and deferred outflows of resources, and were $124.1 million lower than the prior year. This decrease included depreciation and amortization of $329.7 million and $128.5 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred, offset by Metropolitan's continued expenditures on the capital investment plan of $207.9 million (including $15.6 million of capitalized interest) and net capital payments for participation rights in SWP of $126.2 million. See the capital assets section on pages 14-15 for additional information.

Other Assets

Other assets include accounts receivable, inventories, prepaid costs, and cash and investments.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, other assets totaled $1.8 billion and were $26.8 million higher than the prior year. Deposits, prepaid costs, and other was $62.6 million higher primarily due to $41.5 million of prepaid costs related to the California WaterFix advance funding agreement with the California Department of Water Resources and a $11.2 million increase in Palos Verde Irrigation District (PVID) land fallowing cost. Inventory was $25.3 million higher due to an increase in water storage of 89.9 thousand acre feet (TAF). These increases were primarily offset by $55.7 million lower receivables of which, $51.2 million related to lower water revenues receivables as fiscal year 2019 May and June water transactions were 353.1 TAF less than the prior year's comparable months.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, other assets totaled $1.8 billion and were $83.6 million lower than the prior year. Cash and investments were $184.0 million lower primarily due to the $250.0 million repayment of short-term revolving notes, offset by $64.3 million proceed from the issuance of the Subordinate Water Revenue Bond 2018, Series B in June 2018. This decrease was partially offset by $74.6 million higher deposits, prepaid costs, and other primarily due to $73.0 million more of prepaid water costs, which included $42.4 million or 315.7 TAF of higher supply storage and $25.3 million more of PVID land fallowing costs. In addition, water revenues receivable were $23.4 million higher as May and June 2018 water transactions were 57.6 TAF more than prior year's comparable months.

Deferred Outflows of Resources

Deferred outflows of resources include deferred outflows related to loss on bond refundings and swap terminations, deferred outflows related to the net pension liability and net OPEB liability, and deferred outflows for effective interest rate swaps.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, deferred outflows totaled $182.1 million and were $57.5 million lower than the prior year. The decrease was primarily due to $31.5 million lower deferred outflows related to pension, which included $39.3 million lower deferred outflows due to changes of actuarial assumption and $16.4 million lower deferred outflows related to the net difference between projected and actual earnings on pension plan investments, offset by $25.1 million higher deferred outflows related to pension contributions subsequent to the measurement date. In addition, deferred loss on bond refundings was $14.4 million lower due to $8.7 million of refunding transactions and $5.7 million of scheduled amortization and deferred outflows related to loss on swap terminations was $8.9 million lower due to $6.1 million of refunding transactions and $2.8 million of scheduled amortization.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, deferred outflows totaled $239.6 million and were $15.1 million higher than the prior year. The increase was primarily due to $34.7 million deferred OPEB contributions due to the implementation of GASB 75. This increase was offset by $20.9 million lower deferred loss on bond refundings due to $14.4 million of refunding transactions and $6.5 million of scheduled amortization.

Long-term Liabilities, Net of Current Portion

Long-term liabilities, net of current portion include long-term debt, revolving notes, customer deposits and trust funds, net pension liability, net OPEB liability, accrued compensated absences, workers' compensation and third party claims, fair value of interest rate swaps, and other long-term obligations.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, long-term liabilities, net of current portion totaled $4.9 billion and were $369.6 million lower than the prior year. The decrease in long-term debt, net of current portion of $389.0 million included $171.2 million of bond refundings, as the new debt issued was less than the amount of debt refunded, $142.0 million principal payments and $170.6 million more current portion of long-term debt as compared to prior year. See other liabilities section below for additional information. In addition, net pension liability was $26.9 million lower primarily due $139.0 million of pension plan investment earnings and employer contributions to the pension plan of $48.8 million offset by $161.0 million interest on the total pension liability. Net OPEB liability was also $12.2 million lower primarily due to $34.7 million of employer contributions to the OPEB plan and $18.5 million of OPEB plan investment earnings, offset by $30.3 million of interest on the total OPEB liability and $10.3 million of service costs. These decreases in long-term liabilities were offset by the $46.8 million Bank of America, N.A. notes issued for the California WaterFix advance funding and $11.9 million higher fair value of interest rate swaps due to lower interest rates as compared to prior year. See the long-term debt section on page 16 for additional information.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, long-term liabilities, net of current portion, totaled $5.2 billion and were $171.8 million higher than the prior year. The implementation of GASB 75 resulted in net OPEB liability that was $157.2 million more than the obligation for OPEB recorded in fiscal year 2017. The increase also included $73.3 million higher net pension liability due to $156.7 million of interest on total pension liability plus $125.7 million related to changes of assumptions from a 7.65 percent discount rate to 7.15 percent, offset by $171.6 million of pension plan investment earnings and $42.8 million of employer contributions. These increases were offset by $26.5 million of lower long-term debt, net of current portion primarily due to $164.1 million principal payments, a $62.6 million decrease related to bond refundings, as the new debt issued was less than the amount of debt refunded, offset by $144.3 million of new bonds issued, $9.7 million amortization of bond premium and discounts and $46.2 million less current portion of long-term debt as compared to prior year. See the other liabilities section below for additional information. Additionally, there was a $22.4 million decrease in the fair value of interest rate swaps due to higher interest rates as compared to prior year. See the long-term debt section on page 16 for additional information.

Other Liabilities

Other liabilities represent current liabilities that are due within one year. Current liabilities include accounts payable, accrued liabilities, and the current portion of long-term liabilities.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, other liabilities totaled $686.9 million and were $184.0 million higher than the prior year primarily due to $170.6 million more current portion of long-term debt as the outstanding Water Revenue Bonds 2000 Series B-3 and 2017 Series A in the amount of $88.8 million and $80.0 million, respectively, are supported by a Standby Bond Purchase Agreement that expires in March 2020.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, other liabilities totaled $502.9 million, and were $314.7 million lower than the prior year primarily due to $250.0 million repayment of short-term revolving notes and $46.2 million lower current portion of long-term debt as the required principal payments for some bond issues were lower than the prior year. In addition, the $180.0 million revolving credit agreement (RCA) that expired in June 2018 was replaced by a $200.0 million RCA increasing the self-liquidity bonds coverage by $20.0 million.

Deferred Inflows of Resources

Deferred inflows of resources represent deferred inflows related to the net pension liability, net OPEB liability and deferred inflows for effective interest rate swaps.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, deferred inflows of resources totaled $32.1 million and were $11.3 million lower than the prior year primarily due to an $18.0 million decrease in effective swaps due to lower interest rates, offset by $6.4 million higher deferred inflows related to pension which included $8.4 million higher changes of assumptions and $2.0 million lower difference between expected and actual experience.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, deferred inflows of resources totaled $43.4 million and were $21.5 million higher than the prior year primarily due to an $18.6 million increase in effective swaps due to higher interest rates.

Net Investment in Capital Assets, including State Water Project Costs

Net investment in capital assets, including State Water Project costs, include amounts expended for capital improvements and State Water Project, offset by accumulated depreciation and outstanding debt issued for these purposes.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, net investment in capital assets, including State Water Project costs totaled $6.1 billion and was $162.8 million higher than the prior year. This increase included $179.3 million decrease in outstanding debt and related deferred outflows of resources offset by $16.5 million net decrease in capital assets. See discussions of these items in the capital assets and long-term debt sections.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, net investment in capital assets, including State Water Project costs totaled $6.0 billion and was $98.2 million lower than the prior year. This decrease included $124.1 million decrease in capital assets offset by $25.9 million decrease in outstanding debt and related deferred outflows of resources. See discussions of these items in the capital assets and long-term debt sections.

Restricted Net Position

Restricted net position includes amounts restricted for debt service payments and operating expenses, both of which are required by bond covenants.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, restricted net position totaled $418.6 million which was $11.0 million higher than fiscal year 2018 primarily due to $32.2 million increase in restricted for operating expenses as the SWP operations, maintenance, power and replacement (OMP&R) costs are estimated to be higher in fiscal year 2020 offset by $20.6 million of lower restricted for debt service.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, restricted net position totaled $407.6 million which was $0.6 million higher than fiscal year 2017.

Unrestricted Net Position

Unrestricted net position consists of net position items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Certain unrestricted net position items have been designated for purposes authorized by the Board.

Fiscal Year 2019 Compared to 2018. Unrestricted net position of $286.0 million decreased $24.1 million from the prior year, which included $162.8 million higher net investment in capital assets and $11.0 million higher restricted for debt service and operating expenses partially offset by the fiscal year 2019 changes in net position of $149.7 million.

Fiscal Year 2018 Compared to 2017. Unrestricted net position of $310.1 million increased $26.4 million from the prior year. The increase included $98.2 million of lower net investment in capital assets, including State Water Project costs and $67.7 million fiscal year 2018 changes in net position. These increases were offset by the recording of beginning deferred OPEB contribution and net OPEB liability of $138.9 million as a result of GASB 75 implementation in 2018.

CHANGES IN NET POSITION

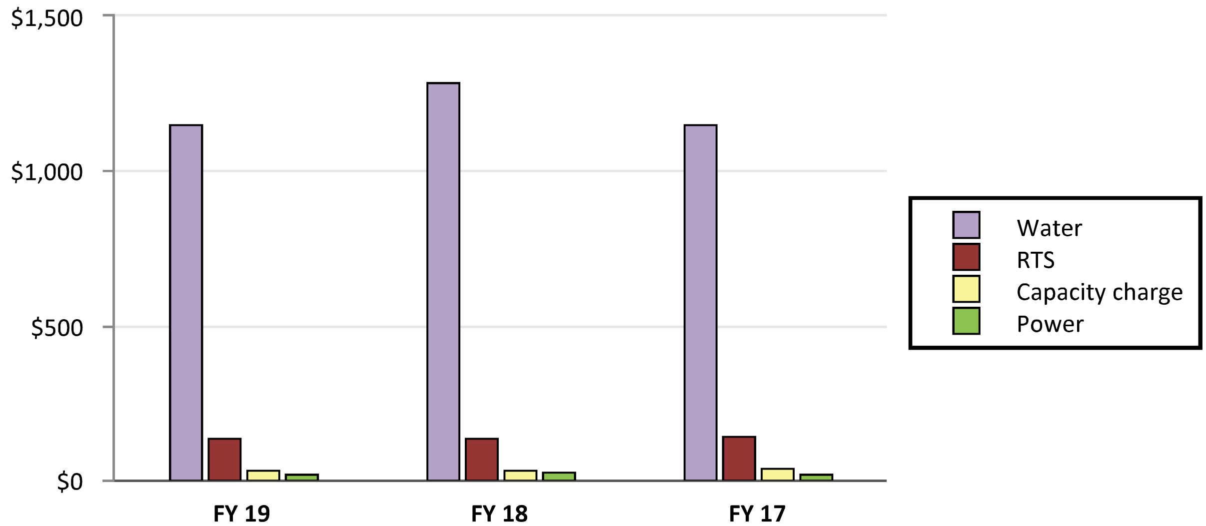
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30,		
(Dollars in millions)	**2019**	2018	2017
Water revenues	**$ 1,148.7**	$ 1,285.2	$ 1,150.5
Readiness-to-serve charges	**136.5**	137.5	144.0
Capacity charge	**33.0**	34.6	39.7
Power sales	**18.3**	23.7	20.9
Operating revenues	**1,336.5**	1,481.0	1,355.1
Taxes, net	**142.7**	127.3	115.4
Investment income, net	**36.0**	10.6	6.2
Other	**10.4**	12.9	7.3
Nonoperating revenues	**189.1**	150.8	128.9
Total revenues	**1,525.6**	1,631.8	1,484.0
Power and water costs	**(375.8)**	(446.5)	(455.4)
Operations and maintenance	**(493.9)**	(507.4)	(487.5)
Depreciation and amortization	**(361.1)**	(330.3)	(301.7)
Operating expenses	**(1,230.8)**	(1,284.2)	(1,244.6)
Bond interest, net of amount capitalized	**(126.9)**	(124.5)	(134.6)
Loss on disposal of plant assets	**(13.7)**	(88.7)	(20.9)
Other	**(5.3)**	(68.2)	(10.0)
Nonoperating expenses	**(145.9)**	(281.4)	(165.5)
Total expenses	**(1,376.7)**	(1,565.6)	(1,410.1)
Changes in net position before contributions	**148.9**	66.2	73.9
Capital contributions	**0.8**	1.5	—
Changes in net position	**149.7**	67.7	73.9
Net Position			
Beginning of year, as previously reported	**6,686.5**	6,757.7	6,683.8
Cumulative effect of change in accounting principle	**—**	(138.9)	—
Beginning of year, as restated	**6,686.5**	6,618.8	6,683.8
Net position, end of year	**$ 6,836.2**	$ 6,686.5	$ 6,757.7

Operating Revenues

Metropolitan's principal source of revenue is derived from the sale and availability of water, including water rates and other exchange and wheeling transactions, which typically account for approximately 85 percent of operating revenues. Metropolitan's primary sources of water supply are the Colorado River and the State Water Project.

OPERATING REVENUES
(Dollars in millions)



Analytical Review of Operating Revenues

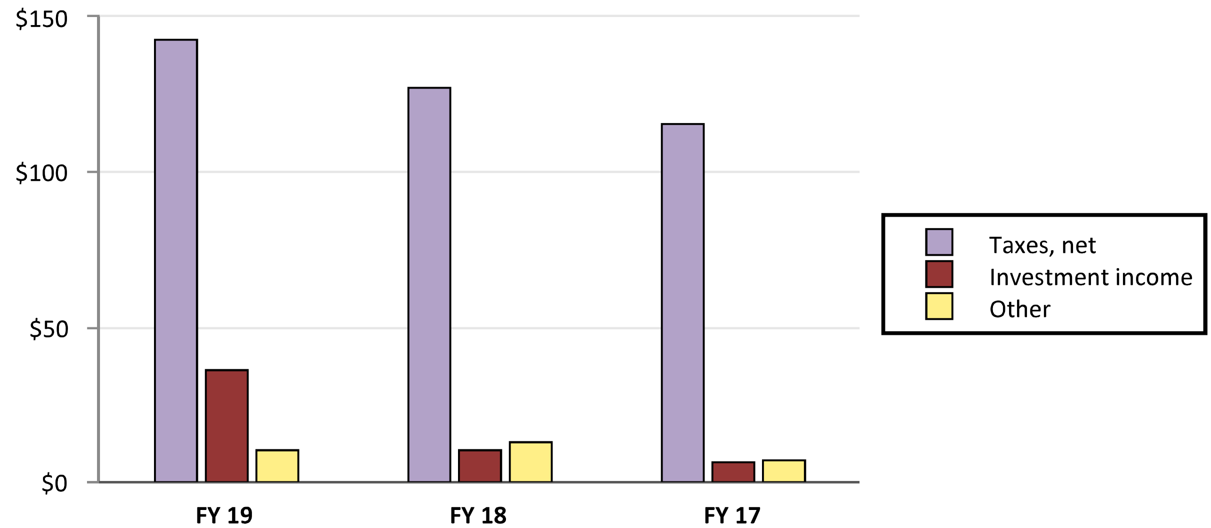
Fiscal Year 2019 Compared to 2018. Fiscal year 2019 operating revenues were $1.3 billion or $144.5 million less than the prior year. The decrease was primarily due to $136.5 million of lower water revenues, which included $153.5 million or 192.7 TAF of lower volumes sold offset by $17.0 million of higher price.

Fiscal Year 2018 Compared to 2017. Fiscal year 2018 operating revenues were $1.5 billion or $125.9 million more than the prior year. The increase was primarily due to $134.7 million of higher water sales, of which $82.4 million related to higher water rates and $52.3 million or 70.1 TAF of higher volumes sold. This increase was offset by $6.5 million lower readiness-to-serve charges as the Board approved amount was lower in fiscal year 2018 as compared to prior year.

Nonoperating Revenues

The primary source of nonoperating revenues is property taxes.

NONOPERATING REVENUES
(Dollars in millions)



Analytical Review of Nonoperating Revenues

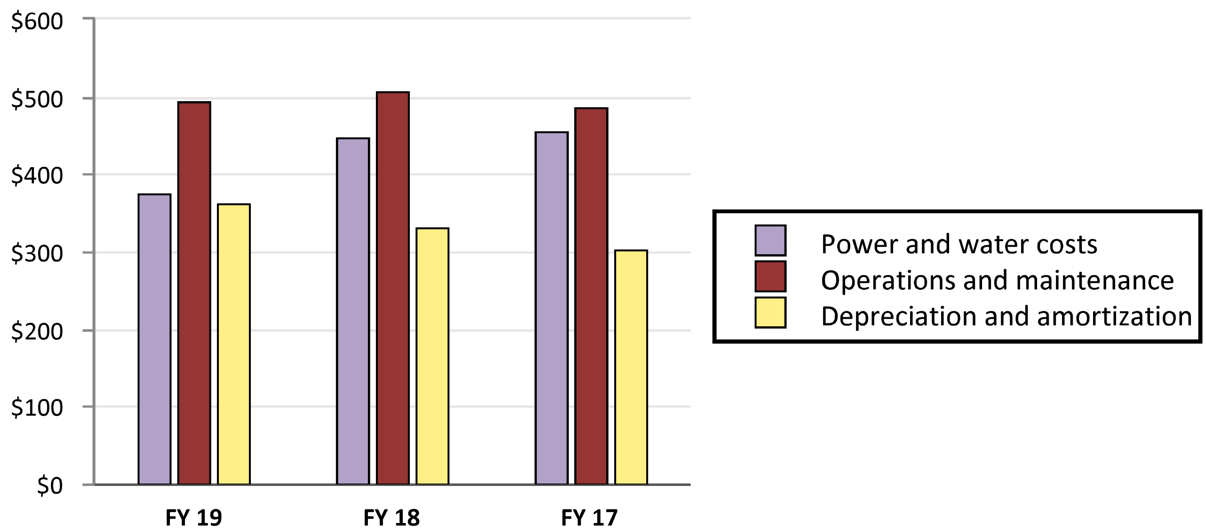
Fiscal Year 2019 Compared to 2018. Nonoperating revenues for fiscal year 2019 totaled $189.1 million and were $38.3 million higher than the prior year. The increase was primarily due to $25.4 million more of investment income, which included a $14.8 million favorable change in fair value of investments and $7.3 million higher rate of return. In addition, property tax revenue increased $15.4 million due to lower delinquencies and higher assessments resulting from increased property values.

Fiscal Year 2018 Compared to 2017. Nonoperating revenues for fiscal year 2018 totaled $150.8 million and were $21.9 million higher than the prior year. The increase was primarily due to $11.9 million of higher property tax revenue due to lower delinquencies and higher assessments resulting from increased property values, as well as a $4.4 million increase in investment income due to $3.9 million higher interest on investments.

Operating Expenses

Operating expenses fall into three primary cost areas: power and water, operations and maintenance, and depreciation and amortization.

OPERATING EXPENSES
(Dollars in millions)



Analytical Review of Operating Expenses

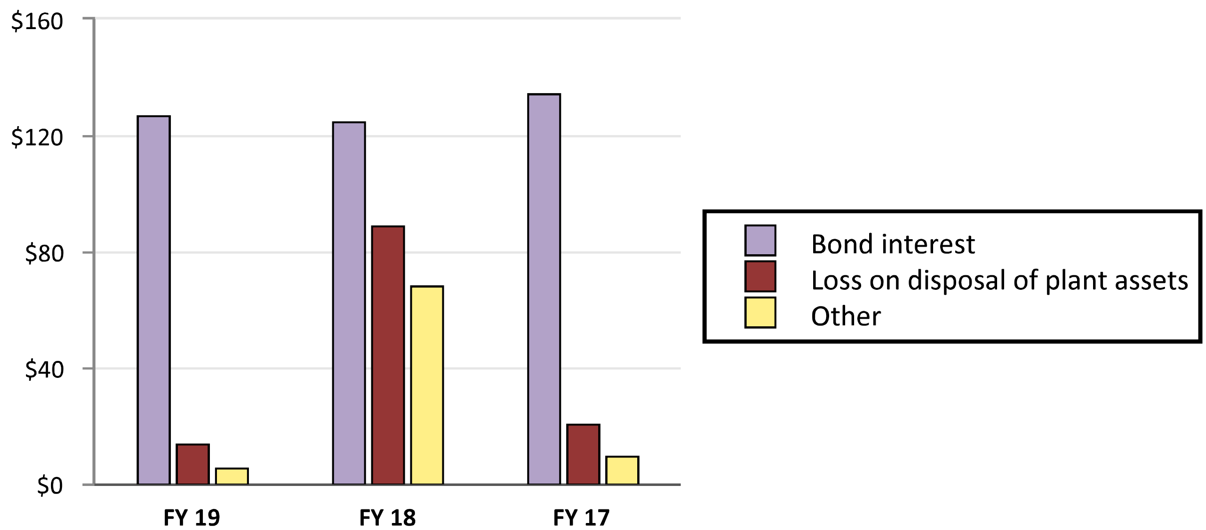
Fiscal Year 2019 Compared to 2018. Fiscal year 2019 operating expenses of $1.2 billion were $53.4 million lower than the prior year. The decrease was primarily due to $70.7 million lower power and water costs, which included $48.5 million cost reduction due to 192.7 TAF less water sold and $35.2 million lower SWP minimum OMP&R costs related to an over collection of prior year's charges. The decrease was offset by $30.8 million of higher depreciation and amortization due to a net increase in depreciable capital assets of $320.5 million.

Fiscal Year 2018 Compared to 2017. Fiscal year 2018 operating expenses of $1.3 billion were $39.6 million higher than the prior year. The increase included $28.6 million of depreciation and amortization due to a net increase in depreciable capital assets of $343.0 million and $19.9 million of higher operations and maintenance costs primarily related to higher labor costs resulting from the negotiations with bargaining units which concluded in fiscal year 2018. These increases were offset by $8.9 million lower power and water costs due to lower SWP minimum OMP&R costs related to an over collection of prior year's charges.

Nonoperating Expenses

The primary sources of nonoperating expenses are interest expense on bonds, loss on disposal of plant assets and other, net.

NONOPERATING EXPENSES
(Dollars in millions)



Analytical Review of Nonoperating Expenses

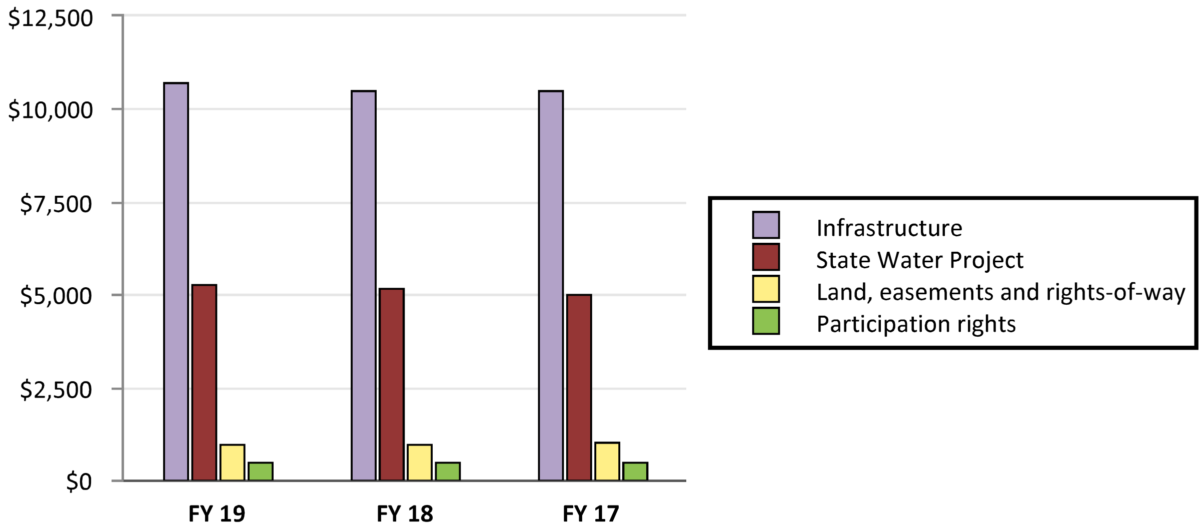
Fiscal Year 2019 Compared to 2018. Fiscal year 2019 nonoperating expenses of $145.9 million were $135.5 million lower than the prior year. The decrease was primarily due to $75.0 million less of loss on disposal of plant assets related to the write-off of Skinner Modules 4, 5 and 6 in the prior year. In addition, other expenses decreased $62.9 million due to $39.1 million less write-off of construction in progress programs and $24.0 million less recalculation of previously capitalized interest on construction in the prior year.

Fiscal Year 2018 Compared to 2017. Fiscal year 2018 nonoperating expenses of $281.4 million were $115.9 million higher than the prior year. The increase was primarily due to $67.8 million more of loss on disposal of plant assets related to the write-off of Skinner Modules 4, 5 and 6. In addition, other expenses increased $58.2 million, of which $18.8 million related to an increase in write-off of construction in progress programs upon determination that no operational asset would result from the costs incurred and $40.0 million related to a recalculation of previously capitalized interest on construction. These increases were offset by a $10.1 million reduction in bond interest, net of amount capitalized due to bond refunding transactions to take advantage of lower interest rates.

CAPITAL ASSETS

Capital assets include Metropolitan's water infrastructure, land and buildings, as well as participation rights in State Water Project and various other water programs. More detailed information on capital assets and commitments for construction contracts are presented in Note 2 and Note 9(g) to the basic financial statements, respectively.

GROSS CAPITAL ASSETS
(Dollars in millions)



Schedule of Capital Assets

(Dollars in millions)	June 30, 2019	2018	2017
Land, easements and rights of way	**$ 984.8**	$ 994.8	$ 1,009.9
Construction in progress	**545.8**	691.8	1,018.8
Parker power plant and dam	**13.0**	13.0	13.0
Power recovery plants	**210.6**	216.2	196.9
Other dams and reservoirs	**1,568.3**	1,560.7	1,549.8
Water transportation facilities	**3,892.6**	3,820.7	3,744.1
Pumping plants and facilities	**303.0**	302.4	294.3
Treatment plants and facilities	**3,185.8**	2,969.8	2,796.5
Buildings	**187.4**	162.5	138.9
Other plant assets	**750.2**	745.1	713.8
Pre-operating expenses of original aqueduct	**44.6**	44.6	44.6
Participation rights in State Water Project	**5,301.4**	5,160.7	5,034.4
Participation rights in other facilities	**459.0**	459.5	459.7
Gross capital assets	**17,446.5**	17,141.8	17,014.7
Less accumulated depreciation and amortization	**(7,053.0)**	(6,731.8)	(6,480.6)
Total capital assets, net	**$ 10,393.5**	$ 10,410.0	$ 10,534.1
Net increase (decrease) from prior year	**$ (16.5)**	$ (124.1)	$ 194.7
Percent change	**(0.2%)**	(1.2%)	1.9%

Fiscal Year 2019 Compared to 2018. Net capital assets totaled approximately $10.4 billion and decreased $16.5 million over the prior year. The decrease included depreciation and amortization of $352.1 million and $32.3 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred, offset by $227.7 million of construction spending and a net increase of $140.2 million in participation rights in SWP and other facilities.

The major capital asset additions for the current year, excluding capitalized interest, included:

- $46.4 million for the distribution system's rehabilitation program; this program will replace or refurbish existing facilities within Metropolitan's distribution system including reservoirs, pressure control structures, hydroelectric power plants, and pipelines in order to reliably meet water demands.
- $37.9 million for the improvements in infrastructure reliability at the treatment plants; this program will replace or refurbish facilities and components at Metropolitan's five water treatment plants in order to continue to reliably meet water demands.
- $34.5 million for the pre-stressed concrete cylinder pipe reliability (PCCP) program; this program identifies pipelines whose age, location and condition warrant refurbishment/replacement to ensure long-term reliability of Metropolitan's PCCP lines water delivery.
- $26.3 million for the supply reliability and system expansion program; this program is designed to improve the reliability and flexibility of delivering Colorado River water during drought or other State Water Project delivery constraints.
- $13.0 million for the system reliability program, which is designed to ensure the reliability and efficiency of the information technology infrastructure in support of Metropolitan's operational and business applications.

Metropolitan's fiscal year 2020 capital investment plan includes $259.8 million principally for the distribution system and rehabilitation projects, the Colorado River Aqueduct reliability programs, the PCCP feeders upgrade, systems and information technology improvements, and water treatment plants upgrades program.

Fiscal Year 2018 Compared to 2017. Net capital assets totaled approximately $10.4 billion and decreased $124.1 million over the prior year. This decrease included depreciation and amortization of $329.7 million and $128.5 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred, offset by $207.9 million of construction spending and a net increase of $126.2 million in participation rights in SWP and other facilities.

The major capital asset additions for fiscal year 2018, excluding capitalized interest, included:

- $44.6 million for the distribution system's rehabilitation program.
- $40.8 million for the PCCP program.
- $30.0 million for the improvements in infrastructure reliability at the treatment plants.
- $24.3 million for the supply reliability and system expansion program.
- $16.9 million for the system reliability program.
- $14.5 million for the oxidation retrofit program at the filtration plants; this program is designed to reduce the level of disinfection byproducts in the treated water supplied by these plants in order to meet state and federal standards.

DEBT ADMINISTRATION – LONG-TERM DEBT

Schedule of Long-term Debt, Including Current Portion

	June 30,		
(Dollars in millions)	**2019**	2018	2017
General obligation bonds *(a)*	**$ 48.1**	$ 60.6	$ 74.9
Revenue bonds *(a)*	**3,933.2**	4,233.9	4,302.0
Revolving notes	**46.8**	—	—
Other, net *(b)*	**307.3**	212.5	202.8
	$ 4,335.4	$ 4,507.0	$ 4,579.7
Increase (decrease) from prior year	**$ (171.6)**	$ (72.7)	$ 56.3
Percent change	**(3.8%)**	(1.6%)	1.2%

(a) Includes refunding bonds.
(b) Consists of unamortized bond discounts and premiums.

Fiscal Year 2019 Compared to 2018. At June 30, 2019, outstanding bonds and other long-term obligations totaled $4.3 billion, a net decrease of $171.6 million or 3.8 percent from the prior year. The decrease was due to $171.2 million of bond refundings, as the new debt issued was less than the amount of debt refunded and $142.0 million of scheduled principal payments. These decreases were offset by $94.8 million increase in premiums and discounts, which included $129.3 million increase related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on the debt refunded, offset by $34.5 million related to scheduled amortization. In addition, revolving notes increased $46.8 million related to the Bank of America, N.A. notes issued for the California WaterFix advance funding.

Fiscal Year 2018 Compared to 2017. At June 30, 2018, outstanding bonds and other long-term obligations totaled $4.5 billion, a net decrease of $72.7 million or 1.6 percent from the prior year. The decrease was due to $164.1 million of scheduled principal payments and $62.6 million related to bond refundings, as the new debt issued was less than the amount of debt refunded. These decreases were offset by the issuance $144.3 million in revenue bonds and $9.7 million of scheduled amortization of bond premiums and discounts.

Additional information on Metropolitan's long-term debt can be found in Notes 5 and 6 to the basic financial statements.

CREDIT RATINGS

Metropolitan's credit ratings at June 30, 2019 are shown below.

	Moody's Investors Service	Standard & Poor's Global	Fitch Ratings
General obligation bonds	Aaa	AAA	AA+
Water revenue bonds-fixed rate	Aa1	AAA	AA+
Water revenue bonds-variable rate	VMIG 1	A-1+	F1+
Subordinate water revenue bonds-fixed rate	N/A	AA+	AA+
Subordinate water revenue bonds-variable rate	N/A	A-1+	F1+

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STATEMENTS OF NET POSITION

(Dollars in thousands)	June 30, 2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and investments, at fair value (Notes 1b and 3):		
Unrestricted (cost: $153,444 and $282,354 for 2019 and 2018, respectively)	**$ 153,867**	$ 281,000
Restricted (cost: $425,332 and $492,097 for 2019 and 2018, respectively)	**426,503**	489,737
Total cash and investments	**580,370**	770,737
Receivables:		
Water revenues	**170,130**	221,301
Interest on investments	**4,725**	4,402
Other, net (Note 1e)	**29,737**	34,629
Total receivables	**204,592**	260,332
Inventories (Note 1f)	**123,003**	97,727
Deposits, prepaid costs, and other (Note 11)	**2,040**	1,611
Total current assets	**910,005**	1,130,407
Noncurrent Assets:		
Cash and investments, at fair value (Notes 1b and 3):		
Unrestricted (cost: $556,450 and $354,448 for 2019 and 2018, respectively)	**563,577**	352,748
Restricted (cost: $47,436 and $66,214 for 2019 and 2018, respectively)	**42,158**	67,985
Total cash and investments	**605,735**	420,733
Capital assets (Note 2):		
Plant and equipment - non depreciable (Notes 1g and 9g)	**1,530,628**	1,686,602
Plant and equipment - depreciable (Notes 1g and 9g)	**10,155,417**	9,834,905
Participation rights in State Water Project (Notes 1h and 10)	**5,301,433**	5,160,746
Participation rights in other facilities (Notes 1h and 4)	**459,049**	459,489
Total capital assets	**17,446,527**	17,141,742
Less accumulated depreciation and amortization	**(7,053,048)**	(6,731,791)
Total capital assets, net	**10,393,479**	10,409,951
Other assets, net of current portion:		
Deposits, prepaid costs, and other (Note 11)	**329,244**	267,103
Total other assets	**329,244**	267,103
Total noncurrent assets	**11,328,458**	11,097,787
Total assets	**12,238,463**	12,228,194
Deferred Outflows of Resources:		
Loss on bond refundings (Note 1q)	**24,629**	39,050
Loss on swap terminations (Note 1q)	**18,500**	27,446
Pension related (Notes 1k, 1q, and 7)	**106,935**	138,405
OPEB related (Notes 1l, 1q, and 8)	**32,067**	34,674
Total deferred outflows of resources	**182,131**	239,575
Total Assets and Deferred Outflows of Resources	**$ 12,420,594**	$ 12,467,769

See accompanying notes to basic financial statements

STATEMENTS OF NET POSITION

(Dollars in thousands)		June 30, 2019		2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities:				
Accounts payable and accrued expenses (Note 1i)	$	**131,952**	$	103,192
Current portion of long-term debt (Notes 5 and 6)		**468,037**		297,422
Current portion of accrued compensated absences (Notes 1j and 6)		**22,000**		19,700
Current portion of customer deposits and trust funds (Note 6)		**8,335**		6,312
Current portion of workers' compensation and third party claims (Notes 6 and 14)		**3,284**		4,083
Current portion of other long-term liabilities (Note 6)		**5**		2,871
Accrued bond interest		**51,558**		67,577
Matured bonds and coupons not presented for payment		**1,754**		1,760
Total current liabilities		**686,925**		502,917
Noncurrent Liabilities:				
Long-term debt, net of current portion (Notes 5 and 6)		**3,820,568**		4,209,537
Revolving notes (Notes 5a and 6)		**46,800**		—
Accrued compensated absences, net of current portion (Notes 1j and 6)		**26,397**		27,945
Customer deposits and trust funds, net of current portion (Note 6)		**41,062**		39,860
Net pension liability (Note 7)		**634,037**		660,917
Net OPEB liability (Note 8)		**228,334**		240,569
Workers' compensation and third party claims, net of current portion (Notes 6 and 14)		**9,674**		9,496
Fair value of interest rate swaps (Notes 5e and 6)		**56,274**		44,411
Other long-term liabilities, net of current portion (Note 6)		**2,204**		2,219
Total noncurrent liabilities		**4,865,350**		5,234,954
Total liabilities		**5,552,275**		5,737,871
Commitments and Contingencies (Note 9)		**—**		—
Deferred Inflows of Resources:				
Effective swaps (Note 1q)		**626**		18,649
Pension related (Notes 1k, 1q and 7)		**24,206**		17,836
OPEB related (Notes 1l, 1q, and 8)		**7,288**		6,928
Total deferred inflows of resources		**32,120**		43,413
Total Liabilities and Deferred Inflows of Resources		**5,584,395**		5,781,284
Net Position (Note 13):				
Net investment in capital assets, including State Water Project costs		**6,131,572**		5,968,786
Restricted for:				
Debt service		**180,724**		201,361
Other		**237,893**		206,237
Unrestricted		**286,010**		310,101
Total net position		**6,836,199**		6,686,485
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$**	**12,420,594**	$	12,467,769

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year Ended June 30,	
(Dollars in thousands)	**2019**	2018
Operating Revenues (Note 1c):		
Water revenues	**$ 1,148,674**	$ 1,285,164
Readiness-to-serve charges	**136,500**	137,500
Capacity charge	**33,024**	34,653
Power sales	**18,257**	23,694
Total operating revenues	**1,336,455**	1,481,011
Operating Expenses:		
Power and water costs	**375,780**	446,486
Operations and maintenance	**493,962**	507,450
Total operating expenses	**869,742**	953,936
Operating income before depreciation and amortization	**466,713**	527,075
Less depreciation and amortization (Note 2)	**(361,091)**	(330,262)
Operating income	**105,622**	196,813
Nonoperating Revenues (Expenses) (Note 1n):		
Taxes, net (Note 1d)	**142,683**	127,367
Bond interest, net of $4,700 and $15,600 of interest capitalized in fiscal years 2019 and 2018, respectively (Note 1g)	**(126,925)**	(124,523)
Investment income, net	**36,003**	10,577
Loss on disposal of plant assets	**(13,678)**	(88,690)
Other, net	**5,169**	(55,357)
Total nonoperating expenses, net	**43,252**	(130,626)
Changes in Net Position Before Contributions	**148,874**	66,187
Capital contributions (Note 1m)	**840**	1,496
Changes in net position	**149,714**	67,683
Net Position		
Beginning of year, as previously reported	**6,686,485**	6,757,685
Less: Cumulative effect of change in accounting principle (Note 1s)	**—**	(138,883)
Beginning of year, as restated	**6,686,485**	6,618,802
Net position, End of Year	**$ 6,836,199**	$ 6,686,485

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30, 2019	2018
Cash Flows from Operating Activities:		
Cash received from water sales	**$ 1,101,721**	$ 1,164,017
Cash received from readiness-to-serve charges	**137,158**	137,580
Cash received from capacity charge	**33,293**	34,560
Cash received from power sales	**17,536**	27,325
Cash received from other exchange transactions	**97,855**	88,274
Cash paid for operations and maintenance expenses	**(268,692)**	(248,014)
Cash paid to employees for services	**(226,645)**	(220,220)
Cash paid for power and water costs	**(378,180)**	(481,271)
Other cash flows for operating activities	**1,618**	2,037
Net cash provided by operating activities	**515,664**	504,288
Cash Flows from Noncapital Financing Activities:		
Proceeds from other collections	**10,047**	7,675
Net cash provided by noncapital financing activities	**10,047**	7,675
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(231,747)**	(222,119)
Payments for State Water Project costs	**(182,188)**	(126,371)
Proceeds from short and long-term debt	**46,833**	159,833
Payments for bond issuance costs	**(3,418)**	(2,113)
Principal paid on debt	**(175,973)**	(414,125)
Interest paid on debt	**(184,487)**	(181,006)
Payments for other long-term obligations	**—**	(10,832)
Proceeds from tax levy	**145,154**	129,666
Transfer from (to) escrow trust accounts	**10,571**	(37,027)
Payments of rebatable arbitrage	**(10)**	—
Proceeds from sale of capital assets	**9,730**	—
Net cash used by capital and related financing activities	**(565,535)**	(704,094)
Cash Flows from Investing Activities:		
Purchase of investment securities	**(6,377,345)**	(7,571,221)
Proceeds from sales and maturities of investment securities	**6,223,438**	7,909,354
Investment income	**31,374**	15,475
Net cash (used) provided by investing activities	**(122,533)**	353,608
Net change in cash	**(162,357)**	161,477
Cash at July 1, 2018 and 2017	**162,379**	902
Cash at June 30, 2019 and 2018 (Note 1b)	**$ 22**	$ 162,379

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30, 2019		2018	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	**$**	**105,622**	$	196,813
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and amortization expense		**361,091**		330,262
Decrease (increase) in accounts receivable		**51,464**		(35,589)
(Increase) decrease in inventories		**(25,276)**		12,807
Increase in deposits, prepaid costs, and other		**(21,007)**		(66,832)
Increase in accounts payable, and accrued expenses		**30,175**		7,012
(Decrease) increase in pension liabilities		**(22,943)**		62,267
(Decrease) increase in OPEB liabilities		**(10,522)**		15,546
Decrease (increase) in deferred outflows related to pension		**27,064**		(6,851)
Increase (decrease) in deferred inflows related to pension		**5,478**		(3,451)
Decrease (increase) in deferred outflows related to OPEB		**2,242**		(29,473)
Increase in deferred inflows related to OPEB		**310**		5,889
Increase in other items		**11,966**		15,888
Total Adjustments		**410,042**		307,475
Net cash provided by operating activities	**$**	**515,664**	$	504,288
Significant Noncash Investing, Capital and Financing Activities				
Refunding bonds proceeds received in escrow trust fund	**$**	**808,053**	$	956,810
Debt defeased through escrow trust fund with refunding debt	**$**	**(785,030)**	$	(741,240)
Deferred gain on refunding debt	**$**	**8,694**	$	14,392
RECONCILIATION OF CASH AND INVESTMENTS TO CASH				
Unrestricted cash and investments (at June 30, 2019 and 2018 includes $22 and $162,379 of cash, respectively)	**$**	**717,444**	$	633,748
Restricted cash and investments		**468,661**		557,722
Total cash and investments, at fair value		**1,186,105**		1,191,470
Less: carrying value of investments		**(1,186,083)**		(1,029,091)
Total Cash (Note 1b)	**$**	**22**	$	162,379

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1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Metropolitan Water District of Southern California (Metropolitan), a special district of the State of California, was organized in 1928 by vote of the electorates of several Southern California cities following adoption of the Metropolitan Water District Act (Act) by the California Legislature. Metropolitan's primary purposes under the Act are to develop, store, and distribute water, at wholesale, to its member public agencies for domestic and municipal purposes. Surplus water is sold for other beneficial uses, including agricultural use. Metropolitan's service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. There are 26 independent member agencies of Metropolitan, consisting of 14 cities, 11 municipal water districts, and one county water authority. Metropolitan has no financial accountability for its member agencies. Metropolitan is governed by a 38-member Board of Directors (Board) comprised of representatives of the member agencies. Representation and voting rights are based on assessed valuations of property pursuant to Section 55 of the Act. Each member agency is entitled to have at least one representative on the Board plus an additional representative for each full five percent of the assessed valuation of real property within the jurisdictional boundary of each member agency. Changes in relative assessed valuation do not terminate any director's term. Accordingly, the Board may, from time to time, have more or fewer than 38 directors. No single member agency has a voting majority.

The Metropolitan Water District Asset Financing Corporation (MWDAFC) was incorporated on June 19, 1996. The MWDAFC is a California nonprofit public benefit corporation formed to assist Metropolitan by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by Metropolitan and leasing or selling such property to Metropolitan. The MWDAFC is governed by a board of five directors, each of whom must be a member of Metropolitan's Board. MWDAFC had no financial operations during fiscal years 2019 or 2018. MWDAFC is a component unit of Metropolitan and its activities will be blended with those of Metropolitan for financial reporting purposes should it commence operations.

(b) Principles of Presentation

Metropolitan 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 related cash flows.

Metropolitan is accounted for as an enterprise fund and applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in its accounting and reporting.

For purposes of the statements of cash flows, Metropolitan defines cash as demand account balances and cash on hand.

(c) Revenue Policies

Water revenues, which include funds received from charges for the sale and availability of water, including water rates and other exchange and wheeling transactions, is the principal source of Metropolitan's revenues. Other sources of operating revenue include readiness-to-serve charges, capacity charge, and hydroelectric power sales. Other revenues include ad valorem property taxes and investment income.

Water rates are established by the Board on a biennial basis. Water rates are supported by cost of service studies. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Water is delivered to the member agencies on demand and revenue is recognized at the time of sale.

Metropolitan's rate structure consists of unbundled rate elements (supply, treatment, conveyance and distribution, power, and demand management) designed to provide transparency regarding the cost of specific functions to member agencies. It is designed to improve regional water resources management and accommodate a water transfer market. The rate structure also includes tiered pricing for supply, a capacity charge, and a readiness-to-serve charge.

(d) Taxing Authority

Metropolitan is expressly empowered under the Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the California Revenue and Taxation Code, and the California Constitution. Property taxes are levied annually by the Board effective as of July 1, using a lien date of January 1, and are payable by property owners in two equal installments that are due on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Property taxes levied by Metropolitan are billed and collected by the counties in its service area and are remitted to Metropolitan periodically throughout the year.

Property tax revenue is used to pay Metropolitan’s general obligation bond debt service and a portion of its obligations under its contract with the state for a water supply and participation in the State Water Project (the State Water Contract). In setting the annual levy, Metropolitan takes into account potential delinquencies, tax allocations to the successor agencies of former redevelopment agencies, and supplemental tax collections. Metropolitan recognizes property taxes receivable on July 1 of each fiscal year and recognizes revenue over the following 12-month period beginning July 1 through June 30 (the period for which the tax is levied).

As a result of legislation enacted in 1984, commencing with the fiscal year ended June 30, 1991, tax levies, other than annexation taxes, are limited to the amount needed to pay debt service on Metropolitan’s general obligation bonds and Metropolitan’s proportionate share of general obligation bond debt service of the state under the State Water Contract. However, under the terms of the 1984 legislation, the Board may suspend this particular restriction upon a finding that doing so is essential to Metropolitan's fiscal integrity. The Board made such a finding for fiscal years ended June 30, 2014 through 2020, and maintained the tax rate for those fiscal years at the rate levied during fiscal year ended June 30, 2013 to pay a portion of State Water Contract costs other than general obligation debt service.

(e) Other Receivables

Other receivables include amounts for taxes, hydroelectric power sales, readiness-to-serve charges, and other billings.

(f) Inventories

Metropolitan's inventories are valued based on a moving-average cost. Expenses are recorded when inventories are used. Components of inventories at June 30, 2019 and 2018 were as follows:

	June 30,	
(Dollars in thousands)	**2019**	2018
Water in storage	**$ 109,612**	$ 84,813
Operating supplies	**13,391**	12,914
Total inventories	**$ 123,003**	$ 97,727

(g) Capital Assets

Metropolitan's capital assets include plant and equipment, which are recorded at cost. Construction costs are capitalized if they exceed $50,000 and the asset has a useful life of at least five years. The cost of constructed assets may include labor, materials, certain general and administrative expenses, and interest incurred during construction periods. Depreciation is calculated using the straight-line method based on the estimated average useful lives of the assets, which are 10 to 80 years for buildings, storage, and distribution facilities, 10 to 50 years for treatment plants and hydroelectric power recovery facilities, and 10 to 80 years for miscellaneous assets. Improvements or refurbishments with aggregated costs that meet capitalization thresholds and that extend the useful life of an existing asset by at least five years are capitalized.

Major computer systems software, whether purchased or internally developed, is capitalized if the cost exceeds $250,000 and the useful life is at least three years. Vehicles and operating equipment are capitalized if the cost equals or exceeds $5,000 and the useful life is at least four years. Depreciation is calculated using the straight-line method based on the estimated useful lives and ranges from 3 to 10 years for major computer systems software and 4 to 10 years for vehicles and operating equipment.

(h) Participation Rights

Metropolitan participates in various storage and water management programs entitling it to certain water rights. Projects include the SWP and various storage and water management programs. Metropolitan's participation in these projects is through cash payments. The value of participation rights is equal to the amounts spent for the construction of capital assets, such as pipelines, pumping facilities, and storage facilities, and amortized over the life of the agreements. These assets are not owned by Metropolitan. Certain projects also require payments for ongoing maintenance; those payments are charged to expense as incurred. (See Notes 2, 4, and 10.)

(i) Disaggregation of Payable Balances

Accounts payable and accrued expenses at June 30, 2019 and 2018 were as follows:

(Dollars in thousands)	June 30, 2019	June 30, 2018
Department of Water Resources (SWP):		
Capital, operating, maintenance, power, replacement, and variable power	**$ 72,910**	$ 46,407
Vendors	**42,989**	36,128
Accrued power costs	**1,578**	4,542
Accrued salaries	**8,699**	8,569
Readiness-to-serve overcollection	**1,368**	1,381
Conservation credits	**4,408**	6,165
Total accounts payable and accrued expenses	**$ 131,952**	$ 103,192

(j) Compensated Absences

Metropolitan's employees earn vacation, sick, and compensatory leave in varying amounts depending primarily on length of service. Upon termination from Metropolitan service, employees are entitled to full payment for accrued vacation and compensatory leave at their final pay rates, and are entitled to payment for approximately one-half of their accrued sick leave at such rates. Metropolitan records its obligations for vacation, sick, and compensatory leave earned by eligible employees based on current pay rates. The allocations to the current and long-term portions of these vested obligations were based on experience and projections of turnover.

(k) Pension Accounting

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

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:
Valuation Date (VD): June 30, 2017
Measurement Date (MD): June 30, 2018
Measurement Period: July 1, 2017 to June 30, 2018

(l) OPEB Accounting

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Metropolitan's plan (OPEB Plan), the assets of which are held by the California Employer's Retiree Benefit Trust (CERBT), and additions to/ deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:
Valuation Date (VD): June 30, 2017
Measurement Date (MD): June 30, 2018
Measurement Period: July 1, 2017 to June 30, 2018

(m) Capital Contributions

Capital contributions are comprised of federal, state, and private grants. These grants are typically of a reimbursable nature: Metropolitan first pays for the project and then the granting agency reimburses Metropolitan for its eligible expenses. The portion of the grants restricted for capital purposes are reflected as capital contributions in the statements of revenues, expenses and changes in net position when they are earned, irrespective of the timing of the receipts. Examples of capital projects where grants are received include water treatment plant improvements, such as fluoridation and water storage programs.

(n) Operating and Nonoperating Revenues and Expenses

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses. Accordingly, Metropolitan defines operating revenues as revenues derived from the sale and availability of water, including water rates and other exchange and wheeling transactions. It also includes readiness-to-serve charges, capacity charge, and hydroelectric power sales. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets.

Revenues from property taxes and investment income, as well as interest expense on outstanding debt, are related to capital and financing activities and are defined as nonoperating revenues and expenses.

(o) Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is Metropolitan's practice to use restricted resources first, then unrestricted resources as they are needed.

(p) Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles 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 basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Deferred Outflows/Inflows of Resources

The net investment in capital assets, including State Water Project costs of $6.1 billion and $6.0 billion at June 30, 2019 and 2018, respectively, includes the effect of deferring the recognition of losses from bond refundings. The deferred outflows from losses on bond refundings at June 30, 2019 and 2018 were $24.6 million and $39.1 million, respectively. This is amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old or the new debt, whichever is shorter.

The unrestricted net position amount of $286.0 million and $310.1 million at June 30, 2019 and 2018, respectively, includes the effect of deferring the recognition of losses from swap terminations resulting in defeasance of debt, the increase or decrease in fair value of Metropolitan's effective interest rate swaps, and deferred amounts related to pension and OPEB.

The deferred outflows from losses on swap terminations resulting in debt defeasance at June 30, 2019 and 2018, respectively, were $18.5 million and $27.4 million. These deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The deferred outflows related to pension at June 30, 2019 and 2018 were $106.9 million and $138.4 million, respectively. The deferred inflows related to pension at June 30, 2019 and 2018 were $24.2 million and $17.8 million, respectively. See note 7(d) for additional information.

The deferred outflows related to OPEB at June 30, 2019 and 2018 were $32.1 million and $34.7 million, respectively. The deferred inflows related to OPEB at June 30, 2019 and 2018 were $7.3 million and $6.9 million, respectively. See notes 8(j) and (k) for additional information.

The deferred inflow from the increase in fair value of interest rate swaps of $0.6 million and $18.6 million at June 30, 2019 and June 30, 2018, respectively, would be recognized as an investment gain upon the early termination of the swaps. Metropolitan will only terminate its interest rate swap agreements in advance of the contractual termination dates if market conditions permit. The deferred inflow also would be recognized as an investment gain if the swaps were determined no longer to be effective hedges. Finally, if the bond associated with a swap is refunded, the deferred inflow would be reduced and the deferred gain on refunding would be increased by the same amount. The deferred gain would be amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter.

(r) Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. Metropolitan reports its investments and liabilities at fair value using market approach and cost approach.

Additionally, GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy has three levels which are: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date; Level 2 inputs are inputs—other than quoted prices—that are observable for identical assets or liabilities, either directly or indirectly; and Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. The fair value hierarchy to Metropolitan's assets and liabilities are presented in Notes 3 and 5.

(s) Cumulative Effect of Change in Accounting Principle

Metropolitan implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pension* (GASB 75), in the fiscal year ended June 30, 2018. The implementation of GASB 75 required

Metropolitan to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by Metropolitan during the measurement period (fiscal year ended June 30, 2017). As a result, net position decreased $138.9 million as of June 30, 2017.

(t) New Accounting Pronouncements

Metropolitan implemented the following GASB Statements in fiscal year 2019:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs) which are legally enforceable liabilities associated with the retirement of a tangible capital asset and should be recognized as a liability based on the guidelines in this Statement. In addition, this Statement requires disclosure of information about the nature of AROs, the methods and assumptions used for the estimates of the the liabilities, and the estimated remaining useful life of the associate tangible capital assets. The requirements of this statement are effective for fiscal year 2019 but Metropolitan does not currently have any AROs based on the guidelines in this Statement. Therefore, there were no impacts on previously reported balances in the Statements of Net Position or the Statements of Revenues, Expenses and Changes in Net Position and there was no impact on note disclosures for the current year.

In June 2017, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this statement are effective for fiscal year 2019. Metropolitan's disclosures of debt in accordance with this Statement are presented in Notes 5 and 6.

Metropolitan is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements that will be implemented in a future fiscal year:

- GASB Statement No. 87, *Leases*.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.
- GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*.
- GASB Statement No. 91, *Conduit Debt Obligations*.

The following pronouncements were issued by GASB but were determined to not be applicable to Metropolitan's financial statements:

- GASB Statement No. 84, *Fiduciary Activities*.

2. CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2019 and 2018 was as follows:

(Dollars in thousands)	June 30, 2017	Additions
Capital assets not being depreciated:		
Land, easements and rights of way	$ 1,009,933	$ 2,109
Construction in progress	1,018,788	200,845
Total capital assets not being depreciated	2,028,721	202,954
Other capital assets:		
Parker power plant and dam	13,009	—
Power recovery plants	196,881	19,656
Other dams and reservoirs	1,549,833	10,887
Water transportation facilities	3,744,078	80,433
Pumping plants and facilities	294,262	8,084
Treatment plants and facilities	2,796,493	334,011
Power lines and communciation facilities	32,678	—
Computer systems software	115,056	—
Buildings	138,937	23,966
Miscellaneous	466,290	28,805
Major equipment	99,753	4,943
Pre-operating expenses of original aqueduct	44,595	—
Participation rights in State Water Project (Note 10)	5,034,375	172,289
Participation rights in other facilities (Note 4)	459,709	—
Total other capital assets at historical cost	14,985,949	683,074
Accumulated depreciation and amortization:		
Parker Power Plant and Dam	(12,137)	(163)
Power recovery plants	(98,238)	(4,406)
Other dams and reservoirs	(379,301)	(22,844)
Water transportation facilities	(962,005)	(56,317)
Pumping plants and facilities	(96,964)	(7,219)
Treatment plants and facilities	(750,486)	(69,533)
Power lines and communication facilities	(10,695)	(400)
Computer systems software	(106,311)	(3,087)
Buildings	(30,682)	(4,098)
Miscellaneous	(131,921)	(10,295)
Major equipment	(83,010)	(5,389)
Pre-operating interest and other expenses of original aqueduct	(40,454)	(1,035)
Participation rights in State Water Project (Note 10)	(3,588,104)	(131,121)
Participation rights in other facilities (Note 4)	(190,263)	(13,814)
Total accumulated depreciation and amortization	(6,480,571)	(329,721)
Other capital assets, net	8,505,378	353,353
Total capital assets, net	$ 10,534,099	$ 556,307
Depreciation and amortization was charged as follows:		
Depreciation of water related assets		
Amortization of State Water Project entitlements (Note 10)		
Amortization of participation rights (Note 4)		
Depreciation and amortization expense related to capital assets		
Plus: Net retirements adjusted to expense		
Total depreciation and amortization expense		

Reductions	June 30, 2018	**Additions**	**Reductions**	**June 30, 2019**
$ (17,205)	$ 994,837	**$ 2,965**	**$ (12,977)**	**$ 984,825**
(527,868)	691,765	**218,423**	**(364,385)**	**545,803**
(545,073)	1,686,602	**221,388**	**(377,362)**	**1,530,628**
—	13,009	**—**	**—**	**13,009**
(383)	216,154	**468**	**(6,045)**	**210,577**
(17)	1,560,703	**7,862**	**(235)**	**1,568,330**
(3,830)	3,820,681	**89,490**	**(17,603)**	**3,892,568**
—	302,346	**1,115**	**(429)**	**303,032**
(160,726)	2,969,778	**223,818**	**(7,815)**	**3,185,781**
—	32,678	**—**	**—**	**32,678**
—	115,056	**—**	**(246)**	**114,810**
(357)	162,546	**24,859**	**—**	**187,405**
(51)	495,044	**8,559**	**(5,790)**	**497,813**
(2,381)	102,315	**6,352**	**(3,848)**	**104,819**
—	44,595	**—**	**—**	**44,595**
(45,918)	5,160,746	**177,022**	**(36,335)**	**5,301,433**
(220)	459,489	**—**	**(440)**	**459,049**
(213,883)	15,455,140	**539,545**	**(78,786)**	**15,915,899**
—	(12,300)	**(163)**	**—**	**(12,463)**
377	(102,267)	**(4,540)**	**4,289**	**(102,518)**
17	(402,128)	**(20,803)**	**235**	**(422,696)**
3,548	(1,014,774)	**(56,015)**	**10,280**	**(1,060,509)**
—	(104,183)	**(5,441)**	**429**	**(109,195)**
72,036	(747,983)	**(85,698)**	**7,249**	**(826,432)**
—	(11,095)	**(400)**	**—**	**(11,495)**
—	(109,398)	**(2,200)**	**246**	**(111,352)**
71	(34,709)	**(3,222)**	**—**	**(37,931)**
82	(142,134)	**(11,755)**	**4,298**	**(149,591)**
2,370	(86,029)	**(5,351)**	**3,836**	**(87,544)**
—	(41,489)	**(1,035)**	**—**	**(42,524)**
—	(3,719,225)	**(141,700)**	**—**	**(3,860,925)**
—	(204,077)	**(13,796)**	**—**	**(217,873)**
78,501	(6,731,791)	**(352,119)**	**30,862**	**(7,053,048)**
(135,382)	8,723,349	**187,426**	**(47,924)**	**8,862,851**
$ (680,455)	$ 10,409,951	**$ 408,814**	**$ (425,286)**	**$ 10,393,479**
	$ 184,786			**$ 196,623**
	131,121			**141,700**
	13,814			**13,796**
	329,721			**352,119**
	541			**8,972**
	$ 330,262			**$ 361,091**

3. CASH AND INVESTMENTS

As a public agency, Metropolitan's investment practices are prescribed by various provisions of the California Government Code and the Act, as well as by administrative policies. Metropolitan's statement of investment policy is approved annually by the Board and describes the Treasurer's investment authority, practices, and limitations. The basic investment policy objectives, in order of importance, are safety of principal, liquidity, and return on investment.

Cash and investments may or may not be restricted as to use, depending on the specific purposes for which such assets are held (see Notes 3d and 13).

A summary of Metropolitan's deposit and investment policies, information on interest and credit risks, and restricted cash and investments is provided below.

(a) Deposits

The California Government Code requires California banks and savings and loan associations to secure a local government agency's deposits by pledging government securities as collateral.

As of June 30, 2019 and 2018, Metropolitan's cash balances with financial institutions were $17,000 and $162,374,000 respectively, and cash on hand was $5,000 at each year-end.

(b) Investments

Metropolitan is permitted by State law and Board policy to invest in a variety of instruments including U.S. Treasury securities, federal agencies, repurchase agreements, negotiable certificates of deposit, bankers' acceptances, prime commercial paper, asset and mortgage-backed securities, California local agency securities, including securities issued by Metropolitan, medium-term corporate notes, time deposits, investment contracts, shares of beneficial interest, and Local Agency Investment Fund (LAIF). As of June 30, 2019 and 2018, Metropolitan had the following investments at fair value:

	June 30,	
(Dollars in thousands)	**2019**	2018
U.S. Treasury securities	**$ 88,340**	$ 253,645
U.S. Guarantees – GNMAs	**—**	3
Federal agency securities	**82,406**	82,090
Prime commercial paper	**134,176**	173,600
Medium-term corporate notes	**277,392**	102,553
Negotiable certificates of deposit	**230,648**	281,978
Money Market Funds	**241,988**	355
Government-sponsored enterprise (GSE)	**64,022**	61,470
Municipal bonds	**2,111**	10,324
Local Agency Investment Fund	**65,000**	63,073
Total investments	**$ 1,186,083**	$ 1,029,091

Metropolitan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is the summary of the fair value hierarchy of the fair value of investments of Metropolitan as of June 30, 2019 and 2018:

	Fair Value Measurement Using					
(Dollars in thousands)	**6/30/2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:						
U.S. Treasury securities	**$ 88,340**	**$ 88,340**	**$ —**	$ 253,645	$ 253,645	$ —
U.S. Guarantees – GNMAs	**—**		**—**	3	3	—
Federal agency securities	**82,406**	**82,406**	**—**	82,090	82,090	—
Prime commercial paper	**134,176**	**—**	**134,176**	173,600	36,078	137,522
Medium-term corporate notes	**277,392**	**277,392**	**—**	102,553	102,553	—
Negotiable certificates of deposit	**230,648**	**170,596**	**60,052**	281,978	251,978	30,000
Government-sponsored enterprise (GSE)	**64,022**	**64,022**	**—**	61,470	61,470	—
Municipal bonds	**2,111**	**2,111**	**—**	10,324	10,324	—
Total investments by fair value level	**$ 879,095**	**$ 684,867**	**$ 194,228**	$ 965,663	$ 798,141	$ 167,522
Investments not subject to fair value level:						
Money Market Funds [(1)]	**241,988**			355		
Local Agency Investment Fund	**65,000**			63,073		
Total investments	**$ 1,186,083**			$ 1,029,091		

(1) As of June 30, 2019, the balance was invested in Dreyfus Gov't Cash Management and Dreyfus AMT-Free Tax Exempt (DGCXX & DEIXX) and BlackRock Treasury Trust (TTXX). As of June 30, 2018, the balance was invested in BlackRock Treasury Trust (TTXX).

Investments classified in Level 1 of the fair value hierarchy, valued at $684.9 million and $798.1 million as of June 30, 2019 and 2018, respectively, are valued using quoted prices in active markets.

Prime commercial paper totaling $134.2 million and $137.5 million and negotiable certificates of deposit totaling $60.1 million and $30.0 million, as of June 30, 2019 and 2018, respectively, classified in Level 2 of the fair value hierarchy were valued using matrix pricing.

Interest rate risk. In accordance with Metropolitan's investment policy, interest rate risk was managed by limiting the duration of the various portfolio segments. Each segment has limitations on the amount of duration exposure (see the following for specific durations).

Internally Managed Segment

This segment of the portfolio was managed against the Intercontinental Exchange Bank of America Merrill Lynch (ICE BoAML) 3-Month Treasury Bill Index, approved by the Finance and Insurance Committee. For fiscal years 2019 and 2018, the benchmark duration was 0.23 and 0.24, respectively, and the portfolio duration was permitted to vary from the duration by plus or minus 0.24. As of June 30, 2019 and 2018, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2019		2018	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
U.S. Treasury securities	**$ 33,900**	**1.26**	$ 28,397	1.66
Federal agency securities	**82,157**	**0.57**	75,662	0.12
Prime commercial paper	**134,176**	**0.22**	173,236	0.09
Medium-term corporate notes	**207,391**	**0.77**	30,588	0.06
Negotiable certificates of deposit	**230,648**	**0.33**	281,978	0.06
Municipal bonds	**768**	**5.05**	722	6.02
Money Market Funds	**241,039**	**—**	—	—
Local Agency Investment Fund	**65,000**	**—**	63,073	—
Total portfolio segment	**$ 995,079**		$ 653,656	
Portfolio duration		**0.36**		0.15

Externally Managed Segment

This segment of the portfolio was managed against the ICE BoAML, U.S. Corporate and Government, one to five years, A-Rated and above index approved by the Finance and Insurance Committee. For fiscal years 2019 and 2018, the benchmark durations were 2.61 and 2.63, respectively, and the portfolio duration was permitted to vary from the duration by plus or minus 1.50. As of June 30, 2019 and 2018, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2019		2018	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
U.S. Treasury securities	**$ 50,873**	**2.08**	$ 208,251	2.56
U.S. Guarantees – GNMAs	**—**	**—**	3	3.79
Federal agency securities	**—**	**—**	5,620	9.4
Medium-term corporate notes	**70,001**	**2.36**	69,667	2.73
Money Market Funds	**194**	**—**	355	—
Government-sponsored enterprise (GSE)	**64,022**	**2.20**	61,470	2.19
Total portfolio segment	**$ 185,090**		$ 345,366	
Portfolio duration		**2.22**		2.64

Bond Reserves and Lake Mathews Segment

Investments in the bond reserves were managed based on the requirements of each of the bond issues. The Lake Mathews trust funds were managed in a manner that preserved the principal and provided the necessary liquidity to pay its operating expenses. Per Board authorization, the Treasurer was authorized to invest these monies in excess of five years.

As of June 30, 2019 and 2018, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2019		2018	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
U.S. Treasury securities	**$ 3,567**	**1.24**	$ 16,997	3.33
Federal agency securities	**249**	**0.77**	808	0.11
Prime commercial paper	**—**	**—**	364	0.06
Medium-term corporate notes	**—**	**—**	2,298	0.08
Money Market Funds	**755**	**—**	—	—
Municipal bonds	**1,343**	**4.13**	9,602	7.61
Total portfolio segment	**$ 5,914**		$ 30,069	
Weighted average duration		**1.71**		4.32

Credit risk. Credit risk was managed by purchasing investments with the nationally recognized credit ratings specified in Metropolitan's investment policy. Additionally, the policy required monitoring the credit ratings of securities held in the portfolio, and if the securities' credit ratings were downgraded, evaluating for potential sale. For certain securities, additional requirements included consideration of net worth, length of time in business, and specified market values.

Presented in the following table is the minimum rating required, if applicable, by investment type pursuant to Metropolitan's investment policy and State law:

Investment Type	Minimum Rating
U.S. Government and agencies	Not applicable.
Bankers' acceptances Prime commercial paper Negotiable certificates of deposit Time deposits	Prime quality of the highest ranking or highest letter and numerical rating ('A1', 'P1', 'F1' or higher) as provided by Moody's Investors Service, Inc., Standard & Poor's Global Ratings Services, and Fitch Ratings. Credit requirement may be waived for the maximum deposit that is insured by the Federal Deposit Insurance Corporation.
Repurchase agreements	Only with primary dealers in government securities or financial institutions with a Moody's Investors Service, Inc. or equivalent rating of 'A' or better.
Investment contracts	Not applicable. Limited to guaranteed investment contracts, or agreements collateralized with U.S. Treasury or agency securities.
Medium-term corporate notes	Rating category of at least 'A' or better, or the equivalent, by a nationally recognized rating agency.
Government-sponsored enterprise (e.g., FannieMae, FreddieMac)	Issuer's debt must be rated 'A' or higher as provided by a nationally recognized rating agency and the security must be rated in a category of 'AAA' by a nationally recognized rating agency.
Local Agency Investment Fund	Not applicable.
Shares of beneficial interest/ Money Market Funds	Highest ranking of the highest letter and numerical rating provided by not less than two nationally recognized rating agencies.
California local agency securities Municipal bonds	Securities with a maturity in excess of five years must have a credit rating of at least 'AA' (may be insured) and an underlying credit rating of 'A' or better by a nationally recognized rating agency.

Metropolitan's minimum rating for government-sponsored enterprises (GSE) of 'AAA' is more restrictive than the California Government Code requirement of 'AA'.

At June 30, 2019 and 2018, Metropolitan's portfolio was invested in the following securities by rating:

		June 30,	
		2019	2018
(Dollars in thousands)	Rating	**Fair value**	Fair value
U.S. Treasury securities	N/A[1]	**$ 88,340**	$ 253,645
U.S. Guarantees – GNMAs	N/A[1]	**—**	3
Federal agency securities	AAA[2]	**82,406**	82,090
Prime commercial paper	A1/P1[3]	**134,176**	173,600
Medium-term corporate notes	A[3]	**277,392**	102,553
Negotiable certificates of deposit	F1[3]	**230,648**	281,978
Money Market Funds	AAA	**241,988**	355
Government-sponsored enterprise (GSE)	AAA	**64,022**	61,470
Municipal bonds	A[3]	**2,111**	10,324
Local Agency Investment Fund	N/A[4]	**65,000**	63,073
Total portfolio		**$ 1,186,083**	$ 1,029,091

[1] *Credit ratings are not applicable to obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.*
[2] *Federal Agencies are rated "AAA" by two nationally recognized rating agencies and "AA" by one nationally recognized rating agency.*
[3] *A or better e.g. F1+, A1+, AA, or AAA.*
[4] *Local Agency Investment Fund is not rated.*

Concentration of credit risk. In accordance with Metropolitan's investment policy, the minimum requirements for limiting concentration of credit risk defined the maximum percent allowable for investment in each security type as well as the percent allowable for investment by issuer per type. Generally, the maximum allowable for investment by security type varied from 20 percent, for GSE, to 100 percent for U.S. Treasury and agency securities. The percentages of investments that can be purchased by a single issuer, within each security type, ranged from 5 percent, for asset-backed securities, to 10 percent for bankers' acceptances.

The following table identifies Metropolitan's limits and the percent invested by security type based on fair value, as of June 30, 2019 and 2018.

	Investment Policy Limits	Percent of Portfolio **2019**	Percent of Portfolio 2018
U.S. Treasury securities	100%	**8 %**	25 %
Federal agency securities	100%	**7 %**	8 %
Prime commercial paper	25%	**11 %**	17 %
Medium-term corporate notes	30%	**23 %**	10 %
Negotiable certificates of deposit	30%	**20 %**	27 %
Money Market Funds	20%	**20 %**	— %
Government-sponsored enterprise (GSE)	20%	**5 %**	6 %
Municipal bonds	30%	**— %**	1 %
Local Agency Investment Fund	N/A	**6 %**	6 %
Total portfolio		**100 %**	100 %

At June 30, 2019 and 2018, Metropolitan had the following investments (obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government not listed) representing five percent or more of its investments:

(Dollars in thousands)		2019	
Local Agency Investment Fund	$	**65,000**	**5.48 %**
Federal National Mortgage Association [1]	$	**60,064**	**5.06 %**

[1] *Invested in Federal agency securities*

(Dollars in thousands)		2018	
Local Agency Investment Fund	$	63,073	6.13 %
Mizuho Bank [1]	$	55,847	5.43 %

[1] *Invested in prime commercial paper and certificates of deposit*

Custodial credit risk. At June 30, 2019 and 2018, Metropolitan's investments were insured, registered or held, in Metropolitan's name, in safekeeping at Metropolitan's bank, which was not a counterparty to the investment transactions. The exceptions were $65.0 million and $63.1 million in deposits in the California State managed LAIF as of June 30, 2019 and 2018, respectively.

The LAIF, created by California statute, is part of a pooled money investment account (PMIA). The LAIF has oversight by the Local Investment Advisory Board, which consists of five members designated by statute. The Chairwoman is the State Treasurer, or her designated representative.

The total amount invested by all public agencies in LAIF as of June 30, 2019 and 2018 was $24.6 billion and $22.5 billion, respectively. At June 30, 2019 and 2018, the PMIA had a balance of $105.7 billion and $88.8 billion, respectively, of which, 1.77 percent and 2.67 percent were invested in medium-term and short-term notes and asset-backed securities, respectively. The average maturity of LAIF investments as of June 30, 2019 and 2018 was 173 days and 193 days, respectively.

(c) Reverse Repurchase Agreements

Metropolitan is permitted, subject to conditions imposed by State law, to sell securities owned under written agreements and to buy back the securities on or before a specified date for a specified amount. No such reverse repurchase agreements were entered into during the fiscal years ended June 30, 2019 and 2018.

(d) Restricted Cash and Investments

Metropolitan has established a number of separate accounts, also referred to as funds, to provide for specific activities in accordance with special regulations, bond covenants, and trust arrangements. The accounts are classified as "restricted." Most restricted accounts have the minimum cash and investment balance requirements and all are nondiscretionary in terms of the use of assets. Among other things, the restricted amounts provide for payments of debt service on Metropolitan's bonds; reserves for principal and interest on outstanding bonds; payments for arbitrage tax rebate; construction of capital assets; payment of Metropolitan's operations and maintenance expenses; and payment of the costs related to the closure and postclosure maintenance of Metropolitan's solid waste landfill facility.

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4. PARTICIPATION RIGHTS

Participation rights activity, excluding participation rights in State Water Project, for the fiscal years ended June 30, 2019 and 2018 was as follows:

(Dollars in thousands)	June 30, 2017	Additions
Participation rights:		
Imperial Irrigation District	$ 112,313	$ —
Palo Verde Irrigation District	82,804	—
Kern Water District	39,007	—
South County Pipeline	72,371	—
Semitropic Water Storage District	34,919	—
Arvin-Edison Water Storage District	47,187	—
Chino Basin	27,500	—
Orange County	23,000	—
Conjunctive Use Programs	20,608	—
Total	459,709	—
Accumulated amortization:		
Imperial Irrigation District	(56,692)	(2,270)
Palo Verde Irrigation District	(28,731)	(2,343)
Kern Water District	(15,115)	(2,172)
South County Pipeline	(22,195)	(912)
Semitropic Water Storage District	(16,935)	(976)
Arvin-Edison Water Storage District	(20,287)	(1,467)
Chino Basin	(11,994)	(1,454)
Orange County	(9,858)	(1,195)
Conjunctive Use Programs	(8,456)	(1,025)
Total	(190,263)	(13,814)
Participations rights, net	$ 269,446	$ (13,814)

Reductions	June 30, 2018	**Additions**	**Reductions**	**June 30, 2019**
$ —	$ 112,313	**$ —**	**$ —**	**$ 112,313**
—	82,804	**—**	**—**	**82,804**
—	39,007	**—**	**—**	**39,007**
—	72,371	**—**	**—**	**72,371**
(220)	34,699	**—**	**(440)**	**34,259**
—	47,187	**—**	**—**	**47,187**
—	27,500	**—**	**—**	**27,500**
—	23,000	**—**	**—**	**23,000**
—	20,608	**—**	**—**	**20,608**
(220)	459,489	**—**	**(440)**	**459,049**
—	(58,962)	**(2,270)**	**—**	**(61,232)**
—	(31,074)	**(2,343)**	**—**	**(33,417)**
—	(17,287)	**(2,172)**	**—**	**(19,459)**
—	(23,107)	**(912)**	**—**	**(24,019)**
—	(17,911)	**(958)**	**—**	**(18,869)**
—	(21,754)	**(1,467)**	**—**	**(23,221)**
—	(13,448)	**(1,454)**	**—**	**(14,902)**
—	(11,053)	**(1,195)**	**—**	**(12,248)**
—	(9,481)	**(1,025)**	**—**	**(10,506)**
—	(204,077)	**(13,796)**	**—**	**(217,873)**
$ (220)	$ 255,412	**$ (13,796)**	**$ (440)**	**$ 241,176**

(a) Imperial Irrigation District

In December 1988, Metropolitan and the Imperial Irrigation District (IID) entered into a water conservation agreement that became effective in December 1989. Under the terms of the conservation agreement, Metropolitan paid for capital costs and continues to pay annual costs for specific conservation projects within IID. From 1998 to 2003, Metropolitan diverted from the Colorado River a quantity of water equal to the amount of water conserved by the conservation projects, which totaled between 104,940 and 109,460 acre-feet annually. Under the October 2003 amendment to an agreement and at the request of the Coachella Valley Water District (CVWD), up to 20,000 acre-feet of the total conserved volume was made available to CVWD. Under the May 2007 amendment to the agreement and a December 2014 letter agreement, at least 85,000 and 105,000 acre-feet will be/was available in calendar years 2019 and 2018, respectively (see Note 9c). The water must be used in the calendar year the water is conserved, unless stored in a Colorado River reservoir pursuant to a separate agreement.

As capital projects were completed, the costs contributed by Metropolitan were capitalized as participation rights in Metropolitan's accounting records. The construction phase of this program was completed as of September 30, 1998, and the operation and maintenance phase commenced on October 1, 1998. The October 2003 amendment to the agreement extended the term through December 31, 2041 or 270 days beyond the termination of the Quantification Settlement Agreement plus any extension applicable over the agreement (see Note 9e).

Participation rights for this project totaled $112.3 million as of June 30, 2019 and 2018, and are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.3 million in fiscal years 2019 and 2018.

(b) Palo Verde Irrigation District

In August 2004, Metropolitan entered into an agreement with PVID to implement a 35-year land management and crop rotation program. This fallowing program commenced in January 2005 and will extend through July 2040 and will make available up to 130,000 acre-feet of water in certain years for transfer to Metropolitan from PVID.

Under the terms of the agreement, Metropolitan paid for all program start-up costs that have been capitalized as participation rights. These costs included sign-up payments to individual landowners, funding for a community improvement program and program setup costs.

Participation rights for this program totaled $82.8 million as of June 30, 2019 and 2018, and are being amortized using the straight-line method over 35 years. Amortization expense totaled $2.3 million in fiscal years 2019 and 2018.

(c) Kern Delta Water District

Metropolitan entered into an agreement with the Kern Delta Water District for the development of a water management program. The agreement includes a Regulation Program and a Transportation Program. Under the terms of the Regulation Program, Kern Delta will regulate the storage and delivery for Metropolitan of up to 250,000 acre-feet of water and currently has 154,421 acre-feet in the program. The program is intended to provide a minimum recharge and return capability of 50,000 acre-feet annually. Construction of infrastructure is required in order to meet the program's dry year minimum return. The transportation program provides Metropolitan with priority rights to convey water acquired by Metropolitan from third parties through the Kern-Delta facilities to the

California Aqueduct for ultimate delivery to Metropolitan. This program terminates on December 31, 2029. The facilities became operational in June 2010.

Participation rights for the Kern Delta totaled $39.0 million as of June 30, 2019 and 2018, and are being amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.2 million in fiscal years 2019 and 2018.

(d) South County Pipeline

In 1989, Metropolitan entered into an agreement with two member agencies and one of their subagencies to participate in the construction of an upsized version of a 26-mile long pipeline serving the south Orange County portion of its service area. Participation in this project provides Metropolitan capacity to transport its water in the central part of its service area.

Participation rights for this project totaled $72.4 million as of June 30, 2019 and 2018. These participation rights are amortized using the straight-line method over 80 years, which is the life of the agreement. Amortization expense totaled $0.9 million in fiscal years 2019 and 2018.

(e) Semitropic Water Storage District

In December 1994, Metropolitan entered into a water banking and exchange program with Semitropic Water Storage District and its improvement districts that entitles it to storage, withdrawal, and exchange rights for its State Water Project supplies. The agreement terminates in November 2035.

In 1999, Metropolitan became fully vested for 35 percent of the one million acre-foot banking project. Metropolitan has a storage allocation of 350,000 acre-feet and currently has 220,515 acre-feet in the program. Metropolitan is entitled to a minimum of 31,500 acre-feet per year of pump back capacity. In addition, assuming a 100 percent State Water Project allocation, Metropolitan is entitled to a minimum of 46,550 acre-feet per year of entitlement exchange rights. Finally, Metropolitan has the ability to use other banking partners' rights when they are not being used. As a result, the potential maximum return capability for Metropolitan is estimated at 223,000 acre-feet per year assuming a 100 percent State Water Project allocation and usage of the other banking partners' rights. In fiscal year 2015, Metropolitan spent $5.8 million to increase the return capacity by 13,200 acre-feet per year. Since then, the additional return capacity has been reduced to 6,700 acre-feet per year after Metropolitan received reimbursement of $2.9 million.

Participation rights for this program totaled $34.3 million and $34.7 million as of June 30, 2019 and 2018, respectively. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.0 million in fiscal years 2019 and 2018.

(f) Arvin-Edison Water Storage District

In December 1997, Metropolitan entered into an agreement for a water management program with Arvin-Edison Water Storage District (Arvin-Edison). The agreement includes a regulation program, a transportation program, and a water quality exchange program. Under the terms of the regulation program, Arvin-Edison will regulate the storage and delivery for Metropolitan of up to 350,000 acre-feet of water and currently has 143,338 acre-feet in the program. The minimum estimated return capability for the Arvin-Edison program varies from 40,000 acre-feet per year to 75,000 acre-feet per year depending on hydrologic/groundwater conditions. Return water will be delivered to Metropolitan upon request through a new intertie pipeline to the California Aqueduct and by exchange of existing Arvin-Edison supplies in the California Aqueduct. In 2008, Metropolitan amended the agreement to construct the south canal improvement project that will improve the operational flexibility of the program as well as increase the ability to return high quality water to the California Aqueduct. The project was completed in early 2009. The agreement terminates on November 4, 2035 with provisions for automatic extension if all stored water has not been returned.

The agreement also provides a transportation program whereby Metropolitan is provided priority rights to convey water acquired by Metropolitan from third parties through the Arvin-Edison facilities to the California Aqueduct for ultimate delivery to Metropolitan.

Participation rights for the Arvin-Edison program totaled $47.2 million as of June 30, 2019 and 2018. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.5 million in fiscal years 2019 and 2018.

(g) Chino Basin

In June 2003, Metropolitan entered into a groundwater storage agreement with Inland Empire Utilities Agency, Three Valleys Municipal Water District, and the Chino Basin Watermaster. Under the terms of the agreement, Metropolitan may store up to 25,000 acre-feet per year to a maximum of 100,000 acre-feet and may withdraw up to 33,000 acre-feet per year for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. As of June 2018, Metropolitan had 46,320 acre-feet water in storage. The agreement terminates on March 1, 2028, unless the parties agree to extend for an additional maximum period of 25 years.

Participation rights in the Chino basin groundwater storage program totaled $27.5 million as of June 30, 2019 and 2018. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.5 million in fiscal years 2019 and 2018.

(h) Orange County

In 2003, Metropolitan entered into a groundwater storage agreement with the Orange County Water District and the Municipal Water District of Orange County to allow Metropolitan to store 66,000 acre-feet in the Orange County Basin. Metropolitan may store up to 16,500 acre-feet per year and withdraw up to 22,000 acre-feet for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. As of June 2019, Metropolitan had no acre-feet in storage. The program included the construction of wells and barrier improvements for protection of groundwater supplies from seawater intrusion. The agreement terminates in June 2028, unless the parties agree to extend for an additional maximum period of 25 years.

Participation rights in the Orange County groundwater storage program totaled $23.0 million as of June 30, 2019 and 2018. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.2 million in fiscal years 2019 and 2018.

(i) Conjunctive Use Programs

Conjunctive use is the operation of a groundwater basin in coordination with a surface water system to increase total water supply availability, thus improving the overall reliability of supplies. Metropolitan has entered into seven agreements with its member agencies for conjunctive use programs whereby Metropolitan provides funding for construction of water storage and related facilities in exchange for water storage and withdrawal rights. The conjunctive use programs were funded with State Proposition 13 grant dollars. The seven projects are with Long Beach, Long Beach-Lakewood, Compton, Three Valleys, Three Valleys MWD-La Verne, Foothill MWD, and Western MWD-Elsinore Valley MWD. Collectively, these seven projects allow Metropolitan to store up to 45,889 acre-feet with storage of 11,472 acre-feet per year and withdrawal of 15,296 acre-feet per year for overlying demand during dry, drought, or emergency conditions. As of June 2019, Metropolitan had a total of 5,836 acre-feet in storage in these seven accounts. The term of each agreement is 25 years, unless the parties agree to extend for an additional maximum period of 25 years. Termination dates range from July 2027 to December 2031. The programs became operational during fiscal year 2009.

Participation rights in these projects totaled $20.6 million at June 30, 2019 and 2018. These participation rights are amortized using the straight-line method over the remaining lives of the agreements. Amortization expense totaled $1.0 million in fiscal years 2019 and 2018.

5. SHORT-TERM AND LONG-TERM DEBT

Metropolitan's enabling Act specifies that its indebtedness shall be limited to 15 percent of the assessed value of all taxable property within Metropolitan's service area. Existing outstanding debt of $4.335 billion and $4.507 billion at June 30, 2019 and 2018, respectively, represents less than one percent of the June 30, 2019 and 2018 total taxable assessed valuation of $2,917 billion and $2,741 billion, respectively.

Metropolitan's long-term debt consists of general obligation and revenue bond issues as well as other obligations. The general obligation bonds are secured by Metropolitan's authority to levy ad valorem property taxes. The revenue bond obligations are special limited obligations of Metropolitan and are secured by a pledge of Metropolitan's net operating revenues. Such obligations contain certain restrictive covenants, with which Metropolitan has complied. Substantially all of the bond issues contain call provisions. Substantially all of the debt proceeds have been, and are expected to continue to be, utilized to fund new facilities, improvements and betterments, and to refund outstanding bonds.

(a) Commercial Paper and Revolving Notes

Metropolitan may issue up to $200.0 million in commercial paper to fund a portion of its capital investment plan, as approved by Metropolitan's Board. There was no commercial paper issued in fiscal years 2019 and 2018 and no commercial paper was outstanding at June 30, 2019 and 2018. Metropolitan may also issue other forms of short-term debt such as variable rate water revenue bonds and revolving notes (see Notes 5c and 5g).

There were no short-term notes issued or refunded during the fiscal year ended June 30, 2019. No short-term notes were issued during the fiscal year ended June 30, 2018.

Short-term note refunded during the fiscal year ended June 30, 2018 was as follows:

- On November 1, 2017, Metropolitan prepaid the $250.0 million Short-Term Revolving Credit Facilities notes issued in April 2017.

Long-term note issued during the fiscal year ended June 30, 2019 was as follows:

- On August 1, 2018, Metropolitan entered into a Note Purchase and Continuing Covenant Agreement with Bank of America N.A. (BANA, and the 2018 BANA Agreement), for the purchase by BANA and sale by Metropolitan of up to $86.0 million of Metropolitan's Short-Term Revenue Certificates, 2018 Series A (the Series 2018 Notes). Proceeds were used to provide advances or contributions of money to pay for costs related to the California WaterFix. The Series 2018 Notes will bear interest at a variable rate of interest, at a spread of 32 basis points to one-month LIBOR. Under the 2018 BANA Agreement, upon a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, or other specified events of default, BANA could terminate its commitments and declare all amounts then outstanding to be immediately due and payable. Metropolitan has secured its obligation to pay principal and interest under the 2018 BANA Agreement as a Subordinate Lien Parity Obligation. As of June 30, 2019, $46.8 million of Series 2018 Notes were outstanding.

Long-term note issued during the fiscal year ended June 30, 2018 was as follows:

- In December 2017, Metropolitan sold $198.3 million of notes under the US Bank facility, which was paid down on June 27, 2018, when Metropolitan terminated the US Bank Short-Term Revolving Credit Facility.

(b) General Obligation Bonds

In 1966, voters authorized Metropolitan to incur up to $850.0 million of general obligation bond indebtedness to finance a portion of Metropolitan's capital investment plan. The original amounts, issued as Series A through H under the 1966 authorization, totaled $850.0. Metropolitan has refunded a portion of these general obligation bond issues through the issuance of refunding bonds. A total of $48.1 million and $60.6 million in general obligation refunding bonds were outstanding at June 30, 2019 and 2018, respectively.

The general obligation refunding bond issues include both serial and term bonds that mature in varying amounts through March 2037 at interest rates ranging from 1.5 percent to 5.0 percent. The term bonds are subject to mandatory redemption prior to maturity. All general obligation bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on interest payment dates, and subject to early redemption.

No general obligation bonds were issued during the fiscal years ended June 30, 2019 and 2018.

(c) Revenue Bonds

Pursuant to a 1974 voter authorization, additional funds, primarily for funding the capital investment plan, are obtained through the sale of water revenue bonds. Revenue bonds may be issued subject to certain conditions, including a requirement that the total of revenue bonds outstanding does not exceed the equity (net position) of

Metropolitan as of the fiscal year end prior to such issuance. Metropolitan has refunded some of these revenue bonds through the issuance of refunding bonds. A total of $3.933 billion and $4.234 billion of revenue bonds and revenue refunding bonds were outstanding at June 30, 2019 and 2018, respectively.

Each fixed rate revenue and revenue refunding bond issue consists of either serial or term bonds or both that mature in varying amounts through July 2045 at interest rates ranging from 1.49 percent to 6.95 percent. The term bonds are subject to mandatory redemption prior to maturity. Substantially all revenue bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on any interest payment dates, and subject to early redemption.

There were no revenue bonds issued during the fiscal year ended June 30, 2019.

Revenue bond issued during the fiscal year ended June 30, 2018 were as follows:

- On July 3, 2017, Metropolitan issued $80.0 million of Subordinate Water Revenue Bonds, 2017 Series C (Securities Industry and Financial Markets Association [SIFMA] Index Mode), to finance a portion of Metropolitan's capital expenditures. The maturities extend to July 1, 2047 and are subject to an unscheduled mandatory redemption at Metropolitan's option.
- On June 28, 2018, Metropolitan issued $64.3 million of Subordinate Water Revenue Bonds, 2018 Series B, to finance a portion of Metropolitan's capital expenditures. The maturities extend to September 1, 2028 and are not subject to optional and mandatory redemption provisions.

(d) Bond Refundings and Defeasances

Metropolitan has issued Waterworks General Obligation Refunding Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and short-term notes to refund various issues of Waterworks General Obligation Bonds, Waterworks General Obligation Refunding Bonds, Water Revenue Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and revolving notes previously issued. The net proceeds from these sales were used to redeem the refunded bonds and fund certain swap termination payments or to purchase U.S. Treasury securities that were deposited in irrevocable escrow trust accounts with a bank acting as an independent fiscal agent to provide for all future debt service on the bonds being refunded. As a result, those bonds are considered defeased and the related liabilities have been excluded from Metropolitan's basic financial statements.

Refunding and defeasance transactions during fiscal year 2019 were as follows:

- On January 28, 2019, Metropolitan sold $16.8 million of Waterworks General Obligation Refunding Bonds, 2019 Series A, to refund $20.9 million, Waterworks General Obligation Refunding Bonds, 2009 Series A. The maturities extends to March 1, 2028 and are not subject to redemption provisions prior to maturity.
- On December 20, 2018, Metropolitan issued $137.5 million of Water Revenue Refunding Bonds, 2018 Series B, to refund $169.8 million of Water Revenue Bonds, 2008 Authorization, Series A. The maturity extends to January 1, 2039 and is subject to optional redemption provisions.

- On June 6, 2019, Metropolitan sold $218.1 million of Water Revenue Refunding Bonds, 2019 Series A to refund $5.4 million of Water Revenue Bonds, 2008 Authorization, Series B, $18.7 million of Water Revenue Bonds, 2008 Authorization, Series C, $29.6 million of Water Revenue Bonds, 2008 Authorization, Series D, $106.7 million of Water Revenue Refunding Bonds, 2009 Series B, $91.2 of Water Revenue Refunding Bonds, 2009 Series C, $31.0 million of Water Revenue Refunding Bonds, 2009 Series D, $6.6 million of Water Revenue Refunding Bonds, 2009 Series E, and $13.0 million of Water Revenue Refunding Bonds, 2014 Series C-1. The maturities extends to July 1, 2039 and are subject to optional redemption provisions.
- On June 27, 2019, Metropolitan issued $241.5 million of Subordinate Water Revenue Refunding Bonds, 2019 Series A to refund $59.7 million of Water Revenue Bonds, 2008 Authorization, Series C, $220.4 million of Water Revenue Bonds, 2008 Authorization, Series D, and $11.6 million of Water Revenue Refunding Bonds, 2014 Series G-4. The maturities extend to July 1, 2029, and are not subject to redemption provisions prior to maturity.

Refunding and defeasance transactions during fiscal year 2018 were as follows:

- On July 3, 2017 Metropolitan issued $178.2 million of Subordinate Water Revenue Refunding Bonds, 2017 Series B, to refund $137.4 million of Water Revenue Bonds, 2006 Authorization, Series A, $12.2 million of Water Revenue Refunding Bonds, 2009 Series A2, $52.4 million of Water Revenue Refunding Bonds, 2011 Series A1 and A3, and $12.3 million of Tax-Exempt Flexible Rate Revolving Notes, Series 2017 B-1. The maturity extends to August 1, 2024 and is subject to optional redemption provisions.
- On July 3, 2017 Metropolitan also issued $95.6 million of Subordinate Water Revenue Refunding Bonds, 2017 Series D (SIFMA Index Mode), and $95.6 million of Subordinate Water Revenue Refunding Bonds, 2017 Series E (SIFMA Index Mode), to refund $119.9 million of Water Revenue Bonds, 2006 Authorization Series A, $63.9 million of Water Revenue Refunding Bonds, 2011 Series A1 and A3, and $14.3 million of Water Revenue Refunding Bonds, 2014 Series G-2. The maturities extend to July 1, 2037 and are subject to an unscheduled mandatory redemption at Metropolitan's option.
- On December 18, 2017, Metropolitan sold $198.3 million of tax-exempt variable rate parity obligations under the Short-Term Revolving Credit Facility with US Bank to refund $49.8 million of Water Revenue Refunding Bonds, 2011 Series A-2, $49.8 million of Water Revenue Refunding Bonds, 2011 Series A-4, $49.3 million of Water Revenue Refunding Bonds, 2012 Series B-1, and $49.3 million of Water Revenue Refunding Bonds, 2012 Series B-2.
- On June 27, 2018, Metropolitan issued $210.0 million of Special Variable Rate Water Revenue Refunding Bonds, 2018 Series A-1 and A-2, to prepay $198.3 million of Tax-Exempt Flexible Rate Revolving Notes, 2016 Series B-2, and refund $11.2 million of Water Revenue Refunding Bonds, 2014 Series G-3. The maturities extend to July 1, 2037, and the bonds are subject to optional and mandatory redemption provisions.
- On June 28, 2018, Metropolitan issued $99.1 million, Subordinate Water Revenue Refunding Bonds, 2018 Series A, to refund $112.3 million, Water Revenue Refunding Bonds, 2008 Series B, and $19.5 million, Water Revenue Refunding Bonds, 2008 Series C. The maturities extend to July, 1, 2023, and the bonds are not subject to optional or mandatory redemption provisions.

These refundings and defeasances were accomplished to take advantage of lower interest rates, to realize economic savings or to eliminate or mitigate certain risks associated with managing its variable rate debt. The transactions resulted in cash flow savings of $182.0 million and $198.9 million and economic gains (difference between the present values of the debt service payments on the old debt and new debt) of $165.2 million and $131.6 million for fiscal years 2019 and 2018, respectively. The net carrying amount of the old debt exceeded the reacquisition price by $8.7 million and $14.4 million is fiscal years 2019 and 2018, respectively, which is deferred and amortized over the original remaining life of the old debt or the life of the new debt, whichever is less. Deferred outflows of loss on bond refundings at June 30, 2019 and 2018 were $24.6 million and $39.1 million, respectively, and the deferred outflows on swap terminations for the same periods were $18.5 million and $27.4 million, respectively.

(e) Interest Rate Swaps

Metropolitan has eight outstanding interest rate swap agreements as of June 30, 2019. These agreements require that Metropolitan pay fixed interest rates and receive interest at variable interest rates which are Metropolitan's hedging derivative instruments.

Metropolitan's interest rate swap portfolio as of June 30, 2019, 2018, and 2017 are summarized on the following table.

(Dollars in thousands)

Associated Bond Issue [1]		Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Counterparty Credit Rating[2]
2002 A Payor	$	75,838	09/12/02	3.300 %	57.74% of 1MoLIBOR[4]	A3/BBB+/A
2002 B Payor		28,372	09/12/02	3.300 %	57.74% of 1MoLIBOR	Aa2/A+/AA
2003 Payor C-1 C-3		158,597	12/18/03	3.257 %	61.20% of 1MoLIBOR	Aa2/A+/AA-
2003 Payor C-1 C-3		158,597	12/18/03	3.257 %	61.20% of 1MoLIBOR	Aa2/A+/AA
2004 C Payor		7,760	11/16/04	2.980 %	61.55% of 1MoLIBOR	A3/BBB+/A
2004 C Payor		6,350	11/16/04	2.980 %	61.55% of 1MoLIBOR	A3/BBB+/A
2005 Payor		29,058	07/06/05	3.360 %	70.00% of 1MoLIBOR	Aa2/A+/AA
2005 Payor		29,058	07/06/05	3.360 %	70.00% of 1MoLIBOR	A3/BBB+/A
Total swaps	$	493,630				

[1] *These swaps lock in a fixed rate for an equivalent amount of variable rate debt.*

[2] *Credit Ratings - Moody's Investors Service, Standard & Poor's, Fitch Ratings, respectively.*

[3] *Excludes accrued interest.*

[4] *London Interbank Offered Rate.*

	Fair Value as of 6/30[3]			Change in Fair Value in FY	
Swap Termination	**2019**	2018	2017	**2019**	2018
07/01/25	**$ (5,317)**	$ (4,977)	$ (7,991)	**$ (340)**	$ 3,014
07/01/25	**(1,989)**	(1,863)	(2,989)	**(126)**	1,126
07/01/30	**(19,448)**	(15,259)	(22,570)	**(4,189)**	7,311
07/01/30	**(19,449)**	(15,260)	(22,570)	**(4,189)**	7,310
10/01/29	**(897)**	(658)	(996)	**(239)**	338
10/01/29	**(734)**	(538)	(816)	**(196)**	278
07/01/30	**(4,220)**	(2,928)	(4,458)	**(1,292)**	1,530
07/01/30	**(4,220)**	(2,928)	(4,458)	**(1,292)**	1,530
	$ (56,274)	$ (44,411)	$ (66,848)	**$ (11,863)**	$ 22,437

As with its investments, Metropolitan categorizes its liabilities using fair value measurements within the fair value hierarchy established by generally accepted accounting principles and are discussed in Note 3.

Metropolitan has the following recurring fair value measurements as of June 30, 2019 and 2018:

(Dollars in thousands)

	Fair Value Measurements Using			
Associated Bond Issue	**6/30/2019**	**Significant Other Observable Inputs (Level 2)**	6/30/2018	Significant Other Observable Inputs (Level 2)
2002 A Payor	**$ (5,317)**	**$ (5,317)**	$ (4,977)	$ (4,977)
2002 B Payor	**(1,989)**	**(1,989)**	(1,863)	(1,863)
2003 Payor C-1 C-3	**(19,448)**	**(19,448)**	(15,259)	(15,259)
2003 Payor C-1 C-3	**(19,449)**	**(19,449)**	(15,260)	(15,260)
2004 C Payor	**(897)**	**(897)**	(658)	(658)
2004 C Payor	**(734)**	**(734)**	(538)	(538)
2005 Payor	**(4,220)**	**(4,220)**	(2,928)	(2,928)
2005 Payor	**(4,220)**	**(4,220)**	(2,928)	(2,928)
Total swaps	**$ (56,274)**	**$ (56,274)**	$ (44,411)	$ (44,411)

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using an income approach that considers benchmark interest rates, yield curves, and credit spreads.

Pay-Fixed, Receive-Variable

Objective of the Swaps: In order to take advantage of low interest rates in the marketplace, Metropolitan entered into eight separate pay-fixed, receive-variable interest rate swaps at costs that were less than what Metropolitan otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market.

Terms: The notional amounts of the swaps match the principal amounts of the associated debt in total. Metropolitan's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated long-term debt.

Fair Values: At June 30, 2019, all pay-fixed, receive-variable swaps had a negative fair value. Because the coupons on Metropolitan's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes. The fair values of the swaps were estimated using the zero-coupon method and exclude accrued interest. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risks: As of June 30, 2019, Metropolitan was not exposed to credit risk on the outstanding pay-fixed, receive-variable swaps that had negative fair values. However, should interest rates change and the fair values of the swaps become positive, Metropolitan would be exposed to credit risk to each swap counterparty in the amount of the derivatives' fair value. Should the counterparties to the transactions fail to perform according to the terms of the swap contract, Metropolitan would face a maximum possible loss equal to the fair value of these swaps.

All swap agreements contain specific collateral requirements that are in effect for Metropolitan and the counterparties. The swaps require different collateral levels based on credit ratings and the fair value of the swap. Generally, the fair value threshold levels are also reduced as the credit ratings are reduced. Collateral on all swaps is to be in the form of U.S. government securities that may be held by the party posting the collateral. Metropolitan had no posted collateral as of June 30, 2019.

Each swap contains cross-default provisions that allow the nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by, or owed to, the nondefaulting party.

As of June 30, 2019, Metropolitan has pay-fixed, receive-variable swap transactions with one counterparty in the amount of $216.0 million or 43.8 percent of the notional amount of Metropolitan's outstanding pay-fixed, receive-variable swap transactions. This counterparty is rated Aa2/A+/AA by Moody's, Standard & Poor's, and Fitch Ratings, respectively.

Basis Risk: The interest rates on Metropolitan's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from counterparties on pay-fixed, receive-variable interest rate swaps. To the extent these variable payments differ, Metropolitan is exposed to basis risk. When the rates received from the counterparties are less than the rates on variable rate bonds associated with the respective swap transactions there is a basis loss. When the rates received from the counterparties are greater than the rates on variable rate bonds associated with the respective swap transactions there is a basis gain. As of June 30, 2019, the interest rates of the variable rate debt associated with these swap transactions range from 1.45 percent to 2.72 percent. Metropolitan's variable rate payments received from the counterparties of these swaps ranged from 1.38 percent to 1.62 percent.

Termination Risk: Metropolitan may terminate any of the swaps if the other party fails to perform under the terms of the swap agreements. If any of the swaps are terminated, the associated variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, Metropolitan would be liable to the counterparty for a payment equal to the swap's fair value.

Tax Risk: As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, Metropolitan is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swap agreement.

(f) Swap Payments and Associated Debt

Using rates as of June 30, 2019, debt service requirements on Metropolitan's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

(Dollars in thousands)	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
Year ending June 30:				
2020	$ —	$ 8,683	$ 8,893	$ 17,576
2021	54,965	7,797	8,250	71,012
2022	32,715	7,189	7,394	47,298
2023	33,260	6,605	6,842	46,707
2024	34,630	5,998	6,211	46,839
2025-2029	283,640	13,305	13,612	310,557
2030-2031	54,420	622	651	55,693
Total	$ 493,630	$ 50,199	$ 51,853	$ 595,682

(g) Variable Rate Bonds

The variable rate bonds bear interest at daily and weekly rates ranging from 1.45 percent to 2.72 percent as of June 30, 2019 and 0.55 percent to 2.48 percent as of June 30, 2018. Metropolitan can elect to change the interest rate period of the bonds with certain limitations.

Metropolitan has entered into standby bond purchase agreements (SBPA) with commercial banks to provide liquidity for six separate variable rate bond issues listed in the table below. Bondholders have the right to tender such variable rate bonds to the paying agent on any business day with same day notice. In the event that tendered bonds are not remarketed, the paying agent will draw on the SBPA to pay such bondholders. The draw on the SBPA creates a new debt obligation between Metropolitan and the Bank, called a Bank Bond.

The Bank Bonds that would be issued under the SBPA would initially bear interest at a per annum interest rate equal to, depending on the applicable SBPA, either: (a) one month LIBOR plus 7.50 percent; or (b) the highest of the (i) the Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) after 90 days). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 90th day following the draw on the SBPA or the stated expiration date of the related SBPA, Metropolitan's obligation to repay the principal of the Bank Bonds would be payable in semi-annual installments over a period of approximately one, three, or five years, depending on the applicable SBPA. Metropolitan has secured its obligation to repay principal and interest under the SBPAs as a senior lien obligation.

In addition, such bonds are subject to mandatory tender for purchase under certain circumstances, including upon the expiration of the SBPA. Metropolitan intends to either renew the facility or exercise its right to remarket the debt as a long-term financing. The portion that would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered and purchased by the commercial banks under the standby agreements was $45.4 million and $129.8 million at June 30, 2019 and 2018, respectively.

Metropolitan has the following six variable rate bonds that are supported by a SBPA as of June 30, 2019 and 2018:

(Dollars in thousands)

Bond Issue		Amount	Expiration Date	Interest Rate		Current Amount 2019		2018
Water Revenue Bonds								
2000 Series B-3	$	88,800	3/27/20	Reset Daily	**$**	**88,800**	$	—
2017 Series A		80,000	3/27/20	Reset Daily		**80,000**		—
Water Revenue Refunding Bonds								
2018 Series A-1, A-2		210,040	6/25/21	Reset Daily		**—**		—
2016 Series B-1, B-2		103,670	7/19/21	Reset Daily		**—**		—
Total	$	482,510			**$**	**168,800**	$	—

Metropolitan has the following eight variable rate bonds that are not supported by a SBPA as of June 30, 2019 and 2018:

(Dollars in thousands)

Bond Issue		Amount	Interest Rate
Water Revenue Refunding Bonds			
2013 Series D	$	87,445	Reset Weekly
2014 Series D		38,465	Reset Weekly
2015 Series A-1, A-2		188,900	Reset Weekly
Subordinate Water Revenue Bonds			
2016 Series A		175,000	1M LIBOR plus % spread
2017 Series C		80,000	SIFMA Index plus % spread
Subordinate Water Revenue Refunding Bonds			
2017 Series D		95,630	SIFMA Index plus % spread
2017 Series E		95,625	SIFMA Index plus % spread
Total	$	761,065	

The Subordinate Water Revenue Bonds, 2016 Series A were issued by Metropolitan through a Continuing Covenant Agreement with BANA (2016 BANA Agreement). The Subordinate 2016 Series A bonds will bear interest at a variable rate at a spread of 32 basis points to one-month LIBOR. The Subordinate 2016 Series A bonds are subject to mandatory tender for purchase on the scheduled mandatory tender date of December 21, 2020, or if directed by BANA upon the occurrence and continuance of an event of default under the 2016 BANA Agreement, five business days after receipt of such direction. A failure by Metropolitan to pay the purchase price of such bonds on the mandatory tender date would constitute an event of default under Metropolitan's Subordinate Debt Resolutions if not remedied within five business days. Metropolitan intends to either extend the 2016 BANA Agreement or remarket the bonds in the public debt market prior to the scheduled mandatory tender date. Metropolitan has secured its obligation to pay principal and interest under the 2016 BANA Agreement as a Subordinate Lien Parity Obligation.

The current terms of the Subordinate Water Revenue Refunding Bonds, 2017 Series D and Series E (SIFMA Index Mode), and the Subordinate Water Revenue Bonds, 2017 Series C (SIFMA Index Mode), require bondholders to tender their bonds for purchase on the scheduled mandatory tender date of July 10, 2020. A failure by Metropolitan to pay the purchase price from the proceeds of remarketing or other funds, for a period of five business days following written notice by any owner of such bonds, will constitute an event of default under Metropolitan's Subordinate Debt Resolutions. Upon the occurrence and continuance of such events of default, the owners of 25 percent in aggregate principal amount of the Subordinate Revenue Bonds then outstanding may elect a bondholders' committee to exercise rights and powers of such owners under the Subordinate Debt Resolutions, including the right to declare the entire unpaid principal of the Subordinate Revenue Bonds then outstanding to be immediately due and payable.

Four series of the variable rate bonds that are not supported by a SBPA are self-liquidity bonds. These variable rate bonds outstanding at June 30, 2019 and 2018 had no long-term take out provisions therefore, the entire principal amount of $314.8 million, may be tendered for purchase upon one week's notice from bondholders. However, on June 25, 2018, Metropolitan entered into a Revolving Credit Agreement (RCA), under which Metropolitan may borrow up to $200.0 million, to pay the purchase price (principal and accrued interest) of any self-liquidity bonds tendered for purchase. Borrowings made by Metropolitan under the RCA initially bear interest at a fluctuating per annum interest rate equal to, at Metropolitan's discretion, either: (a) one month LIBOR plus 1.50 percent; or (b) the higher of (i) the Federal Funds Rate plus 0.50 percent, and (ii) the Prime Rate (increasing in any case periodically, beginning after 90 days). The RCA permits repayment of any borrowed principal funds over ten semi-annual installments beginning 180 days after the funds are borrowed. The RCA has a stated expiration date of June 23, 2023. As a result of the RCA, $114.8 million was reported as current liabilities as of June 30, 2019 and as of June 30, 2018.

As of June 30, 2019 and 2018, the four series of variable rate self-liquidity bonds not supported by a SBPA but are covered by the RCA are as follows:

(Dollars in thousands)

Bond Issue		**Amount**	**Expiration Date**	**Interest Rate**		**Borrowing Amount**		**Current Amount**
Water Revenue Refunding Bonds								
2013 Series D	$	87,445	6/23/23	Reset Weekly	$	87,445	$	—
2014 Series D		38,465	6/23/23	Reset Weekly		38,465		—
2015 Series A-1, A-2		188,900	6/23/23	Reset Weekly		74,090		114,810
Total	$	314,810			$	200,000	$	114,810

(h) Long-term Debt Obligation Summary

Interest rates at June 30, 2019 on all outstanding fixed-rate obligations range from 1.49 percent to 6.95 percent. Interest on the variable rate debt is reset either daily or weekly based upon market conditions. Future principal and interest payments in accordance with the debt agreements as of June 30, 2019 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2020	$ 141,500	$ 148,948	$ 290,448
2021	169,650	141,746	311,396
2022	178,735	133,387	312,122
2023	180,625	124,973	305,598
2024	198,720	116,534	315,254
2025-2029	937,435	473,531	1,410,966
2030-2034	730,475	305,571	1,036,046
2035-2039	855,200	183,715	1,038,915
2040-2044	376,200	50,499	426,699
2045-2048	212,755	6,099	218,854
	$ 3,981,295	$ 1,685,003	$ 5,666,298

Unamortized bond discount and premium, net	307,310
Total debt	4,288,605
Less current portion	(468,037)
Long-term portion of debt	$ 3,820,568

6. LONG-TERM LIABILITIES

Long-term liability activity for the fiscal years ended June 30, 2019 and 2018 is shown on the following table. Payments on the bonds are made from the restricted debt service funds; other long-term debt and the compensated absences liability will be liquidated primarily with water revenues.

(Dollars in thousands)	Maturity Dates	Range of Interest Rates	June 30, 2017	Additions
Waterworks general obligation refunding bonds (Note 5b):				
2009 Series A	3/1/17-3/1/28	4.00%-5.00%	$ 27,000	$ —
2010 Series A	3/1/17-3/1/37	1.50%-5.00%	18,735	—
2014 Series A	3/1/17-3/1/21	2.00%-5.00%	29,170	—
2019 Series A	3/1/20-3/1/28	5.00 %	—	—
Total general obligation and general obligation refunding bonds			74,905	—
Water revenue bonds (Note 5c):				
2000 Series B-3	7/1/29-7/1/35	Variable	88,800	—
2006 Series A	7/1/17-7/1/37	5.00 %	264,475	—
2008 Series A	1/1/18-1/1/39	3.00%-5.00%	174,530	—
2008 Series B	7/1/16-7/1/20	2.75%-4.00%	10,360	—
2008 Series C	7/1/26-7/1/39	5.752%-6.250%	78,385	—
2008 Series D	7/1/21-7/1/39	5.906%-6.538%	250,000	—
2010 Series A	7/1/38-7/1/40	6.95 %	250,000	—
2015 Series A	7/1/18-7/1/45	5.00 %	208,255	—
2016 Subordinate Series A	7/1/41-7/1/45	Variable	175,000	—
2017 Series A	7/1/41-7/1/47	Variable	80,000	—
2017 Subordinate Series C	7/1/45-7/1/47	Variable	—	80,000
2018 Subordinate Series B	9/1/23-9/1/28	5.00 %	—	64,345
Water revenue refunding bonds (Note 5d):				
1993 Series A	8/14/15-7/1/21	5.75 %	70,340	—
2008 Series B	7/1/16-7/1/22	4.00%-5.00%	119,830	—
2008 Series C	7/1/16-7/1/23	3.40%-5.00%	27,255	—
2009 Series A-1, A-2	7/1/20-7/1/30	Variable	12,170	—
2009 Series B	7/1/20-7/1/30	4.00%-5.25%	106,690	—
2009 Series C	7/1/29-7/1/35	5.00 %	91,165	—
2009 Series D	7/1/16-7/1/21	3.00%-5.00%	50,005	—
2009 Series E	7/1/16-7/1/20	4.00%-5.00%	12,715	—
2010 Series B	7/1/16-7/1/28	2.60%-5.00%	74,325	—
2011 Series A-1-A-4	7/1/16-7/1/36	Variable	216,415	—
2011 Series B	7/1/16-7/1/20	3.00%-5.00%	5,080	—
2011 Series C	10/1/17-10/1/36	2.25%-4.00%	147,435	—
2012 Series A	10/1/23-10/1/36	3.25%-5.00%	181,180	—
2012 Series B-1, B-2	7/1/23-7/1/27	Variable	98,585	—
2012 Series C	7/1/16-7/1/21	3.00%-5.00%	175,635	—
2012 Series F	7/1/16-7/1/28	3.00%-5.00%	59,335	—
2012 Series G	7/1/20-7/1/31	3.00%-5.00%	111,890	—
2013 Series D	7/1/29-7/1/35	Variable	87,445	—
2014 Series A	7/1/18-7/1/21	4.00%-5.00%	95,935	—
2014 Series B	7/1/18	1.49 %	10,575	—
2014 Series C-1-C-3	7/1/22-7/1/27	3.00 %	30,335	—
2014 Series D	7/1/16-7/1/32	Variable	38,465	—
2014 Series E	7/1/21-7/1/24	3.50%-5.00%	86,060	—
2014 Series G-2-G-5	7/1/37	2.00%-3.00%	43,275	—
2015 Series A-1, A-2	7/1/35	Variable	188,900	—
2016 Series A	7/1/28-7/1/37	2.00%-5.00%	239,455	—
2016 Series B-1, B-2	7/1/25-7/1/37	Variable	103,670	—
2017 Subordinate Series A	7/1/20-7/1/27	2.00%-2.50%	238,015	—
2017 Subordinate Series B	8/1/20-8/1/24	3.00%-5.00%	—	178,220
2017 Subordinate Series D	7/1/33-7/1/37	Variable	—	95,630
2017 Subordinate Series E	7/1/33-7/1/37	Variable	—	95,625
2018 Series A1, A-2	7/1/19-7/1/37	Variable	—	210,040
2018 Subordinate Series A	7/1/19-7/1/23	5.00 %	—	99,075
2018 Series B	7/1/20-1/1/39	5.00 %	—	—
2019 Series A	7/1/30-7/1/39	5.00 %	—	—
2019 Subordinate Series A	7/1/20-7/1/29	5.00 %	—	—
Total water revenue and water revenue refunding bonds			4,301,985	822,935
Other long-term debt (Note 5e):				
Revolving notes			—	—
Unamortized bond discount and premiums, net			202,848	50,891
Total long-term debt			4,579,738	873,826
Other long-term liabilities (see table next page)			190,570	50,706
Total long-term liabilities			$ 4,770,308	$ 924,532

NOTES TO BASIC FINANCIAL STATEMENTS

(CONTINUED)

June 30, 2019 and 2018

Reductions	June 30, 2018	**Additions**	**Reductions**	**June 30, 2019**	**Amounts Due Within One Year**
$ (6,135)	$ 20,865	$ **—**	$ **(20,865)**	$ **—**	$ **—**
—	18,735	**—**	**—**	**18,735**	**—**
(8,170)	21,000	**—**	**(8,440)**	**12,560**	**(8,020)**
—	—	**16,755**		**16,755**	**(2,730)**
(14,305)	60,600	**16,755**	**(29,305)**	**48,050**	**(10,750)**
—	88,800	**—**	**—**	**88,800**	**(88,800)**
(264,475)	—	**—**	**—**	**—**	**—**
(4,735)	169,795	**—**	**(169,795)**	**—**	**—**
(2,455)	7,905	**—**	**(7,905)**	**—**	**—**
—	78,385	**—**	**(78,385)**	**—**	**—**
—	250,000	**—**	**(250,000)**	**—**	**—**
—	250,000	**—**	**—**	**250,000**	**—**
—	208,255	**—**	**(1,990)**	**206,265**	**(2,145)**
—	175,000	**—**	**—**	**175,000**	**—**
—	80,000	**—**	**—**	**80,000**	**(80,000)**
—	80,000	**—**	**—**	**80,000**	**—**
—	64,345	**—**	**—**	**64,345**	**—**
(21,200)	49,140	**—**	**(27,300)**	**21,840**	**(9,615)**
(119,830)	—	**—**	**—**	**—**	**—**
(27,255)	—	**—**	**—**	**—**	**—**
(12,170)	—	**—**	**—**	**—**	**—**
—	106,690	**—**	**(106,690)**	**—**	**—**
—	91,165	**—**	**(91,165)**	**—**	**—**
(9,265)	40,740	**—**	**(40,740)**	**—**	**—**
(2,985)	9,730	**—**	**(9,730)**	**—**	**—**
(5,170)	69,155	**—**	**(5,355)**	**63,800**	**(7,795)**
(216,415)	—	**—**	**—**	**—**	**—**
(1,195)	3,885	**—**	**(1,245)**	**2,640**	**(1,295)**
(9,155)	138,280	**—**	**(9,530)**	**128,750**	**(9,950)**
—	181,180	**—**	**—**	**181,180**	**—**
(98,585)	—	**—**	**—**	**—**	**—**
(70,705)	104,930	**—**	**(50,135)**	**54,795**	**(34,960)**
—	59,335	**—**	**—**	**59,335**	**(10,450)**
—	111,890	**—**	**—**	**111,890**	**—**
—	87,445	**—**	**—**	**87,445**	**—**
—	95,935	**—**	**(12,070)**	**83,865**	**(45,995)**
—	10,575	**—**	**(10,575)**	**—**	**—**
—	30,335	**—**	**(13,505)**	**16,830**	**—**
—	38,465	**—**	**—**	**38,465**	**—**
—	86,060	**—**	**—**	**86,060**	**—**
(25,465)	17,810	**—**	**(11,605)**	**6,205**	**—**
—	188,900	**—**	**—**	**188,900**	**(114,810)**
—	239,455	**—**	**—**	**239,455**	**—**
—	103,670	**—**	**—**	**103,670**	**—**
—	238,015	**—**	**—**	**238,015**	**—**
—	178,220	**—**	**—**	**178,220**	**—**
—	95,630	**—**	**—**	**95,630**	**—**
—	95,625	**—**	**—**	**95,625**	**—**
—	210,040	**—**	**—**	**210,040**	**(170)**
—	99,075	**—**	**—**	**99,075**	**(4,400)**
—	—	**137,485**	**—**	**137,485**	**(3,975)**
—	—	**218,090**	**—**	**218,090**	**—**
—	—	**241,530**	**—**	**241,530**	**—**
(891,060)	4,233,860	**597,105**	**(897,720)**	**3,933,245**	**(414,360)**
—	—	**46,800**	**—**	**46,800**	**—**
(41,240)	212,499	**146,302**	**(51,491)**	**307,310**	**(42,927)**
(946,605)	4,506,959	**806,962**	**(978,516)**	**4,335,405**	**(468,037)**
(84,379)	156,897	**52,120**	**(39,782)**	**169,235**	**(33,624)**
$ (1,030,984)	$ 4,663,856	$ **859,082**	$ **(1,018,298)**	$ **4,504,640**	$ **(501,661)**

(Dollars in thousands)	June 30, 2017	Additions	Reductions	June 30, 2018	**Additions**	**Reductions**	**June 30, 2019**	**Amounts Due Within One Year**
Off-aqueduct power facilities (Note 9f)	$ 10,832	$ —	$ (10,832)	$ —	**$ —**	**$ —**	**$ —**	**$ —**
Accrued compensated absences	46,323	20,616	(19,294)	47,645	**24,929**	**(24,177)**	**48,397**	**(22,000)**
Customer deposits and trust funds	45,757	23,950	(23,535)	46,172	**9,493**	**(6,268)**	**49,397**	**(8,335)**
Workers' Compensation and third party claims (Note 14)	15,677	6,140	(8,238)	13,579	**5,835**	**(6,456)**	**12,958**	**(3,284)**
Fair value of interest rate swaps (Note 5e)	66,848	—	(22,437)	44,411	**11,863**	**—**	**56,274**	**—**
Other long-term liabilities	5,133	—	(43)	5,090	**—**	**(2,881)**	**2,209**	**(5)**
Total other long-term liabilities	$ 190,570	$ 50,706	$ (84,379)	$ 156,897	**$ 52,120**	**$ (39,782)**	**$ 169,235**	**$ (33,624)**

7. PENSION PLAN

(a) General Information about the Pension Plan

Plan Description

All full-time Metropolitan employees are required to participate in Metropolitan's Miscellaneous Plan with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. Metropolitan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Employees hired prior to January 1, 2013 (Classic members) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits; employees hired after January 1, 2013 (PEPRA members) with at least five years of credited service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for improved non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit.

Contribution Description

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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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. Metropolitan is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Metropolitan's total employer contributions were $56.5 million and $31.4 million for the fiscal years ended June 30, 2019 and 2018, respectively. The employee contribution rate was 6.0 percent of annual pay for PEPRA members for the fiscal years ended June 30, 2019 and 2018, respectively, and 7.0 percent of annual pay for Classic members in both years. Metropolitan contributes the full 7.0 percent for Classic members while PEPRA members contribute the full 6.0 percent. At June 30, 2019 and 2018, Metropolitan's pickup of the employee's 7.0 percent share were $11.8 million and $12.5 million, respectively. Payments made by Metropolitan to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The Plans' provisions and benefits in effect at June 30, 2019 and 2018 are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	36 months
Sick leave credit	Yes	Yes
Retirement age	50-67	52-67
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Cost of living adjustment	2.0 %	2.0 %
Required employee contribution rates		
2019	7.0 %	6.00 %
2018	7.0 %	6.00 %
Required employer contribution rates		
2019	25.971 %	25.971 %
2018	22.888 %	22.888 %

At June 30, 2017 and 2016, the valuation dates for fiscal years 2019 and 2018, respectively, the following current and former employees were covered by the benefit terms:

	2019	2018
Valuation date	**6/30/2017**	6/30/2016
Inactive employees (or their beneficiaries) currently receiving benefits	**2,136**	2,040
Inactive employees entitled to but not yet receiving benefits	**932**	949
Active members	**1,746**	1,782
Total	**4,814**	4,771

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Metropolitan's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability at June 30, 2019 and 2018 was measured as of June 30, 2018 and 2017, respectively, using an annual actuarial valuation as of June 30, 2017 and 2016, respectively. The actuarial valuations as of June 30, 2017 and 2016 were rolled forward to June 30, 2018 and 2017, respectively, using standard update procedures.

The total pension liabilities for the measurement dates of June 30, 2018 and 2017 were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions	
Discount rate	7.15% in 2018 and 2017
Inflation	2.50% in 2018 and 2.75% in 2017
Salary increases	Varies by entry age and service
Mortality rate table[1]	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.00% and 2.75% in 2018 and 2017, respectively, until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% and 2.75% thereafter in 2018 and 2017, respectively.

[1] *The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.*

All other actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments of 7.15 percent was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

The table below reflects long-term expected real rates of return by asset class.

	Current Target Allocation		**Real Return Years 1-10** [2]		**Real Return Years 11+** [3]	
Asset Class[1]	**2018**	2017	**2018**	2017	**2018**	2017
Global Equity	**50.00 %**	47.00 %	**4.80 %**	4.90 %	**5.98 %**	5.38 %
Fixed Income	**28.00**	19.00	**1.00**	0.80	**2.62**	2.27
Inflation Assets	**—**	6.00	**0.77**	0.60	**1.81**	1.39
Private Equity	**8.00**	12.00	**6.30**	6.60	**7.23**	6.63
Real Estate	**13.00**	11.00	**3.75**	2.80	**4.93**	5.21
Infrastructure and Forestland	**—**	3.00	**—**	3.90	**—**	5.36
Liquidity	**1.00**	2.00	**—**	(0.40)	**(0.92)**	(0.90)
Total	**100.00 %**	100.00 %				

[1] *In the CalPERS Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.*

[2] *An expected inflation of 2.0 percent used for this period*

[3] *An expected inflation of 2.92 percent used for this period*

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2018 and 2017 measurement dates was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at the current member contribution rates and that contributions from employers will be made at a statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(c) Changes in the Net Pension Liability

The following tables show the changes in net pension liability recognized over the measurement periods of June 30, 2018 and 2017:

(Dollars in thousands)	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2017 (VD)[1]	**$ 2,315,248**	**$ 1,654,331**	**$ 660,917**
Changes recognized for the measurement period:			
Service cost	33,583	—	33,583
Interest on the total pension liability	161,023	—	161,023
Differences between expected and actual experience	(10,039)	—	(10,039)
Changes of assumptions	(15,391)	—	(15,391)
Net plan to plan resources movement		(4)	4
Contributions from the employer	—	48,780	(48,780)
Contributions from employees	—	15,749	(15,749)
Net investment income	—	139,003	(139,003)
Benefit payments, including refunds of employee contributions	(107,646)	(107,646)	—
Administrative expenses	—	(2,577)	2,577
Other miscellaneous income/expense[2]	—	(4,895)	4,895
Net Changes	**$ 61,530**	**$ 88,410**	**$ (26,880)**
Balance at June 30, 2018 (MD)[1]	**$ 2,376,778**	**$ 1,742,741**	**$ 634,037**

[1] *The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, and fiduciary self-insurance.*

[2] *During Fiscal Year 2017-18, as a result GASB 75, CalPERS reported its proportionate share of activity related to post-employment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB 68.*

(Dollars in thousands)	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2016 (VD)[1]	**$ 2,115,064**	**$ 1,527,402**	**$ 587,662**
Changes recognized for the measurement period:			
Service cost	33,685	—	33,685
Interest on the total pension liability	156,661	—	156,661
Differences between expected and actual experience	(15,804)	—	(15,804)
Changes of assumptions	125,734	—	125,734
Contributions from the employer	—	42,819	(42,819)
Contributions from employees	—	14,895	(14,895)
Net investment income	—	171,562	(171,562)
Benefit payments, including refunds of employee contributions	(100,092)	(100,092)	—
Administrative expenses	—	(2,255)	2,255
Net Changes	**$ 200,184**	**$ 126,929**	**$ 73,255**
Balance at June 30, 2017 (MD)[1]	**$ 2,315,248**	**$ 1,654,331**	**$ 660,917**

[1] *The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, and fiduciary self-insurance.*

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

The following presents the net pension liability of the Plan as of the June 30, 2018 and 2017 measurement dates, calculated using the discount rate of 7.15 percent for both years. The table also shows what 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:

(Dollars in thousands)	**2019**	2018
Discount Rate -1%	**6.15 %**	6.15 %
Net Pension Liability	**$ 931,668**	$ 960,984
Current Discount Rate	**7.15 %**	7.15 %
Net Pension Liability	**$ 634,037**	$ 660,917
Discount Rate +1%	**8.15 %**	8.15 %
Net Pension Liability	**$ 384,526**	$ 409,894

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS GASB 68 Accounting Report for Metropolitan.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The EARSL for the Plan for the period ending June 30, 2018 measurement date is 3.2 years, which was obtained by dividing the total service years of 15,612 (the sum of remaining service lifetimes of the active employees) by 4,814 (the total number of participants: active, inactive, and retired). The EARSL for the Plan for the June 30, 2017 measurement date is 3.2 years, which was calculated by dividing the total service years of 15,347 by the total number of participants of 4,771. Inactive employees and retirees have remaining service lifetimes equal to zero and total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2019 and 2018, Metropolitan recognized pension expense of $84.8 million and $92.5 million, respectively. At June 30, 2019 and 2018, Metropolitan has deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources Outflows		Deferred Inflows of Resources Inflows	
(Dollars in thousands)	**2019**	2018	**2019**	2018
Pension contributions subsequent to measurement date	**$ 56,497**	$ 31,404	**$ —**	$ —
Differences between expected and actual experience	**—**	917	**(13,625)**	(15,648)
Changes of assumptions	**47,150**	86,442	**(10,581)**	(2,188)
Net difference between projected and actual earnings on pension plan investments	**3,288**	19,642	**—**	—
Total	**$ 106,935**	$ 138,405	**$ (24,206)**	$ (17,836)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the deferred outflows of resources related to contributions subsequent to the measurement date of $56.5 million and $31.4 million, respectively, will be/was recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2020 and 2019, respectively.

The net differences between projected and actual earnings on pension plan investments, difference between expected and actual experience, and changes of assumptions will be recognized in future pension expense as follows:

(Dollars in thousands)	**Deferred Outflows /(Inflows) of Resources**
Fiscal year ending June 30,	
2020	$ 46,472
2021	3,321
2022	(19,002)
2023	(4,559)
2024	—
Thereafter	—

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(a) Plan Description and Benefits Provided

Through CalPERS, Metropolitan offers medical insurance to active and retired employees, as well as their qualified dependents under the Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement. Current plans offered are PERS Care PPO, PERS Choice PPO, PERS Select PPO, Blue Shield HMO, and Kaiser HMO. Metropolitan participates in the CERBT Fund, which is an agent multiple-employer plan available to employers to pre-fund OPEB benefits. Benefit provisions are established through negotiations between Metropolitan and its various bargaining units, which also apply to retirees. For employees hired on or after January 1, 2012, retirees must have a minimum of 10 years of PERS service and no less than five years of Metropolitan service in order to receive post-employment health benefits in accordance with PERS as per Government Code Section 22893. For employees hired prior to January 1, 2012, retirees are not required to meet the eligibility criteria. This benefit was provided to 1,772 and 1,706 retired Metropolitan employees at June 30, 2019 and 2018, respectively. CalPERS issues a separate comprehensive annual report that includes financial statements for its CERBT Fund. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

(b) Funding Policy and Contributions

Contribution requirements are established by Memorandum of Understandings negotiated between Metropolitan and its various bargaining units. During fiscal years 2019 and 2018, Metropolitan contributed up to 100 percent of Blue Shield Access + HMO Bay area regional basic plan rate for represented retirees and up to 90 percent of the PERS Care PPO Los Angeles regional basic plan rate for unrepresented retirees. During fiscal years 2019 and 2018, Metropolitan contributed the full actuarially determined contribution rate of 13.8 percent or $27.3 million and 15.2 percent or $30.1 million, respectively. Employees are not required to contribute to the plan.

(c) Employees Covered

At June 30, 2018 and 2017, the measurement date for fiscal year 2019 and 2018, respectively, the following current and former employees were covered by the benefit terms:

	2019	2018
Measurement Date	**6/30/2018**	6/30/2017
Inactives employees (or their beneficiaries) currently receiving benefits	**1,569**	1,658
Inactive employees entitled to but not yet receiving benefits	**137**	137
Active members	**1,698**	1,747
Total	**3,404**	3,542

(d) Actuarial Assumptions Used to Determine Total OPEB Liability

The total OPEB liability used to calculate the net OPEB liability as of June 30, 2019 and 2018 was determined by an actuarial valuation dated June 30, 2017. For the year end June 30, 2019, the actuarial valuation dated June 30, 2017 was rolled forward to the measurement date of June 30, 2018. The June 30, 2017 actuarial valuation was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal cost
Actuarial assumptions	
Funding policy	Metropolitan pre-funds full ADC
Discount rate	6.75%
Long-term expected rate of return on assets	6.75%
General inflation	2.75% per annum
Crossover test assumptions	Employer contributes full ADC
	Administrative expenses = .05% of assets
Salary increases	3.0% per annum
Mortality, disability, termination, retirement[1]	Derived using CalPERS Membership Data
Mortality improvement	Mortality projected fully generational with Society of Actuaries mortality improvement Scale MP-17
Healthcare cost trend rate	Pre-Medicare: 7.5% for 2019 decreasing to 4.0% for 2076 and later
	Medicare: 6.5% for 2019, decreasing to 4.0% for 2076 and later
Healthcare participation for future retirees	Currently covered: 100%; Currently waived: 90%

[1] *Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The pre-retirement turnover information was developed based on CalPERS' specific data collected during the 2007 to 2011 Experience Study Report.*

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 and 2018 are summarized in the following table:

Asset class	**Target Allocation**	**Long-term expected real rate of return**
Global equity	**57.0 %**	**4.8 %**
Fixed income	**27.0**	**1.5**
TIPS	**5.0**	**1.3**
Commodities	**3.0**	**0.8**
REITs	**8.0**	**3.8**
Total	**100.0 %**	

(e) Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 and 2017 measurement dates was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Metropolitan contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(f) Changes in the OPEB Liability

The following tables shows the changes in the net OPEB liability recognized over the measurement periods of June 30, 2018 and 2017:

	Increase (Decrease)		
(Dollars in thousands)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2017 (MD)	**$ 448,095**	**$ 207,526**	**$ 240,569**
Changes recognized for the measurement period:			
Service cost	10,325	—	10,325
Interest	30,252	—	30,252
Contributions - employer	—	34,674	(34,674)
Net investment income	—	18,538	(18,538)
Benefit payments	(20,487)	(20,487)	—
Administrative expense	—	(400)	400
Net changes	**$ 20,090**	**$ 32,325**	**$ (12,235)**
Balance at June 30, 2018 (MD)	**$ 468,185**	**$ 239,851**	**$ 228,334**

	Increase (Decrease)		
(Dollars in thousands)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b
Balance at June 30, 2016 (MD)	**$ 428,645**	**$ 172,720**	**$ 255,925**
Changes recognized for the measurement period:			
Service cost	10,024	—	10,024
Interest	28,951	—	28,951
Contributions - employer	—	33,646	(33,646)
Net investment income	—	20,792	(20,792)
Benefit payments	(19,525)	(19,525)	—
Administrative expense	—	(107)	107
Net changes	**$ 19,450**	**$ 34,806**	**$ (15,356)**
Balance at June 30, 2017 (MD)	**$ 448,095**	**$ 207,526**	**$ 240,569**

(g) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the OPEB Plan as of the June 30, 2018 and June 30, 2017 measurement dates, calculated using the discount rate of 6.75 percent. This table also shows what the net OPEB 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:

(Dollars in thousands)	**2019**	2018
Discount Rate -1%	**5.75 %**	5.75 %
Net OPEB Liability	**$ 288,683**	$ 299,261
Current Discount Rate	**6.75 %**	6.75 %
Net OPEB Liability	**$ 228,334**	$ 240,569
Discount Rate +1%	**7.75 %**	7.75 %
Net OPEB Liability	**$ 178,349**	$ 192,021

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

The following presents the net OPEB liability of the OPEB Plan if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2018 and 2017:

(Dollars in thousands)	**2019**	2018
Healthcare Trend Rate -1%	**6.5%/5.5 % decreasing to 3.0 %**	6.5%/5.5 % decreasing to 3.0 %
Net OPEB Liability	**$ 170,535**	$ 188,057
Current Healthcare Trend Rate	**7.5%/6.5 % decreasing to 4.0 %**	7.5%/6.5 % decreasing to 4.0 %
Net OPEB Liability	**$ 228,334**	$ 240,569
Healthcare Trend Rate +1%	**8.5%/7.5 % decreasing to 5.0 %**	8.5%/7.5 % decreasing to 5.0 %
Net OPEB Liability	**$ 298,893**	$ 304,532

(i) OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued California Employer's Retiree Benefit Trust (CERBT) Fund financial reports.

(j) Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

(k) OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the years ended June 30, 2019 and 2018, Metropolitan recognized OPEB expense of $22.8 million and $25.2 million. At June 30, 2019 and 2018, Metropolitan has deferred outflows and inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
(Dollars in thousands)	**2019**	2018	**2019**	2018
OPEB contributions subsequent to measurement date	**$ 32,067**	$ 34,674	**$ —**	$ —
Net difference between projected and actual earnings on OPEB plan investments	**—**	—	**(7,288)**	(6,928)
Total	**$ 32,067**	$ 34,674	**$ (7,288)**	$ (6,928)

The $32.1 million and $34.7 million reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 and 2017 measurement dates, respectively, will be/was recognized as a reduction of the net OPEB liability during the fiscal years ending June 30, 2020 and 2019, respectively. The $7.3 million and $6.9 million reported as deferred inflows of resources related to OPEB at June 30, 2019 and 2018 will be recognized as expense as follows:

(Dollars in thousands)		Deferred Inflows of Resources
Fiscal year ending June 30,		
2020	$	(2,255)
2021		(2,255)
2022		(2,255)
2023		(523)
2024		—
Thereafter		—

9. COMMITMENTS AND CONTINGENCIES

(a) State Water Contract (see Note 10)

Estimates of Metropolitan's share of the projected fixed costs of the SWP are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates, and inflation. During the next five years, payments under the State Water Contract, exclusive of variable power costs, are currently estimated by the State to be as follows:

(Dollars in thousands)		State Water Contract Payments
Year ending June 30:		
2020	$	436,659
2021		481,395
2022		475,254
2023		471,481
2024		468,548

According to the State's latest estimates, Metropolitan's long-term commitments under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2035, are as follows:

(Dollars in thousands)		State Water Long Term Commitments
Transportation facilities	$	3,814,200
Conservation facilities		2,495,737
Off-aqueduct power facilities (see Note 9f) (1)		13,036
East Branch enlargement		359,445
Revenue bond surcharge		595,635
Total long-term SWP contract commitments	$	7,278,053

(1) These commitments represent operations and maintenance costs. Metropolitan was relieved of its obligation for capital costs in 2018.

Metropolitan intends to exercise its option to extend its agreement with the State through 2085, which will result in annual minimum operations and maintenance costs through 2085. In addition, the amounts shown above do not contain any escalation for inflation, are subject to significant variation over time because the amounts are based on a number of assumptions, and are contingent on future events. None of the estimated long-term commitments are recorded as liabilities in the accompanying basic financial statements.

(b) Bay/Delta Regulatory and Planning Activities

The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to Metropolitan and other water users throughout California. The State Board exercises its regulatory authority over Bay/Delta watershed supplies by means of public proceedings leading to regulations and decisions.

In September 2006, then Governor Schwarzenegger established a Delta Vision Process to identify a strategy for managing the Delta as a sustainable resource. The process was tied to legislation that created a Blue Ribbon Task Force (BRTF) and cabinet-level committee tasked with developing a durable vision for sustainable management of the Delta over the long-term which addressed a full array of issues, including land use, infrastructure, flood protection, and natural resources including water supply. The BRTF released its final Delta Vision Strategic Plan in October 2008 and a final implementation report was submitted to the Governor in January 2009. Subsequently, the Delta Reform Act of 2009 was enacted, which created the Delta Stewardship Council (DSC), a seven member appointed body charged with developing a Delta Plan to support carrying out the Delta Vision, which the DSC completed on September 1, 2013. The Delta Plan anticipated the need for periodic reviews and updates in response to changing circumstances and conditions in the Delta. The DSC amended the Delta Plan in February 2016 to include an initial set of performance measures in September 2016 to exempt single-year water transfers from consideration as covered actions. DSC adopted three amendments to the Delta Plan in April 2018, with another proposed update on Ecosystem due for completion.

To avoid endangering listed species or adversely modifying their critical habitat, agencies consult with the California Department of Fish and Wildlife Service (CDFW) or similar agencies under section 7 of the California Endangered Species Act (ESA). If a project may adversely affect a listed species, a formal consultation is held with the fish agencies. The consulting service then issues a biological opinion about whether a project is likely to jeopardize a listed species or destroy or adversely modify its critical habitat. The U.S. Bureau of Reclamation (USBR) and the California Department of Water Resources (DWR) have been working with the U.S. Fish and Wildlife Service (USFWS) and National Marine Fisheries Service (NMFS) on the reconsultation for the Coordinated Long-Term Operation of the Central Valley Project and State Water Project. Earlier this year, USBR released a biological assessment to support consultation under the Endangered Species Act. In June 2019, the USFWS and NMFS completed the effects analyses and submitted them for peer review. A revised draft biological opinion was released on July 31, 2019, for another round of independent peer review and for review by the public water agencies. The final biological opinions are expected to be released before the end of the calendar year. Similarly, the State Department of Water Resources will be consulting with the CDFW regarding permits for operation of the State Water Project under the ESA.

The Bay Delta Conservation Plan (BDCP), which began in 2007, is a voluntary collaboration of state, federal, and local water agencies, state and federal fish agencies, environmental organizations, and other interested parties to provide a comprehensive habitat conservation and restoration program for the Delta. In addition, the BDCP would provide the basis for permits under federal and state endangered species laws for activities covered by the plan based on the best available science, identified sources of funding, and an adaptive management and monitoring program. On April 30, 2015, the state announced its intent to include new alternatives separating the conveyance facilities and habitat restoration measures into two separate permitting efforts namely: California WaterFix and California EcoRestore. Under the California WaterFix, the new water conveyance facilities with proposed design changes would be constructed and operated. On February 12, 2019, Governor Newsom announced the shift to a single tunnel project now referred to as the Delta Conveyance Project. As a result, DWR withdrew the approval of California WaterFix, decertified the Environmental Impact Report, and rescinded various permitting applications including those submitted to the State Water Resources Control Board (SWRCB), U.S. Army Corps of Engineers, and State and federal Endangered Species Acts permits on May 2 and rescinded the California WaterFix Bond Resolution on May 7. The Delta Conveyance Design and Construction Authority (DCA) executive director has been authorized to execute an amendment to the Joint Exercise of Powers Agreement for Planning and Environmental Services in support of the environmental analysis for a potential Delta Conveyance Project. This amendment outlines the agency's relationship with DWR and its scope of activities in support of environmental planning for a new single tunnel Delta conveyance proposal.

On April 29, 2019, Governor Newsom issued an executive order calling for the development of a water resilience portfolio meeting the needs of California's communities, economy, and environment through the 21st century. This includes the governor's vision for a modern water supply infrastructure, a more climate resilient water supply for people and the environment, and the State Water Project in particular must be updated to respond to climate change.

(c) Imperial Irrigation District

As of June 30, 2019, Metropolitan had advanced to the Imperial Irrigation District (IID) a total of $337.0 million for construction costs, operations and maintenance costs, and indirect costs of the conservation projects. Metropolitan remains obligated to pay IID for actual operation and maintenance costs for the remainder of this agreement through at least 2041. In return, Metropolitan will receive 85,000-105,000 acre-feet in 2019 and annually thereafter depending upon the amount used by the CVWD. A total of at least 85,000 and 105,000 acre-feet will be/was available in calendar years 2019 and 2018, respectively, for diversion by Metropolitan (see Note 4a).

(d) Sale of Water by the Imperial Irrigation District to San Diego County Water Authority

In April 1998, the San Diego County Water Authority (SDCWA) and IID executed an agreement (Transfer Agreement) for SDCWA's purchase from IID of Colorado River water that is conserved within IID. SDCWA is a Metropolitan member agency and one of the largest water purchasers from Metropolitan. In October 2003 the Transfer Agreement was revised as part of the Quantification Settlement Agreement (see Note 9e). The amended Transfer Agreement sets the maximum transfer amount at 205,000 acre-feet in 2021, with the transfer gradually ramping up to that amount over an approximately twenty-year period, stabilizing at 200,000 acre-feet per year beginning in 2023.

No facilities exist to provide for delivery of water from IID to SDCWA. In 1998, Metropolitan and SDCWA entered into an agreement for the exchange of the IID water to be acquired by SDCWA under the Transfer Agreement, with water to be delivered by Metropolitan. In 2003, the boards of directors of Metropolitan and SDCWA agreed to an increase in the price that SDCWA would pay to Metropolitan for this exchange of water, in return for Metropolitan's assignment to SDCWA of Metropolitan's rights to water conserved as a result of the lining of the All-American and Coachella Canals and $235 million, as set forth in an amended exchange agreement (Exchange Agreement) and an Allocation Agreement. Under the Exchange Agreement, SDCWA makes available to Metropolitan at its intake at Lake Havasu on the Colorado River the conserved Colorado River water acquired by SDCWA from IID and the conserved canal lining water allocated to SDCWA. In exchange, Metropolitan delivers an equal volume of water from its own sources of supply through its delivery system to SDCWA. The deliveries to both Metropolitan and SDCWA are deemed to be made in equal monthly increments. SDCWA pays Metropolitan a volumetric price for each delivery by Metropolitan. The price payable by SDCWA is calculated using the charges set by Metropolitan's Board from time to time to be paid by its member agencies for the conveyance of water through Metropolitan's facilities (see Note 1c). SDCWA has challenged the validity of Metropolitan's charges for conveyance of water that became effective January 1, 2011 and January 1, 2012, in San Diego County Water Authority v. Metropolitan Water District of Southern California; et al. On June 8, 2012, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. On May 30, 2014, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 8, 2014 and effective on January 1, 2015 and January 1, 2016. On April 13, 2016, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 12, 2016 and effective on January 1, 2017 and January 1, 2018. On June 8, 2018, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 10, 2018 and effective on January 1, 2019 and January 1, 2020. The Exchange Agreement requires Metropolitan to pay the disputed portion of the amount paid by SDCWA under the Exchange Agreement and interest thereon to SDCWA, if SDCWA prevails in a dispute over the price payable by SDCWA under the Exchange Agreement. See Claims and Litigation, Note 9h.

(e) Quantification Settlement Agreement

The Quantification Settlement Agreement (QSA) is part of the California Plan, which is a plan to reduce California's use of Colorado River water to its basic apportionment of 4.4 million acre-feet per year when necessary through water conservation, transfers from higher priority agricultural users to Metropolitan's service area, and storage programs. The QSA was executed in October 2003 and establishes Colorado River water use limits for IID and the CVWD. It also provides for specific acquisitions of conserved water and water supply arrangements for up to 75 years and restores the opportunity for Metropolitan to receive any special surplus water.

(f) Abandoned Off-Aqueduct Power Facilities

DWR financed the construction of certain off-aqueduct power facilities in order to provide power for water transportation purposes for the State Water Project system. Two geothermal facilities were abandoned by DWR due to insufficient steam supply to operate the plants at their planned capacities. As a result of these actions by DWR, Metropolitan recorded losses of $204.1 million in prior fiscal years. Metropolitan's estimated remaining long-term contractual obligations as of June 30, 2017, was $9.6 million which was based on the State's latest estimates, including average interest of 5.2 percent through the year 2027. However, the State relieved Metropolitan of its obligation during the year ended June 30, 2018.

(g) Construction Programs and Contracts

The estimated cost, excluding contingencies, of Metropolitan's capital program for fiscal years 2020 through 2024 totals approximately $1.46 billion. However, due to various uncertainties such as lower than anticipated construction bids, permitting delays, and facility shutdowns constraints, capital spending is budgeted at $250 million per year for the fiscal years 2020 through 2024.

Over the next three years, Capital Investment Plan spending totals approximately $845 million with over $650 million targeted for major efforts such as mechanical and electrical refurbishments to major components of the Colorado River Aqueduct and Metropolitan's water treatment plants, refurbishment/replacement of pressure control facilities throughout the distribution system, replacement of reservoir floating covers and liners and seismic upgrades to appurtenant components, rehabilitation through relining of the Prestressed Concrete Cylinder Pipe portions of the Allen McColloch and Rialto Pipelines, and Calabasas, Second Lower, and Sepulveda feeders, replacement/upgrade to the Supervisory Control and Data Acquisition (SCADA) system, and the Los Angeles headquarters building seismic and security upgrades.

Metropolitan had commitments under construction contracts in force as follows:

	June 30,	
(Dollars in thousands)	**2019**	2018
Second Lower Feeder PCCP rehabilitation - reach 2	**$ 52,273**	$ —
MWD headquarters building improvements	**36,470**	—
Diemer west basin and filter building rehabilitation	**27,607**	—
Colorado River Aqueduct pumping plants sump rehabilitation	**26,497**	—
Greg Avenue pressure control structure - pump modifications and new control building	**18,360**	—
Colorado River Aqueduct pumping plants 69kV power cables replacement	**16,289**	—
Jensen water treatment plant - modules 2 and 3 flocculator rehabilitation	**8,888**	—
Weymouth chlorination system upgrades	**7,614**	—
Orange County region service center	**4,872**	8,726
Orange County feeder and extension relining - reach 2	**3,512**	—
Refurbish filter valve actuators for Diemer water treatment plant	**3,222**	—
Second Lower Feeder PCCP rehabilitation - reach 4	**2,673**	—
Weymouth domestic water systems improvement	**2,666**	3,740
Electrical upgrades at 15 structures in the Orange County region	**2,456**	—
Furnishing one double column vertical machining center for La Verne shops	**1,964**	—
Intake pumping plant 2.4kV power line relocation	**1,574**	5,554
Furnishing lubricated plug valves for Second Lower Feeder	**1,499**	2,247
Furnishing horizontal axially split centrifugal pumps for the Greg Avenue pump station	**1,314**	1,419
Palos Verdes reservoir cover and liner replacement	**1,200**	4,021
Mills electrical upgrades - stage 1A	**782**	2,308
Furnishing butterfly valves for Weymouth water treatment plant	**772**	—
Colorado River Aqueduct uninterruptible power supply replacement	**708**	920
Garvey reservoir drainage and erosion improvements - areas 2, 3, and 4	**649**	—
Jensen inlet water quality instrumentation enclosure	**437**	949
Eagle Mountain pumping plant reservoir spillway radial gate replacement	**182**	986
Advanced water treatment demonstration facility	**86**	6,774
Colorado River Aqueduct surge chambers discharge line bypass covers	**71**	2,471
Furnishing steel pipe for Second Lower Feeder PCCP rehabilitation - reaches 2 and 4	**—**	12,069
Furnishing valve actuators for Diemer water treatment plant	**—**	5,413
Furnishing butterfly valves for Weymouth water treatment plant	**—**	4,866
Diemer filter outlet conduit seismic upgrade	**—**	3,998
Weymouth west washwater tank seismic upgrades	**—**	2,428
Colorado River Acqueduct pumping plants seismic retrofit 6.9 kV switch houses	**—**	853
Second Lower Feeder PCCP Rehabilitation - reach 1	**—**	497
Jensen solar power facility	**—**	145
Diemer administration building seismic upgrades	**—**	118
Weymouth chemical upgrades	**—**	88
Other	**1,234**	4,352
Total	**$ 225,871**	**$ 74,942**

These commitments are being financed with operating revenues and debt financing.

(h) Claims and Litigation

SDCWA filed San Diego County Water Authority v. Metropolitan Water District of Southern California, et al. on June 11, 2010. The complaint alleges that the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012, misallocate certain State Water Contract costs to the System Access Rate and the System Power Rate, and thus affect charges for transportation of water, resulting in an overcharge to SDCWA by at least $24.5 million per year. The complaint alleges that all State Water Project costs should be allocated instead to Metropolitan's Supply Rate, even though under the State Water Contract Metropolitan is billed separately for transportation, power and supply costs. It states additionally that Metropolitan will overcharge SDCWA by another $5.4 million per year by including the Water Stewardship Rate in transportation charges.

The complaint requested a court order invalidating the rates adopted April 13, 2010, and that Metropolitan be mandated to allocate costs associated with the State Water Contract and the Water Stewardship Rate to water supply rates and not to transportation rates. Rates in effect in prior years are not challenged in this lawsuit.

SDCWA filed its First Amended Petition for Writ of Mandate and Complaint on October 27, 2011, adding five new claims to this litigation, two of which were eliminated from the case on January 4, 2012. The three remaining new claims were for breach of the water Exchange Agreement between Metropolitan and SDCWA (see note 9d) due to a price based on allegedly illegal rates; improper exclusion of SDCWA's payments under this Exchange Agreement from calculation of SDCWA's preferential rights to purchase Metropolitan supplies; and illegality of the rate structure integrity provision in conservation and local resources incentive agreements between Metropolitan and SDCWA. The rate structure integrity provision permitted the Board to terminate incentives payable under conservation and local resources incentive agreements between Metropolitan and a member agency due to certain actions by the member agency to challenge the rates that are the source of incentive payments. In June 2011, Metropolitan's Board authorized termination of two incentive agreements with SDCWA under the rate structure integrity provision in such agreements after SDCWA filed its initial complaint challenging Metropolitan's rates. SDCWA filed a Second Amended Petition for Writ of Mandate and Complaint on April 17, 2012, which contained additional allegations but no new causes of action.

On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. The complaint contained allegations similar to those in the Second Amended Petition for Writ of Mandate and Complaint and new allegations asserting that Metropolitan's rates, adopted in April 2012, violate Proposition 26.

SDCWA filed a Third Amended Petition for Writ of Mandate and Complaint on January 23, 2013, to add new allegations that Metropolitan's rates adopted in April 2010 did not meet the requirements of Proposition 26. The court granted Metropolitan's motion to strike allegations relating to Proposition 26 on March 29, 2013, expressly ruling that SDCWA may not allege a violation of Proposition 26 in its challenge to the rates adopted in April 2010. This ruling did not affect SDCWA's separate challenge to Metropolitan's rates adopted in April 2012, which also includes Proposition 26 allegations.

Following trial of both lawsuits in two phases, concluding on January 23, 2014 and April 30, 2015, respectively, the Superior Court of the State of California, County of San Francisco (the "Superior Court"), issued its Final Judgment and a Peremptory Writ of Mandate in the 2010 and 2012 SDCWA v. Metropolitan cases. Metropolitan appealed the trial court's decision in each case, and SDCWA filed a cross-appeal of the court's ruling on the rate structure integrity claim and an attorneys' fees order.

On June 21, 2017, the California Court of Appeal released its decision in the appeals and cross-appeal filed by Metropolitan and SDCWA, respectively. The Court of Appeal ruled that Metropolitan may lawfully include its State Water Project transportation costs in the System Access Rate and System Power Rate that are part of the Exchange Agreement's price term, and that Metropolitan may also lawfully include the System Access Rate in its wheeling rate, reversing the trial court decision on this issue. The Court held Metropolitan's allocation of the State Water Project transportation costs as its own transportation costs is proper and does not violate the wheeling statutes (Water Code, § 1810, et seq.), Proposition 26 (Cal. Const., Article XIIIC, §1, subd.(e)), California Government Code section 54999.7, the common law, or the terms of the parties' Exchange Agreement.

The Court of Appeal also ruled that the administrative record before it for the rates in calendar years 2011 through 2014 did not support Metropolitan's inclusion of its Water Stewardship Rate as a transportation cost in the Exchange Agreement price or the wheeling rate, under the common law and wheeling statutes. Having made that determination, the Court of Appeal stated it need not evaluate the issue under any other law. The court did not address the allocation of the Water Stewardship Rate in subsequent years based on a different record. The court noted, and in a subsequent modification confirmed, that its holding does not preclude Metropolitan from including the Water Stewardship Rate in Metropolitan's full service rate.

The Court of Appeal held that because the Water Stewardship Rate was included in the Exchange Agreement price, there was a breach by Metropolitan of the Exchange Agreement in 2011 through 2014. The court remanded the case to the trial court for a redetermination of damages in light of its ruling concerning the Water Stewardship Rate. The Court of Appeal agreed with the trial court that statutory prejudgment interest applies with respect to any damages award, not a lesser contractual interest. The Court of Appeal reversed the trial court by finding that the Exchange Agreement may entitle SDCWA to attorneys' fees for the second phase of the case concerning breach of contract; but directed the trial court on remand to make a new determination of the prevailing party, if any. The cases were therefore remanded to the trial court for a review of both damages and attorneys' fees.

With respect to other issues considered on appeal, the Court of Appeal upheld the trial court's ruling that Metropolitan improperly excludes SDCWA's payments under the Exchange Agreement in Metropolitan's calculation of SDCWA's preferential rights. The court also ruled that SDCWA had the constitutional right to challenge the rate structure integrity provision in Metropolitan's conservation and local resources incentive agreements, and found that the rate structure integrity provision was invalid and unenforceable as an unconstitutional condition on the provision of a public benefit.

On September 27, 2017, the California Supreme Court denied SDCWA's petition for review, declining to consider the Court of Appeal's decision. The Court of Appeal's decision is therefore final.

On July 25, 2018, the Superior Court issued an order regarding the scope of the matters to be reconsidered by the Superior Court on remand pursuant to the Court of Appeal decision. With respect to the Superior Court's re-determination of damages in light of the Court of Appeal's ruling that the administrative record for calendar years 2011 through 2014 did not support Metropolitan's inclusion of its demand management costs in the Exchange Agreement price, the Superior Court ruled that it will award SDCWA $28,678,190.90 in contract damages for breach of the Exchange Agreement, plus prejudgment interest at 10 percent per annum. The Superior Court determined that Metropolitan is not entitled in the remand proceedings to show what it could have lawfully charged SDCWA for demand management costs and to deduct that from SDCWA's damages.

The Superior Court further ruled that SDCWA is not entitled in the remand proceedings to litigate the issue of "offsetting benefits" under the wheeling statutes for the parties' Exchange Agreement. The Superior Court found that such claim is both outside the scope of remand and waived.

The Superior Court also ruled that SDCWA is entitled to judgment on its declaratory relief cause of action declaring the rate structure integrity provision in Metropolitan's conservation and local resources incentive agreements invalid and unenforceable, SDCWA is entitled to further proceedings to litigate the issue of an entitlement to monetary restitution for 2011 through 2014, and the parties shall also litigate in further proceedings the issue of what prospective relief SDCWA may be entitled to in connection with this cause of action. Finally, the Superior Court confirmed, as the parties agreed, that it will conduct further proceedings for a redetermination of the prevailing party and attorneys' fees in this matter.

On September 14, 2018, Metropolitan filed a Petition for Writ of Mandate with the California Court of Appeal, requesting the court to require the Superior Court to recalculate contract damages for breach of the Exchange Agreement from years 2011 through 2014, to include a set-off for the additional sums SDCWA would have paid had Metropolitan collected the Water Stewardship Rate through its full service sales as SDCWA argued was correct. On November 1, 2018, the Court of Appeal determined that it would not review the issue at this stage of the cases. Metropolitan may raise this issue again on any later appeal from the cases' final judgment.

Due to SDCWA's litigation challenging Metropolitan's rates, and pursuant to the Exchange Agreement between Metropolitan and SDCWA, as of June 30, 2019, Metropolitan held $56.5 million in a designated fund, the Exchange Agreement Set-Aside Fund. This amount includes the disputed Water Stewardship Rate payments for calendar years 2011 through the present, and interest earned by Metropolitan thereon. The amount held does not include statutory prejudgment interest or any post-judgment interest, attorneys' fees, or costs the Court may award. The Exchange Agreement Set-Aside Fund also does not include any amounts applicable to the rate structure integrity provision declaratory relief cause of action, because that claim does not involve disputed payments under the Exchange Agreement.

On February 14, 2019, Metropolitan tendered to SDCWA payment of $44.4 million for the San Francisco Superior Court's contract damages award for Water Stewardship Rate payments from 2011 through 2014, plus statutory interest through February 15, 2019, with a reservation of appeal rights, in the San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., 2010 and 2012 actions. This tender was made under compulsion to cease accrual of statutory interest in excess of market rates, but did not affect Metropolitan's rights to appeal, including its right to challenge the amount of the damages award. The tendered payment included $31.6 million of amounts withdrawn from the Exchange Agreement Set-Aside Fund and $12.8 million withdrawn from reserves (representing statutory interest). On March 7, 2019, SDCWA rejected the tendered payment and returned the uncashed check for the tendered payment. The returned funds were credited back to the Exchange Agreement Set-Aside Fund and Metropolitan reserves in the amounts drawn. The balance in the Exchange Agreement Set-Aside Fund set forth above includes the returned funds.

In May 2014, SDCWA filed a new lawsuit asserting essentially the same rate claims and breach of contract claim in connection with the Board's April 2014 rate adoption. Metropolitan filed its answer on June 30, 2014. On February 9, 2015, pursuant to stipulation by the parties, the San Francisco Superior Court ordered that the case be stayed. Metropolitan is unable to assess at this time the likelihood of success of this case, any possible appeal or any future claims.

On April 13, 2016, SDCWA filed a new lawsuit that alleges all rates and charges for 2017 and 2018 adopted by Metropolitan's Board on April 12, 2016 violate the California Constitution, statutes, and common law. The Petition for Writ of Mandate and Complaint asserts misallocation of costs as alleged in the previous cases listed above and additional claims of over-collection and misallocation of costs and procedural violations. Following a stipulated order issued by the court on November 10, 2016, SDCWA filed a First Amended Petition for Writ of Mandate and Complaint and the court ordered the case stayed pending final resolution of the 2010 and 2012 SDCWA v. Metropolitan cases' appeals. The amended petition/complaint adds allegations of the same Exchange Agreement breach as in the previous cases listed above and breach of a provision that requires Metropolitan to set aside disputed amounts, relating to the manner in which Metropolitan has set aside the amounts; requests a judicial declaration that, if a judgment is owed to SDCWA under the Exchange Agreement, SDCWA will not be required to pay any portion of that judgment; and requests a refund to SDCWA of any amount Metropolitan has collected in excess of the reasonable costs of the services provided or, alternatively, a reduction in SDCWA's future fees. Metropolitan is unable to assess at this time the likelihood of success of this case, any possible appeal or any future claims.

On June 9, 2017, SDCWA filed a new Petition for Writ of Mandate and Complaint challenging the Readiness-to-Serve Charge and Capacity Charge for 2018 adopted by Metropolitan's Board on April 11, 2017. These two charges are set annually, and SDCWA's 2016 lawsuit included a challenge to these two charges for 2017. The new lawsuit similarly alleges the 2018 Readiness-to-Serve Charge and Capacity Charge violate the California Constitution, statutes, and common law. The petition/complaint asserts misallocation of costs. Metropolitan was served with the petition/complaint on June 20, 2017. On July 18, 2017, SDCWA filed a first amended petition/complaint to add Metropolitan's Board action of July 11, 2017 to make minor corrections to the Readiness-to-Serve Charge. On July 31, 2018, pursuant to stipulation by the parties, the San Francisco Superior Court ordered that the case be stayed. Metropolitan is unable to assess at this time the likelihood of success of this case, any possible appeal or any future claims.

On June 8, 2018, SDCWA filed a new lawsuit that alleges all rates and charges for 2019 and 2020 adopted by Metropolitan's Board on April 10, 2018 violate the California Constitution, statutes, and common law. The Petition for Writ of Mandate and Complaint asserts the Water Stewardship Rate is unlawful per se and its collection in transportation charges is also unlawful; failure to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, et seq., which SDCWA contends (and Metropolitan disputes) applies to the parties' Exchange Agreement; over-collection and misallocation of costs, including misallocation of Metropolitan's California WaterFix costs as its transportation costs; and specified procedural violations. SDCWA states in the Petition and Complaint that it intends to amend its complaint to allege additional claims against Metropolitan, including but not limited to a claim for breach of contract. Following a stipulated order issued by the San Francisco Superior Court on January 10, 2019, SDCWA filed a First Amended Petition for Writ of Mandate and Complaint and the court ordered the case stayed pending final resolution of the 2010 and 2012 SDCWA v. Metropolitan cases. The amended petition/complaint adds a cause of action for breach of the Exchange Agreement alleging Metropolitan charged an unlawful price that includes the Water Stewardship Rate (despite suspension of this charge), failing to provide credit for offsetting benefits, charging transportation rates that are not based on costs of service, including California WaterFix costs, and not following procedural requirements; and requests a refund to SDCWA of any amount Metropolitan has collected in excess of the reasonable costs of the services provided or, alternatively, a reduction in SDCWA's future fees. This 2018 lawsuit has not yet been assigned to a department in the San Francisco Superior Court. Metropolitan is unable to assess at this time the likelihood of success of this case, any possible appeal or any future claims.

(i) Drinking Water Quality Standards

Under the Safe Drinking Water Act Amendments of 1996, Congress required the United States Environmental Protection Agency to set new drinking water quality standards. New standards to control microbial pathogens and disinfection byproducts (DBPs) became effective in 2002. These rules are known as the Interim Enhanced Surface Water Treatment Rule and the Stage 1 Disinfectants/Disinfection By-Product Rule. These standards became more stringent in a second set of regulations effective 2006. The second set of regulations (the Stage 2 Disinfectants/ Disinfection Byproducts Rule and the Long-Term 2 Enhanced Surface Water Treatment Rule) did not require additional capital investment by Metropolitan.

Metropolitan identified ozone disinfection as the most cost-effective option to minimize the production of DBPs and achieve other water quality objectives. Ozone is now used as the primary disinfectant at the Diemer, Jensen, Mills, and Skinner plants. Construction of ozonation facilities at the Weymouth plant was completed in October 2017. The estimated cost of implementing ozone treatment at all five plants is approximately $1.1 billion.

(j) Reid Gardner Generating Station

Reid Gardner Generating Station (Plant) is a 557 megawatt coal-fired plant located near Moapa, Nevada. The Plant is owned and operated by Nevada Energy (NE). In 1983, DWR entered in to a Participation Agreement to import power from the Plant to serve the State Water Project energy needs. DWR's interest in the Plant terminated on July 25, 2013. DWR and NE negotiated the terms of the divestiture including DWR's obligations to mitigate any environmental impacts associated with the electricity generated for DWR over the past thirty years. Metropolitan paid approximately 75.0 percent of DWR's costs associated with the generation of electricity at the Plant and will pay this proportion of DWR's assigned mitigation costs.

(k) Landfill Obligation

Federal and State laws and regulations require that Metropolitan perform certain maintenance and monitoring functions at its sole landfill site for 30 years after closure. They further require that a separate funding mechanism be established to ensure that sufficient funds are available for closure and postclosure costs. In October 1995, the landfill was closed and management's estimate of closure and postclosure costs for this site totaled approximately $2.0 million. The required thirty-year postclosure maintenance and monitoring of the landfill officially started in January 1998; after the installation of the landfill's final cover was completed. Approximately $5,000 and $6,000 were expended during fiscal year 2019 and 2018, respectively, for post closure maintenance and monitoring activities.

The actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws or regulations. Funding of these costs has been derived from a separate trust account that has been established for closure and postclosure costs. The balance of the trust account is sufficient to cover the landfill liability. At June 30, 2019 and 2018, approximately $800,000 net of interest receipts and disbursements was available in this account.

10. PARTICIPATION RIGHTS IN STATE WATER PROJECT

Metropolitan is one of 29 water suppliers contracting with the State of California for a system to provide water throughout much of California. Under the terms of the State Water Contract, as amended, Metropolitan is obligated to pay allocable portions of the cost of construction of the system and ongoing operations and maintenance costs through at least the year 2035, regardless of the quantities of water available from the project (see Note 9a). Metropolitan and the other contractors may also be responsible to the State for certain obligations of any contractor who defaults on its payments to the State.

Approximately 32 percent and 34 percent of Metropolitan's total expenditures during fiscal years ended June 30, 2019 and 2018, respectively, pertained to its net payment obligations for the State Water Project. These payments were primarily based on the contractual water delivery request, the annually requested and actual deliveries received, and the cost of power required for such deliveries, offset by credits received from the project.

The State Water Contract provides Metropolitan rights to water through 2052 but Management's present intention is to exercise Metropolitan's option to extend the contractual period to at least 2085, under similar terms, based on the Agreement in Principle reached in 2014. This corresponds to an estimated 125-year service life for the original facilities. The State is obligated to provide specified quantities of water throughout the life of the contract, subject to certain conditions.

The State has power generation facilities associated with its reservoirs and aqueducts. The power generated is utilized by the system for water transportation purposes. Power generated in excess of system needs is marketed to various utilities and California's power market. The revenues resulting from sales of excess power reduce the costs of pumping. Metropolitan and the other water contractors are responsible for repaying the capital and operating costs of the power facilities regardless of the amount of power generated (see Note 9f).

Metropolitan capitalizes its share of system construction costs as participation rights when such costs are billed by the State (see Notes 1h, 2, and 9a). Metropolitan's share of system operations and maintenance costs is charged to expense.

Metropolitan amortizes a portion of capitalized participation rights each month using a formula that considers the total estimated cost of the project, the estimated useful life, and estimated production capacity of the assets based upon information provided by the State of California. In fiscal year 2006, the formula was modified to use maximum annual contracted deliveries as the production capacity estimate as previous estimates of total production were less reliable than expected. Amortization expense totaled $141.7 million and $131.1 million in fiscal years 2019 and 2018, respectively.

11. DEPOSITS, PREPAID COSTS, AND OTHER

Balances at June 30, 2019 and 2018 were as follows:

	June 30,	
(Dollars in thousands)	**2019**	2018
Prepaid water costs	**$ 196,488**	$ 173,736
Prepaid costs-Delta Habitat conservation and conveyance	**58,627**	58,627
Prepaid costs-California WaterFix	**41,500**	—
Prepaid expenses	**10,365**	9,486
Preliminary design/reimbursable projects	**13,116**	13,413
Other	**11,188**	13,452
Total deposits, prepaid costs, and other	**331,284**	268,714
Less current portion	**(2,040)**	(1,611)
Noncurrent portion	**$ 329,244**	$ 267,103

(a) Prepaid Water Costs

Metropolitan has entered into several water exchange and storage agreements with other agencies. These agreements provide Metropolitan with additional reliable water supplies to supplement deliveries of Colorado River and State Water Project water. Metropolitan is also actively pursuing other agreements, both within and outside its service area, to provide additional water supplies. The exchange and storage agreements generally provide for advance delivery of water during periods when water is available. At a later time when water is needed, these programs can then return water to improve Metropolitan's reliability. Expenditures associated with these agreements have been recorded as prepaid costs and are charged to cost of water as the water is withdrawn. At June 30, 2019 and 2018, prepaid water costs totaled approximately $196.5 million and $173.7 million, respectively, based on volumes of 963,000 acre-feet and 856,000 acre-feet, as of such dates.

(b) Prepaid Costs—Delta Habitat Conservation and Conveyance

In March 2009, Metropolitan, other State Water Project contractors, federal Central Valley Project contractors, and the U.S. Department of Interior's Bureau of Reclamation entered into funding agreements with DWR. The agreements are known collectively as the Delta Habitat Conservation and Conveyance Program (DHCCP) Funding Agreement and the Bay Delta Conservation Plan and Delta Habitat Conservation and Conveyance Plan (BDCP - DHCCP) Supplemental Funding Agreement. Metropolitan's three-year DHCCP agreement provides funding of approximately $35.0 million for Metropolitan's share (24 percent). Metropolitan's two-year BDCP-DHCCP agreement provides funding of approximately $25.0 million (25 percent). The funding provided by both agreements supports development of the BDCP which was later on adapted as California WaterFix (see Note 9b) through environmental analysis, planning and design of Delta conservation measures including Delta water conveyance options. Total prepaid costs at June 30, 2019 and 2018 were $58.6 million.

(c) Prepaid Costs—California WaterFix

As of June 30, 2019, Metropolitan disbursed a total of $41.5 million to DWR for preconstruction planning costs of the California WaterFix in accordance with the advance funding agreement entered into in August 2018. The $41.5 million was Metropolitan's share (31 percent) of the funding and DWR intends to refund Metropolitan for funds advanced through this agreement through bond financing actions. However, as a result of the shift to a single tunnel project and DWR's withdrawal of approval of the California WaterFix Project as well as the rescission of other permitting applications (see Note 9b), Metropolitan has requested, on June 27, 2019, that DWR return its contributions that have not been spent as of May 2, 2019. DWR responded that all unspent funds will be remitted after a full accounting has been completed.

(d) Preliminary Design/Reimbursable Projects

Metropolitan engages in preliminary design activities prior to obtaining Board approval of capital projects. The costs of these designs are recorded as prepaid costs. Once Board approval is obtained, these costs are added to the cost of the relevant construction project.

Reimbursable projects include work Metropolitan is contracted to perform for outside, non-related parties, and is subsequently billed for reimbursement.

12. DEFERRED COMPENSATION AND SAVINGS PLANS

For the benefit of its employees, Metropolitan has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. 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.

Investment of the funds is managed by a third-party administrator, accordingly, at June 30, 2019 and 2018, neither the plan assets nor the related liability were included in the accompanying basic financial statements.

The third-party administrator coordinates the investment of the deferred amounts in available investment vehicles per the instructions of each participant. Metropolitan's Treasurer serves as Trustee for the deferred compensation plan. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in this plan.

Metropolitan has established another compensation deferral arrangement in accordance with Section 401(k) of the Internal Revenue Code. The 401(k) Consolidated Savings Plan is available to substantially all employees. At June 30, 2019 and 2018, 1,584 and 1,626 employees, respectively, participated in the consolidated 401(k) plan. Amounts deferred by participants, Metropolitan matching contributions, and accumulated earnings thereon are fully vested. Deferred amounts and matching contributions are transferred by Metropolitan each pay period to a third-party administrator who coordinates the investment of such proceeds in a variety of investment vehicles in accordance with the instructions of each participant. The Treasurer serves as Trustee for the savings plan. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in this plan.

Metropolitan has established a matching contribution program on behalf of each participating employee in the savings plan. Metropolitan's contribution is subject to a maximum of 4.5 percent of the employee's total cash compensation.

Contributions to the savings plan were as follows:

	June 30,	
(Dollars in thousands)	**2019**	2018
Employees	**$ 21,180**	$ 20,543
Metropolitan	**9,135**	8,803
	$ 30,315	$ 29,346
Eligible payroll	**$ 234,018**	$ 222,089
Employee contributions as percent of eligible payroll	**9.1 %**	9.2 %

13. NET POSITION

Net position is classified as either restricted, unrestricted, or net investment in capital assets, including State Water Project Costs.

Net investment in capital assets, including State Water Project costs consist of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition or construction of those assets and deferred outflows and inflows of resources related to debt. Metropolitan's capital assets, including State Water Project costs include plant and equipment (Notes 1g and 2), participation rights in State Water Project (Notes 1h, 2, and 10), and participation rights in other facilities (Notes 2 and 4). Net investment in capital assets, including State Water Project costs were approximately $6.1 billion and $6.0 billion at June 30, 2019 and 2018, respectively.

The restricted component of net position are those items that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation. Restricted net position totaled $418.6 million and $407.6 million at June 30, 2019 and 2018, respectively, of which $180.7 million and $201.4 million, respectively, represents principal and interest set aside for the next bond payment. The remaining $237.9 million and $206.2 million, respectively, relates to estimated operating and maintenance expense for July and August of the subsequent fiscal year. Each of these requirements is related to bond covenants.

The unrestricted component of net position are those items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Unlike the restricted net position, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net position. The Board may at any time change or eliminate amounts established for these purposes. Unrestricted net position totaled $286.0 million and $310.1 million at June 30, 2019 and 2018, respectively.

14. RISK MANAGEMENT

Metropolitan is exposed to various risks of loss related to the design, construction, treatment, and delivery of water resources. Metropolitan self-insures most of its property losses, the first $25.0 million for general liability, fiduciary liability and directors' and officers' liability, and $5.0 million for workers' compensation. Metropolitan supplements its self-insurance program with $75.0 million excess general liability coverage, $60.0 million excess fiduciary liability coverage, $65.0 million excess for directors' and officers' liability coverage, and statutory limits excess workers' compensation coverage. Special insurance policies carried include aircraft hull and liability, a limited property damage policy, crime insurance, specialty crime coverage, and travel accident coverage. Coverage types and limits for fiscal year 2019 were unchanged from fiscal year 2018. Settlement amounts did not exceed the self-insurance or insurance coverage limits in any of the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The present value of liabilities for unpaid claims is based on a 1.5 percent annual interest rate over the life of the claims. Changes in the balances of claims liabilities during the past three fiscal years were included in accounts payable as follows:

	June 30,		
(Dollars in Thousands)	**2019**	2018	2017
Unpaid claims, beginning of fiscal year	**$ 13,579**	$ 15,677	$ 20,047
Incurred claims (including IBNR)	**5,835**	6,140	4,514
Claim payments and adjustments	**(6,456)**	(8,238)	(8,884)
Unpaid claims, end of fiscal year	**12,958**	13,579	15,677
Less current portion	**(3,284)**	(4,083)	(5,109)
Noncurrent portion	**$ 9,674**	$ 9,496	$ 10,568

15. SUBSEQUENT EVENT

On August 1, 2019, Metropolitan entered into an Amended and Restated Note Purchase and Continuing Covenant Agreement with BANA (2019 BANA Amended and Restated Agreement), for the purchase by BANA and sale by Metropolitan of $46.8 million of Metropolitan's Short-Term Revenue Refunding Certificates, 2019 Series A-1 (the Series 2019 A-1 Notes). This Agreement amends and restates that certain Note Purchase and Continuing Covenant Agreement dated as of August 1, 2018 (the "Original Agreement"), between the Bank and Metropolitan. The Series 2019 A-1 Notes are being issued by Metropolitan and purchased by the Bank hereunder in order to refund the Series 2018 Notes issued pursuant to the Original Agreement. The Series 2019 A-1 Notes will bear interest at a variable rate of interest, at a spread of 32 basis points to one-month LIBOR. Under the 2019 BANA Amended and Restated Agreement, upon a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, or other specified events of default, BANA could terminate its commitments and declare all amounts then outstanding to be immediately due and payable. Metropolitan has secured its obligation to pay principal and interest under the 2019 BANA Amended and Restated Agreement as a Subordinate Lien Parity Obligation. The Series 2019 A-1 Notes have a Note Maturity date of August 1, 2021. As of August 1, 2019, $46.8 million of Series 2019 A-1 Notes were outstanding.

On August 8, 2019 Metropolitan entered into a Note Purchase and Continuing Covenant Agreement dated as of August 1, 2019, with BANA (2019 BANA Agreement) for the purchase by the Bank and sale by Metropolitan of the Series 2019 Notes and the refunding and exchange of maturing Series 2019 Notes with the Refunding Notes, up to an amount not to exceed $39.2 million. The Series 2019 Notes will bear interest at a variable rate of interest, at a spread to one-month LIBOR. Under the 2019 BANA Agreement, upon a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, or other specified events of default, BANA could terminate its commitments and declare all amounts then outstanding to be immediately due and payable. Metropolitan has secured its obligation to pay principal and interest under the 2019 BANA Agreement as a Subordinate Lien Parity Obligation. The 2019 BANA Agreement has a Commitment Expiration Date of July 30, 2021, unless extended as provided therein.

On August 29, 2019, as a result of changes in reorganization of assignments at the San Francisco Superior Court, the 2010, 2012, 2016, and 2017 *SDCWA v. Metropolitan* cases were reassigned to a different department of the Court. SDCWA filed a motion for peremptory disqualification of the new judge and on September 6, 2019, the motion was sustained. On September 27, 2019, the 2010, 2012, 2016, and 2017 cases were assigned to Department 304, a different complex division in which the 2014 case is already pending.

On October 1, 2019, Metropolitan issued $100.0 million of The Metropolitan Water District of Southern California Index Notes (Tax-Exempt and New Money), Subseries A-1 (the "Subseries A-1 Notes"), at a rate equal to the SIFMA Municipal Swap Index plus 33 basis points. The Subseries A-1 Notes were issued under Metropolitan's existing noteholder's agreement, executed on April 1, 2016, with RBC Municipal Products, LLC ("RBC"), as amended, under which Metropolitan may borrow, pay down and re-borrow up to $200 million, through the issuance and sale from time to time of notes issued by Metropolitan and purchased by RBC. Proceeds of the Subseries A-1 Notes will be used to fund capital expenditures and reimburse prior capital expenditures. Upon a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, or other specified events of default, RBC could terminate its commitment and declare all amounts then outstanding to be immediately due and payable. Metropolitan has secured its obligation to pay principal and interest on the Subseries A-1 Notes as senior parity obligations. Any principal remaining outstanding at the April 5, 2022 commitment end date is required to be paid by Metropolitan in quarterly installments over a period of approximately one year.

(Dollars in thousands)	**2019**	2018	2017	2016	2015
TOTAL PENSION LIABILITY					
Service cost	**$ 33,583**	$ 33,685	$ 29,142	$ 28,890	$ 28,505
Interest on total pension liability	**161,023**	156,661	152,500	146,852	139,190
Changes of assumptions	**(15,391)**	125,734	—	(35,008)	—
Difference between expected and actual experience	**(10,039)**	(15,804)	(12,754)	14,665	—
Benefit payments, including refunds of employee contributions	**(107,646)**	(100,092)	(92,401)	(86,154)	(81,391)
Net change in total pension liability	**61,530**	200,184	76,487	69,245	86,304
Total pension liability - beginning	**2,315,248**	2,115,064	2,038,577	1,969,332	1,883,028
Total pension liability - ending (a)	**$ 2,376,778**	$ 2,315,248	$ 2,115,064	$ 2,038,577	$ 1,969,332
PLAN FIDUCIARY NET POSITION					
Contribution - Employer	**$ 48,780**	$ 42,819	$ 38,393	$ 34,306	$ 33,853
Contribution - Employee	**15,749**	14,895	15,034	14,787	15,185
Net investment income[1]	**139,003**	171,562	8,304	35,301	236,746
Benefit payments, including refunds of employee contributions	**(107,646)**	(100,092)	(92,401)	(86,154)	(81,391)
Net plan to plan resource management	**(4)**	—	—	—	—
Administrative expense	**(2,577)**	(2,255)	(950)	(1,756)	—
Other miscellaneous expense[3]	**(4,895)**	—	—	—	—
Net change in fiduciary net position	**88,410**	126,929	(31,620)	(3,516)	204,393
Plan fiduciary net position - beginning[4]	**1,654,331**	1,527,402	1,559,022	1,562,538	1,358,145
Plan fiduciary net position - ending (b)	**$ 1,742,741**	$ 1,654,331	$ 1,527,402	$ 1,559,022	$ 1,562,538
Plan net pension liability - ending (a) - (b)	**$ 634,037**	$ 660,917	$ 587,662	$ 479,555	$ 406,794
Plan fiduciary net position as a percentage of the total pension liability	**73.32 %**	71.45 %	72.22 %	76.48 %	79.34 %
Covered payroll	**$ 204,635**	$ 199,186	$ 195,878	$ 190,423	$ 186,850
Plan net pension liability as a percentage of covered payroll	**309.84 %**	331.81 %	300.01 %	251.84 %	217.71 %

[1] *2015 amount was net of administrative expenses of $1,972.*

[2] *GASB 68 requires ten years of information be presented but only four years are available at this time. Additional years' information will be displayed as it becomes available.*

[3] *During Fiscal Year 2017-18, as a result GASB 75, CalPERS reported its proportionate share of activity related to post-employment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB 68.*

[4] *Includes any beginning of year adjustment.*

See accompanying independent auditor's report

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

(Dollars in thousands)		**2019**		2018		2017		2016		2015
Actuarially determined contribution	**$**	**38,172**	$	31,404	$	42,820	$	38,393	$	34,305
Contributions in relation to the actuarially determined contribution		**(38,172)**		(31,404)		(42,820)		(38,393)		(34,305)
Contribution deficiency (excess)	**$**	**—**	$	—	$	—	$	—	$	—
Covered payroll	**$**	**212,558**	$	204,635	$	199,186	$	195,878	$	190,423
Contributions as a percentage of covered payroll		**17.96 %**		15.35 %		21.5 %		19.6 %		18.02 %

[1] *GASB 68 requires ten years of information be presented but only four years are available at this time. Additional years' information will be displayed as it becomes available.*

See accompanying independent auditor's report

Notes to Schedule:

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2019:

Valuation date: June 30, 2016

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 20 year period
Asset Valuation Method	Investment gains/losses spread over 5 year rolling period with 20% market value corridor
Discount rate	7.375%
Inflation	2.75%
Mortality, disability, termination, retirement	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality projected fully generational with Scale BB

(Dollars in thousands)		**2019**		2018
TOTAL OPEB LIABILITY				
Service cost	**$**	**10,325**	$	10,024
Interest on total OPEB liability		**30,252**		28,951
Benefit payments		**(20,487)**		(19,525)
Net change in total OPEB liability		**20,090**		19,450
Total OPEB liability - beginning		**448,095**		428,645
Total OPEB liability - ending (a)	**$**	**468,185**	$	448,095
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	**$**	**34,674**	$	33,646
Net investment income		**18,538**		20,792
Benefit payment		**(20,487)**		(19,525)
Administrative expense		**(400)**		(107)
Net change in fiduciary net position		**32,325**		34,806
Plan fiduciary net position - beginning		**207,526**		172,720
Plan fiduciary net position - ending (b)	**$**	**239,851**	$	207,526
Plan net OPEB liability - ending (a) - (b)	**$**	**228,334**	$	240,569
Plan fiduciary net position as a percentage of the total OPEB liability		**51.23 %**		46.31 %
Covered payroll	**$**	**204,635**	$	199,186
Plan net OPEB liability as a percentage of covered payroll		**111.58 %**		120.78 %

[1] *Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

See accompanying independent auditor's report

Schedule of Plan Contributions

(Dollars in thousands)		**2019**		2018
Actuarially determined contribution	**$**	**27,328**	$	30,086
Contributions in relation to the actuarially determined contribution		**(32,067)**		(34,674)
Contribution deficiency (excess)	**$**	**(4,739)**	$	(4,588)
Covered payroll	**$**	**212,558**	$	204,635
Contributions as a percentage of covered payroll		**15.09 %**		16.94 %

[1] *Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

See accompanying independent auditor's report

Notes to Schedule:

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2019 were from the June 30, 2017 actuarial valuation:

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 23 year closed period (19 years remaining on 6/30/18).
Asset Valuation Method	Investment gains/losses spread over 5 year rolling period with corridor of 80% and 120% of market value
Discount rate	6.75%
Inflation	2.75%
Mortality, disability, termination, retirement	CalPERS 1997-2011 Experience Study
Medical trend	Pre-Medicare - 7.5% for 2019, decreasing to 4.0% for 2076 and later Medicare - 6.5% for 2019, decreasing to 4.0% for 2076 and later
Mortality improvement	Mortality projected fully generational with Scale MP-2017.

STATISTICAL SECTION

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

Sources: Unless otherwise noted, the information in these schedules was derived from the comprehensive annual financial report for the relevant year.

The Metropolitan Water District of Southern California

Table 1

Ten-Year Summary of Net Position by Component (Unaudited)-Accrual Basis [1]

(Dollars in millions)

	Fiscal Year Ended June 30,									
	2019	2018 [2] As Adjusted	2017	2016	2015 [3] As Adjusted	2014	2013 [4]	2012 [4] As Adjusted	2011 [4]	2010
Net investment in capital assets, including State Water Project costs	$ 6,131.6	$ 5,968.8	$ 6,067	$ 5,772.4	$ 5,572.5	$ 5,593	$ 5,399.5	$ 5,293.3	$ 5,309.8	$ 5,243.8
Restricted for:										
Debt service	180.7	201.4	224.6	199.5	263.2	171.6	205.2	195.5	308.4	315.2
Other expenses	237.9	206.2	182.4	183.3	178.8	147.7	170.1	174.9	167.3	170.3
Unrestricted	286	310.1	283.7	528.6	867.2	1,288.7	1,025.4	763.4	466.7	417.1
Total Net Position	$ 6,836.2	$ 6,686.5	$ 6,757.7	$ 6,683.8	$ 6,881.7	$ 7,201	$ 6,800.2	$ 6,427.1	$ 6,252.2	$ 6,146.4

[1] Metropolitan implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* in fiscal 2012. This pronouncement requires that the difference between assets and liabilities be reported as net position, therefore, net assets are now referred to as net position.

[2] Adjustment relates to Metropolitan's implementation of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* GASB 75 requires the reporting of a net Other Postemployment Benefit (OPEB) liability in the basic financial statements when an organization's OPEB liability exceeds the net position available for paying benefits. Fiscal years 2009 through 2017 have not been adjusted.

[3] Net investment in capital assets, including State Water Project costs, restricted for other expenses and unrestricted net position in fiscal years 2018 and 2017 were adjusted to conform to fiscal year 2019 presentation. Fiscal years 2016 through 2010 were not adjusted.

[4] Adjustment relates to Metropolitan's implementation of GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71. (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* GASB 68 requires the reporting of net pension liability in the basic financial statements when an organization's pension liability exceeds the net position available for paying benefits while GASB 71 requires the recognition of beginning deferred outflow of resources for pension contributions made after the measurement date. Fiscal years 2009 through 2014 have not been adjusted.

[5] Adjustment relates to the adoption of GASB No. 65, *Items Previously Reported as Assets and Liabilities.* This pronouncement requires debt issuance costs (except prepaid insurance costs) to be recognized as expense in the period incurred. Fiscal years 2009 and 2010 have not been adjusted.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 2
Ten-Year Summary of Changes in Net Position (Unaudited)-Accrual Basis [1]
(Dollars in millions)

	Fiscal Year Ended June 30,									
	2019	2018 [2]	2017	2016	2015 [3]	2014	2013	2012 [4] As Adjusted	2011 [4] As Adjusted	2010
Water revenues [6]	$ 1,148.7	$ 1,285.2	$ 1,150.5	$ 1,166.0	$ 1,382.9	$ 1,484.7	$ 1,282.5	$ 1,123.3	$ 1,001.0	$ 1,010.9
Readiness-to-serve charges	136.5	137.5	144.0	155.5	162.0	154.0	144.0	135.5	119.5	103.0
Capacity charge	33.0	34.6	39.7	44.7	37.5	28.4	28.7	33.0	34.4	33.4
Power sales	18.3	23.7	20.9	7.5	8.4	14.6	24.5	31.5	22.9	18.3
Operating revenues	1,336.5	1,481.0	1,355.1	1,373.7	1,590.8	1,681.7	1,479.7	1,323.3	1,177.8	1,165.6
Taxes, net	142.7	127.3	115.4	107.9	102.3	94.5	94.8	79.2	79.3	98.1
Investment income (loss)	36.0	10.6	6.2	19.4	(3.6)	5.7	(0.4)	4.1	2.0	40.6
Other	10.4	12.9	7.3	10.2	5.4	—	6.1	0.6	22.0	6.4
Nonoperating revenues	189.1	150.8	128.9	137.5	104.1	100.2	100.5	83.9	103.3	145.1
Total revenues	1,525.6	1,631.8	1,484.0	1,511.2	1,694.9	1,781.9	1,580.2	1,407.2	1,281.1	1,310.7
Power and water costs	(375.8)	(446.5)	(455.4)	(552.3)	(473.6)	(510.1)	(371.3)	(384.0)	(364.8)	(433.7)
Operations and maintenance	(493.9)	(507.4)	(487.5)	(650.1)	(543.4)	(439.7)	(419.8)	(433.5)	(394.9)	(395.6)
Depreciation and amortization	(361.1)	(330.3)	(301.7)	(376.5)	(374.8)	(261.5)	(265.4)	(290.1)	(286.4)	(246.4)
Operating expenses	(1,230.8)	(1,284.2)	(1,244.6)	(1,578.9)	(1,391.8)	(1,211.3)	(1,056.5)	(1,107.6)	(1,046.1)	(1,075.7)
Bond interest, net of amount capitalized	(126.9)	(124.5)	(134.6)	(126.9)	(132.5)	(146.7)	(150.2)	(135.8)	(135.7)	(133.3)
Interest and adjustments on OAPF [7]	—	—	(0.6)	(0.8)	(1.2)	(1.6)	(2.1)	(2.6)	(3.0)	(3.4)
Loss on disposal of plant assets	(13.7)	(88.7)	(20.9)	—	—	—	—	—	—	—
Other	(5.3)	(68.2)	(9.4)	(4.6)	—	(23.7)	—	—	—	—
Nonoperating expenses	(145.9)	(281.4)	(165.5)	(132.3)	(133.7)	(172.0)	(152.3)	(138.4)	(138.7)	(136.7)
Total expenses	(1,376.7)	(1,565.6)	(1,410.1)	(1,711.2)	(1,525.5)	(1,383.3)	(1,208.8)	(1,246.0)	(1,184.8)	(1,212.4)
Capital contributions	0.8	1.5	—	2.1	2.3	2.2	1.7	13.6	17.7	4.6
Changes in net position	$ 149.7	$ 67.7	$ 73.9	$ (197.9)	$ 171.7	$ 400.8	$ 373.1	$ 174.8	$ 114.0	$ 102.9

[1] Metropolitan implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* in fiscal 2012. This pronouncement requires that the difference between assets and liabilities be reported as net position, therefore, net assets are now referred to as net position.

[2] Metropolitan implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* . GASB 75 requires the reporting of a net Other Postemployment Benefit (OPEB) liability in the basic financial statements when an organization's OPEB liability exceeds the net position available for paying benefits. Fiscal years 2010 through 2017 have not been adjusted.

[3] Metropolitan implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71. (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. GASB 68 requires the reporting of net pension liability in the basic financial statements when an organization's pension liability exceeds the net position available for paying benefits while GASB 71 requires the recognition of beginning deferred outflow of resources for pension contributions made after the measurement date. Fiscal years 2010 through 2014 have not been adjusted.

[4] Adjustment relates to the adoption of GASB No. 65, *Items Previously Reported as Assets and Liabilities* . This pronouncement requires debt issuance costs (except prepaid insurance costs) to be recognized as expense in the period incurred. Fiscal year 2010 has not been adjusted.

[5] Adjustment relates to implementation of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* . This pronouncement requires derivative instruments to be reported at their fair value on the statements of net position along with a related deferred outflow to be recorded for effective hedges.

[6] Water revenues includes revenues from water sales, exchanges, and wheeling.

[7] Off-Aqueduct Power Facilities. The State relieved Metropolitan of its obligation during the year ended June 30, 2018.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 3
Ten-Year Summary of Water Revenues by Component (Unaudited)-Accrual Basis
(Dollars in thousands)

Fiscal Year Ended June 30,	Water Sales [1]				
	Treated	Untreated	Tier 2 [2] [3]	Exchange	Total
2019	$ 727,511.1	$ 318,940.9	$ —	$ 102,221.8	$ 1,148,673.8
2018	805,392.6	383,632.6	—	96,139	1,285,164.2
2017	704,254.2	358,841.4	—	87,437	1,150,532.6
2016	681,045.9	401,837.7	(1,180.3)	84,337	1,166,040.3
2015	805,798	489,016.4	9,252.8	78,830.9	1,382,898.1
2014	884,280	501,778.9	17,210.8	81,346.5	1,484,616.2
2013	805,277.9	399,865.2	2,914.9	74,469.7	1,282,527.7
2012	743,721.2	288,545.4	—	90,923.2	1,123,189.8
2011	712,766	230,404.8	4,026.8	53,848	1,001,045.6
2010	669,016.3	278,443.4	6,881.6	56,515.8	1,010,857.1

(1) Water sales rates vary based on the program. See Table 4 for rates.

(2) Tier 2 dollars reflect the premium paid by the member agency for water taken in excess of their maximum purchase commitment. Either treated/untreated or both could have caused the agency to exceed their maximum.

(3) The 2016 credit resulted from a correction of water sales between member agencies.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 4
Ten-Year Summary of Water Revenues Rate Structure (Unaudited)
(Dollars per acre-foot-unless otherwise specified)

	Calendar Year [1]									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tier 1 Supply Rate	$ 209	$ 209	$ 201	$ 156	$ 158	$ 148	$ 140	$ 106	$ 104	$ 101
Tier 2 Supply Rate	295	295	295	290	290	290	290	290	280	280
Water Supply Surcharge	—	—	—	—	—	—	—	—	—	—
System Access Rate	326	299	289	259	257	243	223	217	204	154
Water Stewardship Rate	69	55	52	41	41	41	41	43	41	41
System Power Rate	127	132	124	138	126	161	189	136	127	119
Full Service Untreated:										
Tier 1	731	695	666	594	582	593	593	560	527	484
Tier 2	817	781	760	728	714	735	743	686	652	594
Replenishment Water Rate: [2]										
Untreated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	442	409	366
Treated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	651	601	558
Interim Agricultural Water Program [3]										
Untreated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	537	482	416
Treated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	765	687	615
Treatment Surcharge	319	320	313	348	341	297	254	234	217	217
Full Service Treated:										
Tier 1	1,050	1,015	979	942	923	890	847	794	744	701
Tier 2	1,136	1,101	1,073	1,076	1,055	1,032	997	920	869	811
Delta Supply Surcharge [4]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	58	51	69
Capacity Charge ($ per cubic foot second)	8,600	8,700	8,000	10,900	11,100	8,600	6,400	7,400	7,200	7,200

[1] Rates are set on a calendar year basis.
[2] The Replenishment program was discontinued after 2012.
[3] The Interim Agricultural Water Program was discontinued after 2012.
[4] The Delta Supply Surcharge was suspended after 2012.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 5

Principal Water Revenue Customers (Unaudited) - Accrual Basis

(Dollars in thousands)

	Fiscal Year Ended June 30, 2019				Fiscal Year Ended June 30, 2010			
		Amount	%	Rank		Amount	%	Rank
Treated Water Sales								
Member Agency								
West Basin MWD	$	120,659.5	16.6 %	1	$	82,156.9	12.3 %	2
MWD of Orange County		97,001.3	13.3	2		125,196.5	18.7	1
Calleguas MWD		89,304.8	12.3	3		68,770.8	10.3	4
City of Los Angeles		70,811.5	9.7	4		53,924.5	8.1	5
San Diego County Water Authority		56,591.0	7.8	5		75,063.5	11.2	3
Subtotal	$	434,368.1	59.7 %		$	322,955.3	60.6 %	
Total Treated Water Sales	$	727,511.1	100.0 %		$	669,016.3	100.0 %	
Untreated Water Sales								
Member Agency								
MWD of Orange County	$	61,983.2	19.4 %	1	$	13,222.2	4.7 %	4
San Diego County Water Authority		55,201.2	17.3	2		91,838.6	33.0	1
City of Los Angeles		51,355.8	16.1	3		83,169.2	29.9	2
Subtotal	$	168,540.2	52.8 %		$	188,230.0	67.6 %	
Total Untreated Water Sales	$	318,940.9	100.0 %		$	278,443.4	100.0 %	
Tier 2 Sales								
Member Agency								
City of Los Angeles	$	—	— %		$	3,577.9	52.0 %	1
Eastern MWD		—	—			1,294.4	18.8	2
Subtotal	$	—	— %		$	4,872.3	70.80 %	
Total Tier 2 Sales	$	—	— %		$	6,881.6	100.0 %	
Exchange								
Member Agency								
San Diego County Water Authority	$	94,923.3	92.9 %	1	$	56,515.8	100.0 %	1
Subtotal	$	94,923.3	92.9 %		$	56,515.8	100.0 %	
Total Exchange	$	102,221.8	100.0 %		$	56,515.8	100.0 %	
Total Water Revenue	**$**	**1,148,673.8**			**$**	**1,010,857.1**		

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 6
Ten-Year Summary of Property Tax Levies and Collections (Unaudited)-Cash Basis
(Dollars in thousands)

Fiscal Year Ended June 30,	Total Tax Levy	Tax Collections			Outstanding Delinquent Taxes [2]	Percent of Current Taxes Collected to Total Tax Levy	Percent of Total Tax Collections to Total Tax Levy	Percent of Delinquent Taxes to Total Tax Levy
		Current	Delinquent	Total [1]				
2019	$ 130,566	$ 138,427	$ 6,727	$ 145,154	$ —	106.0 %	111.2 %	0.0 %
2018	121,647	124,628 [3]	5,038 [3]	129,666	—	102.5 [3]	106.6	0.0
2017	112,727	112,866 [3]	2,251 [3]	115,137	—	100.1 [3]	102.1	0.0
2016	104,829	104,829	5,825	110,654	—	100.0	105.6	0.0
2015	100,066	97,687	5,320	103,007	2,379	97.6	102.9	2.4
2014	94,963	94,963	3,744	98,707	—	100.0	103.9	0.0
2013	92,247	89,576	7,078	96,654	2,671	97.1	104.8	2.9
2012	94,810	80,775	9,478	90,253	4,076	85.2	95.2	4.3
2011	95,385	71,069	16,987	88,056	9,478	74.5	92.3	9.9
2010	107,867	82,164	15	97,247	16,987	76.2	90.2	15.7

(1) Total tax collections exclude cash payments on new annexations.

(2) Delinquent taxes shown are net of the "Allowance for Uncollectibles" determined by historical trends of collections and payments.

(3) In Fiscal year 2019, current and delinquent tax collections were revised for fiscal years 2017 and 2018 but total tax collections was not affected by the changes.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 7
Ten-Year Summary of Assessed Valuations and Property Tax Rates (Unaudited)
(Dollars in billions)

Fiscal Year Ended June 30,	Gross Assessed Valuation [1]	Homeowner's Exemption	Net Assessed Valuation	Secured Property Percentage Tax Rate
2019	$ 2,916.6	$ 15.4	$ 2,901.2	0.0035 %
2018	2,740.6	15.6	2,725.0	0.0035
2017	2,583.4	15.8	2,567.6	0.0035
2016	2,451.0	15.9	2,435.1	0.0035
2015	2,315.0	16.2	2,298.8	0.0035
2014	2,183.4	16.4	2,167.0	0.0035
2013	2,097.4	16.7	2,080.7	0.0035
2012	2,067.5	16.9	2,050.6	0.0037
2011	2,049.1	17.1	2,032.0	0.0037
2010	2,081.9	17.2	2,064.7	0.0043

(1) Gross assessed valuations (before deduction of Homeowner's and Business Inventory Exemptions), as of August each year, of all secured and unsecured property within Metropolitan's service area, as certified by the County Auditor-Controllers for the respective counties.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 8
Ten-Year Summary of Assessed Valuation Within Metropolitan's Service Area - By Counties (Unaudited)
(Dollars in billions)

Fiscal Year Ended June 30,

	2019		2018		2017		2016		2015		2014		2013		2012		2011		2010	
County	AV [1]	% [2]	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%
Los Angeles	$ 1,415.3	48.5	$ 1,327.5	48.5	$ 1,251.3	48.4	$ 1,185.4	48.4	$ 1,117.4	48.3	$ 1,060.8	48.6	$ 1,012.5	48.3	$ 989.1	47.9	$ 975.3	47.6	$ 991.4	47.6
Orange	591.4	20.3	557.1	20.3	524.5	20.3	498.3	20.3	470.7	20.3	441.9	20.2	426.6	20.3	419.2	20.3	415.6	20.3	417.8	20.1
San Diego	508.6	17.4	479.7	17.5	452.0	17.5	427.9	17.5	405.0	17.5	381.7	17.5	369.0	17.6	370.4	17.9	369.1	18.0	375.4	18.0
Riverside	184.6	6.3	172.9	6.3	163.1	6.3	154.7	6.3	146.3	6.3	133.7	6.1	129.0	6.2	129.2	6.2	129.1	6.3	134.8	6.5
San Bernardino	113.0	3.9	104.2	3.8	97.8	3.8	93.9	3.8	89.1	3.8	83.5	3.8	80.9	3.8	80.4	3.9	80.6	3.9	82.2	3.9
Ventura	103.7	3.6	99.2	3.6	94.7	3.7	90.8	3.7	86.5	3.8	81.8	3.8	79.4	3.8	79.2	3.8	79.4	3.9	80.3	3.9
Total	$ 2,916.6	100.0	$ 2,740.6	99.9	$ 2,583.4	100.0	$ 2,451.0	100.0	$ 2,315.0	100.0	$ 2,183.4	100.0	$ 2,097.4	100.1	$ 2,067.5	100.0	$ 2,049.1	100.0	$ 2,081.9	100.0

(1) Assessed Valuation.

(2) Percent of Total Assessed Valuation within Metropolitan.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 9

Ten-Year Summary of Ratios of General Obligation Debt to Net Assessed Valuations, Total Outstanding Debt to Total Household Income, and Amounts of Total and Net Outstanding Debt per Capita (Unaudited)

(Amounts in thousands)

Fiscal Year Ended June 30,	Population [1]	Net Assessed Valuations (NAV)	General Obligation (G.O.) Debt	Revenue Bond Debt	Notes and Loans	Unamortized Bond Discounts and Premiums, net [2]	Total Outstanding Debt	Accumulated Resources Restricted for Repayment of Principal	Net Total Outstanding Debt	Ratio of G.O. Debt to NAV	Net Outstanding Debt per Capita
2019	19,189	$ 2,901,199,673	$ 48,050	$ 3,933,245	$ 46,800	$ 307,310	$ 4,335,405	$ (116,825)	$ 4,218,580	0.00 %	$ 219.8
2018	19,003	2,725,018,457	60,600	4,233,860	—	212,499	4,506,959	(21,955)	4,485,004	0.00	236.0
2017	18,910	2,567,616,063	74,905	4,301,985	—	202,848	4,579,738	(114,730)	4,465,008	0.00	236.1
2016	18,802	2,435,059,261	92,865	4,188,950	9,153	232,467	4,523,435	(153,270)	4,370,165	0.00	232.4
2015	18,725	2,298,791,445	110,420	4,157,105	10,684	200,028	4,478,237	(98,595)	4,379,642	0.00	233.9
2014	18,615	2,167,044,473	132,275	4,271,540	11,675	200,896	4,616,386	(82,285)	4,534,101	0.01	243.6
2013	18,474	2,080,710,578	165,085	4,450,650	12,161	210,283	4,838,179	(110,535)	4,727,644	0.01	255.9
2012	18,346	2,050,548,909	196,545	4,607,125	13,117	194,282	5,011,069	(104,230)	4,906,839	0.01	267.5
2011	18,185	2,031,941,577	225,335	4,731,145	14,051	(77,914)	4,892,617	(90,900)	4,801,717	0.01	264.0
2010	18,042	2,064,661,095	255,075	4,591,910	27,676	(104,989)	4,769,672	(87,075)	4,682,597	0.01	259.5

Fiscal Year Ended June 30,	Population [1]	Total Household Income (THI)	General Obligation (G.O.) Debt	Revenue Bond Debt	Notes and Loans	Unamortized Bond Discounts and Premiums net [2]	Total Outstanding Debt	Ratio of Total Outstanding Debt to THI	Total Outstanding Debt per Capita
2019	19,189	n/a	$ 48,050	$ 3,933,245	$ 46,800	$ 307,310	$ 4,335,405	n/a %	$ 225.9
2018	19,003	n/a	60,600	4,233,860	—	212,499	4,506,959	n/a	237.2
2017	18,910	1,229,985.925	74,905	4,301,985	—	202,848	4,579,738	372.34	242.2
2016	18,802	1,155,679.001	92,865	4,188,950	9,153	232,467	4,523,435	391.41	240.6
2015	18,725	1,107,415.207	110,420	4,157,105	10,684	200,028	4,478,237	404.39	239.2
2014	18,615	1,025,884.337	132,275	4,271,540	11,675	200,896	4,616,386	449.99	248.0
2013	18,474	984,899.139	165,085	4,450,650	12,161	210,283	4,838,179	491.24	261.9
2012	18,346	936,274.391	196,545	4,607,125	13,117	194,282	5,011,069	535.21	273.1
2011	18,185	886,485.607	225,335	4,731,145	14,051	(77,914)	4,892,617	551.91	269.0
2010	18,042	862,607.147	255,075	4,591,910	27,676	(104,989)	4,769,672	552.94	264.4

See accompanying Independent Auditors' Report.

(1) Population data is reported for Metropolitan's service area. Amounts reflect revisions based on current data from the State of California Department of Finance and/or revisions to the service area boundaries.

(2) Deferred amount on bond refundings were reclassified as deferred outflow of resources beginning fiscal year 2012 as a result of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* implementation.

n/a: not available

Source: Office of the Chief Financial Officer and State of California Department of Finance

The Metropolitan Water District of Southern California
Table 10
Direct and Overlapping Bonded Debt (Unaudited)
As of June 30, 2019

2018-19 Assessed Valuation $2,916,620,002,752

OVERLAPPING TAX AND ASSESSMENT DEBT:	Percentage Applicable		Debt June 30, 2019
Community College Districts	Various	$	11,819,074,160
Los Angeles Unified School District	99.557		10,061,678,427
San Diego Unified School District	99.961		3,624,995,575
Other Unified School Districts	Various		13,490,746,238
High School and School Districts	Various		6,646,050,664
City of Los Angeles	99.995		877,216,137
Other Cities	Various		235,197,286
Irvine Ranch Water District Improvement Districts	100		555,200,000
Santa Margarita Water District Improvement Districts	100		58,440,000
Other Water Districts	Various		35,510,843
Healthcare Districts	Various		670,864,356
Other Special Districts	Various		14,255,323
Community Facilities Districts	Various		7,345,736,168
1915 Act Bonds and Other Special Assessment District Bonds	Various		1,104,826,522
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$	56,539,791,699
METROPOLITAN WATER DISTRICT TOTAL DIRECT DEBT		**$**	**48,050,000**
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	56,587,841,699

OVERLAPPING GENERAL FUND DEBT:	Percentage Applicable		Debt June 30, 2019
Los Angeles County Obligations	93.143	$	2,011,450,560
Orange County Obligations	99.908		809,094,187
Riverside County Obligations	66.008		662,709,502
San Bernardino County Obligations	50.834		349,128,557
San Diego County Obligations	96.682		748,526,546
Ventura County Obligations	76.847		256,668,980
City of Anaheim General Fund Obligations	99.861		537,811,520
City of Long Beach General Fund Obligations and Pension Obligation Bonds	100		136,980,000
City of Los Angeles General Fund and Judgment Obligations	99.995		1,578,304,222
City of Pasadena General Fund and Pension Obligation Bonds	100		537,118,414
City of San Diego General Fund Obligations	99.949		523,401,911
Other City General Fund Obligations	Various		3,064,346,663
Water District General Fund Obligations	Various		68,059,754
Los Angeles Unified School District Certificates of Participation	99.557		179,745,186
Other School District General Fund Obligations	Various		1,977,140,649
Other Special District General Fund Obligations	Various		102,933,102
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$	13,543,419,753
Less: Obligations supported from other revenue sources			915,572,133
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$	12,627,847,620
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$	6,793,124,231
GROSS COMBINED TOTAL DEBT		$	76,924,385,683 [1]
NET COMBINED TOTAL DEBT		$	76,008,813,550

[1] Debt instruments included are general obligation bonds, lease revenue bonds and certificates of participation (when supported by the general fund), pension obligation bonds, 1915 Act special assessment bonds and Mello-Roos Act special assessment bonds. Excluded are enterprise revenue bonds, mortgage revenue bonds, tax and revenue anticipation notes and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2018-19 Assessed Valuation:	
Direct Debt ($48,050,000)	**0.002%**
Total Direct and Overlapping Tax and Assessment Debt	1.94 %
Gross Combined Total Debt	2.64 %
Net Combined Total Debt	2.61 %

Ratios to Redevelopment Incremental Valuation:	$ 405,720,851,445	
Total Overlapping Tax Increment Debt		1.67 %

Source: California Municipal Statistics, Inc. San Francisco, California

The Metropolitan Water District of Southern California
Table 11
Ten-Year Summary of Legal Debt Margin Information (Unaudited)
(Dollars in millions)

	Fiscal Year Ended June 30,									
15 Percent of Assessed Value [1a]	2019	2018	2017	2016	2015	2014	2013 [4] As Adjusted	2012 [4]	2011 [4]	2010
Debt limit	$ 437,493	$ 411,095	$ 387,508	$ 367,651	$ 347,242	$ 327,508	$ 314,606	$ 310,122	$ 307,359	$ 312,280
Debt applicable to the limit [2]	4,335	4,507	4,842	4,773	4,478	4,616	4,838	5,011	4,971	4,875
Legal debt margin	$ 433,158	$ 406,588	$ 382,666	$ 362,878	$ 342,764	$ 322,892	$ 309,768	$ 305,111	$ 302,388	$ 307,405
Total debt applicable to the limit as a percentage of debt limit	0.99 %	1.10 %	1.25 %	1.30 %	1.29 %	1.41 %	1.54 %	1.62 %	1.62 %	1.56 %
100 Percent of Equity [1b]										
Debt limit [3]	$ 6,836	$ 6,686	$ 6,758	$ 6,684	$ 6,882	$ 7,201	$ 6,800	$ 6,427	$ 6,252	$ 6,146
Debt applicable to the limit [2]	3,933	4,234	4,302	4,189	4,157	4,272	4,451	4,607	4,731	4,592
Legal debt margin	$ 2,903	$ 2,452	$ 2,456	$ 2,495	$ 2,725	$ 2,929	$ 2,349	$ 1,820	$ 1,521	$ 1,554
Total debt applicable to the limit as a percentage of debt limit	57.53 %	63.33 %	63.66 %	62.67 %	60.40 %	59.32 %	65.46 %	71.68 %	75.67 %	74.71 %

Legal Debt Margin Calculations for Fiscal Year Ended June 30, 2019

15 Percent of Assessed Value	
2018-19 taxable assessed valuation	$ 2,916,620
Debt limit (15% of total assessed value)	$ 437,493
Applicable long-term debt outstanding as of June 30, 2019	$ 4,335
Legal debt margin	$ 433,158

100 Percent of Equity (Net Position)	
Net position of Metropolitan as of June 30, 2019	$ 6,836
Debt limit (100% of equity/net position)	$ 6,836
Revenue bonds outstanding as of June 30, 2019	$ 3,933
Legal debt margin	$ 2,903

[1] The Metropolitan Water District Act (Act) provides for two limitations on indebtedness, which may be incurred by Metropolitan:

[a] Indebtedness is limited to 15 percent of the assessed value of all taxable property within Metropolitan.

[b] Revenue bonds limited to 100% of equity (net position) as of the end of the last fiscal year prior to the issuance of such bonds.

[2] The Act defines the calculations for debt limits based on gross debt outstanding. Accordingly, debt applicable to the limit is not netted for applicable reserves.

[3] Adjustment relates to reclassification of outstanding debt from net investment in capital assets to restricted for debt service beginning fiscal year 2012.

[4] Adjustment relates to implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 12

Ten-Year Summary of Revenue Bond Debt Service Coverage (1) (Unaudited)

(Dollars in millions)

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
									As Adjusted	
Water Revenues [2]	$ 1,149	$ 1,285	$ 1,151	$ 1,166	$ 1,383	$ 1,485	$ 1,283	$ 1,062	$ 996	$ 1,011
Additional Revenues [2]	170	172	184	200	199	182	173	168	153	135
Total Revenues	1,319	1,457	1,335	1,366	1,582	1,667	1,456	1,230	1,149	1,146
Operating Expenses	(916)	(963)	(927)	(1,201)	(1,005)	(854)	(793)	(792)	(853)	(825)
Net Operating Revenues	403	494	408	165	577	813	663	438	296	321
Hydroelectric Power Revenues & Other [3]	40	52	72	252	171	34	48	87	96	52
Interest on Investments [4]	34	8	4	18	13	19	(2)	11	17	19
Adjusted Net Operating Revenues	477	554	484	435	761	866	709	536	409	392
Senior and Subordinate Bonds Debt Service [5]	(333)	(340)	(306)	(309)	(280)	(343)	(298)	(297)	(277)	(244)
Subordinate Revenue Obligations	—	—	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Funds Available from Operations	$ 144	$ 214	$ 176	$ 125	$ 480	$ 522	$ 410	$ 238	$ 131	$ 147
Ratios										
Debt Service Coverage on all Senior and Subordinate Bonds [6]	1.43	1.63	1.58	1.41	2.72	2.52	2.38	1.81	1.48	1.61
Bonds and Additional Bonds Debt Service Coverage [7]	—	—	1.57	1.41	2.71	2.51	2.37	1.80	1.47	1.60

(1) Prepared on a modified accrual basis for fiscal years 2013-2019 and on a cash basis for fiscal years 2010-2012.

(2) Water Revenues include revenues from water sales, exchanges, and wheeling. Fiscal years 2010-2011 restated to include exchange sales in Water Revenues. They were previously reported under Additional Revenues.

(3) Fiscal years 2018, 2017, 2016, and 2015 include $1 million, $33 million, $222 million, and $142 million, respectively, in transfers from revenue reserves to fund conservation credit expenses.

(4) Excludes interest applicable to Bond Construction accounts, Excess Earning account(s), Other Trust accounts, and the Deferred Compensation Trust account.

(5) Previously reported as Bonds and Additional Bonds Debt Service for fiscal years 2010-2017.

(6) Previously reported as Bonds and Additional Bonds Debt Service Coverage for fiscal years 2010-2017.

(7) Previously reported as Debt Service Coverage on all Obligations for fiscal years 2010-2017. The State Revolving Fund Loan was paid off at the end of fiscal year 2017, therefore the ratio is the same as Debt Service Coverage on all Senior and Subordinate Bonds and is not presented beginning with fiscal year 2018.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 13
Ten-Year Summary of Demographic Statistics (Unaudited)

	Calendar Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Population (in thousands) [(1)]										
Los Angeles County	10,279	10,262	10,215	10,192	10,069	10,020	9,912	9,858	9,837	10,409
Orange County	3,217	3,206	3,182	3,165	3,133	3,105	3,072	3,044	3,015	3,155
Riverside County	2,420	2,393	2,362	2,331	2,295	2,268	2,244	2,227	2,196	2,128
San Bernardino County	2,178	2,164	2,145	2,128	2,092	2,076	2,065	2,060	2,044	2,064
San Diego County	3,344	3,320	3,297	3,276	3,212	3,182	3,147	3,131	3,100	3,208
Ventura County	855	855	854	853	844	840	834	830	824	841
Per Capita Income [(2)]										
Los Angeles County	n/a	$ 58,419	$ 55,624	$ 53,521	$ 49,366	$ 46,530	$ 44,474	$ 42,564	$ 41,791	$ 40,867
Orange County	n/a	65,400	60,360	57,749	55,200	54,519	52,342	50,544	49,863	49,020
Riverside County	n/a	39,261	36,782	35,589	33,945	33,278	31,742	29,927	29,222	29,748
San Bernardino County	n/a	38,816	36,835	35,431	32,932	32,747	32,072	29,998	29,609	29,609
San Diego County	n/a	57,913	55,168	53,298	51,711	51,384	49,719	46,800	45,627	45,706
Ventura County	n/a	59,178	55,779	54,155	50,928	50,507	48,837	45,855	44,653	45,908
Median Household Income [(3)]										
Los Angeles County	n/a	$ 65,006	$ 61,338	$ 59,134	$ 55,746	$ 54,529	$ 53,001	$ 52,280	$ 52,684	$ 54,467
Orange County	n/a	86,217	81,827	78,428	76,306	74,163	71,983	72,293	70,880	71,865
Riverside County	n/a	63,944	60,134	58,292	57,006	54,095	52,651	52,883	54,296	55,352
San Bernardino County	n/a	60,420	56,337	53,803	52,041	52,323	50,770	51,247	52,607	52,320
San Diego County	n/a	76,207	70,824	67,320	66,192	61,426	60,330	59,477	59,923	60,231
Ventura County	n/a	82,857	80,135	80,032	75,449	77,363	71,517	74,263	71,864	71,723
Unemployment Rate [(4)]										
Los Angeles County	4.7 %	4.8 %	5.3 %	6.6 %	8.2 %	9.8 %	10.9 %	12.3 %	12.5 %	11.5 %
Orange County	2.9	3.5	4.0	4.4	5.5	6.5	7.6	8.8	9.7	8.9
Riverside County	4.4	5.2	6.1	6.7	8.2	10.3	12.1	13.7	13.8	13.4
San Bernardino County	4.0	4.9	5.8	6.4	8.0	10.3	11.9	13.4	13.5	13.0
San Diego County	3.3	4.0	4.7	5.2	6.4	7.8	8.9	10.0	10.8	9.6
Ventura County	3.8	4.5	5.2	5.6	6.6	7.9	9.1	10.1	10.8	9.9

n/a: not available

Sources:

[(1)] Data from State of California Department of Finance. The most recent calendar year for which information is available is 2018. Includes population for the entire county. Amounts from prior years reflect revisions based on current data from State of California Department of Finance.

[(2)] Data from U.S. Department of Commerce and Center for Continuing Study of the California Economy. The most recent calendar year for which information is available is 2017.

[(3)] Data from U.S. Census Bureau (American Community Survey). The most recent calendar year for which information is available is 2017.

[(4)] Data from U.S. Bureau of Labor Statistics and State of California Employment Development Department (EDD). The most recent calendar year for which information is available is 2018. Rates from prior years reflect revisions based on current data from U.S. Bureau of Labor Statistics and EDD.

The Metropolitan Water District of Southern California
Table 14
Principal Employers within Service Area (Unaudited)

	Calendar Year					
	2018			2009		
Company or Organization	Employees	Rank	Percentage of total employment	Employees	Rank	Percentage of total employment
Taco Bell Corp	210,000	1	8.71 %	166,000	1	8.37 %
Walt Disney Co	201,000	2	8.33	144,000	2	7.26
Allied Universal	200,000	3	8.29	n/a	n/a	n/a
Alorica Inc	100,000	4	4.15	n/a	n/a	n/a
CBRE Group Inc	90,000	5	3.73	n/a	n/a	n/a
AECOM	87,000	6	3.61	51,000	9	2.57
Gores Group	84,000	7	3.48	84,000	4	4.24
Dole Food Co Inc	74,800	8	3.10	75,600	5	3.81
Chipotle Mexican Grill Inc	73,000	9	3.03	n/a	n/a	n/a
Advantage Solutions	50,000	10	2.07	n/a	n/a	n/a
	1,169,800		48.50 %	520,600		26.25 %
Total Employment	2,412,052			1,983,055		

n/a: not available

Note: The most recent year for which information is available is 2018. Population includes companies with employees of 10,000 or more.

Source: Infogroup

The Metropolitan Water District of Southern California
Table 15
Ten-Year Summary of Operating Information (Unaudited)

Mission Statement: The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Acre-feet [(1)] water sold:										
Treated	707	788	736	731	892	1,029	984	981	992	1,001
Untreated	449	553	573	683	829	846	685	561	475	598
Exchange	221	219	178	179	180	180	183	157	157	160
Total	1,377	1,560	1,487	1,593	1,901	2,055	1,852	1,699	1,624	1,759
Acre-feet [(1)] water sold by usage:										
Domestic and municipal uses	1,352	1,481	1,454	1,569	1,858	2,039	1,829	1,488	1,461	1,656
Agricultural uses	—	—	—	—	—	—	23	28	25	33
Replenishment and other	25	79	33	24	43	16	—	183	138	70
Total	1,377	1,560	1,487	1,593	1,901	2,055	1,852	1,699	1,624	1,759
Source of Water Supplies-Acre-feet [(1), (2), (3)]:										
Local Supplies	1,782.1	1,760.8	1,731.2	1,705.5	1,741.2	1,952.2	1,925.5	1,804.6	1,731.3	1,800.0
L.A. Aqueduct	317.7	307.7	224.7	57.9	57.7	61.0	113.4	266.6	305.1	199.5
Colorado River Aqueduct	600.0	494.6	594.6	1,086.5	1,184.4	1,103.0	640.0	437.8	656.9	901.4
State Water Project (California Aqueduct)	921.8	1,222.5	1,242.7	691.7	592.4	805.8	1,214.9	1,338.0	1,363.4	953.4
Total	3,621.6	3,785.6	3,793.2	3,541.6	3,575.7	3,922.0	3,893.8	3,847.0	4,056.7	3,854.3
Number of employees	1,877	1,832	1,794	1,772	1,770	1,765	1,746	1,767	1,806	1,877
Colorado River Aqueduct (miles)	242	242	242	242	242	242	242	242	242	242
Distribution System Pipeline (miles) [(4)]	830	830	830	830	830	830	819	819	819	819
Storage Capacity (thousand acre-feet)	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072
Pumping Plants	6	6	6	6	6	6	6	6	6	6
Water Filtration Plants	5	5	5	5	5	5	5	5	5	5
Hydroelectric Plants	16	16	16	16	16	16	16	16	16	16

[(1)] Water volumes are reported in thousand acre-feet.
[(2)] Reflects regional sources of water supply within Metropolitan's service area.
[(3)] Actual production data from prior years are updated based on the most current available information.
[(4)] The increase in distribution system pipeline is due to the Inland Feeder becoming operational.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 16
Projects Completed as of June 30, 2019 (Unaudited)

Completion Date	Contract/ Spec. No.	Project	Bid Amount	Final Amount
7/19/18	1827/1778	Jensen Electrical Upgrades - Stage A1	$ 15,800,000	$ 16,255,668
7/25/18	1844/1853	Colorado River Aqueduct Pumping Plants Seismic Retrofit of 6.9kV Switch Houses	9,595,000	9,298,114
8/3/18	1876/1898A	Eagle Rock Operation Control Center Building Roof Replacement	194,517	210,187
8/22/18	1859/1894	Garvey Reservoir Drainage and Erosion Improvements - Areas 1 and 5	280,238	348,438
8/28/18	1841/1826	Joseph Jensen Water Treatment Plant Solar Power Facility	4,503,635	4,293,766
8/31/18	1818/1750	F. E. Weymouth Water Treatment Plant Chemical Upgrades	10,267,000	10,692,931
9/24/18	1862/1901	Second Lower Feeder PCCP Rehabilitation - Contract 1	19,362,000	20,122,822
10/2/18	1860/1866	Inland Feeder and Lakeview Pipeline Intertie Valve Installation	767,201	752,201
11/16/18	1918/1918	Eagle Mountain Pumping Plant - Renovations of Houses 41 and 146	378,985	454,960
11/19/18	1850/1792	Colorado River Aqueduct Whitewater Siphons Erosion Protection	5,285,000	5,278,044
11/26/18	1843/1748	Robert B. Diemer Treatment Plant Administration Building Seismic Upgrades	4,426,000	4,613,015
12/14/18	1872/1915	Gene Pumping Plant Renovation of Houses 12 and 47	339,500	580,730
12/20/18	1881/1931	Julian Hinds Pumping Plant Renovation of Houses 42 and 149	349,000	452,555
2/5/19	1869/1881	Robert B. Diemer Water Treatment Plant Filter Outlet Conduit Seismic Upgrade - Northeast Slope	4,394,400	4,352,070
2/8/19	1950/1950	Sepulveda Feeder PCCP Del Amo Boulevard Urgent Relining	1,200,000	1,200,000
3/15/19	1866/1910	Lake Mathews Headworks Forebay Liner and Outlet Tower Repair	3,248,000	3,264,355
3/20/19	1906/1906	Wadsworth Pumping Plant Yard Piping Lining Repairs	5,416,000	5,390,918
3/27/19	1901/M-3006	Wadsworth Pumping Plant Control and Electrical Protection Upgrade	420,000	420,000
4/8/19	1892/1892	Rialto Pipeline CB-12 and CB-16 Valve Installation	866,600	866,600
4/23/19	1871/1797	Eagle Mountain Pumping Plant Reservoir Spillway Radial Gate Replacement	1,433,000	1,104,703
4/24/19	1888/1888	Colorado River Aqueduct Iron Mountain Reservoir and Canal Liner Repair	4,674,444	4,623,869
5/28/19	1870/1622	Colorado River Aqueduct Surge Chamber Discharge Line Bypass Covers	2,560,232	2,468,232
6/25/19	1956/1956	Colorado River Aqueduct Urgent Erosion Repair Mile Marker 131.5 to 140.2	3,200,100	2,886,957

Source: Engineering Services Group

The Metropolitan Water District of Southern California

Table 17

Major Construction Contracts in Progress as of June 30, 2019 (Unaudited)-Accrual Basis

Contract No.	Project	Percentage Contract Complete through 6/30/2019	Estimated Contract Completion Date	Contract Earnings through 6/30/2019 [(1)]	Bid Amount
1825	Palos Verdes Reservoir Cover and Liner Replacement	99%	7/1/2019	$ 31,678,434	$ 29,560,000
1856	Advanced Water Treatment Demonstration Facility	99%	9/1/2019	13,964,100	13,856,000
1857	Mills Electrical Upgrades – Stage1A	75%	8/1/2019	2,315,973	3,097,927
1877	F. E. Weymouth Water Treatment Plant - West Washwater Tank Seismic Upgrades	78%	7/27/2019	2,026,675	2,591,576
1879	Joseph Jensen Water Treatment Plant Inlet Water Quality Instrumentation Enclosure	56%	11/1/2019	551,925	985,000
1880	Orange County Region Service Center	48%	11/14/2019	4,408,078	9,257,483
1882	Weymouth Plant Domestic Water Systems Improvement	29%	2/10/2020	1,074,383	3,740,000
1883	F. E. Weymouth Water Treatment Plant Chlorination Systems Upgrades	10%	1/20/2021	873,648	8,487,170
1889	Colorado River Aqueduct Pumping Plants Uninterruptible Power Supply Replacement	25%	10/9/2019	230,999	939,000
1890	Intake Pumping Plant 2.4kV Power Line Relocation	72%	8/5/2019	3,979,755	5,553,669
1893	Electrical Upgrades at 15 Structures in the Orange County Region	6%	1/20/2020	150,300	2,606,700
1899	Orange County Feeder Cathodic Protection	29%	1/8/2020	163,000	556,000
1900	Diemer Water Treatment Plant West Basin and Filter Building Rehabilitation	28%	11/24/2020	10,931,781	38,539,196
1902	Second Lower Feeder PCCP Rehabilitation - Reach 2	2%	12/14/2020	1,000,000	53,273,196
1904	Orange County Feeder and Extension Relining - Reach 2	50%	9/13/2019	3,455,740	6,967,500
1905	Metropolitan Headquarters Building Improvements	17%	6/23/2022	7,527,738	43,998,000
1908	CRA Pumping Plants - Sump Rehabilitation	2%	3/3/2022	403,500	26,900,000
1911	Greg Avenue Pressure Control Structure - Pump Modification and New Control Building	12%	12/2/2020	2,614,779	20,975,000
1915	Colorado River Aqueduct Pumping Plants 6.9 kV Power Cable Replacement	1%	6/22/2020	163,444	16,452,832
1930	Garvey Reservoir Drainage and Erosion Improvements - Areas 2, 3, and 4	—%	10/28/2019	—	648,745
1931	Joseph Jensen Water Treatment Plant Modules 2 and 3 Flocculator Rehabilitation	—%	2/15/2021	—	8,888,000
1932	Iron Mountain Pumping Plant Renovation of Houses 74, 125, and 126	98%	7/1/2019	607,142	619,000
1940	Second Lower Feeder PCCP Rehabilitation - Reach 4	82%	10/8/2019	11,921,602	14,536,130

[(1)] Earnings reflected represent the value of work performed by the contractor as of the date indicated and include contract retention and other similar deductions from amounts earned by the contractor but otherwise required to be withheld by Metropolitan by law or contract.

Source: Engineering Services Group

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

San Bernardino, California

Basic Financial Statements and Supplementary Information

For the Year Ended June 30, 2019
(With Comparative Data for Prior Year)

Basic Financial Statements and Supplementary Information
For the Year Ended June 30, 2019
(With Comparative Data for Prior Year)

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Independent Auditor's Report

Board of Directors
San Bernardino Valley Municipal Water District
San Bernardino, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2019, and the changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's office and state regulations governing special districts.

Other Matters

Prior Year Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed an unmodified opinion in our report dated November 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the plans' net pension liability and related ratios as of the measurement date, the schedule of plan contributions, the schedule of changes in the net OPEB liability and related ratios, and the schedule of OPEB plan contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 3, 2019

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

San Bernardino Valley Municipal Water District (District) was formed on February 17, 1954, under the Municipal Water District Act of 1911. The District is one of 29 contractors to the California State Water Project, which delivers water from Northern California to various parts of the state. A major function of the District is to import and deliver water into its service area through participation in the State Water Project and to manage groundwater storage within its boundaries. The District's service area encompasses approximately 352 square miles in southwestern San Bernardino County and a portion of Riverside County. It spans the eastern two-thirds of the San Bernardino Valley, the Crafton Hills, and a portion of the Yucaipa Valley, and includes portions of the cities and communities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, Grand Terrace, and Yucaipa. The District is governed by a five member board, representing five geographical divisions within the District, which is elected by the citizens in a general popular election.

In 1960, the District entered into a contract with the State Department of Water Resources to receive an annual allotment of up to 102,600 acre-feet of water from the State Water Project. The District has been importing water from the State Water Project since 1972.

Overview of the Basic Financial Statements

San Bernardino Valley Municipal Water District is a special purpose governmental district (Special District) engaged only in activities that support themselves through tax levies and user fees. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board.

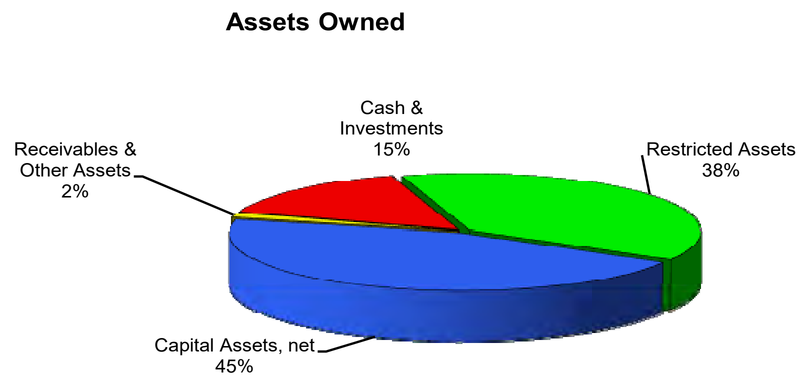
These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The Statement of Revenues, Expenses and Changes in Net Position describes the financial results of the District's operations for the years reported. These results, or changes in net position, are the increases or decreases in the bottom line of the Statement of Net Position.

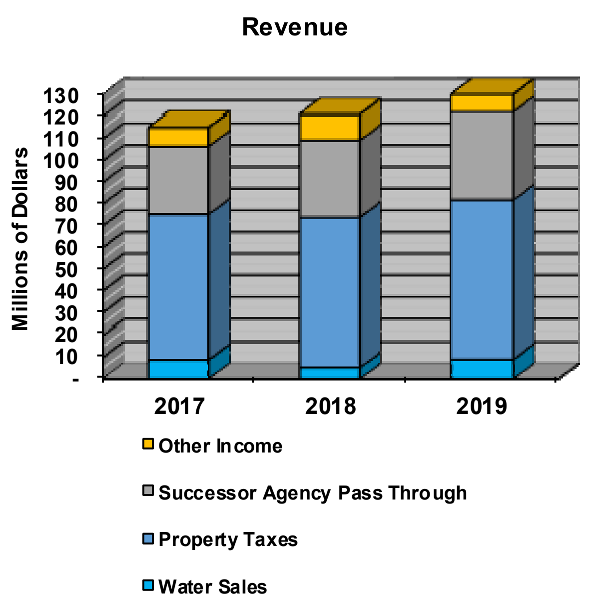
The Statement of Cash Flows conveys to financial statement users how the District managed cash resources during the year. This statement converts the income or loss from operations presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by or used for operations. The Statement of Cash Flows also details how the District obtains cash through financing and investing activities and, conversely, how cash is spent for these purposes.

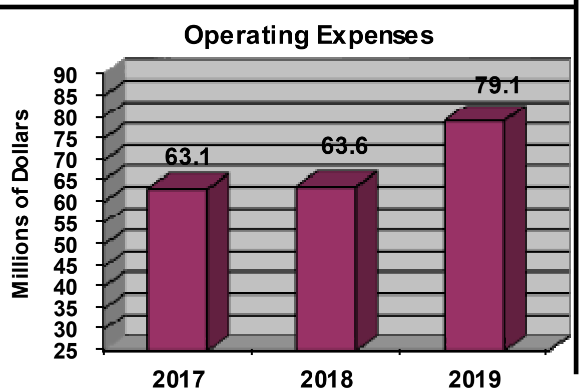
Summary Financial Information and Analysis

During the year ended June 30, 2019, the District's Total Assets increased by $68.7 million and Total Net Position increased by $74.1 million. A majority of the increase in Total Assets resulted from an increase of $37.3 million in Restricted Assets, and an increase of $54.7 million in Total Capital Assets.



Total cash, cash equivalents, and investments increased by $33.3 million. The increase can be further divided into general unrestricted and restricted cash. Unrestricted cash and investments decreased by $2.9 million and restricted cash and investments increased by $36.2 million.





Financial Statement Summary
(In millions)

	6/30/2019	6/30/2018
Total Assets	$ 895.86	$ 827.19
Total Deferred Outflows	3.09	4.70
Total Liabilities	22.66	27.69
Total Deferred Inflows	5.84	7.87
Net Position	$ 870.44	$ 796.33
Operating Revenues	$ 22.83	$ 11.95
Operating Expenses	79.14	63.59
Nonoperating Revenues	130.35	109.05
Nonoperating Expenses	.44	.41
Contributions in aid	.52	.50
Change in Net Position	$ 74.1	$ 57.5

The increase in Net Position included an operating loss of $56.3 million. This is due in part to the District being required by the California State Controller's office to report property taxes as nonoperating revenue. However, the majority of the property tax revenues are used for State Water Project expenditures which are included in operating expenses.

Total operating expenses for the year ended June 30, 2019 increased over the prior year by $15.6 million. The increase is derived from Source of Supply expenses which include operations, maintenance, power, and purchased water paid to the Department of Water Resources which increased by $4.7 million and Administrative and General Expenses increased by $9.2 million.

Total Nonoperating revenues increased by $21.3 million over the prior year. Total property taxes received increased by $4.2 million. The assessed values within the District's service area experienced a 5.4% increase over the prior year. Successor Agency Pass through Payments increased by $4.7 million over the prior year. Interest income increased over the prior year by $13.9 million and Grant income decreased by $1.2 million over the prior year.

Categories of Net Position

The District is required to present its net position in three categories: Net investment in Capital Assets, Restricted, and Unrestricted.

Net Investment in Capital Assets

At June 30, 2019, the amount the District had invested in capital assets, net of related debt was $398.9 million. This balance was obtained by combining Construction in Progress of $3.8 million with Capital Assets in Service, net of Accumulated Depreciation and Amortization of $402.6 million and Certificates of Participation of $7.5 million.

Restricted Net Position – Debt Service

The District has restricted Net Position of $338.9 million, which consists of tax proceeds that were levied for State Water Project payments plus interest on investments less State Water Project related expenditures. The Board of Directors has designated $30 million of this amount to be retained for the purpose of Maintenance and Repairs on the State Water Project distribution pipelines, pump stations and reservoirs. The balance of restricted Net Position of $308.9 million is to be used for future expenses related to the State Water Project.

The District's future commitment for State Water Project costs over the years 2018 to 2035, according to a payment schedule dated June 30, 2019, is estimated to total $747 million.

Unrestricted Net Position

The District had unrestricted Net Position of $132.7 million at June 30, 2019. The Board of Directors has designated $24 million of this reserve to be retained for the purpose of self-insuring the District against any claims made against the District. The District has an extensive future capital improvement plan which consists of many projects which include Enhanced Santa Ana River Spreading, Central Feeder Phase 2, Santa Ana River Tributary / Storm Water Capture, Recycled Water Systems and Conjunctive Use Well Projects.

Construction in Progress (CIP)
The projects still in progress at June 30, 2019 included Riverside Groundwater Aquifer Storage Project, Design and Construction of Hydroelectric Plants and the Enhanced Recharge Project.

Capital Assets

The District made payments to the Department of Water Resources during the year totaling $55.3 million net of credits and refunds for participation rights in the State Water Project. This was an increases of $6.0 million over the prior year mainly attributable to contributions for the Delta Conveyance (formally California WaterFix) and increases in variable costs of energy for water purchased through the State of Water Project during the fiscal year June 30, 2019. Additional information on capital assets can be found in the notes to the financial statements.

Certificates of Participation

The District issued $8.6 million in Certificates of Participation (COP) bonds during the fiscal year ending June 30, 2012. The District received an AAA bond rating from Standard and Poors which was reaffirmed in August 2017. Bond proceeds were used to build the Baseline Feeder Well Replacement Project. Additional information on the Certificate can be found in the notes to the financial statements.

Net Pension and Other Post-Employment Benefits Liability

The net pension liability for the fiscal year ended June 30, 2019 resulted in the District recording a Net Pension Liability of $2.3 million in addition to associated deferred outflows of resources of $2.1 million and deferred inflows of resources of $1.1 million.

During fiscal year ended June 30, 2019 the District recorded a Net Other Post-Employment Benefits Liability in the amount of $3.7 million.

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with an overview of the District's financial operations and condition. If you have questions about this report or need additional information, you may contact the District at (909) 387-9200 or 380 E. Vanderbilt Way, San Bernardino, CA 92408.

Statement of Net Position
June 30, 2019
(With Comparative Data for Prior Year)

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	$ 21,106,506	$ 29,846,016
Investments	115,067,889	109,195,272
Property taxes receivable	49,673	125,687
Grants receivable	-	629,875
Accounts receivable	3,802,054	5,571,951
Accrued interest receivable	971,042	692,336
Current portion of other receivable	229,536	229,933
Current portion of notes receivable	1,061,100	300,000
Total current assets - unrestricted	142,287,800	146,591,070
Restricted assets:		
Cash and cash equivalents	64,445,035	77,155,358
Investments	271,910,077	223,009,065
Total restricted cash and investments	336,355,112	300,164,423
Property taxes receivable	1,387,785	890,899
Accrued interest receivable	1,848,490	1,186,682
Water bank inventory	1,479,070	1,479,070
Total restricted assets	341,070,457	303,721,074
Noncurrent assets:		
Capital assets:		
Capital assets in service	245,784,237	195,946,751
Accumulated depreciation	(57,917,584)	(53,936,879)
Capital assets, net	187,866,653	142,009,872
Participation rights in State Water Project facilities (at cost)	379,280,330	358,035,366
Accumulated amortization	(164,537,180)	(152,147,297)
Participation rights in State Water Project facilities - net	214,743,150	205,888,069
Total capital assets, net of accumulated depreciation and amortization	402,609,803	347,897,941
Construction in progress	3,763,241	24,036,090
Total capital assets, net	406,373,044	371,934,031
Other noncurrent assets:		
Other receivables, net of current portion	380,331	616,721
Notes receivable, net of current portion	5,655,328	4,241,581
Water stock	88,500	88,500
Deposit on land	1,975	1,975
Total noncurrent assets	412,499,178	376,882,808
Total assets	895,857,435	827,194,952
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	2,134,121	4,566,810
Other post-employment benefits related	952,084	128,352
Total deferred outflows of resources	3,086,205	4,695,162

The accompanying notes are an integral part of these financial statements.

Statement of Net Position, (Continued)
June 30, 2019
(With Comparative Data for Prior Year)

LIABILITIES	2019	2018
Current liabilities:		
Payables from current assets - unrestricted:		
Accounts payable	$ 2,388,234	$ 3,821,476
Accrued employee benefits	773,184	716,698
Accrued interest payable	153,922	157,722
Unearned revenue	3,898,677	7,238,567
Deposits	171,088	131,488
Certificates of participation, current portion	195,000	190,000
Total payables from current assets - unrestricted	7,580,105	12,255,951
Payable from restricted assets:		
Accounts payable	1,492,215	818,951
Santa Ana River restoration/recovery trust fund	378,084	377,404
Total payables from current assets - restricted	1,870,299	1,196,355
Non-current liabilities:		
Certificates of participation, non-current portion	7,155,000	7,350,000
Premium on certificates of participation, net	113,525	118,685
Net pension liability	2,277,589	2,694,804
Net other post-employment benefits liability	3,666,965	4,075,840
Total non-current liabilities	13,213,079	14,239,329
Total liabilities	22,663,483	27,691,635
DEFERRED INFLOWS OF RESOURCES		
Pension related	1,103,160	3,144,848
Other post-employment benefits related	4,735,619	4,722,180
Total deferred inflows of resources	5,838,779	7,867,028
NET POSITION		
Net investment in capital assets	398,909,519	364,275,346
Restricted:		
Debt service - State Water Project	334,712,249	298,781,603
Debt service - Devil Canyon-Castaic	4,138,986	3,395,393
Unrestricted	132,680,624	129,879,109
Total net position	$ 870,441,378	$ 796,331,451

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019
(With Comparative Data for Prior Year)

	2019	2018
OPERATING REVENUES		
Water sales	$ 9,026,976	$ 5,310,533
Other operating revenues	13,798,141	6,641,732
Total operating revenues	22,825,117	11,952,265
OPERATING EXPENSES		
Source of supply:		
Operations, maintenance, power and replacement	22,803,640	20,070,558
Purchased water	12,666,432	10,650,366
	35,470,072	30,720,924
Administrative and general:		
Salaries	3,018,770	2,546,527
Retirement and benefits	1,117,192	1,961,796
Payroll taxes	206,169	172,880
Consultants	6,492,853	6,872,426
Legal and accounting	946,792	979,076
Outside services	45,000	55,290
Office supplies and expense	211,473	197,157
Dues and subscriptions	337,183	362,350
Water conservation, public education and information	794,948	1,571,746
Field improvements	118,286	40,053
Maintenance and repair	10,904,902	839,241
Utilities	972,911	413,410
Inland Empire Brine Line fees	1,559,394	1,458,852
Insurance	100,070	93,179
Auto and travel	111,499	92,960
Lodging and meals	28,149	21,555
Taxes and licenses	55,866	64,071
Tax collection fee	280,121	313,472
	27,301,578	18,056,041
Other operating expenses:		
Depreciation and amortization	16,370,588	14,812,258
Total operating expenses	79,142,238	63,589,223
OPERATING LOSS	(56,317,121)	(51,636,958)

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position, (Continued)
For the Year Ended June 30, 2019
(With Comparative Data for Prior Year)

	2019	2018
NONOPERATING REVENUES		
Revenues:		
Property taxes:		
Debt service	$ 62,993,006	$ 59,241,526
General purpose distribution	9,878,362	9,440,664
Successor Agency pass through	40,091,468	35,425,103
Investment income	16,757,586	2,825,528
Grant income	630,125	1,815,069
Gain on disposal of capital assets	-	298,699
	130,350,547	109,046,589
Expenses:		
Contribution	140,000	100,000
Interest expense	302,684	310,284
	442,684	410,284
Total nonoperating revenues	129,907,863	108,636,305
Income before contributions	73,590,742	56,999,347
Contributions in aid of construction	519,185	499,598
Change in net position	74,109,927	57,498,945
Net position - beginning of year	796,331,451	738,832,506
Net position - end of year	$ 870,441,378	$ 796,331,451

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Data for Prior Year)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from water sales	$ 7,456,983	$ 2,305,463
Cash received from other operating activities	13,798,141	6,589,494
Cash paid for source of supply	(35,470,072)	(30,720,924)
Cash paid to other suppliers	(23,963,284)	(15,236,687)
Cash paid for employees' wages, taxes and benefits	(5,531,027)	(4,103,378)
Net cash used for operating activities	(43,709,259)	(41,166,032)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received - general purpose distribution	9,954,376	9,420,597
Successor Agency pass through received	40,328,255	35,713,731
Trust funds received	1,260,000	1,185,194
Net cash provided by noncapital financing activities	51,542,631	46,319,522
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes received - debt service	62,496,120	59,495,933
Proceeds from sale of capital assets	-	607,940
Proceeds from contribution in aid of construction	519,185	499,598
Payments towards condemnation fund	-	161,476
Proceeds from collection of notes receivable	1,259,561	1,837,143
Acquisition of capital assets	(40,574,008)	(20,992,553)
Payments for construction in progress	(13,198,433)	(16,835,026)
Contribution	(140,000)	(100,000)
Principal payments on debt	(190,000)	(185,000)
Interest paid	(311,644)	(318,219)
Net cash provided by capital and related financing activities	9,860,781	24,171,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(187,879,806)	(190,167,517)
Redemption of investments	141,718,168	158,739,473
Investment income	7,017,652	1,601,374
Net cash used for investing activities	(39,143,986)	(29,826,670)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,449,833)	(501,888)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	107,001,374	107,503,262
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 85,551,541	$ 107,001,374

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows, (Continued)
For the Year Ended June 30, 2019
(With Comparative Data for Prior Year)

	2019	2018
RECONCILIATION TO STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents - current	$ 21,106,506	$ 29,846,016
Cash and cash equivalents - restricted	64,445,035	77,155,358
Total cash and cash equivalents	$ 85,551,541	$ 107,001,374

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	$ (56,317,121)	$ (51,636,958)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	16,370,588	14,812,258
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,769,897	(3,441,048)
Deferred outflows of resources other post-employment benefits related	(823,732)	(128,352)
Deferred outflows of resources pension related	2,432,689	1,915,434
Increase (decrease) in:		
Accounts payable	(1,043,437)	(1,901,449)
Accrued employee benefits	56,486	89,802
Unearned revenue	(3,300,290)	423,340
Net other post-employment benefits liability	(408,875)	(4,698,429)
Net pension liability	(417,215)	(3,549,004)
Deferred inflows of resources other post-employment benefits related	13,439	4,722,180
Deferred inflows of resources pension related	(2,041,688)	2,226,194
Net cash used for operating activities	$ (43,709,259)	$ (41,166,032)

	2019	2018
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction in progress additions included in accounts payable	$ 283,459	$ 2,212,190
Construction in progress reclassified to notes receivable	3,246,299	-

The accompanying notes are an integral part of these financial statements.

Note 1: Reporting Entity and Summary of Significant Accounting Policies

Organization and operations of the reporting entity

San Bernardino Valley Municipal Water District (the District) was formed on February 17, 1954, under the Municipal Water District Act of 1911. The District is one of 29 contractors to the California State Water Project, which delivers water from Northern California to various parts of the state. The purpose of the District is to import and deliver water into its service area through participation in the State Water Project and to manage groundwater storage within its boundaries. The District's service area encompasses approximately 352 square miles in southwestern San Bernardino County. It spans the eastern two-thirds of the San Bernardino Valley, the Crafton Hills, and a portion of the Yucaipa Valley, and includes portions of the cities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, Grand Terrace, and Yucaipa. The District is governed by a five member board, representing five geographical divisions within the District, which is elected by the citizens in a general popular election.

The San Bernardino Valley Municipal Water District Financing Corporation (the Corporation) was created in May of 2011 by a joint exercise of powers agreement for the purpose of acquiring, constructing, rehabilitating, financing and refinancing, or providing for the sale or leasing of public capital improvements. It is governed by a Board of Directors comprised of the District's Board of Directors. The Corporation has issued debt which is secured solely from installment payments payable under an installment purchase agreement entered into by the District and the Corporation. All accounts or funds created and established pursuant to any instrument or agreement to which the Corporation is a party, and any interest earned or accrued thereon, shall incur to the benefit of the District. Separate financial statements are not prepared for the Corporation. It is reported as a blended component unit.

Measurement focus, basis of accounting and financial statement presentation

The District's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) and the Uniform Systems of Accounts for Water Utility Districts as prescribed by the Controller of the State of California. Under this basis, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds and government securities that are highly liquid and readily available with an original maturity of three months or less, and deposits in the State of California Local Agency Investment Fund (LAIF). Deposits in the LAIF can be withdrawn at any time without penalty.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Investments

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale). Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Allowance for doubtful accounts

Notes and accounts receivable are reported net of an allowance for uncollectible accounts. Allowances are reported when notes and accounts are proven to be uncollectible. Allowances for uncollectible accounts related to notes receivable were $1,588,221 for the year ended June 30, 2019. There were no allowances for uncollectible accounts to be netted with accounts receivable for 2019. Refer to Note 5 for details of the notes receivable netted with allowances for uncollectible accounts.

Prepaid expenses

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

Inventories

Inventories are valued at purchase cost using the weighted average cost of consumption method. Refer to Note 3 for more information regarding inventory.

Capital assets

Capital assets are stated at original cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. The cost of maintenance is charged to operating expense. Land, right of ways, pipeline capacity, and construction in progress are not depreciated. Other tangible property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Useful Lives
Buildings	30-40
Furniture, fixtures and equipment	5-50
Vehicles	5-10
Water transportation and distributions lines	10-100

The capital cost component of the transportation charges and the Delta water charge the District pays for participation rights in the State Water Project are being capitalized as paid and amortized using the straight-line method over the remaining life of the State Water Contract, which expires in 2035.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Employee benefits

District employees earn vacation and sick leave days based on length of service. Employees may accumulate vacation time not to exceed two annual vacation periods, as determined by length of service, and unused sick leave to a maximum of 1,280 hours. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time, and 25% of the accrued unused sick leave. Compensated absences are presented in the current liabilities section of the statement of net position.

The District provides a Health and Dependent Care Reimbursement Plan to employees eligible under the District's plan. Any unused benefits under this plan carry over to following years to a maximum of $25,000. The accrued medical reimbursement plan liability is presented in the current liabilities section of the statement of net position.

The District provides a deferred compensation plan to employees on a voluntary basis. Employees may elect to have a portion of their current earnings withheld and invested with Voya Financial and Annuity Company or PERS deferred compensation plan. Benefits are generally available upon the employee's death, disability, retirement, severe hardship, or termination of employment.

Restricted resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed, in accordance with its Reserve Policy.

Net position

Net position is categorized as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.

- *Restricted net position* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net position* – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

Operating and nonoperating activities

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are water sales.

Operating expenses include costs associated with the purchasing, pumping, and distribution of water, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Property taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due on February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino and County of Riverside at various times throughout the year.

Contributions

Contributions in aid of construction represent cash and capital assets contributed to the District by other governmental agencies for the acquisition, construction or improvement of District capital assets.

Pension plans

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	Fiscal Year 2019	Fiscal Year 2018
Valuation Date (VD)	June 30, 2017	June 30, 2016
Measurement Date (MD)	June 30, 2018	June 30, 2017
Measurement Period (MP)	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

Other post-employment benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Other post-employment benefits (OPEB), (Continued)

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	Fiscal Year 2019	Fiscal Year 2018
Valuation Date (VD)	June 30, 2018	June 30, 2017
Measurement Date (MD)	June 30, 2018	June 30, 2017
Measurement Period (MP)	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then. The District currently has pension and other post-employment benefits related deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has pension and other post-employment benefits related deferred inflows of resources.

Note 2: Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

	2019
Statement of Net Position:	
Current assets:	
Cash in bank and on hand	$ 5,281,188
Cash in Local Agency Investment Fund	15,825,318
Total cash and cash equivalents	21,106,506
Investments	115,067,889
Total unrestricted	136,174,395
Restricted:	
Cash in bank	16,425,732
Cash in Local Agency Investment Fund	47,292,297
Cash held by trustee	348,922
Cash held in trust	378,084
Total cash and cash equivalents	64,445,035
Investments	271,900,077
Department of Water Resources bonds	10,000
Total investments	271,910,077
Total restricted	336,355,112
Total cash and cash equivalents and investments	$ 472,529,507

Cash, cash equivalents, and investments as of June 30, 2019 consisted of the following:

Cash on hand	$ 350
Deposits with financial institutions	22,433,576
Cash in Local Agency Investment Fund	63,117,615
Investments	386,977,966
Total cash and cash equivalents and investments	$ 472,529,507

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

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 Section 53601 of the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury Bills, Notes and Bonds	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
California Local Agency Investment Fund	N/A	None	$ 65,000,000
JPA Pools/CAMP	N/A	None	None
Medium-Term Notes	5 years	30%	None
Money Market Funds	N/A	20%	None
Collateralized Bank Deposits	None	25%	None
Municipal Bonds	5 years	30%	None

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 is to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

As of June 30, 2019, the District had the following investments and maturities:

		Remaining maturity (in months)			
Investment type	Amount	12 or less	13 to 24	25 to 36	More than 36
Federal Agency Securities	$ 27,702,576	$ -	$ 13,185,422	$ 14,517,154	$ -
JPA Pools/CAMP	33,332,123	33,332,123	-	-	-
Municipal Bonds	3,386,903	-	3,376,903	-	10,000
U.S. Treasury Bills, Notes and Bonds	178,079,673	-	71,556,978	93,790,759	12,731,936
Negotiable Certificates of Deposit	40,994,283	16,279,399	21,179,516	3,535,368	-
Medium-Term Notes	99,299,194	33,122,710	31,707,961	31,994,792	2,473,731
Commercial Paper	3,977,012	3,977,012	-	-	-
Money Market Funds	206,202	206,202	-	-	-
Total investments	$ 386,977,966	$ 86,917,446	$ 141,006,780	$ 143,838,073	$ 15,215,667

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2019 were as follows:

		Minimum	Rating as of year end			
Investment type	Amount	legal rating	AAA	AA	A	Not rated
Federal Agency Securities	$ 27,702,576	N/A	$ -	$ 27,702,576	$ -	$ -
JPA Pools/CAMP	33,332,123	N/A	-	-	-	33,332,123
Municipal Bonds	3,386,903	N/A	-	3,376,903	-	10,000
U.S. Treasury Bills, Notes and Bonds	178,079,673	N/A	-	178,079,673	-	-
Negotiable Certificates of Deposit	40,994,283	A	-	19,541,122	21,453,161	-
Medium-Term Notes	99,299,194	A	1,972,421	21,490,463	75,836,310	-
Commercial Paper	3,977,012	A	-	-	3,977,012	-
Money Market Funds	206,202	AAA	206,202	-	-	-
Total investments	$ 386,977,966		$ 2,178,623	$ 250,190,737	$ 101,266,483	$ 33,342,123

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

Concentration of credit risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District's investment policy is to apply the prudent investor standard as set forth in the California Government Code: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The District's investment policy limits certain investments to minimum credit ratings issued by nationally recognized statistical rating organizations. The District's investments in commercial paper, medium-term notes, and money market funds at June 30, 2019 met their respective minimum credit ratings requirements.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total District's investments are as follows:

Issuer	Investment type	Reported amount
Fannie Mae	Federal Agency Securities	$ 27,702,576

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 to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for 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. 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.

As of June 30, 2019, $22,548,372, of the District's demand deposits with financial institutions were in excess of federal depository insurance limits. As of June 30, 2019, these funds were fully collateralized by securities in a separate account held by the same institution.

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account 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 LAIF is 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), which was $63,117,615 as of June 30, 2019. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District may invest up to $65,000,000 in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the internet at http://www.treasurer.ca.gov.

Investment in California Asset Management Program

The District is a voluntary participant in the California Asset Management Program (CAMP), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. Dividends from net investment income are declared on a daily basis and paid on the last day of the month. Dividends paid are automatically reinvested in each account by the purchase of additional shares. The contract creating the program specifies the types of investments that can be made by the investment portfolio with available cash: U.S. Government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit and commercial paper. 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 CAMP which was $33,332,123 as of June 30, 2019.

Investments with fair values highly sensitive to interest rate fluctuations

At June 30, 2019, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

Fair value measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

The District has the following fair value measurements as of June 30, 2019:

Investments by Fair Value Level	Total	Fair Value Measurement Using Level 1	Level 2	Level 3
U.S. Treasury Bills, Notes and Bonds	$ 178,079,673	$ 178,079,673	$ -	$ -
Federal Agency Securities	27,702,576	-	27,702,576	-
Negotiable Certificates of Deposit	40,994,283	-	40,994,283	-
Medium-Term Notes	99,299,194	-	99,299,194	-
Commercial Paper	3,977,012	-	3,977,012	-
Total investments by fair value level	350,052,738	$ 178,079,673	$ 171,973,065	$ -
Investments measured at the Net Asset Value (NAV)				
JPA Pools/CAMP	33,332,123			
Municipal Bonds	3,386,903			
Money market mutual funds	206,202			
Total	$ 386,977,966			

The District's investment in the Local Agency Investment Fund of $66,117,615 is measured at amortized cost which approximated fair value.

The District's investment in the California Asset Management Program of $33,332,123 is measured at amortized cost which approximated fair value.

Note 3: Water Bank Inventory

The Metropolitan Water District of Southern California, a State Water Project Contractor, has allowed the District to utilize capacity in the Kern Delta Water Bank, for the purpose of increasing water supply in a dry year. The District has stored 11,300 acre-feet and is able to call on a maximum of 5,000 acre-feet per year of this stored water. This stored water is classified as a restricted asset and is valued at cost.

The following is a summary of the water bank inventory for the year ended June 30, 2019:

	Acre-feet	Inventory cost
Balance at June 30, 2018	11,300	$ 1,479,070
Additions	-	-
Reductions	-	-
Balance at June 30, 2019	11,300	$ 1,479,070

Note 4: Capital Assets

Summaries of changes in capital assets in service for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land, right of ways, and pipeline capacity	$ 12,100,041	$ 18,886,024	$ -	$ 30,986,065
Construction in progress	24,036,090	13,481,892	33,754,741	3,763,241
Total capital assets, not being depreciated	36,136,131	32,367,916	33,754,741	34,749,306
Capital assets, being depreciated:				
Buildings	6,260,292	29,304	-	6,289,596
Distribution lines	165,264,930	30,669,407	-	195,934,337
Brine line	7,121,795	-	-	7,121,795
Furniture, fixtures and equipment	1,110,278	217,940	-	1,328,218
Vehicles	391,177	34,811	-	425,988
Yucaipa Dam	3,698,238	-	-	3,698,238
Total capital assets, being depreciated	183,846,710	30,951,462	-	214,798,172
Less accumulated depreciation	(53,936,879)	(3,980,705)	-	(57,917,584)
Total capital assets, being depreciated, net	129,909,831	26,970,757	-	156,880,588
Participation rights in State Water Project Facilities	358,035,366	21,244,964	-	379,280,330
Less accumulated amortization	(152,147,297)	(12,389,883)	-	(164,537,180)
Participation rights in State Water Project Facilities, net	205,888,069	8,855,081	-	214,743,150
Total capital assets, net	$ 371,934,031	$ 68,193,754	$ 33,754,741	$ 406,373,044

Note 5: Notes Receivable

Notes receivable at June 30, 2019 consisted of the following:

		2019
The District entered into a loan agreement with the San Bernardino Regional Water Resources Authority (the Authority) for an amount not to exceed $900,000. The loan is to be repaid from time to time from available revenues and other funding sources of the Authority. This note shall continue in effect, until such time as the full amount of the note is repaid. The loan is not secured and the principal balance shall not accrue interest. An allowance for uncollectible accounts was recorded in 2009 for the total principal balance outstanding.	$	861,771
The District entered into a loan agreement with the San Bernardino Regional Water Resources Authority (the Authority) in 2001 for an amount not to exceed $850,000. The loan is to be repaid from time to time from available revenues and other funding sources of the Authority. This note shall continue in effect, until such time as the full amount of the note is repaid. The loan is not secured and the principal balance shall not accrue interest. An allowance for uncollectible accounts was recorded in 2009 for the total principal balance outstanding.		726,450
The District entered into a loan agreement with City of San Bernardino Municipal Water Department in December 2015 for the amount of $1,200,000, for UV System Rehabilitation project improvements to the Rapid Infiltration and Extraction facility owned by the City of Colton and the City of San Bernardino Municipal Water Department under a Joint Exercise of Power Agreement, and operated by the City of San Bernardino Municipal Water Department.		300,000
The District entered into a loan agreement with Habitat for Humanity San Bernardino Area, Inc. in April 2017 for the amount of $46,262, for the purchase of vacant land in San Bernardino, CA. The interest is computed at the monthly variable rate then in effect equal to Local Agency Investment Fund (LAIF) Pooled Money Investment Account (PMIA) Average Monthly Effective Yield until all principal has been paid, compounded monthly. All unpaid principal plus all then-accumulated interest shall be paid in a single lump sum payment sixty months after the date hereof.		26,986

Note 5: Notes Receivable, (Continued)

The District entered into a loan agreement with East Valley Water District in January 2015 for the amount of approximately $4 million for the construction, operation and maintenance of the city creek turnout and the plant 134 Hydroelectric Station. Interest shall accrue monthly on the unpaid and outstanding balance of the costs commencing from the effective date and continuing until repayment in full at the Local Agency Investment Fund interest rate, with accrued but unpaid interest also bearing interest. The term is eleven years, or until the date on which the debt incurred by the District in financing the project is paid in full, including interest or other charges, whichever occurs later.	$	3,032,887
The District entered into a loan agreement with West Valley Water District in December 2016 for the amount of approximately $4.36 million for the construction, operation and maintenance of the Lytle Creek Turnout and the Roemer Hydroelectric Station. Interest is accrued monthly on the unpaid and outstanding balance of the costs commencing from the effective date and continuing until repayment in full at the Local Agency Investment Fund interest rate, with accrued but unpaid interest also bearing interest. The term is eleven years, or until the date on which the debt incurred by the District in financing the project is paid in full, including interest or other charges, whichever occurs later.		3,356,555
		8,304,649
Less allowance for uncollectible accounts		(1,588,221)
Less current portion of notes receivable		(1,061,100)
Total notes receivable, net of current portion	$	5,655,328

Note 6: Unearned Revenue

The District receives cash advances from various water purveyors in exchange for commitments of future water deliveries. As of June 30, 2019, total unearned revenue amounted to $3,898,677.

Note 7: Certificates of Participation

Project Finance Agreements (direct placement)

The District issued Revenue Certificates of Participation, Series 2011A on July 7, 2011, in the amount of $8,565,000, to fund capital improvements to the Baseline Feeder Project. The certificates are secured by the District's annual net revenues, meaning the revenues for any given fiscal year, excluding property taxes levied for the State Water Project, less the operation and maintenance costs for that fiscal year. Principal and interest are due in semiannual installments beginning on July 1, 2012 and ending on July 1, 2041. Interest rates range from 2.00% to 4.25%. Certificates are subject to extraordinary prepayment prior to their respective stated maturities at a prepayment price equal to the principal amount thereof plus accrued interest without a premium or penalty.

In May 2012, the District executed a Restated and Amended Agreement for the Construction, Operation and Maintenance of the New Baseline Feeder System with the District of Rialto, Riverside Highland Water Company and the West Valley Water District. The agreement requires annual capital payments by Rialto, Riverside Highland and West Valley to reimburse the District for the Debt Service on the 2011A Certificates of Participation. The District receives 100% reimbursement from the above mentioned entities and pays the annual principal and interest payable on the bonds to the bond trustee. Construction activities funded by the 2011A Certificates of Participation were completed as of June 30, 2013.

The following is a summary of bonds payable for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
2011A Certificates of Participation	$ 7,540,000	$ -	$ (190,000)	$ 7,350,000	$ 195,000
Premium on certificates of participation	118,685	-	(5,160)	113,525	-
Total certificates of participation, net	$ 7,658,685	$ -	$ (195,160)	$ 7,463,525	$ 195,000

The aggregate principal and interest debt to maturity payments for certificates of participation are summarized as follows:

Year ending June 30,	Principal	Interest	Total
2020	$ 195,000	$ 303,944	$ 498,944
2021	205,000	295,944	500,944
2022	215,000	287,544	502,544
2023	225,000	278,744	503,744
2024	230,000	269,644	499,644
2025-2029	1,305,000	1,199,120	2,504,120
2030-2034	1,595,000	907,051	2,502,051
2035-2039	1,970,000	530,632	2,500,632
2040-2042	1,410,000	94,280	1,504,280
Totals	$ 7,350,000	$ 4,166,903	$ 11,516,903

Note 7: Certificates of Participation, (Continued)

The District repaid $492,684 during the year ended June 30, 2019, of which $190,000 related to principal payments and $302,684 related to imputed interest.

In the event of default or termination, the District has agreed, upon demand, to immediately repay the Trustee or the Owners of not less than a majority in aggregate principal amount of Certificates at the time Outstanding will be entitled an amount equal to unpaid installment payments, including accrued interest thereon, and all penalty assessments due. In the event of default or termination, interest shall accrue at the rate or rates applicable to the installment payments.

Note 8: Defined Benefit Pension Plans (PERS)

A. General information about the pension plan

Plan description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pool. Accordingly, rate plans within the miscellaneous pool are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous risk pool. The District sponsors three miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

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 5 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 Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

Benefits provided

The Plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

Hire date	Prior to January 1, 2011	On or after January 1, 2011 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 60	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-60	50-60	52-62
Monthly benefits, as a % of eligible compensation	2.0%-3.0%	1.92%-2.0%	1.0%-2.0%
Required employee contribution rates	8.0%	7.0%	7.0%
Required employer comtribution rates	15.723%	9.692%	7.557%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Employer Contributions to the Plan for the fiscal year ended June 30, 2019 were $601,348. The actual employer payments of $380,370 made to CalPERS by the District during the measurement period ended June 30, 2018 differed from the District's proportionate share of the employer's contributions of $1,020,539 by $640,169, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net pension liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

Actuarial methods and assumptions used to determine total pension liability

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Actuarial Value of Assets
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases (1)	3.3% - 14.2%
Mortality Rate Table (2)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter

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

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website, at www.calpers.ca.gov.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

Long-term Expected Rate of Return

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

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

The expected real rates of return by asset class are as follows:

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)
Total	100%		

[1] In the System's CAFR, fixed income is included in global debt securities; liquidity if included in short-term investments; inflation assets are included in both global debt securities.

[2] An expected inflation of 2.0% used for this period

[3] An expected inflation of 2.92% used for this period

Change of assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

Discount rate

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

Pension plan fiduciary net position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

C. Proportionate share of net pension liability

The following table shows the Plan's proportionate share of the net position liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
Balance at: 6/30/2017 (VD)	$ 28,153,887	$ 25,459,083	$ 2,694,804
Balance at: 6/30/2018 (MD)	$ 29,069,675	$ 26,792,086	$ 2,277,589
Net changes during 2017-18	$ 915,788	$ 1,333,003	$ (417,215)

Valuation Date (VD), Measurement Date (MD)

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. 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 for the Plan as of the June 30, 2017 and 2018 measurement dates was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.06836%
Proportion - June 30, 2018	0.06043%
Change - Increase (Decrease)	(0.00793%)

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 of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Tier 1 Plan's Net Pension Liability (Asset)	$ 6,209,878	$ 2,277,589	$ (968,451)

Subsequent events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2018 is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension expense and deferred outflows and deferred inflows of resources related to pensions

As of the start of the measurement period (July 1, 2017), the net pension liability for the plan was $2,694,804. For the measurement period ending June 30, 2018 (the measurement date), the District incurred a pension expense of $575,133 for the Plan.

As of June 30, 2019, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 196,016	$ -
Differences between Expected and Actual Experience	57,650	-
Differences between Projected and Actual Earnings	11,260	-
Differences between Employer's Contributions and Proportionate Share of Contributions	1,267,847	-
Change in Employer's Proportion	-	1,103,160
Pension Contributions Subsequent to Measurement Date	601,348	-
	$ 2,134,121	$ 1,103,160

D. Pension expense and deferred outflows and deferred inflows of resources related to pensions (Continued)

These amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense. Contributions subsequent to the measurement date of $601,348 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2020	$ 259,918
2021	177,976
2022	12,205
2023	(20,486)
2024	-

E. Payable to the pension plan

At June 30, 2019, the District reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Note 9: Other-Post Employment Benefits (OPEB)

Plan description

The District offers a health care plan to active and retired employees, as well as their qualified dependents. For employees hired prior to April 19, 2011, the District pays the entire cost of the monthly medical and dental insurance premiums for retired employees and their dependents who have reached at least age 50 with a minimum of 10 years' service. District-provided benefits continue for the life of the retiree and eligible family members. Benefits are also continued to surviving family members in the event of the death of an active eligible employee if age plus service at death equals 60 or more. For employees hired after April 19, 2011, who have reached at least age 60 with a minimum of 15 years of service, the District pays the entire cost of the monthly medical and dental insurance premiums for retired employees and their dependents until the employee reaches the age of Medicare eligibility as determined by the United States Department of Health and Human Services. The District participates in the ACWA medical program and Delta Dental of California. Retirees may enroll in any of the single-employer benefit plans offered by the District. The authority to establish and amend postemployment benefits resides with the District's Board of Directors.

The District intends to pre-fund its other postemployment benefits (OPEB) with CalPERS through the California Employers' Retiree Benefits Trust (CERBT) Fund. The CERBT is a trust fund that allows public employers to pre-fund the future cost of their retiree health insurance benefits and OPEB obligations for their covered employees or retirees. Employers that elect to participate in the CERBT make contributions into the trust fund. Participating employers use investment earnings to pay for retiree health benefits, similar to the CalPERS pension trust. CalPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the CERBT. That report may be obtained by writing to CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811, or on the internet at www.calpers.ca.gov.

Employees covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	27
Inactive employees or beneficiaries currently receiving benefits	9
Total	36

Contributions

The Plan and its contribution requirements are established by Ordinance and may be amended by Board action to update the original ordinance. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the District's cash contributions were $866,580 in payments to the CalPERS' California Employer's Retiree Benefit Trust (CERBT).

Note 9: Other-Post Employment Benefits (OPEB), (Continued)

Net OPEB liability

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018, based on the following actuarial methods and assumptions:

Discount Rate	6.73%
Inflation	2.26%
Salary Increases	3.25% per year, used only to allocate the cost of benefits between service years
Investment Rate of Return	6.73%
Mortality Rate	The mortality rates used in this valuation are those used in the CalPERS 2017 experience study.

The long-term expected rate of return on OPEB plan investments was determined using a building–block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Equity	43%	5.43%
Fixed Income	49%	1.63%
REIT's	8%	5.06%
Total	100%	

Discount rate

The discount rate used to measure the total OPEB liability was 6.73 percent. The projection of cash flows used to determine the discount rate assumed that District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9: Other-Post Employment Benefits (OPEB), (Continued)

Changes in the OPEB Liability (Asset)

The changes in the net OPEB liability for the Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (B)	Net OPEB Liability (c)= (a) - (b)
Balance at June 30, 2018			
(Valuation Date June 30, 2017)	$ 6,004,520	$ 1,928,680	$ 4,075,840
Changes recognized for the measurement period:			
Service Cost	153,033	-	153,033
Interest	409,717	-	409,717
Changes of assumptions	(802,057)	-	(802,057)
Plan experience differences	87,576	-	87,576
Contributions - employer	-	141,570	(141,570)
Net investment income	-	116,588	(116,588)
Benefit payments	(141,570)	(141,570)	-
Administrative expenses	-	(1,014)	1,014
Net Changes	(293,301)	115,574	(408,875)
Balance at June 30, 2019			
(Measurement Date June 30, 2018)	$ 5,711,219	$ 2,044,254	$ 3,666,965

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the net OPEB liability of the District's if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	Discount Rate - 1% 5.73%	Current Discount Rate 6.73%	Discount Rate + 1% 7.73%
Net OPEB Liability	$ 4,505,595	$ 3,666,965	$ 2,978,349

Sensitivity of the Net OPEB Liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 2,908,443	$ 3,666,965	$ 4,524,241

Note 9: Other-Post Employment Benefits (OPEB), (Continued)

OPEB plan fiduciary net position

CalPERS issues a publicly available CERBT financial report that may be obtained from the CalPERS' website at www.calpers.ca.gov.

Recognition of deferred outflows and deferred inflows of resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	For assumption changes and experience gains/lossess, we assumed Average Future Working Lifetime, averages over all active and retirees (retirees are assumed to have no future working years)

OPEB expense and deferred outflows/inflows of resources related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of $339,370. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 866,580	$ -
Changes of assumptions	-	4,734,158
Differences between expected and actual experience	76,122	1,461
Net difference between projected and actual earnings on OPEB plan investments	9,382	-
Total	$ 952,084	$ 4,735,619

Note 9: Other-Post Employment Benefits (OPEB), (Continued)

The $$866,580 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2020	$ (773,368)
2021	(773,368)
2022	(773,370)
2023	(772,984)
2024	(775,618)
Thereafter	(781,407)

Note 10: Commitments and Contingencies

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 the District's replacement reserves. The District has committed to $48,073,487 in open construction contracts as of June 30, 2019. These include:

Project	Approved Contract	Payments To Date	Balance To Complete
Construction of Cactus Basins	$ 167,454	$ 31,645	$ 135,809
Cactus Basin Project	2,020,000	897,633	1,122,367
Waterman Turnout Hydroelectric Project	981,610	912,513	69,097
Enhanced Recharge Project Phase 1B	3,596,260	265,247	3,331,013
Local Resources Investment Program with the City of San Bernardino Water Dept.	19,400,000	-	19,400,000
Local Resources Investment Program with East Valley Water District	24,000,000	-	24,000,000
Foothill Pipeline Chemical Injection System	304,026	288,825	15,201
	$ 50,469,350	$ 2,395,863	$ 48,073,487

State of California Department of Water Resources

On December 30, 1960, the District entered into a contract with the State of California, Department of Water Resources to receive an annual entitlement for water from the State Water Project. The District assumed a proportionate share of capital costs and minimum operations, maintenance, power and replacement costs of the State facilities, in addition to paying variable operations, maintenance, power and replacement costs on a per-acre-foot charge for water deliveries received.

The District's future commitment for State Water Project costs over the years 2019 to 2035, according to the payment schedule dated June 30, 2019, is estimated as follows:

Transportation charges:	
Capital cost component	$ 65,091,765
Minimum operations, maintenance, power and replacement component	331,094,175
Variable operations, maintenance, power and replacement component	188,065,321
	584,251,261
Delta water charges	123,406,276
Water system revenue bond surcharge	39,805,890
Total	$ 747,463,427

Note 10: Commitments and Contingencies, (Continued)

Jointly governed organization

The District participates in the following jointly governed organization with other districts and agencies for various water projects and operating facilities in Southern California:

Santa Ana Watershed Project Authority

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control, protection, and pollution abatement in the Santa Ana River Watershed. SAWPA is composed of five member water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and the Inland Empire Utilities Agencies. Each participating agency appoints one commissioner and one alternate commissioner to form the Board of Commissioners, the governing body of SAWPA. Financial data for SAWPA is available online at www.sawpa.org.

Condensed financial information for the operation of SAWPA for the fiscal year ended June 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 177,074,117	$ 178,602,450
Total deferred outflows of resources	$ 1,621,887	$ 1,017,473
Total liabilities	$ 109,700,671	$ 108,958,086
Total deferred inflows of resources	$ 318,374	$ 273,599
Total net position	$ 68,676,959	$ 70,388,238
Total revenues	$ 19,708,720	$ 21,293,720
Total expenses	$ (20,492,576)	$ (18,073,227)
Change in net position	$ (783,856)	$ 3,220,493

Note 11: Funds Held in Trust

The District is the administrator and custodian of funds held in trust on behalf of the California Department of Fish & Game (CDFG), as prescribed in the Memorandum of Agreement dated March 2007 (Agreement). The Agreement requires the District and Western Municipal Water District to deposit a combined sum of $50,000 per year, from 2007 to 2017, into a segregated fund administered by the District. Accordingly, the segregated fund is presented as a restricted asset and liability in these financial statements. The CDFG shall direct the District on the disbursements from the fund as needed, in accordance with the Agreement. The balance of the Santa Ana River Restoration/Recovery Trust Fund as of June 30, 2019 was $378,084.

Note 12: 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. To help mitigate some of these risks, the District has purchased commercial insurance as follows:

Property loss - Insured up to $100,000,000 per occurrence (total insurable value of $70,038,690 as of July 3, 2018), with a $5,000 deductible for buildings, personal property, fixed equipment, mobile equipment, and licensed vehicles.

Boiler and machinery - Insured up to $100,000,000 per occurrence (total insurable value of $70,038,690 as of July 3, 2018), with a $10,000 deductible for boiler and machinery breakdown.

Auto liability - Insured up to $1,000,000 per occurrence with no deductible for property damage.

Information security and privacy liability - Insured up to $2,000,000 per occurrence with no deductible for security and privacy breaches.

Pollution liability - Insured up to $2,000,000 per occurrence with no deductible for underground storage tanks.

The District is self-insured for general liability exposure.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced. There have been no significant reductions in insured liability coverage from coverage in the prior year, and there were no instances in the past three years where a settlement exceeded the District's coverage.

Required Supplementary Information
Schedule of District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years*

Measurement Date	Employer's Proportion of the Collective Net Pension Liability[1]	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.08970%	$ 5,587,972	$ 2,166,220	258%	77%
6/30/2015	0.21163%	5,805,949	2,279,057	255%	77%
6/30/2016	0.17974%	6,243,808	2,210,568	282%	76%
6/30/2017	0.06836%	2,694,804	2,127,895	127%	92%
6/30/2018	0.06043%	2,277,589	2,252,665	101%	146%

[1] Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will displayed up to 10 years as needed as information becomes available.

Required Supplementary Information
Schedule of Plan Contributions
Last 10 years*

Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014-15	$ 654,436	$ (654,436)	$ -	$ 2,279,057	28.72%
2015-16	1,563,043	(1,563,043)	-	2,210,568	70.71%
2016-17	4,308,248	(4,308,248)	-	2,127,895	202.47%
2017-18	380,370	(380,370)	-	2,252,665	16.89%
2018-19	601,348	(601,348)	-	2,761,632	21.78%

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will displayed up to 10 years as needed as information becomes available.

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios as of the Measurement Date
Last 10 years*

For the Measurement Period Ended June 30

Measurement Date	2017	2018
Total OPEB Liability		
Service Cost	$ 415,185	$ 153,033
Interest on the Total OPEB Liability	317,872	409,717
Actual and expected experience difference	(1,955)	87,576
Changes in assumptions	(5,400,852)	(802,057)
Changes in benefit terms	-	-
Benefit payments	(126,972)	(141,570)
Net change in Total OPEB Liability	(4,796,722)	(293,301)
Total OPEB Liability - beginning	10,801,242	6,004,520
Total OPEB Liability - ending (a)	6,004,520	5,711,219
Plan Fiduciary Net Position		
Contribution - employer	2,026,972	141,570
Net investment income	28,815	116,588
Benefit payments	(126,972)	(141,570)
Administrative expense	(135)	(1,014)
Net change in Plan Fiduciary Net Position	1,928,680	115,574
Plan Fiduciary Net Position - beginning	-	1,928,680
Plan Fiduciary Net Position - ending (b)	1,928,680	2,044,254
Net OPEB Liability - ending (a) - (b)	$ 4,075,840	$ 3,666,965
Plan fiduciary net position as a percentage of the total OPEB liability	32.12%	35.79%
Covered-employee payroll (1)	2,127,895	2,252,665
Net OPEB liability as a percentage of covered-employee payroll (1)	191.54%	162.78%

Notes to schedule:
(1) Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 75 defines covered-employee payroll as the total payroll of employees that are provided OPEBs through the OPEB plan.

Mortality Improvement: The mortality rates used in this valuation are those used in the 2017 CalPERS experience study.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Required Supplementary Information
Schedule of OPEB Plan Contributions
Last 10 years*

Fiscal Year Ended June 30	2018	2019
Actuarially Determined Contributions (ADC) (2)	$ 529,151	$ 438,901
Contribution in relation to the ADC	(128,352)	(866,580)
(Excess)/deficiency	$ 400,799	$ (427,679)
Covered-employee payroll (3)	$ 2,252,665	$ 2,761,632
Contribution as a percentage of covered-payroll (3)	5.70%	31.38%

[2] Employers setting a discount rate based on the assumption that assets will be sufficient to cover all future benefit payments under the plan are assumed to annually make contributions equal to the actuarially determined contribution.

[3] Covered-Employee Payroll represented above is based on covered-employee payroll provided by the employer. GASB 75 defines covered-employee payroll as the total payroll of employees that are provided benefits through the OPEB plan.

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2019 were from the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Methodology	Straight-line amortization. For assumption changes and experience gains/losses: Average Future Working Lifetime averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses: 5 years.
Asset Valuation Method	Market value
Discount Rate	6.73%
Inflation	2.26%
Payroll Growth	3.25% per annum, in aggregate
Investment Rate of Return	6.73% per annum
Healthcare Trend Rates	6.90% initial, decreasing to 5.00% in 2028 and later
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2017 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Bernardino Valley Municipal Water District
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of San Bernardino Valley Municipal Water District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise San Bernardino Valley Municipal Water District's basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 3, 2019

SAN GORGONIO PASS WATER AGENCY

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

SAN GORGONIO PASS WATER AGENCY
CONTENTS
June 30, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Gorgonio Pass Water Agency
Beaumont, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

EADIE + PAYNE LLP
Celebrating a Century of Quality Service

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Certified Public Accountants
& Business Advisors

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2019 and 2018, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and information related to the pension and other postemployment benefits plan on pages 3-9 and 47-50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The organizational information and schedule of board of directors and insurance coverage are presented for purposes of additional information and are not a required part of the basic financial statements. The organizational information and schedule of board of directors and insurance coverage have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019, on our consideration of the Agency’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency’s internal control over financial reporting and compliance.

Eadie and Payne LLP

October 7, 2019
Riverside, California

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

The Agency

The San Gorgonio Pass Water Agency is one of 29 local government organizations, called State Water Contractors, who have contracted with the State of California to import water to their local service areas through the State Water Project. The Agency was created by the Legislature of the State of California under Senate Bill 8, Chapter 40, which was signed into law by Governor Edmund "Pat" Brown on April 19, 1961. The purpose for creating this public agency by special law was for the "planning, conservation, development, distribution, control and use of an adequate water supply for the public good and for the protection of life and property therein." As part of the act, the Agency was given taxing authority similar to the taxing power of other local governments.

The Agency has entered into a contract with the State of California Department of Water Resources to receive an annual allotment of 17,300 acre-feet from the State Water Project. However, water did not get delivered to the region, which extends from Calimesa through the San Gorgonio Pass area to Cabazon, until the completion of the East Branch Extension Phase 1 in 2003. In 2018, the Department of Water Resources completed the construction of Phase 2, which increased the capacity of the facilities to deliver water by adding an additional pipeline, an additional reservoir, additional pumps and expanding an existing reservoir.

The Basic Financial Statements

The San Gorgonio Pass Water Agency is a special purpose government organization (Special District) engaged only in activities that support themselves through user and capacity fees and tax levies. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board.

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the Agency's financial condition and operating results. They are the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the Agency's assets and liabilities and the difference, or net, between what is owned and what is owed as of the last day of the Agency's fiscal year. The Statement of Revenues, Expenses and Changes in Net Position describes the financial results of the Agency's operations for the years reported. The results, or changes in net assets, are the increases or decreases in the bottom line of the Statement of Net Position.

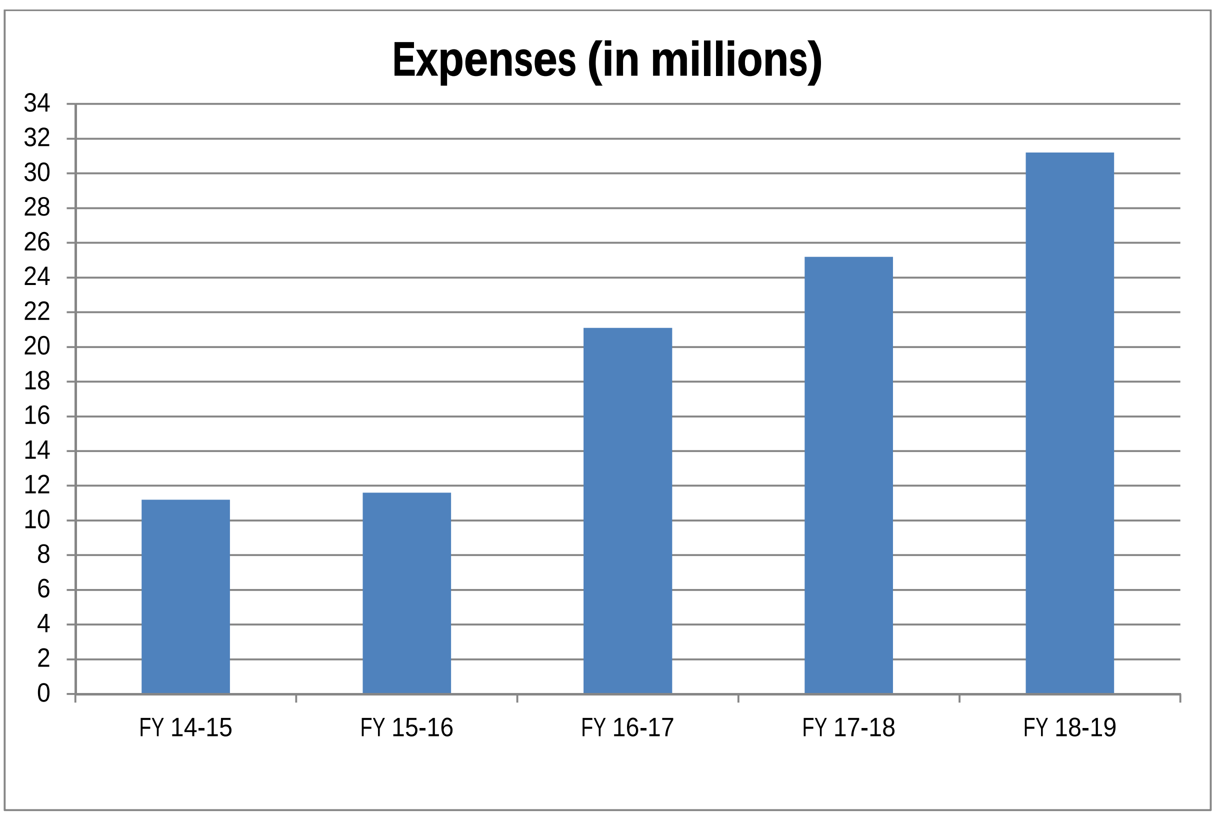
The Statement of Cash Flows conveys to financial statement readers how the Agency managed cash resources during the year. This statement converts the Change in Net Position presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by or used for operations. The Statement of Cash Flows also details how the Agency obtains cash through financing and investing activities and, conversely, how cash is spent for these purposes.

Summary Financial Information and Analysis

The Agency exists for two major purposes: one is to deliver water to retail customers, and the other is to pay its portion of the indebtedness and maintenance and operations of the State Water Project. At this time, these two different purposes use two distinct types of income to sustain their related activities. Because of this, the financial statements typically look a bit different from other organizations that have only one major type of income.

The Agency receives two major sources of funding: revenue from water sales, and revenue from property taxes. Revenue from water sales falls into the operations portion of the statements, and revenue from property taxes falls into the non-operations portion of the statements.

However, the expenses to maintain the operations portion of the Agency's efforts exceed its income from operations at this time. Examination of just the operations portion of the statements reveals what looks like a loss. However, tax revenue, by design, has been enacted to pay for some of the operations expense, but is relegated to the non-operations portion of the statements by accounting convention. So, even though operations looks like a loss, in actuality, by viewing the statements as a whole, it is clear that the Agency is receiving at least enough to cover its expenses.



Graph of Combined Operating and Non-Operating Expenses

By reviewing the table below, it is possible to see that overall income (Operating and Non-operating) totals $35.50 million for FY 2018-19, an increase of $4.70 million from FY 2017-18. Overall expenses (Operating and Non-Operating) totaled $31.15 million for FY 2018-19, an increase of $5.87 million from FY 2017-18. The Agency purchased additional water in FY 2018-19, and sold more water this year as well. This increased expenses, and increased the amortization expense of State Water Rights. The resulting Net Income was $4.35 million.

Total Assets and deferred outflows for FY 2018-19 were $185.54 million, an increase of $3.84 million from the previous fiscal year. This is divided into four categories: Current Assets (cash and investments that can be liquidated in 12 months), Restricted Assets (assets that are designated for a particular purpose), Capital Assets (assets that have a life longer than 1 year and are not intended for sale during the normal course of business) and Pension Assets (the result of the new GASB rules). Current Assets decreased $3.34 million, Restricted Assets increased $7.30 million, Capital Assets decreased $0.63 million, and Pension Assets totaled $0.51 million.

Current Liabilities were $1.21 million, a decrease of $0.93 million from FY 2017-18. Long Term Liabilities were $1.15 million, a decrease of about $64,700. Deferred Inflows (pension related deferred inflows) were about $56,000. Therefore, Net Assets (the combination of Total Assets, Liabilities, Deferred Inflows and Deferred Outflows) for FY 2018-19 were $183.12 million, a net increase of $4.35 million.

Financial Statement Summary
(in millions)

	6/30/2019	6/30/2018	6/30/2017
Current Assets	16.16	19.50	14.90
Restricted Assets	54.06	46.76	44.89
Capital Assets	114.81	115.44	115.54
Deferred Outflows	0.51	0.36	0.33
Current Liabilities	1.21	2.14	0.98
Noncurrent Liabilities	1.15	1.09	0.65
Deferred Inflows	0.06	0.06	0.06
Net Position	183.12	178.78	173.67
Operating Revenues	4.55	4.62	4.75
Operating Expenses	(31.07)	(25.20)	(21.09)
Non-Operating Revenues			
Interest	1.33	0.76	0.48
Property Taxes	28.25	25.20	22.78
Miscellaneous	1.36	0.21	(0.17)
Non-Operating Expenses	(0.08)	(0.08)	(0.08)
Change in Net Position	4.35	5.23	6.70

The past few years have seen new reporting standards regarding pension liabilities and other post-employment benefits. The new standards change the way pension expenses and liabilities are recorded, and this change has had a minor impact on the statements of the Agency.

Previously, contributions to the CalPERS defined benefit pension plan were recorded as current expenses. Notes to the financial statements provided information about the composition and status of the investment pool that the Agency was assigned to by CalPERS.

Now, in an attempt to more accurately categorize the transactions associated with current and future pension costs, Agency contributions to pension plans have been reclassified. In the Agency's financial statements, current year pension contributions more closely match the year they impact pension balances. In addition, the statements include deferred outflows (in essence, future expenses) and deferred inflows (in essence, future credits), as well as a long-term pension liability.

The potential future pension cost is determined by an actuarial study, which takes into account a number of factors, including current employees of the Agency, their years of service, retired employees of the Agency, and estimates for future earnings of investments made by CalPERS. The Agency has been assigned to an investment pool that is managed by CalPERS. The estimate of the pension liability of the entire pool is a current estimate of the difference between the estimated pension cost and the funded status of the pool. The Agency is allocated a proportionate share of the entire pool. The proportionate share is listed as a Noncurrent Liability in the Liability section of the Net Assets statement. Future contributions to the unfunded liability could change the classification of the fund balance.

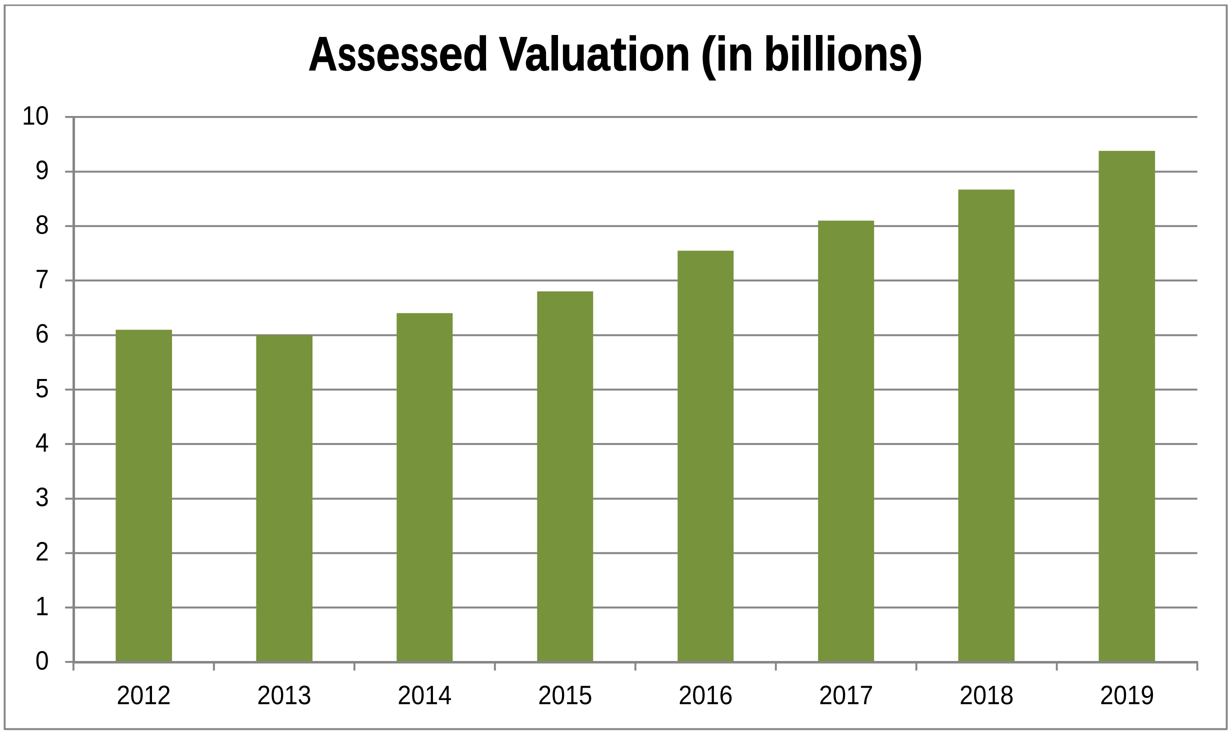
For Other Post-Employment Benefits (OPEB), the Agency joined an investment pool sponsored by CalPERS to build a trust fund to pay for future OPEB expenses. The Agency's first contribution to the pool, California Employers' Retiree Benefit Trust (CERBT), was made in 2009. Annual contributions were made in accordance with GASB Statement No. 45, and contributions to the trust and direct payments for health care costs were recorded as current expenses.

Starting with FY 2017-18, GASB Statement No.75 took effect, which is an attempt to more accurately categorize the transactions associated with current and future OPEB costs. Agency contributions to CERBT and direct expenses have been reclassified, and the statements include deferred outflows and deferred inflows, as well as a long-term OPEB liability. The estimate of OPEB liability is a current estimate of the difference between the estimated OPEB cost and the funded status of CERBT. This amount is listed as a Noncurrent Liability in the Liability section of the Net Assets statement. Future contributions to CERBT could change the classification of the balance of the Agency's net OPEB obligation.

The Agency's involvement with CERBT requires that an actuarial study to determine the Agency's potential future OPEB costs be made every 2 years. The study also estimates the current level of funding, to help gauge the Agency's progress in fully funding its OPEB obligations.

Assessed Valuation

The following chart reflects the Agency's assessed property tax valuations. Assessed valuations increased significantly from the years ending June 30, 2005 to 2008; however as a result of the economic downturn, assessed values leveled off for the year ending in 2009, and declined by about 15% by the year ending in 2013. Assessed valuations finally increased in 2014, and have increased each year since.



Categories of Assets

The Agency is required to present its assets in three categories: Invested in Capital Assets, Restricted Assets and Unrestricted Assets.

Net Investment in Capital Assets

At June 30, 2019, Capital Assets totaled $114.81 million (net of Accumulated Depreciation and Amortization) and consisted of Investment in State Water Rights, Utility Plant in Service, and Construction in Progress. Utility Plant in Service is divided into additional categories of Land and Rights of Way, Source of Supply, Transmission and Distribution, Buildings, Furniture and Fixtures, Technical Equipment and Transportation Equipment. The table on the next page groups these assets by whether they are being depreciated or amortized, or not.

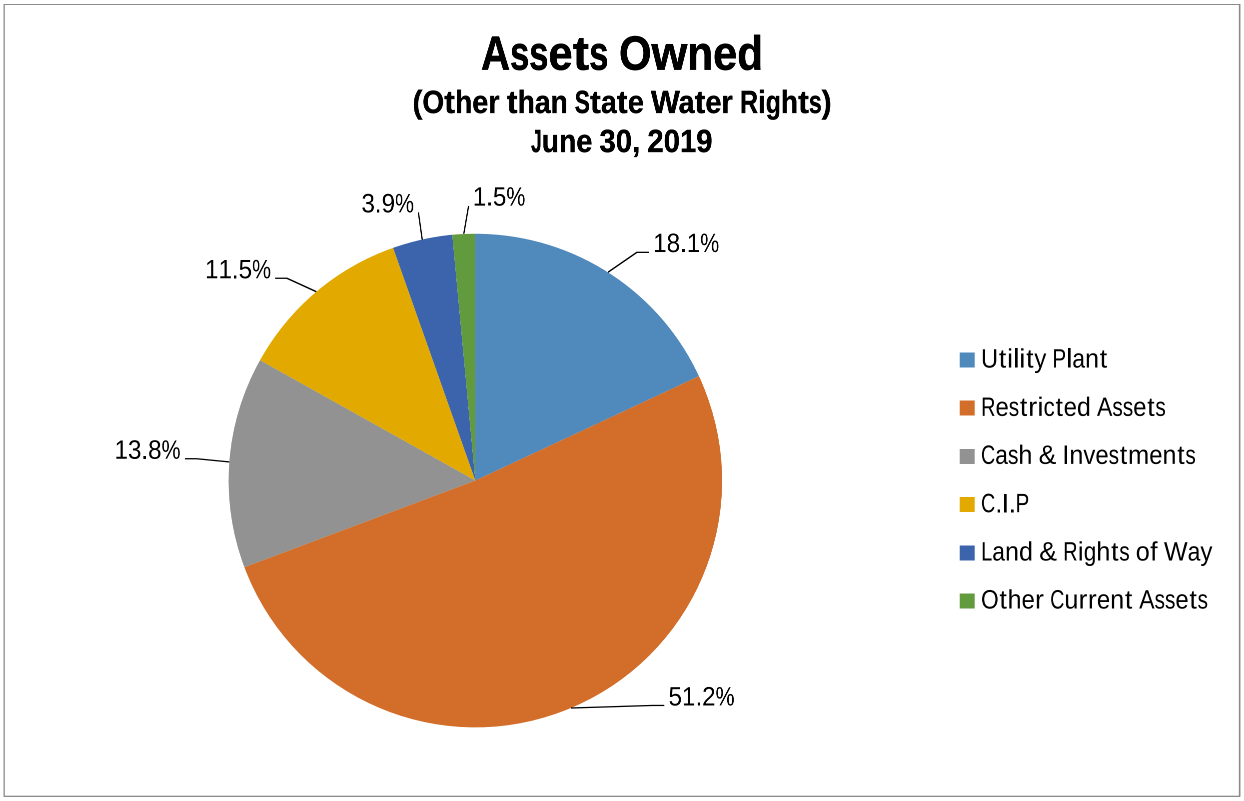
Capital Asset Activity for the Year

	Balance July 1, 2017	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets, not being depreciated					
Land and Rights of Way	$ 4,138,966	$ 4,138,966	$ -	$ -	$ 4,138,966
Construction in Progress	5,174,280	7,137,872	4,984,410	-	12,122,281
Total Capital Assets, not being depreciated	9,313,246	11,276,838	4,984,410	-	16,261,247
Capital Assets, being depreciated/amortized					
Investment in State Water Rights	140,127,118	144,528,729	4,533,973	-	149,062,702
Source of Supply	15,758,338	15,758,338	-	-	15,758,338
Transmission and Distribution	1,351,614	1,351,614	-	-	1,351,614
Buildings and Improvements	1,645,293	1,645,293	-	-	1,645,293
Furniture and Fixtures	172,961	136,899	-	7,042	129,857
Technical Equipment	94,439	94,439	-	-	94,439
Transportation Equipment	74,462	78,613	-	-	78,613
Total Capital Assets being depreciated or amortized	159,224,225	163,593,925	4,533,973	7,042	168,120,856
Total Capital Assets	$ 168,537,470	$ 174,870,763	$ 9,518,383	$ 7,042	$ 184,382,104

The Agency made payments to the Department of Water Resources during the year totaling $22.37 million. This amount included expenditures for water purchases, as well as payments for indebtedness, and operations and maintenance of the State Water Project.

State Water Project deliveries through the East Branch Extension and the Cherry Valley Pump Station to the Agency service area started in July, 2003. Deliveries to retailers in FY 2018-19 totaled 13,350 AF, and included deliveries to Yucaipa Valley Water District through facilities jointly owned and operated with the San Bernardino Valley Municipal Water District. Even though the Agency's allocation for 2018 was significantly less than 2017, water purchased from other sources allowed the Agency to meet retailers' requests for this fiscal year.

Construction in Progress increased by $4.98 million between July 1, 2018 and June 30, 2019. The projects currently in Construction in Progress include improvements to the East Branch Extension Phase1 and Phase 2 project, plans for a pipeline for water delivery to the City of Banning, enlargement of the Noble turnout which delivers water to the Beaumont Cherry Valley Water District, construction of a recharge facility on Brookside and Beaumont Avenue, participation rights in a feasibility study to build a new reservoir named Sites Reservoir to increase the reliability of the State Water Project, pipeline improvements to sections owned jointly by the Agency and the San Bernardino Valley Municipal Water District, and new monitoring wells being installed by the USGS.



Restricted Assets

The Agency had Restricted Assets of $54.06 million, which consisted of tax proceeds that were levied for State Water Project payments, less actual State Water Project related expenditures.

Unrestricted Assets

The Agency had Unrestricted Assets of $14.26 million, which consisted primarily of water sales, general purpose tax proceeds and investment income, less general and administrative expenses not related to State Water Project expenditures.

Contacting the Agency's Financial Management

This financial report is designed to provide our customers, taxpayers, and creditors with an overview of the agency's financial operations and condition. If you have questions about this report or need additional information, please contact the Agency's Finance Manager at 1210 Beaumont Ave., Beaumont, California 92223.

BASIC FINANCIAL STATEMENTS - AUDITED

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	$ 685,775	$ 818,693
Cash in Local Agency Investment Fund	13,904,602	17,450,259
Accounts receivable	728,785	440,278
Property taxes receivable	636,741	629,053
Interest receivable	197,424	154,934
Other	4,950	7,782
Total current assets	16,158,277	19,500,999
Restricted assets		
Cash in Local Agency Investment Fund	7,348,929	6,738,780
Investments	43,675,646	37,688,838
Property taxes receivable	3,033,074	2,336,855
Total restricted assets	54,057,649	46,764,473
Noncurrent assets		
Capital assets		
Investment in State Water Project	149,062,702	144,528,729
Utility plant in service	19,058,154	19,065,197
Less accumulated depreciation and amortization	(69,575,945)	(59,433,754)
Land and rights of way	4,138,967	4,138,967
Construction in progress	12,122,281	7,137,871
Total noncurrent assets	114,806,159	115,437,010
Total assets	185,022,085	181,702,482
Deferred outflows of resources		
Pension related	488,149	350,920
OPEB related	25,564	7,315
Total deferred outflows of resources	513,713	358,235
Total assets and deferred outflows of resources	$ 185,535,798	$ 182,060,717

The accompanying notes are an integral part of these financial statements.

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities		
Accounts payable	$ 1,184,080	$ 2,115,008
Construction deposit	25,000	25,000
Total current liabilities	1,209,080	2,140,008
Noncurrent liabilities		
Accrued vacation and sick leave	145,411	137,039
Net pension liability	755,595	771,794
Net OPEB liability	248,742	176,213
Total noncurrent liabilities	1,149,748	1,085,046
Total liabilities	2,358,828	3,225,054
Deferred inflows of resources		
Pension related	34,039	40,166
OPEB related	22,003	20,395
Total deferred inflows of resources	56,042	60,561
Net position		
Net investment in capital assets, including State Water Project costs	114,806,159	115,437,010
Restricted for State Water Project	54,057,649	46,764,473
Unrestricted	14,257,120	16,573,619
Total net position	183,120,928	178,775,102
Total liabilities, deferred inflows of resources, and net position	$ 185,535,798	$ 182,060,717

The accompanying notes are an integral part of these financial statements.

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues		
Water sales	$ 4,549,420	$ 4,621,936
Operating expenses		
Source of supply		
Maintenance	14,210,934	10,600,004
Purchased water	5,180,411	6,678,299
Total source of supply	19,391,345	17,278,303
Transmission and distribution		
Utilities	10,207	11,938
Maintenance	11,861	31,067
Total transmission and distribution	22,068	43,005
General and administrative expenses		
Salaries	480,209	468,098
Director expense	129,228	125,334
Payroll taxes	40,279	39,367
Employee health benefits	75,961	69,867
Employee retirement benefits	237,035	253,780
Office supplies and expense	20,379	21,617
Travel expenses	20,061	26,208
Automotive expense	4,585	6,899
Utilities and telephone	16,211	15,805
Repairs and maintenance	22,208	19,818
Insurance	27,374	32,453
Administrative expense	41,651	5,817
Membership dues and assessments	33,122	31,259
Public relations	26,700	22,585
Election expense	28,126	-
Legal services	123,352	218,635
Engineering and consulting services	157,421	278,851
Accounting and auditing	21,515	20,600
Outside professional services	6,037	8,604
Depreciation	654,157	652,369
Amortization	9,495,077	5,555,829
Total general and administrative	11,660,688	7,873,795
Total operating expenses	31,074,101	25,195,103
Operating loss	$ (26,524,681)	$ (20,573,167)

The accompanying notes are an integral part of these financial statements.

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating loss	$ (26,524,681)	$ (20,573,167)
Nonoperating revenues (expenses)		
Property taxes - general purpose	3,088,805	2,528,567
Property taxes - debt service	25,165,634	22,676,193
Investment income	1,330,472	764,064
Unrealized gain (loss) on investments	539,885	(298,659)
Other revenue	27,359	27,360
County collection charge	(77,260)	(76,993)
Total nonoperating revenues (expenses)	30,074,895	25,620,532
Income before capital contributions	3,550,214	5,047,365
Capital contributions - government	795,612	179,800
Change in net position	4,345,826	5,227,165
Net position		
Beginning of year, as previously reported	178,775,102	173,667,262
Less: Prior-period adjustment in net pension (Note 12)	-	(119,325)
Beginning of year	178,775,102	173,547,937
Net position, end of year	$ 183,120,928	$ 178,775,102

The accompanying notes are an integral part of these financial statements.

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from customers	$ 4,263,745	$ 4,781,794
Cash paid to suppliers and employees	(21,951,090)	(17,540,596)
Net cash used in operating activities	(17,687,345)	(12,758,802)
Cash flows from noncapital financing activities		
Property taxes	27,550,532	25,551,697
Net cash provided by noncapital financing activities	27,550,532	25,551,697
Cash flows from capital and related financing activities		
Purchase of capital assets	(9,518,383)	(6,406,041)
Other revenue	27,359	27,360
Contributed capital	795,612	179,800
County collection charge	(77,260)	(76,993)
Net cash used in capital and related financing activities	(8,772,672)	(6,275,874)
Cash flows from investing activities		
Purchased investments	(5,446,923)	(372,422)
Interest received	1,287,982	672,273
Net cash provided by (used in) investing activities	(4,158,941)	299,851
Net change in cash and cash equivalents	(3,068,426)	6,816,872
Cash and cash equivalents		
Balance, beginning of year	25,007,732	18,190,860
Balance, end of year	$ 21,939,306	$ 25,007,732

The accompanying notes are an integral part of these financial statements.

SAN GORGONIO PASS WATER AGENCY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of cash and cash equivalents to statements of net position		
Unrestricted cash and cash equivalents	$ 685,775	$ 818,693
Unrestricted cash in Local Agency Investment Fund	13,904,602	17,450,259
Restricted cash in Local Agency Investment Fund	7,348,929	6,738,780
Total cash and cash equivalents	$ 21,939,306	$ 25,007,732
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (26,524,681)	$ (20,573,167)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	10,149,234	6,208,198
Noncash pension expense	(103,667)	147,698
(Increase) decrease in:		
Accounts receivable	(288,507)	160,910
Other current assets	2,832	(1,052)
Increase (decrease) in:		
Accounts payable	(930,928)	1,286,447
Accrued vacation and sick	8,372	12,164
Net cash used in operating activities	$ (17,687,345)	$ (12,758,802)

The accompanying notes are an integral part of these financial statements.

NOTE 1- REPORTING ENTITY

The San Gorgonio Pass Water Agency (the "Agency"), a special district of the state of California, is one of 29 state water contractors created by the state legislature. The Agency will ultimately manage water resources and supply water to local water districts. The Agency's service area extends from Calimesa to Cabazon through the San Gorgonio Pass area in Riverside County (the "County").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of providing goods or services to the general public on a continuing basis (including depreciation) be financed or recovered primarily through user charges. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets and liabilities associated with the activity (whether current or noncurrent) are included on the statements of net position.

The Agency distinguishes operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by water sales, while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water services.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Agency considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Agency invests funds with the State of California's Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, the funds are classified as cash equivalents. For credit risk purposes, the fund is not rated.

Investments

Investments are reported in the accompanying statements of net position at fair value based on the last reported sales price published on the national exchange. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

Accounts receivable consists of amounts owed by local districts in the regular course of business operations. Accounts receivable is stated net of an allowance for doubtful accounts. The Agency considers accounts receivable to be fully collectible and no allowance for doubtful accounts is provided in these financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the Agency's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1.0 percent of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the Agency's cash balance as of June 30, 2019. The property tax calendar is as follows:

Lien date:		January 1
Levy date:		July 1
Due date:	First installment	November 1
	Second installment	February 1
Collection date:	First installment	December 10
	Second installment	April 10

The County will designate property taxes relating to debt service (restricted) or general purposes. Funds have been established by the Agency to account for the use of these designated assets. As of June 30, 2019, certain taxes levied by the County and allocated to the Agency remain uncollected. The Agency considers these property taxes to be fully collectible and no allowance is provided in these financial statements.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated acquisition 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 balances 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:

Assets	Years
Pipelines	20 - 40
Buildings	25
Spreading ground facilities	20
Furniture and fixtures	5 - 10
Technical equipment	5
Transportation	5

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Participation rights are being amortized on a unit-rate basis. The unit-rate has been determined by dividing the total estimated capital costs to be charged to the Agency by total estimated water deliveries over the project repayment period. The resulting rate, which will be adjusted periodically to reflect changes in estimates, would then be applied to actual water deliveries in the current year.

Construction in progress includes all capitalized costs for expenditures directly incurred to bring a capital asset to a useable condition. These capitalize costs will be recorded to capital assets when the asset is operational. At that time, the costs will be depreciated or amortized over the respective capital asset's useful life.

Accrued Vacation and Sick Leave

The Agency has a policy whereby an employee can accumulate unused sick leave and vacation. Sick leave is to be used for extended periods of sickness; however, upon termination or retirement, a portion will be paid as additional benefits to the employee. At retirement or termination, employees will be paid for 50 percent of the then unused sick leave up to the maximum 480 hours at their regular payroll rates in effect at the date of termination. The Agency has provided for these future costs by accruing 50 percent of the earned and unused sick leave up to the maximum number of hours and 100 percent of the earned and unused vacation.

Pension Accounting

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

Postemployment Benefits Other Than Pensions (OPEB)

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which establishes new accounting and financial reporting requirements for OPEB improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB 57. The Agency adopted GASB 75 beginning in the fiscal year ending June 30, 2018. Under GASB 75, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalPERS plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA) and additions to/deductions from PEMHCA's fiduciary net position have been determined on the same basis as they are reported by PEMHCA. For this purpose, PEMHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position
The financial statements utilize a net position presentation. The net position is categorized as follows:

Net investment in Capital Assets, *including State Water Project* costs - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

Restricted for State Water Project - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of the net position consists of a net position that does not meet the definition of restricted or net investment in capital assets.

Restricted and Unrestricted Resources
When both restricted and unrestricted resources are available for use, it is the Agency's practice to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Policies
The Agency adopts an annual nonappropriated 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. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense
Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB 68), provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization's pension liability exceeds the pension plan's net position available for paying benefits, there is a net pension liability which must be reported in the basic financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met.

NOTE 3 - STATE WATER PROJECT

The Agency has contracted with the State Department of Water Resources to participate in the State Water Project to convey water from Northern California into the Southern California area. This participation requires payments in varying amounts by the Agency for many years into the future, including capital costs in connection with the transportation facilities, conservation (O.M.P. and R.) costs, and variable costs for the actual delivery of water.

The Agency has been billed formally through calendar year 2019 only. The policy of the Agency is not to accrue any amounts which are due after the fiscal year-end. The payments which have been billed but are not reflected on the books and are not due until after the fiscal year-end of the Agency are approximately as follows:

Charges for Capital and Minimum Operations, Maintenance, Power and Replacement Components	
Water System Revenue Bond	
Due July 1, 2019	$ 289,515
Due January 1, 2020	211,046
Due July 1, 2020	211,045
Capital Cost Components	
Delta Water Charges	
Due July 1, 2019	183,876
Due January 1, 2020	261,390
Due July 1, 2020	261,389
Transportation Charges	
Due July 1, 2019	(128,912)
Due January 1, 2020	(277,754)
Due July 1, 2020	(277,754)
Minimum O.M.P. & R.	
Delta Water Charge	
Due monthly, starting July 1, 2019	65,973
Total for six months	395,838
Due monthly, starting January 1, 2020	69,675
Total for six months	418,050
Due monthly, starting July 1, 2020	69,675
Total for six months	418,050
Transportation Charge	
Due monthly, starting July 1, 2019	499,936
Total for six months	2,999,616
Due monthly, starting January 1, 2020	524,558
Total for six months	3,147,348
Due monthly, starting July 1, 2020	524,558
Total for six months	3,147,348

NOTE 3 - STATE WATER PROJECT (Continued)

Charges for the Devil Canyon-Castaic Contract	
Debt Service on Bonds	
Due July 1, 2019	$ 48,904
Due January 1, 2020	48,768
Due July 1, 2020	48,768
O.M.P.& R. Component	
Due monthly, starting July 1, 2019	17,452
Total for six months	104,712
Due monthly, starting January 1, 2020	17,396
Total for six months	104,376
Due monthly, starting July 1, 2020	17,395
Total for six months	104,370
Charges for Off-Aqueduct Power Facilities	
Maintenance	
Due monthly, starting July 1, 2019	(18)
Total for six months	(108)
Due monthly, starting January 1, 2020	130
Total for six months	780
Due monthly, starting July 1, 2020	130
Total for six months	780
RG4 Separation	
Due monthly, starting July 1, 2019	167
Total for six months	1,002
Due monthly, starting January 1, 2020	1,298
Total for six months	7,788
Due monthly, starting July 1, 2020	1,297
Total for six months	7,782
Charges for East Branch Extension Facilities	
Allocated Charges	
Due September 1, 2019	9,881,702
Due March 1, 2020	4,677,144
Due September 1, 2020	10,141,577
Charges for Tehachapi Second Afterbay Facilities	
Capital Cost of Transportation Charge	
Due September 1, 2019	22,084
Due March 1, 2020	16,965
Due September 1, 2020	16,965
Totals for All Charges of the State Water Project	
Total Due July 1, 2019	13,798,229
Total Due January 1, 2020	8,615,901
Total Due for FY 2019-20	22,414,130
Total Due July 1, 2020	14,080,320
Total Due for Calendar Year 2020	$ 22,696,221

NOTE 3 - STATE WATER PROJECT (Continued)

The Agency has committed to purchase other components of water that may become available at reasonable prices in the future. The future payments for this excess water are not determinable at this time.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Agency's investment practices are prescribed by various provisions of the California Government Code and by administrative policies. The Agency's investment policy is approved annually by the Board.

Cash, cash equivalents, and investments as of June 30, 2019 and 2018 are included in the statements of net position as follows:

	2019	2018
Cash and cash equivalents - unrestricted	$ 14,590,377	$ 18,268,952
Cash and cash equivalents - restricted	7,348,929	6,738,780
Total cash and cash equivalents	21,939,306	25,007,732
Investments	43,675,646	37,688,838
	$ 65,614,952	$ 62,696,570

For purposes of the following discussion, these accounts have been classified as follows:

	2019	2018
Deposits	$ 685,775	$ 818,693
Investments	64,929,177	61,877,877
	$ 65,614,952	$ 62,696,570

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments Authorized by the Agency's Investment Policy

Under the provisions of the Agency's investment policy, adopted by Board Resolution No. 2015-10 in September 2015, which is in accordance with California Government Code Sections 53600 through 53686 et seq., the types of investments authorized for deposit are identified in the following table:

Authorized Investment Type	Maximum Maturity
U.S. Treasury	2 years
Federal agency	
Municipal bonds	
Negotiable certificates of deposit	36 months
Repurchase agreements	1 year
Medium term notes	5 years
Money market mutual funds	
Local Agency Investment Fund (LAIF)	
CalTRUST short-term fund	2 years
CalTRUST medium-term fund	3 ½ years

Concentration of Credit Risk

There were no investments in any one issuer, other than U.S. Treasury Securities, LAIF and CalTRUST that represent five percent or more of the total investments of the Agency at June 30, 2019 and 2018.

Custodial Credit Risk

The Agency maintains deposits with financial institutions in excess of federal depository insurance limits. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the Agency's cash on deposit or first trust deed mortgage notes with a market value of 150 percent of the deposit as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the Agency's name and places it ahead of general creditors of the institution.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the possibility that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of highlighting exposure to interest rate risk, the current values of all securities are reported quarterly to the board for investments. Investment fair value and duration at June 30, 2019 and 2018 are as follows:

Authorized Investment Type	2019	Effective Duration
U.S. agency securities	$ 5,027,894	2019
U.S. government bonds	999,610	2019
U.S. government bonds	2,038,975	2020
U.S. government bonds	2,001,500	2021
U.S. government bonds	2,051,251	2022
U.S. government bonds	996,080	2023
Negotiable certificates of deposit	2,474,723	2019
Negotiable certificates of deposit	4,978,356	2020
Negotiable certificates of deposit	2,484,470	2021

Authorized Investment Type	2018	Effective Duration
U.S. agency securities	$ 1,020,915	2020
U.S. government bonds	1,977,880	2019
U.S. government bonds	978,960	2020
U.S. government bonds	1,980,060	2021
Negotiable certificates of deposit	2,469,949	2018
Negotiable certificates of deposit	4,918,199	2019
Negotiable certificates of deposit	2,467,749	2020

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk
Information about the risk that an issuer or other counterparty to an investment will not fulfill its obligations is provided by the following tables:

Authorized Investment	Amount	Exempt from Disclosure	Aaa	A(1-3)	Not Rated	% of Portfolio
As of June 30, 2019:						
Cash	$ 100	$ -	$ -	$ -	$ 100	N/A
Deposits with financial institutions	685,675	-	-	685,675	-	N/A
U.S. government bonds	8,087,416	-	8,087,416	-	-	12.46%
U.S. agency securities	5,027,894	-	5,027,894	-	-	7.74%
Negotiable certificates of deposit	9,937,549	-	-	9,937,549	-	15.31%
CalTRUST short-term fund	5,277,287	5,277,287	-	-	-	8.13%
CalTRUST medium-term fund	15,345,500	15,345,500	-	-	-	23.63%
LAIF	21,253,531	21,253,531	-	-	-	32.73%
	$ 65,614,952	$ 41,876,318	$ 13,115,310	$ 10,623,224	$ 100	100.00%

Authorized Investment	Amount	Exempt from Disclosure	Aaa	A(1-3)	Not Rated	% of Portfolio
As of June 30, 2018:						
Cash	$ 100	$ -	$ -	$ -	$ 100	N/A
Deposits with financial institutions	818,593	-	-	818,593	-	N/A
Money markets	2,000,000	-	2,000,000	-	-	3.23%
U.S. government bonds	4,936,900	-	4,936,900	-	-	7.98%
U.S. agency securities	1,020,915	-	1,020,915	-	-	1.65%
Negotiable certificates of deposit	9,855,897	-	-	9,855,897	-	15.93%
CalTRUST short-term fund	5,135,294	5,135,294	-	-	-	8.30%
CalTRUST medium-term fund	14,739,832	14,739,832	-	-	-	23.82%
LAIF	24,189,039	24,189,039	-	-	-	39.09%
	$ 62,696,570	$ 44,064,165	$ 7,957,815	$ 10,674,490	$ 100	100.00%

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

<u>Deposits</u>
The California Government Code and the Agency'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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2019 and 2018, the carrying amount of the Agency's deposits was $685,775 and $818,693, respectively, and the bank balances were $693,745 and $825,258 , respectively. The Agency has cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, and the remaining balance is collateralized in accordance with the California Government Code.

<u>LAIF</u>
The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. For LAIF's annual financial report, contact the California State Treasurer at 915 Capitol Mall, Room 106, Sacramento, California 95814.

<u>CalTRUST</u>
The Agency is participating in CalTRUST, a Joint Exercise of Powers Agreement of the Investment Trust of California. The principal executive office is located at 1100 K Street, Suite 101, Sacramento, California 95814. CalTRUST is subject to the California Joint Exercise of Powers Act. Each participant in CalTRUST must be a California Public Agency. The purpose of CalTRUST is to consolidate investment activities of its participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST.

CalTRUST currently has a board of trustees that consists of 9 trustees who are responsible for the overall management, supervision, and administration of CalTRUST including formulation of investment and operating policy guidelines of the funds.

The two funds the Agency has invested in are the short-term fund and the medium-term fund. The short-term fund has a targeted portfolio duration of 0 to 2 years, and the medium-term fund has a targeted portfolio duration of 1½ to 3½ years. Investment strategies are to attain as high a level of current income as is consistent with the preservation of principal.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The shares in the two funds are not registered under any federal or state securities law nor under the Investment Company Act of 1940, and are thus not subject to the various protections of the 1940 Act which apply to certain pooled vehicles such as money market funds and other mutual funds. The short-term and medium-term funds are valued at net asset value which is calculated by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares of each fund. Liabilities include all accrued expenses and fees of each fund. The value of the portfolio securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Trustees have determined to equal fair value.

Short-term fund deposits will be allowed to be invested on the business day they are received, while the medium-term fund deposits may be invested once per month on the last business day. Short-term funds can be redeemed at net asset value per share at the next determined date and/or time of calculation. Medium-term fund withdrawals can only occur once per month on the last business day of the month, provided that notice of intent to withdraw is delivered prior to five business days before month end. Shares will be redeemed at net asset value per share determined by the accountant on the last business day of each month. For both funds, the investment will remain in the fund until the day they are wired to the Agency. In the event of an emergency as defined by the Trustees, withdrawals may be made at such times and upon such prior notice within parameters defined by the Trustees. CalTRUST may, and is authorized by each participant to redeem shares owned by such participant (i) to the extent necessary to reimburse CalTRUST for any loss it has sustained by reason of the failure of such participant to make full payment for shares purchased by such participant, (ii) to the extent necessary to collect any charge relating to a transaction effected for the benefit of such participant which is applicable to shares, or (iii) as otherwise deemed necessary and desirable by the Trustees for CalTRUST to effectively carry out its obligations under the agreement, comply with applicable law, or any other obligations in connection with the affairs of CalTRUST. Redemption payments may be made in whole or in part in securities or other property of the funds. Participants receiving any such securities or other property on redemption will bear any costs of sale. Transfers among the funds will be considered a withdrawal from one fund and a deposit to another fund subject to restrictions and limitations of a withdrawal and deposit.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments
Fair Value of Investments
GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets as of the measurement date in active markets that the Agency has the ability to access. Fair values are determined using fund manager estimates.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.
Level 3	Inputs to the valuation methodology are unobservable and include situations where there is little, if any, market activity for the investment.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at June 30, 2019 and 2018.

Money markets: Valued at $1 per share in accordance with industry practice.

U.S. government bonds: Valued at the closing price reported in the active market on which the individual bonds are traded

U.S. agency securities: Valued at the closing price reported in the active market on which the individual securities are traded

Negotiable certificate of deposit: Valued at the closing price reported on the active market on which the negotiable paper is traded

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

CalTRUST funds: The Agency is a voluntary participant in the Investment Trust of California, doing business as CalTRUST. CalTRUST is a joint powers authority that has been established by its members pursuant to the Joint Exercise of Powers Agreement. The fair value of the Agency's investment in CalTRUST is based upon the net asset value (NAV) of shares held by the Agency at year-end. The net asset value per share is computed by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares. Liabilities include all accrued expenses and fees, including expenses of the trust. The market value of portfolio securities is determined on the basis of the market value of such securities, or if market quotations are not readily available, at fair value under guidelines established by the trustees. Investments with short remaining maturities may be valued at amortized cost which the CalTRUST Board has determined to equal fair value.

State pooled funds (Local Agency Investment Fund): The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the Agency's investment in this pool is based upon the Agency'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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
U.S. government bonds	$ 8,087,416	$ -	$ -	$ 8,087,416
U.S. agency securities	5,027,894	-	-	5,027,894
Negotiable certificates of deposit	9,937,549	-	-	9,937,549
CalTRUST short-term fund	-	5,277,287	-	5,277,287
CalTRUST medium-term fund	-	15,345,500	-	15,345,500
State pooled funds (Local Agency Investment Fund)	-	21,253,531	-	21,253,531
	$ 23,052,859	$ 41,876,318	$ -	$ 64,929,177

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money markets	$ 2,000,000	$ -	$ -	$ 2,000,000
U.S. government bonds	4,936,900	-	-	4,936,900
U.S. agency securities	1,020,915	-	-	1,020,915
Negotiable certificates of deposit	9,855,897	-	-	9,855,897
CalTRUST short-term fund	-	5,135,294	-	5,135,294
CalTRUST medium-term fund	-	14,739,832	-	14,739,832
State pooled funds (Local Agency Investment Fund)	-	24,189,039	-	24,189,039
	$ 17,813,712	$ 44,064,165	$ -	$ 61,877,877

At June 30, 2019 and 2018, the Agency had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

NOTE 5 - CAPITAL ASSETS

For the year ended June 30, 2019, the changes in capital assets for the Agency were as follows:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Non-depreciable capital assets				
Land and rights of way	$ 4,138,967	$ -	$ -	$ 4,138,967
Construction in progress	7,137,871	4,984,410	-	12,122,281
	11,276,838	4,984,410	-	16,261,248
Depreciable capital assets				
Investment in state water project	144,528,729	4,533,973	-	149,062,702
Source of supply	15,774,603	-	-	15,774,603
Recharge facilities	1,351,614	-	-	1,351,614
Technical equipment	94,439	-	-	94,439
Office building	1,508,644	-	-	1,508,644
Solar equipment	120,384	-	-	120,384
Furniture and fixtures	136,900	-	7,043	129,857
Transportation equipment	78,613	-	-	78,613
	163,593,926	4,533,973	7,043	168,120,856
	$ 174,870,764	$ 9,518,383	$ 7,043	$ 184,382,104

For the year ended June 30, 2019, the changes in accumulated depreciation and amortization for the Agency were as follows:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Depreciable capital assets				
Investment in state water project	$ 50,850,550	$ 9,495,077	$ -	$ 60,345,627
Source of supply	6,406,548	496,798	-	6,903,346
Recharge facilities	979,920	67,581	-	1,047,501
Technical equipment	94,439	-	-	94,439
Office building	848,659	60,352	-	909,011
Solar equipment	90,305	12,031	-	102,336
Furniture and fixtures	129,632	1,672	7,043	124,261
Transportation equipment	33,701	15,723	-	49,424
	$ 59,433,754	$ 10,149,234	$ 7,043	$ 69,575,945

NOTE 5 - CAPITAL ASSETS (Continued)

For the year ended June 30, 2018, the changes in capital assets for the Agency were as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Non-depreciable capital assets				
Land and rights of way	$ 4,138,966	$ -	$ -	$ 4,138,966
Construction in progress	5,174,280	1,963,591	-	7,137,871
	9,313,246	1,963,591	-	11,276,837
Depreciable capital assets				
Investment in state water project	140,127,118	4,401,611	-	144,528,729
Source of supply	15,774,604	-	-	15,774,604
Recharge facilities	1,351,614	-	-	1,351,614
Technical equipment	94,439	-	-	94,439
Office building	1,508,644	-	-	1,508,644
Solar equipment	120,384	-	-	120,384
Furniture and fixtures	172,961	7,173	43,234	136,900
Transportation equipment	74,462	33,666	29,515	78,613
	159,224,226	4,442,450	72,749	163,593,927
	$ 168,537,472	$ 6,406,041	$ 72,749	$ 174,870,764

For the year ended June 30, 2018, the changes in accumulated depreciation and amortization for the Agency were as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Depreciable capital assets				
Investment in state water project	$ 45,294,721	$ 5,555,829	$ -	$ 50,850,550
Source of supply	5,910,452	496,096	-	6,406,548
Recharge facilities	912,340	67,580	-	979,920
Technical equipment	94,439	-	-	94,439
Office building	788,319	60,340	-	848,659
Solar equipment	78,272	12,033	-	90,305
Furniture and fixtures	172,269	597	43,234	129,632
Transportation equipment	47,493	15,723	29,515	33,701
	$ 53,298,305	$ 6,208,198	$ 72,749	$ 59,433,754

NOTE 5 - CAPITAL ASSETS (Continued)

Construction in Progress is divided into 2 major categories. The first category consists of items that are generally considered tangible and have an identifiable estimated cost. Examples could be pipelines, valves, or fencing. The second category consists of items that may be intangible, or items for which a total cost estimate is not identifiable. Examples could be participation rights in studies for a future project, rights-of-way, or plans.

In Category 1, the Agency currently has expended approximately $10,113,800 and expects to expend and additional $340,000 to complete the projects; the projects are about 97% completed.

In Category 2, the Agency has expended approximately $2,382,600.

NOTE 6 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The Association of California Water Agencies

The Agency participates in a joint venture under a joint powers agreement (JPA) with the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The relationship between the Agency and the JPA is such that the JPA is not a component unit of the Agency for financial reporting purposes. Audited financial statements are available by contacting the JPIA at 2100 Professional Drive, Roseville, California 95661.

The Association of California Water Agencies Joint Powers Insurance Authority arranges for and provides insurance coverage for its nearly 365 member districts. JPIA is governed by a board of directors and each member agency is required to designate one representative from its local board of directors to participate in the JPIA board. From the board of directors, nine members of a ten-member executive committee are elected and delegated the authority to make JPIA's preliminary policy decisions relying upon input received from other standing and ad hoc committees and subcommittees. These policy decisions, along with other matters such as financial and claims data, are ultimately brought before the full board for review and/or ratification. The board controls the operations of the JPIA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. JPIA provides joint protection coverage for losses in excess of the member districts' individually specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial insurance carriers.

NOTE 6 - JOINT VENTURES (JOINT POWERS AGREEMENTS) (Continued)

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Total assets	$ 188,344,217	$ 199,365,344
Deferred outflows of resources	1,098,315	1,404,974
Total assets and deferred outflows of resources	$ 189,442,532	$ 200,770,318
Total liabilities	$ 100,820,701	$ 123,871,469
Deferred inflows of resources	2,156,227	1,576,175
Net position	86,465,604	75,322,674
Total liabilities, deferred inflows, and net position	$ 189,442,532	$ 200,770,318
Total revenues	$ 176,044,304	$ 169,992,183
Total expenses	(165,196,299)	(164,170,540)
Total other income	294,925	797,414
Change in net position	$ 11,142,930	$ 6,619,057

Delta Conveyance Finance Authority
The Agency participates under a joint powers agreement (JPA) with the Delta Conveyance Finance Authority (DCFA). The DCFA is a joint powers agency created in July 2018 as a conduit financing authority to assist the Department of Water Resources and the public water agency participants, currently all of whom are State Water Project Contractors, finance all or a portion of the California WaterFix. No available audited financial statements of the DCFA is available at this time. Information as they become available can be requested by contacting the DCFA at 1121 L Street, Suite 1045, Sacramento, California 95814.

NOTE 7 - PENSION PLAN

(a) General Information about the Pension Plan

Plan Description

All full-time Agency employees are required to participate in the San Gorgonio Pass Water Agency Miscellaneous Plan with CalPERS, a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The Agency selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members 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 improved non-industrial disability benefits after five years of service. The Agency has chosen the Optional Settlement 2W Death Benefit.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Agency's total employer contributions were $321,289 and $105,338 for the fiscal years ended June 30, 2019 and 2018, respectively.

Active plan members who were hired before January 1, 2013, sometimes referred to as "Classic" employees, are required to contribute 8 percent of their annual covered salary. A resolution passed by the Board of the Agency directed the Agency to pay this portion, called Employer Paid Member Contributions (EPMC) through December 31, 2012. Beginning January 1, 2013, the Agency established two classes of employees, as dictated by the newly enacted Public Employees' Pension Reform Act (PEPRA). By Board action, "Classic" employees began paying a portion of the EPMC starting January 1, 2013. For calendar year 2013, they contributed 1.0 percent of the annual covered salary as a pre-tax deduction. For calendar year 2014, they paid 2 percent of their annual covered salary. For calendar year 2015, and continuing, they pay 3 percent of their annual covered salary. At June 30, 2019 and 2018, the Agency's pickup of the employee's 5 percent share was $26,127 and $24,343, respectively. There are no PEPRA members employed by the Agency.

NOTE 7 - PENSION PLAN (Continued)

The plan's provisions and benefits at June 30, 2019 and 2018 are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% at 60	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	12 months
Sick leave credit	Yes	Yes
Retirement age	60	62
Monthly benefits as a percent of eligible compensation	2.0% to 2.418%	2.0% to 2.5%
Cost-of-living adjustment	4.0% maximum	4.0% maximum
Required employee contribution rates		
2019	3.00%	8.00%
2018	3.00%	8.00%
Required employer paid member		
contributions	5.00%	0.00%
2019	5.00%	0.00%
2018		
Required employer contribution rates		
2019	15.723%	15.723%
2018	14.850%	14.850%

Net Pension Liability
The Agency's net pension liability for the Plan is measured as the proportionate share of the collective net pension liability of the Plan. For calendar year 2015, and continuing, employees pay 3 percent of their annual covered salary. At June 30, 2019 and 2018, the Agency reported the following net pension liability measured as of June 30, 2018 and 2017, respectively:

	2019		2018	
	Amount	Proportion	Amount	Proportion
Total pension liability	$ 3,521,805	0.02085%	$ 3,381,093	0.02111%
Fiduciary net position	2,766,210	0.02108%	2,609,299	0.02161%
Net pension liability	$ 755,595	0.02005%	$ 771,794	0.00778%

The Agency's proportion of the collective net pension liability increased by 0.01227% since the last measurement date.

NOTE 7 - PENSION PLAN (Continued)

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability
For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation.

The June 30, 2018 and 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost method		Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:		
Discount rate	2018	7.15%
	2017	7.15%
Inflation	2018	2.50%
	2017	2.75%
Salary increases		Varies by entry age and service
Investment rate of return	2018	7.250% net of pension plan investment expenses, including inflation
	2017	7.250% net of pension plan investment expenses, including inflation
Mortality rate table		Derived using CalPERS' membership data for all funds
Post-retirement benefit increase		Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The mortality table used was *developed based on CalPERS' specific data. The table includes 15* years *of mortality improvements using Society of Actuaries Scale BB.*

All other actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

NOTE 7 - PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the discount rates used at June 30, 2018 and 2017 measurement dates were appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rates of 7.15 percent at June 30, 2018 and 2017 measurement dates were applied to all plans in the Public Employees Retirement Funds. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section. The long-term expected rate of return on pension plan investments was determined using a building- block method in which 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 (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 - 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. 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.

NOTE 7 - PENSION PLAN (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation		Real Return Years 1-10[1]	Real Return 11+[2]	Real Return Years 1-10[3]	Real Return 11+•
	2018	2017	2018	2018	2017	2017
Global equity	50.00%	47.00%	4.80%	5.98%	4.90%	5.38%
Fixed income	28.00%	19.00%	1.00%	2.62%	0.80%	2.27%
Inflation sensitive assets	0.00%	6.00%	0.77%	1.81%	0.60%	1.39%
Private equity	8.00%	12.00%	6.30%	7.23%	6.60%	6.63%
Real estate	13.00%	11.00%	3.75%	4.93%	2.80%	5.21%
Other	0.00%	3.00%	0.00%	0.00%	3.90%	5.36%
Liquidity	1.00%	2.00%	0.00%	-0.92%	-0.40%	-0.90%
Total	100.00%	100.00%				

[1] An expected inflation of 2.00 percent used for this period
[2] An expected inflation of 2.92 percent used for this period
[3] An expected inflation of 2.50 percent used for this period
• An expected inflation of 3.00 percent used for this period

(c) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the collective net pension liability of the plan as of the measurement date calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00 percentage - 1.00 point lower or 1.00 percentage-point higher than current discount rate:

Measurement Date	Discount Rate -1.0%	Current Discount	Discount Rate +1.0%
	(6.15%)	(7.15%)	(8.15%)
2018	$ 1,231,994	$ 755,595	$ 362,336
	(6.15%)	(7.15%)	(8.15%)
2017	$ 1,236,853	$ 771,794	$ 386,624

Pension Plan Fiduciary Net Position

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

NOTE 7 - PENSION PLAN (Continued)

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2019 and 2018, the Agency recognized pension expense of $161,734 and $183,068, respectively. At June 30, 2019 and 2018, the Agency deferred inflows and outflows of resources related to pensions are as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2019	2018	2019	2018
Pension contributions subsequent to measurement date	$ 321,289	$ 105,338	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	3,735	31,908	-	-
Difference between actual and projected contributions	3,931	9,547	1,520	9,368
Changes in assumptions	86,140	141,086	21,111	10,758
Difference between expected and actual experience	28,991	1,137	9,865	16,291
Change in proportion	44,063	61,904	1,543	3,749
Total	$ 488,149	$ 350,920	$ 34,039	$ 40,166

The amounts above are net of outflows and inflows recognized in the pension expense. The $321,289 and $105,338 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 fiscal year ended June 30, 2019 and 2018, respectively.

The deferred outflows and inflows of resources, other than contributions subsequent to measurement date, will be recognized in future pension expense as follows:

Fiscal Year Ending June 30	Deferred Inflows (Outflows) of Resources 2019	2018
2019	$ -	$ 69,512
2020	95,922	96,223
2021	59,976	58,624
2022	(16,281)	(18,943)
2023	(6,796)	(18,943)
2024	-	-
Thereafter	-	-

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Agency offers health care benefits to active and retired employees, as well as their qualified dependents through CalPERS. The CalPERS plan is an agent multiple-employer plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement for employees who have reached at least age 50 with a minimum of five years of service. Eligible retirees may enroll in any of the plans available through the CalPERS program. The Agency pays the entire cost of coverage for the retiree and their dependents. The Agency provided health care benefits that continue for the life of the retiree and the spouse. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

At June 30, 2019, the following employees were covered by the benefit terms:

	Number of Covered Participants
Inactive plan members or beneficiaries currently receiving benefit payments	2
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	4
Total	6

Contribution requirements of the Agency are established by Ordinance and may be amended through board action to update the original Ordinance. For the year ended June 30, 2019, the Agency's average contribution rate was 1.40 percent of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The Agency's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% annually
Discount rate	6.75%
Long-term expected rate of return on investments	6.75% net of investment expenses
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2019, decreasing to 4.00% for 2076 and later
Medicare	6.50% for 2019, decreasing to 4.00% for 2076 and later

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Mortality rates were based on the CalPERS experience study, with adjustments for mortality improvements projected fully generational with Scale MP-17.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of a CalPERS actuarial experience study for the period 1997-2015.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class Component	Target Allocation*	Long-Term Expected Real Rate of Return[1 2]
Equities	57%	4.82%
Fixed income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	100%	

[1] Assumed long-term rate of inflation is 2.75%
[2] Expected long-term net rate of return is 6.75%

* CERBT-Strategy 1 - Policy target effective on the measurement date (June 30, 2018). Changes to the target investment allocation effective October 1, 2018 do not have a significant impact on the expected long-term rate of return.

Discount rate: The discount rate used to measure the total OPEB liability at June 30, 2019 and 2018 was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Plan Assets will always exceed benefit payments. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the plan for the year ended June 30, 2019 are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability (a) - (b)
Balances at June 30, 2018	$ 866,596	$ 690,383	$ 176,213
Changes for the year:			
Service cost	71,161	-	71,161
Interest	62,344	-	62,344
Differences between expected and actual experience	-	-	-
Contributions - employer	-	7,315	(7,315)
Net investment income	-	54,942	(54,942)
Benefit payments	(28,262)	(28,262)	-
Administrative expense	-	(1,281)	1,281
Net changes	105,243	32,714	72,529
Balances at June 30, 2019	$ 971,839	$ 723,097	$ 248,742

The changes in the net OPEB liability for the plan for the year ended June 30, 2018 are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability (a) - (b)
Balances at June 30, 2017	$ 770,768	$ 644,931	$ 125,837
Changes for the year:			
Service cost	69,088	-	69,088
Interest	55,712	-	55,712
Differences between expected and actual experience	-	-	-
Contributions - employer	-	6,512	(6,512)
Net investment income	-	68,257	(68,257)
Benefit payments	(28,972)	(28,972)	-
Administrative expense	-	(345)	345
Net changes	95,828	45,452	50,376
Balances at June 30, 2018	$ 866,596	$ 690,383	$ 176,213

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates: The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage-point lower or 1.00 percentage-point higher than the current discount rate:

	Discount Rate		
	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability - June 30, 2019	$ 362,402	$ 248,742	$ 153,465
Net OPEB liability - June 30, 2018	279,835	176,213	89,358

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:
The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage-point higher than the current healthcare cost trend rates:

	Healthcare Trend Rate		
	1% Decrease (6.5% to 4.0%)	Current Trend (7.5% to 4.0%)	1% Increase (8.5% to 4.0%)
Net OPEB liability - June 30, 2019	$ 133,276	$ 248,742	$ 386,800
Net OPEB liability - June 30, 2018	75,502	176,213	296,481

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
For the year ended June 30, 2019 and 2018, the Agency recognized OPEB expense of $81,452 and $77,283, respectively. At June 30, 2019 and 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2019	2018	2019	2018
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ -	$ 22,003	$ 20,395
Employer contributions made subsequent to the measurement date	25,564	7,315	-	-
Total	$ 25,564	$ 7,315	$ 22,003	$ 20,395

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources 2019	Deferred Outflows/(Inflows) of Resources 2018
2019	$ -	$ (5,099)
2020	(6,776)	(5,099)
2021	(6,776)	(5,099)
2022	(6,775)	(5,098)
2023	(1,676)	-
2024	-	-
Thereafter	-	-
	$ (22,003)	$ (20,395)

NOTE 9 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance through participation in the Association of California Water Agencies Joint Powers Insurance Authority. See Note 6. The insurance purchased is for liability, property and workers' compensation insurance and there are various self-insured retention levels, similar to a deductible, per occurrence.

NOTE 10 - CONTRACTUAL COMMITMENTS

The Agency has entered into various contractual agreements for engineering, construction, and consulting services. As of June 30, 2019, the remaining contractual commitment for geologic studies and monitoring is $358,451, for construction service is $290,046, and for various other agreements is $1,114,423. As of June 30, 2018, the remaining contractual commitment for geologic studies and monitoring is $1,045,252, for construction service is $2,809,287, and for various other agreements is $117,361. These commitments have not been recorded in the accompanying financial statements.

NOTE 11 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the 2019 year's format. Total net position and change in net position are unchanged due to these reclassifications.

NOTE 12 - PRIOR-PERIOD ADJUSTMENT OF NET POSITION

The net position at the beginning of 2018 has been restated to decrease the net position to reflect the prior period costs related to the implementation of the net OPEB liability.

	Amount
Net Position, July 1, 2017, Originally Stated	$ 173,667,262
Net OPEB Liability	(119,325)
Net Position, July 1, 2017, Restated	$ 173,547,937

NOTE 13 - SUBSEQUENT EVENTS

In the preparation of these financial statements, the Agency considered subsequent events through October 7, 2019, which is the date these financial statements were available to be issued. No events occurred through this date requiring disclosure.

SUPPLEMENTARY INFORMATION - UNAUDITED

Schedule of Agency Contributions – CALPERS Pension Cost Sharing Plan
For the last ten fiscal years[1]

	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 121,289	$ 105,338	$ 95,564	$ 109,010	$ 112,491
Contributions in relation to the actuarially determined contribution	(321,289)	(105,338)	(95,564)	(109,010)	(112,491)
Contribution deficiency (excess)	$ (200,000)	$ -	$ -	$ -	$ -
Covered payroll	$ 522,545	$ 505,149	$ 478,062	$ 461,852	$ 425,739
Contributions as a percentage of covered payroll	23.21%	20.85%	19.99%	23.60%	26.42%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable. Additional years will be added as they become available in the future.

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
For the last ten fiscal years[1]

	2019	2018	2017	2016	2015
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.00784%	0.00778%	0.00754%	0.00715%	0.01065%
Proportionate share of the collective net pension liability	$ 755,595	$ 771,494	$ 652,703	$ 490,726	$ 662,864
Covered-employee payroll	505,149	478,062	461,852	461,852	425,739
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	149.58%	161.44%	141.32%	106.25%	155.70%
Proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	75.26%	73.31%	74.06%	78.04%	75.86%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable. Additional years will be added as they become available in the future.

Schedule of Changes in the Agency's Net OPEB Liability and Related Ratios
For the last ten fiscal years[1]

Measurement Period Ending*	2018	2017
Changes in total OPEB liability		
Service cost	$ 71,161	$ 69,088
Interest	62,344	55,712
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Changes of benefit terms	-	-
Benefit payments including refunds**	(28,262)	(28,972)
Net changes	105,243	95,828
Total OPEB liability (beginning)	866,596	770,768
Total OPEB liability (ending)	$ 971,839	$ 866,596
Changes in plan fiduciary net position		
Contributions - employer**	$ 7,315	$ 6,512
Contributions - employee	-	-
Net investment income	54,942	68,257
Benefit payments including refunds**	(28,262)	(28,972)
Administrative expense	(1,281)	(345)
Net changes	32,714	45,452
Plan fiduciary net position (beginning)	690,383	644,931
Plan fiduciary net position (ending)	$ 723,097	$ 690,383
Net OPEB liability (ending)	$ 248,742	$ 176,213
Plan fiduciary net position as a percentage of the total OPEB liability	74.4%	79.7%
Covered payroll	$ 512,238	$ 485,156
Net pension liability as a percentage of covered payroll	48.6%	36.3%

* For the 12-month period ending on June 30 (measurement date)

** Includes $7,315 and $6,512 implied subsidy benefit payments for measurement periods ending in 2018 and 2017, respectively.

1 *Historical information is required only for measurment periods for which GASB 75 is applicable. Additional years will be added as they become available in the future.*

Schedule of Agency Contributions - OPEB Liability
For the last ten fiscal years[1]

	2019	2018
Actuarily determined contribution (ADC)	$ 91,647	$ 88,920
Contributions in relation to the actuarilly determined contribution	25,564	7,315
Contribution deficiency/(excess)	$ 66,083	$ 81,605
Covered payroll*	$ 530,033	$ 512,238
Contributions as a percentage of covered payroll	4.8%	1.4%

* For the 12-month period ending on the preceding June 30th fiscal year-end
1 *Historical information is required only for measurment periods for which GASB 75 is applicable. Additional years will be added as they become available in the future.*

Notes to Schedule

Valuation date

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumption used to determine contribution rates

Actuarial cost method	Entry age, level percentage of payroll
Amortization method and period	Level dollar amount over closed 21-year period
Asset valuation method	Market value, no smoothing
Inflation	2.75%
Investment rate of return	6.75%
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2019, decreasing to 4.00% for 2076 and later
Medicare	6.50% for 2019, decreasing to 4.00% for 2076 and later
Mortality, Disabliltiy, Termination, Retirement	
Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2017

Organization and Description of the Agency

San Gorgonio Pass Water Agency (the "Agency") was formed in 1961 by the Legislature of the State of California through the enactment of special legislation. The Agency was formed for the purpose of importing water by contracting for participation in the State Water Project of the State Department of Water Resources and for any other activities authorized by the Legislature as proper for the Agency to conduct. The Agency's contract for water provides for delivery of up to 17,300 acre feet of water per year, effective January 1, 2008.

The Agency is committed to pay its proportionate share of the capital and other costs of the State Water Project, including the capital costs in connection with both the transportation facilities and the conservation facilities, the operation and maintenance costs in connection therewith, and the variable costs incident to the actual delivery of water. Annually, the State Department of Water Resources issues a bulletin known as the 132 Series in which the capital and operating costs are estimated for the life of the project. On June 30 of each year, they bill for the costs to be paid during the next succeeding calendar year. The capital costs are being capitalized as utility plant while the other costs are charged to operations. The capital costs are being amortized on a unit rate based on water deliveries projected over the life of the State Water Project to the year 2035.

Officers, Directors, and Senior Management

The officers, directors, and senior management of the Agency are listed below:

	Term Expires
Ron Duncan, President	November 2020
Leonard Stephenson, Vice President	November 2020
Steve Lehtonen, Treasurer	December 2022
Blair Ball, Director	December 2022
David Castaldo, Director	November 2020
David Fenn, Director	December 2022
Mike Thompson, Director	November 2020
Jeff Davis, General Manager and Secretary of the Board	N/A

Insurance Coverage

The agreement with the Joint Powers Insurance Authority (JPIA) is for liability, property, and workers' compensation insurance.

For liability coverage, the first $2,000,000 of basic coverage is pooled self-insured coverage. For coverage in excess of $2,000,000, the JPIA has a number of excess liability policies and insures the Agency for the $2,000,000 base through $60,000,000.

For property coverage, there is a $1,000 deductible for buildings, fixed equipment and personal property, and a $500 deductible for vehicles.

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

To the Board of Directors and Management
San Gorgonio Pass Water Agency
Beaumont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Gorgonio Pass Water Agency (the Agency), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

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

Purpose of this Report

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

Very truly yours,

Eadie and Payne LLP

Riverside, California
October 7, 2019

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT ZONE NO. 7

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 Amount	Delinquencies at June 30 Percent	Tax Rate Per $100 Assessed Valuation Agency Total Rate	Tax Rate Per $100 Assessed Valuation Typical Total Rate
2015	$46,590,971,389	$11,113,571	$ 74,553	0.67%	0.0250	1.1292
2016	50,227,748,217	16,575,533	221,027	1.33	0.0343	1.0873
2017	53,661,748,685	17,078,709	131,010	0.77	0.0333	1.0915
2018	57,115,444,470	19,695,457	126,311	0.64	0.0359	1.1581
2019	61,423,451,270	19,553,061	124,982	0.64	0.0332	1.1654
2020	65,870,004,511	(3)	(3)	(3)	0.0309	1.1702

Direct and Overlapping Bonded Debt at December 31, 2019:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$1,391,333,102
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$1,391,333,102
Total Gross Overlapping General Fund Debt	$241,006,795
Less: Supported Debt	16,788,720
Total Net Overlapping General Fund Debt	$224,218,075
Total Gross Overlapping Tax Increment Debt	$19,815,000
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$19,815,000
Total Gross Direct and Overlapping Bonded Debt	$1,652,154,897
Less: Self-supporting Debt	16,788,720
Total Net Direct and Overlapping Bonded Debt	$1,635,366,177

Ratio to Assessed Valuation at December 31, 2019:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Total Gross Overlapping Tax and Assessment Debt	2.11%
Total Net Overlapping Tax and Assessment Debt	2.11%
Gross Direct and Overlapping Bonded Debt	2.51%
Net Direct and Overlapping Bonded Debt	2.48%

(1) The assessed valuations include state-reimbursable exemptions.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Information not available until fiscal year is completed.

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 Amount	Delinquencies at June 30 Percent	Tax Rate Per $100 Assessed Valuation Agency Total Rate	Tax Rate Per $100 Assessed Valuation Typical Total Rate
1997	$24,437,672,493	$263,655,875	$ 4,229,750	1.60%	0.00000	1.01223
1998	25,413,740,531	272,955,441	3,252,689	1.19	0.00000	1.01106
1999	26,929,428,510	292,586,142	2,482,863	0.85	0.00000	1.02221
2000	28,506,012,483	312,186,449	4,545,263	1.46	0.00000	1.01919
2001	30,811,725,758	336,579,195	6,194,044	1.84	0.00000	1.02724
2002	33,470,431,216	325,958,442	4,097,562	1.26	0.00000	1.02799
2003	35,986,575,550	348,404,287	4,327,765	1.24	0.00000	1.02707
2004	38,619,690,313	378,733,525	3,827,763	1.01	0.00000	1.02530
2005	42,010,491,267	412,156,061	4,490,277	1.09	0.00000	1.02086
2006	46,430,715,568	459,630,599	5,978,796	1.30	0.00000	1.02586
2007	51,053,483,690	508,780,407	10,760,629	2.11	0.00000	1.02631
2008	54,591,882,970	547,037,318	13,322,133	2.44	0.00000	1.02633
2009	56,957,844,751	570,319,442	15,942,615	2.80	0.00000	1.03483
2010	57,102,686,939	573,825,003	13,723,941	2.39	0.00000	1.03496
2011	57,601,688,658	575,911,027	9,363,054	1.63	0.00000	1.03496
2012	58,359,033,685	582,738,827	7,131,251	1.22	0.00000	1.03619
2013	58,837,930,366	590,636,407	5,574,662	0.94	0.00000	1.03969
2014	61,284,526,961	617,343,477	4,463,837	0.72	0.00000	1.04840
2015	64,587,513,414	658,541,674	4,942,942	0.75	0.00000	1.04840
2016	67,794,437,086	684,498,184	1,674,439	0.24	0.00000	1.04515
2017	70,290,131,386	720,076,190	4,641,237	0.64	0.00000	1.04088
2018	74,174,960,316	749,310,498	7,405,629	0.98	0.00000	1.05136
2019	77,584,016,408	785,888,856	7,629,757	0.97	0.00000	1.06593
2020	81,434,155,659	available at the end of the year			0.00000	1.05998

Direct and Overlapping Bonded Debt at December 31, 2019:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$877,456,833
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$877,456,833
Total Gross Overlapping General Fund Debt	$114,451,643
Less: Supported Debt	38,655,000
Total Net Overlapping General Fund Debt	$ 75,796,643
Total Gross Overlapping Tax Increment Debt	$30,605,000
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$30,605,000
Total Gross Direct and Overlapping Bonded Debt	$1,022,513,476
Less: Self-supporting Debt	38,655,000
Total Net Direct and Overlapping Bonded Debt	$ 983,858,476

Ratio to Assessed Valuation at December 31, 2019:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Total Gross Overlapping Tax and Assessment Debt	1.08%
Total Net Overlapping Tax and Assessment Debt	1.08%
Gross Direct and Overlapping Bonded Debt	1.26%
Net Direct and Overlapping Bonded Debt	1.21%

(1) The assessed valuations include state-reimbursable exemptions and exclude redevelopment incremental valuations. Beginning in 1988-89, assessed valuations exclude unitary utility valuations.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Information not available until fiscal year is completed.

KERN COUNTY WATER AGENCY

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30		Tax Rate Per $100 Assessed Valuation		
						Typical Total Rate	
			Amount	Percent	Agency Rate	City of Bakersfield Total Rate	Elk Hills School District
1995	$30,100,052,112	$ 9,370,510	$287,927	3.07%	0.070116	1.135179	1.019195
1996	30,538,512,132	12,656,809	338,224	2.67	0.095807	1.173827	1.020669
1997	31,943,215,222	13,283,378	395,321	2.98	0.091633	1.179749	1.022585
1998	34,411,749,796	12,984,313	480,525	3.70	0.091601	1.172489	1.019745
1999	32,692,348,290	13,035,390	282,929	2.17	0.089041	1.139540	1.016470
2000	36,368,798,648	(3)	(3)	(3)	0.088270	1.162026	1.035082
2001	38,813,931,812	15,981,366	295,032	1.85	0.077322	1.157759	1.017135
2002	41,429,323,346	15,210,702	339,798	2.23	0.061936	1.117621	1.015612
2003	39,976,729,738	15,776,379	476,821	3.02	0.060665	1.160526	1.019332
2004	42,165,212,745	18,525,332	(3)		0.063662	1.146391	1.021406
2005	45,443,236,748	16,054,006	237,483	1.48	0.063200	1.156496	1.056077
2006	52,596,138,408	13,726,652	258,314	1.88	0.047579	1.133705	1.055929
2007	64,149,863,242	12,223,309	384,215	3.14	0.038184	1.122182	1.047846
2008	71,491,760,384	18,521,313	802,472	4.33	0.053401	1.157296	1.050210
2009	75,766,431,779	17,059,057	572,984	3.36	0.052517	1.151185	1.054710
2010	70,423,049,669	19,500,828	565,663	2.90	0.064063	1.180167	1.064484
2011	74,597,201,953	17,863,779	345,942	1.94	0.058402	1.176436	1.053897
2012	76,240,534,603	25,718,178	379,982	1.48	0.074783	1.191102	1.054265
2013	81,254,773,400	18,041,862	234,670	1.30	0.057330	1.174290	1.043923
2014	81,080,979,985	21,461,367	244,116	1.14	0.062029	1.144662	1.073345
2015	85,601,304,520	21,947,286	235,109	1.07	0.056660	1.117595	1.069056
2016	76,936,246,496	22,535,818	231,106	1.03	0.060768	1.133600	1.079475
2017	72,752,296,314	24,676,414	301,531	1.22	0.068450	1.118033	1.142412
2018	77,288,726,481	33,033,896	351,729	1.06	0.090374	1.220308	1.112009
2019	80,502,901,315	32,788,630	383,891	1.17	0.082148	1.200369	1.094740
2020	84,074,584,469				0.094733	1.207273	1.164463

Direct and Overlapping Bonded Debt at December 31, 2019:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$1,420,747,698
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$1,420,747,698
Total Gross Overlapping General Fund Debt	$656,919,726
Less: Self-supporting Debt	0
Total Net Overlapping General Fund Debt	$656,919,726
Total Gross Overlapping Tax Increment Debt	$70,320,000
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$70,320,000
Gross Direct and Overlapping Bonded Debt	$2,147,987,424
Net Direct and Overlapping Bonded Debt	$2,147,987,424

Ratios to Assessed Valuation at December 31, 2019:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Gross Direct and Overlapping Tax and Assessment Debt	1.69%
Net Direct and Overlapping Tax And Assessment Debt	1.69%
Gross Direct and Overlapping Bonded Debt	2.55%
Net Direct and Overlapping Bonded Debt	2.55%

(1) Assessed Valuations are based on 100% of cash value beginning in 1981-82, rather than 25% as in previous years. The assessed valuations include state-reimbursable exemptions and exclude redevelopment incremental valuations. Beginning in 1988-89, assessed valuations exclude unitary utility valuations.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Information unavailable.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 Amount	Delinquencies at June 30 Percent	Tax Rate Per $100 Assessed Valuation Agency Total Rate (3)	Tax Rate Per $100 Assessed Valuation Typical Total Rate (6)
1997	$ 804,045,644,470	(4)	(4)	(4)	0.0089	1.051802
1998	817,424,957,700	(4)	(4)	(4)	0.0089	1.055796
1999	851,898,186,329	(4)	(4)	(4)	0.0089	1.067214
2000	910,809,885,402	(4)	(4)	(4)	0.0089	1.074728
2001	980,279,077,736	(4)	(4)	(4)	0.0088	1.078822
2002	1,169,293,222,451	(4)	(4)	(4)	0.0077	1.114077
2003	1,258,093,521,782	(4)	(4)	(4)	0.0067	1.102497
2004	1,359,534,425,177	(4)	(4)	(4)	0.0061	1.155130
2005	1,478,635,379,913	(4)	(4)	(4)	0.0058	1.169638
2006	1,643,013,823,543	(4)	(4)	(4)	0.0052	1.155967
2007	1,839,880,963,698	(4)	(4)	(4)	0.0047	1.179045
2008	2,015,721,475,188	(4)	(4)	(4)	0.0045	1.174687
2009	2,120,944,531,740	(4)	(4)	(4)	0.0043	1.189738
2010	2,081,864,775,527	(4)	(4)	(4)	0.0043	1.220441
2011	2,049,887,037,949	(4)	(4)	(4)	0.0037	1.269859
2012	2,068,668,852,729	(4)	(4)	(4)	0.0037	1.245849
2013	2,097,369,921,305 (7)	(4)	(4)	(4)	0.0035	1.265550
2014	2,183,386,537,251	47,704,924.11	536,777.41	1.13% (5)	0.0035	1.224234
2015	2,314,948,470,714	48,035,283.02	521,310.97	1.09 (5)	0.0035	1.218651
2016	2,451,003,605,785	52,507,872.55	582,061.13	1.11 (5)	0.0035	1.191994
2017	2,583,386,184,090	56,623,896.43	507,550.17	0.90 (5)	0.0035	1.191849
2018	2,739,625,782,568 (8)	61,460,534.68	566,960.01	0.92 (5)	0.0035	1.193027
2019	2,916,620,002,752	67,179,889.79	666,681.73	0.99 (5)	0.0035	1.196046
2020	3,092,426,782,060				0.0035	1.174279

Direct and Overlapping Bonded Debt at December 31, 2019:

Total Gross Direct Debt	$48,050,000
Less: Self-supporting Debt	0
Total Net Direct Debt	$48,050,000
Total Overlapping Tax and Assessment Debt	$58,010,336,138
Direct and Overlapping Tax and Assessment Debt	$58,058,386,138
Total Gross Overlapping General Fund Obligation Debt	$13,243,728,205
Less: Self-supporting Debt	941,050,983
Total Net Overlapping General Fund Obligation Debt	$12,302,677,222
Overlapping Tax Increment Debt	$6,383,988,395
Gross Direct and Overlapping Bonded Debt	$77,686,102,738
Net Direct and Overlapping Bonded Debt	$76,745,051,755

Ratios to Assessed Valuation at December 31, 2019:

Gross Direct Debt.......... 0.002%
Net Direct Debt.......... 0.002%
Direct and Overlapping Tax and Assessment Debt.......... 1.88%
Total Gross Direct and Overlapping Bonded Debt.......... 2.51%
Total Net Direct and Overlapping Bonded Debt.......... 2.48%

(1) Assessed Valuations are based on 100% of cash value beginning in 1981-82, rather than 25% as in previous years. The assessed valuations include state-reimbursable exemptions. Beginning in 1988-89, assessed valuations exclude unitary utility valuations.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Base rate for all member areas. Some areas added after formation of the District pay higher rates.
(4) Information unavailable.
(5) Los Angeles County portion only.
(6) Los Angeles County TRA 67.
(7) Excludes Orange County November 2012 unsecured adjustments.
(8) The 2017-18 Assessed Valuation is $1,005,087,583 less than the 8/15/2017 reported certified assessed valuation. The reduction is due to the discovery of 28 tax rate areas in Los Angeles County with double-counted assessed valuations.

SAN BERNARDINO COUNTY VALLEY MUNICIPAL WATER DISTRICT

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 Amount	Delinquencies at June 30 Percent	Tax Rate Per $100 Assessed Valuation: Agency Rate	Typical Total Rate: School District Total Rate	Typical Total Rate: Total Tax Rate
2015	44,303,762,567				0.1625	0.0987	1.2612
2016	46,634,312,131				0.1625	0.0970	1.2595
2017	49,387,383,172				0.1625	0.0874	1.2499
2018	52,417,437,603				0.1525	0.0870	1.2395
2019	56,318,797,318				0.1525	0.0731	1.2256
2020	60,512,590,555				0.1425	0.0901	1.2326

Direct and Overlapping Bonded Debt at December 31, 2019:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$1,347,462,811
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$1,347,462,811
Total Gross Overlapping General Fund Debt	$338,856,858
Less: Self-supporting Debt	256
Total Net Overlapping General Fund Debt	$338,856,602
Total Gross Overlapping Tax Increment Debt	$543,076,828
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$543,076,828
Gross Direct and Overlapping Bonded Debt	$2,229,396,497
Net Direct and Overlapping Bonded Debt	$2,229,396,241

Ratios to Assessed Valuation at December 31, 2019:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Gross Direct and Overlapping Tax and Assessment Debt	2.23%
Net Direct and Overlapping Tax And Assessment Debt	2.23%
Gross Direct and Overlapping Bonded Debt	3.68%
Net Direct and Overlapping Bonded Debt	3.68%

(1) The assessed valuations include state-reimbursable exemptions and exclude redevelopment incremental valuations.
(2) Information unavailable.

SAN GORGONIO PASS WATER AGENCY

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 Amount	Delinquencies at June 30 Percent	Tax Rate Per $100 Assessed Valuation Agency Total Rate	Tax Rate Per $100 Assessed Valuation Typical Total Rate
2015	$ 7,153,758,801	$12,452,588	$233,658	1.88%	0.1850	1.37965
2016	7,690,055,788	13,427,522	232,231	1.73	0.1850	1.35143
2017	8,130,682,113	14,310,311	234,673	1.64	0.1850	1.35370
2018	8,729,481,463	15,241,124	225,619	1.48	0.1825	1.36299
2019	9,436,463,325	(3)	(3)	(3)	0.1825	1.35694
2020	10,180,505,657	(4)	(4)	(4)	0.1775	1.33498

Direct and Overlapping Bonded Debt at December 31,2019:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$526,292,468
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$526,292,468
Total Gross Overlapping General Fund Debt	$53,623,432
Less: Supported Debt	30,612
Total Net Overlapping General Fund Debt	$53,592,820
Total Gross Overlapping Tax Increment Debt	$47,754,936
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$47,754,936
Total Gross Direct and Overlapping Bonded Debt	$627,670,836
Less: Self-supporting Debt	30,612
Total Net Direct and Overlapping Bonded Debt	$627,640,224

Ratio to Assessed Valuation at December 31, 2019:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Total Gross Overlapping Tax and Assessment Debt	5.17%
Total Net Overlapping Tax and Assessment Debt	5.17%
Gross Direct and Overlapping Bonded Debt	6.17%
Net Direct and Overlapping Bonded Debt	6.17%

(1) The assessed valuations include state-reimbursable exemptions .
(2) Excludes tax levy on inventories and other unsecured property.
(3) Not available at this time.
(4) Information not available until fiscal year is completed.

COACHELLA VALLEY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

Coachella Valley Water District

Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2019

John P. Powell, Jr. President, Division 3

Castulo R. Estrada, Vice President, Division 5

G. Patrick O'Dowd, Director, Division 1

Anthony Bianco, Director, Division 2

Peter Nelson, Director, Division 4

Jim Barrett, General Manager

Robert Cheng, Assistant General Manager

Dan Charlton, Assistant General Manager

75-515 Hovley Lane East, Palm Desert, CA 92211

www.cvwd.org

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COACHELLA VALLEY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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COACHELLA VALLEY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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STATISTICAL SECTION

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GENERAL MANAGER
Jim Barrett

ASSISTANT GENERAL MANAGER
Robert Cheng

November 20, 2019

To the Board of Directors:

We are pleased to present the Coachella Valley Water District's (CVWD, District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public, and other interested parties these basic financial statements.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatement. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by White, Nelson, Diehl, and Evans, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for fiscal year ended June 30, 2019 are free of misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2019, are fairly presented, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A profile of the District is presented in the Introductory Section. In the Financial Section, Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. The letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it. This report includes all disclosures management believes necessary to enhance your understanding of the financial condition of the District.

1) Profile of the Coachella Valley Water District

Mission Statement: To meet the water-related needs of the people through dedicated employees, providing high-quality water at a reasonable cost.

Overview

Coachella Valley Water District was formed in 1918 to protect and conserve local water sources. CVWD is a special district established by the California State legislature and certified by state officials on January 16, 1918. The District has a deep history and was one of the original signatories to the Seven Party Agreement of 1931, which divided California's share of the Colorado River Water.

The District has grown into a multi-faceted agency that delivers irrigation and domestic (drinking) water, collects and recycles wastewater, provides regional stormwater protection and flood control, replenishes the groundwater basin, provides agricultural drainage and promotes water conservation. CVWD serves an area of approximately 1,000 square miles and is located primarily in Riverside County, with portions in Imperial and San Diego counties. The total full-time population served is approximately 290,000.

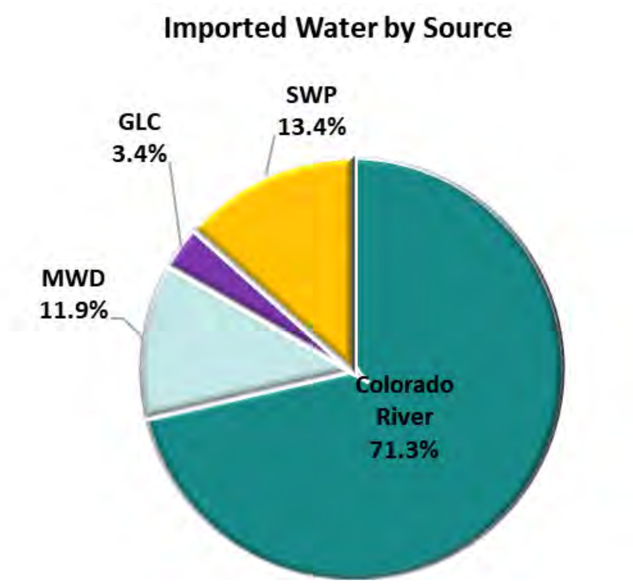
Governance

CVWD is governed by a five-member Board of Directors elected to four-year terms by District voters. Each Director lives in and represents one of five directorial divisions of the District, and is elected by voters who also live in that division. Terms of office are staggered and elections are held every two years, for two or three of the five Board members.

The Board of Directors set policy and represent the ratepayers. By a majority vote, the Board may enact and enforce ordinances and pass resolutions necessary for the operation of the District's business. The District plays a vital role in water resource management in Southern California and in the Lower Colorado River Basin.

The District must work effectively and cooperate with the State and federal governments, numerous local jurisdictions, and other water purveyors to fulfill this role. Board members actively serve in leadership positions for numerous intergovernmental agencies and associations that further the interests of the District. Numerous District policies are regulated by several state and federal agencies, including the State Water Resources Control Board, the California Department of Public Health and the California Environmental Protection Agency. Since the District is a government agency and not a private company, it is not regulated by the Public Utilities Commission.

The District relies on three sources of water to provide service to its customers: groundwater, recycled water, and imported water. The District imports water from four sources: the Colorado River, the Metropolitan Water District of Southern California (MWD), the Glorious Land Company (GLC), and the State Water Project (SWP). All of the District's imported water is received via the Coachella Canal.



Although the Coachella Valley is blessed with a vast aquifer, the region has relied upon imported water to protect and replenish groundwater supplies for years. The good news is that groundwater levels have improved in the west valley and continue to rise in the east valley, thanks to the successful implementation of the Coachella Valley Water Management Plan.

The Colorado River system is the primary source of water for the District's irrigation customers and is used to replenish the aquifer. The District has a base allotment of 301,000 acre-feet of Colorado River water. Additional Colorado River water allotments vary based on the terms of the Quantification Settlement Agreement (QSA). See Note 9 to the Financial Statements for further details about the QSA.

The State Water Project has been used to replenish groundwater through a unique exchange agreement with the Metropolitan Water District. The State Water Project is the nation's largest state-built water conveyance system and its water supply comes mainly from rainfall, snowmelt runoff, and excess flows in the Sacramento-San Joaquin Delta. The District is one of 29 State Water Project contractors that share in the cost of this delivery system.

The next several pages discusses the District's enterprise funds.

DOMESTIC WATER FUND

CVWD first provided drinking water to Coachella Valley residents in 1961, under the pressure of the need for a unified agency in the Valley. After taking over two local small private water systems, CVWD served only 1,100 households and businesses. As of calendar year 2018, below are operating information:

Active wells	95
Distribution reservoirs	63
Storage capacity	143 mg
Distribution system	2,015 miles
Active Accounts	109,714
Population Served	290,000
Daily demand	79 MGD
Annual Acre Feet	89,050 AF

Throughout most of the Coachella Valley, only a small amount of chlorine is added as a precautionary measure to ensure compliance with drinking water regulations. Currently, the aquifer remains in a state of overdraft, meaning more water is used each year than can be replaced by natural or artificial means. To ensure adequate water supplies, the District has implemented various initiatives, including securing additional water resources, banking unused resources, water conservation programs, tiered rates, water-use restrictions, and recycling water.

Domestic Water Rates

The District uses a budget-based tiered rate structure to curb excess water use and reward water-efficient customers. Tiered rates are helping the District meet legislation enacted by the State of California to reduce per capita urban water use by 20% by the year 2020. Domestic water service is broken down into five (5) customer classes: single family residential, multi-family, commercial, landscape irrigation, and construction meters. Each customer class is assigned a different monthly fixed charge to reflect the difference in the cost of providing service to them. As illustrated in the table on the following page, there are five tiers, with the first two tiers designed to meet the needs of an average single-family home of four people. All use in excess of tier 2 is considered inefficient, and is charged at a higher rate to cover the incremental costs of providing water in excess of efficient use.

	FY 2016*	FY 2017**	FY 2018	FY 2019	FY 2020
Fixed Charge - Single Family	$7.00	$6.92	$6.92	$6.92	$7.92
Consumption - Per CCF - Tier 1 - Excellent	1.01	0.95	0.95	0.95	0.98
Consumption - Per CCF - Tier 2 - Efficient	1.12	1.32	1.32	1.32	1.37
Consumption - Per CCF - Tier 3 - Inefficient	1.68	2.46	2.46	2.46	2.55
Consumption - Per CCF - Tier 4 - Excessive	2.24	4.67	4.67	4.67	4.83
Consumption - Per CCF - Tier 5 - Wasteful	4.48	6.13	6.13	6.13	6.34

**Fixed Charge and Consumption - Per CCF is for Central Valley*
***Fixed Charge Effective 11/01/16 - Consumption - Per CCF Effective 07/01/16*

CANAL WATER FUND

The Coachella Valley's farmland is ranked among the most profitable crop-growing regions in California on a per-acre basis. More than two-thirds of local farmland is irrigated with Colorado River water delivered via the Coachella Canal (Canal), a branch of the All American Canal.

Although the Valley is geographically located in the northwestern portion of the Sonoran Desert, irrigation allows widespread agriculture. In 1934, CVWD entered into a contract with the United States Bureau of Reclamation (Reclamation) for the construction of the Coachella Branch of the All American Canal. Reclamation agreed to deliver water to CVWD for potable and irrigation purposes within the 137,000 acres area known as Improvement District Number 1 (ID 1), of which 76,000 acres are irrigable. The larger size of ID 1 was established to maximize potential groundwater replenishment. The Coachella Canal was completed in 1948, with CVWD taking water delivery in 1949. Water that flows through the Canal travels several hundred miles, via gravity flow. It starts at the Colorado River and diverts into the All American Canal at the Imperial Dam, located 18 miles north of Yuma, Arizona. The water is diverted again, 38 miles downstream, into the Coachella Canal.

CVWD entered into a contract for the construction of the irrigation distribution system and a system of protective works to protect the Canal and systems from alluvial fan flooding. Shortly after work on the canal was completed, construction began on an underground tile drainage system designed to carry agricultural irrigation drainage water away from farmland to the Salton Sea. Today, there are nearly 2,300 miles of on-farm and district-maintained drains on 37,425 acres. Below are some of the operating information as of calendar year 2018:

Pumping plants	95
Reservoirs	2
Storage capacity	1,301 AF
Distribution system	485 miles
Active accounts	1,263
Total water delivered	338,094 AF
Length of canal	123 miles
Irrigable acres	77,101

Canal Water Rates

Canal Water Service Charges are condensed into two types of customers: Class 1, Agriculture, and Class 2, Non-agriculture. Class 1 customers are designated as having a historical priority access to the District's Colorado River water rights (301,000 acre fee (AF) per year). Since Class 1 customers use less than 301,000 AF per year, those customers are not responsible for any QSA water purchase costs.

Water Supply Surcharges fund the cost of QSA water purchases and is collected only from Class 2 and Temporary Construction Meter customers.

The Outside Improvement District 1 (ID1) Surcharge is assessed to all customers outside of ID1. The Outside ID1 Surcharge is a fixed charge based on property acreage and is calculated by dividing the ID1 property tax revenue in a given year by the total acres within ID1 receiving canal water service.

The table below shows the five-year history of canal rates for the District.

Service	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Water, per acre-foot, Class 1: Agriculture	$ 28.95	$ 33.48	$ 34.32	$ 34.32	$ 34.32
Water, per acre-foot, Class 2: Nonagriculture (1)	42.15	33.48	34.32	34.32	34.32
Water, per acre-foot, Class 3: Nonagriculture (1,2)	86.25	n/a	n/a	n/a	n/a
Water, per acre-foot, Temporary Construction Meters (1)	140.00	45.15	47.41	47.41	47.41
Water Supply Surcharge	-	32.51	67.80	67.80	67.80
Quagga Mussel Surcharge, per acre-foot	5.00	2.65	2.78	2.78	2.78
Gate Charge, per day	11.50	n/a	n/a	n/a	n/a
Gate Charge - Scheduled, per visit	-	16.25	16.66	16.66	16.66
Gate Charge - Unscheduled, per visit	-	32.51	33.32	33.32	33.32
Outside ID 1 Surcharge ($/acre/month)	-	3.69	3.69	3.69	3.69

(1) All Nonagriculture and Construction Meter customers pay the Class 1 rate plus the Water Supply Surcharge

(2) Class 2 & Class 3 customers consolidated into a single Class 2

SANITATION FUND

CVWD began wastewater collection and treatment services in 1968. Coachella Valley Water District treats approximately six billion gallons of wastewater annually and recycles more than two billion gallons of wastewater each year. This wastewater is subjected to an advanced multi-step process that filters out solids, organic materials, chemicals, and germs. At two of the District's five wastewater reclamation plants, the treated reclaimed, or nonpotable, water is then delivered to customers to irrigate grass, landscapes, and fill lakes. Increasing the supply and use of recycled water is a key component of CVWD's long-range water management plans.

Reclamation plants	5
Daily plant capacity	33 MGD
Collection piping system	1,243 miles
Active accounts	96,206
Average daily flow	17 MGD
Population Served	252,803

Sanitation Fund Rates

Sewer customers are charged a consumption-based fixed service charge, which estimates sewage discharge, called an equivalent sewer unit (ESU). Sewage discharges for residential customers are based on their indoor water budget of 200 gallons per dwelling unit per day, established by the Domestic Water Fund, multiplied by 365 days per year yields an equivalent sewer unit of 73,000 gallons per year. This ESU value is used as a common denominator to measure the relative impact of all customer classes on the sewer system. A monthly account charge per customer is established to recover billing costs such as the cost of placing sewer bills on the tax roll for Residential customers.

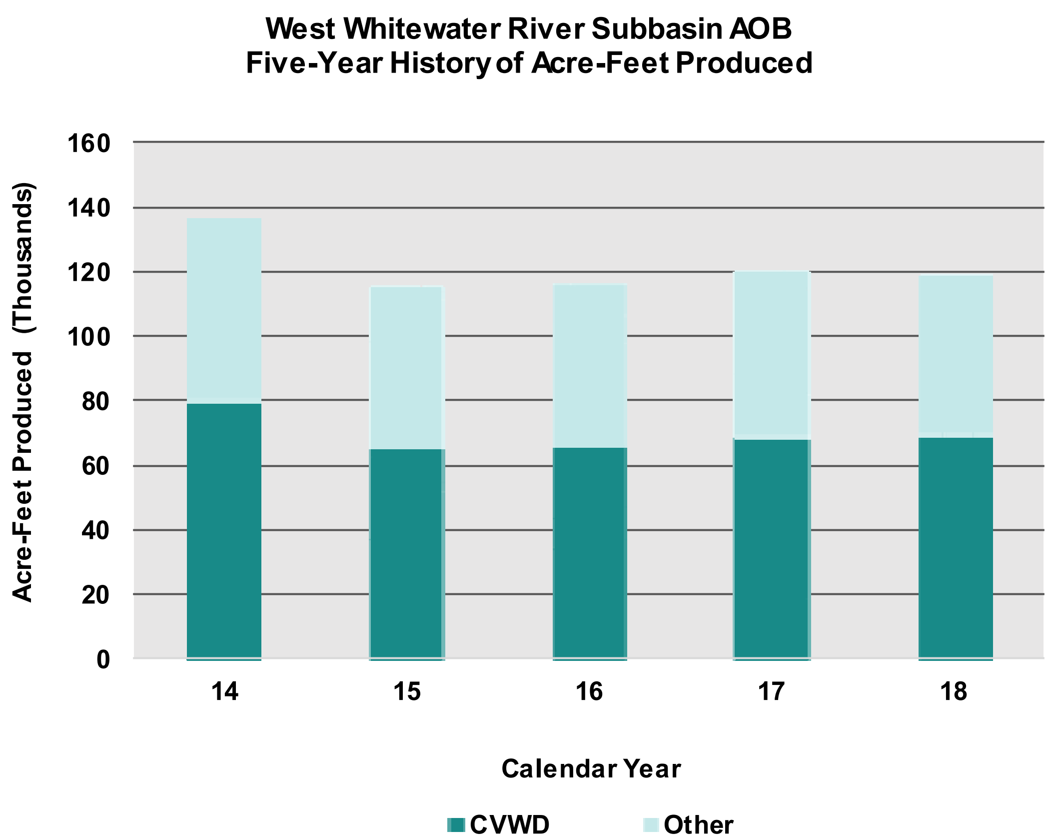
The RV/trailer park customer class has sewage production patterns similar to residential, but receives monthly sewer bills rather than annual sewer bills; therefore, they are charged a monthly account charge that reflects the cost to bill monthly. Nonresidential accounts are based on potable water use, combined with an assumption of a "return to sewer" factor. The return to sewer factor estimates how much of the account's potable water use is discharged to the sewer drain as wastewater. All residential and rv/trailer park customers are charged one service charge unit per dwelling unit. Nonresidential customers are charged one service charge per equivalent sewer unit. ESU values are assigned to nonresidential customers based on 90% of their average daily water usage.

GROUNDWATER REPLENISHMENT FUND GROUP

CVWD has three subbasins namely West Whitewater River, Mission Creek, and East Whitewater River to collect imported water to supplement groundwater needs. These three subbasins are accounted for in individual enterprise funds. Replenishment assessment charges are used to fund a portion of the costs of importing supplemental water for the replenishment of the subbasins.

West Whitewater Replenishment Fund

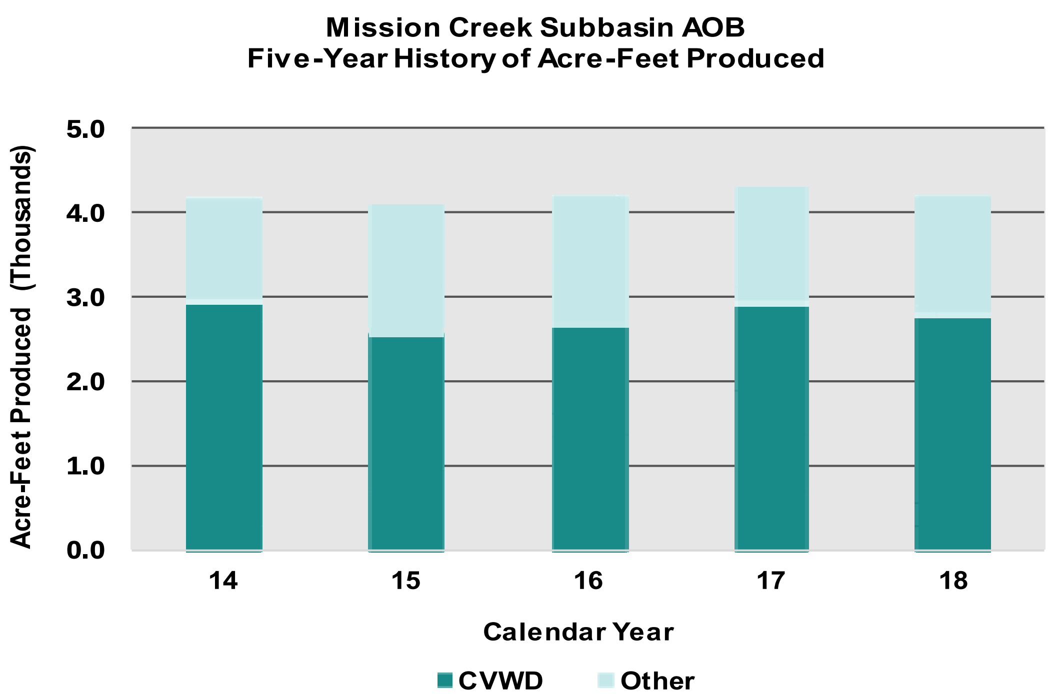
In 1973, CVWD and Desert Water Agency, began using the State Water Project entitlement to replenish the western Coachella Valley's aquifer at the Whitewater spreading area, northwest of Palm Springs. To date, CVWD has replenished approximately 3.3 million acre-feet of water in the West Whitewater River Subbasin Area of Benefit (AOB). The amount of water replenished varies year-to-year. This is due in part to the 1984 Advance Delivery Agreement between CVWD, DWA and Metropolitan Water District (MWD), whereby the District will allow MWD to predeliver up to 800,000 AF of water in the Whitewater River.



In years where an advanced delivery balance exists, MWD may deliver less than CVWD's State Water Project allocations to the Coachella Valley and instead draw down the advanced delivery account. However, the account can never go below zero. The agreement allows MWD to store Colorado River water in the Whitewater River Basin in wet years on the Colorado River. The table above shows the five-year history of the replenishment assessment charges (RAC) in the West Whitewater Replenishment Fund.

Mission Creek Replenishment Fund

The Mission Creek Subbasin Area of Benefit (AOB) is bound on the south by the Banning fault and on the north and east by the Mission Creek fault. This subbasin relies on the same imported SWP exchange water source, as does the West Whitewater River Subbasin AOB. CVWD and DWA began constructing facilities to replenish the Mission Creek subbasin in 2001, and completed them in 2002. In 2003, recognizing that management of the Mission Creek Subbasin extended across agency boundaries, CVWD and DWA entered into the Mission Creek Groundwater Replenishment Agreement. This agreement recognizes the need to operate the subbasin as a complete unit rather than as individual segments delineated by agency boundaries.

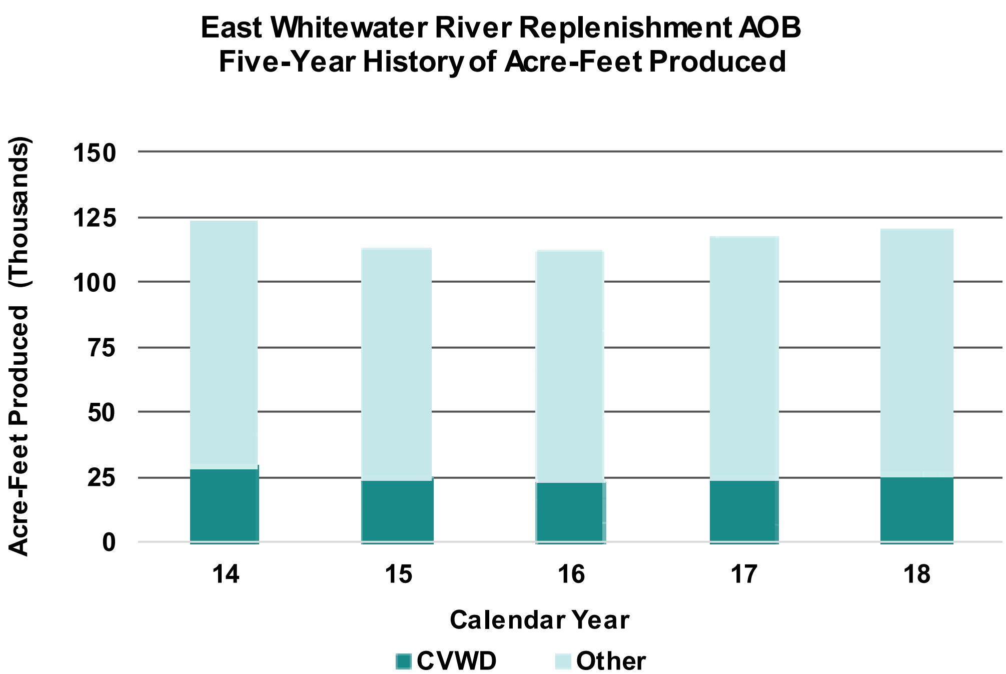


To date, CVWD has replenished more than 159,500 AF in the Mission Creek Subbasin AOB. There were minimal deliveries to the Mission Creek Replenishment facility in 2015 and 2016. Deliveries to the Mission Creek Replenishment facility were temporarily reduced to allow for the balancing of production and replenishment. The table above shows the five-year history of the RAC in the Mission Creek Replenishment Fund.

East Whitewater Replenishment Fund

The Eastern boundary of the East Whitewater River Subbasin is formed primarily by the watershed of the Mecca Hills and by the Northwest shoreline of the Salton Sea, running between the Santa Rosa Mountains and Mortmar. The southern boundary roughly coincides with the Riverside/Imperial County line. The west boundary runs from Point Happy in La Quinta, to Indio Hills and the San Andreas Fault.

Groundwater replenishment in the east valley began in 1997, using pilot groundwater replenishment facilities at Martinez Canyon and Dike 4. The Thomas E. Levy Groundwater Replenishment facility (TEL) became operational in 2009. A loan from the Domestic Water Fund was used to pay for the cost of the new facility. The East Whitewater Replenishment Fund final repayment date is in fiscal year 2021.



To date, CVWD has replenished more than 343,300 AF of water in this subbasin. The water is supplied from the Colorado River via the Coachella Branch of the All American Canal. The table above shows the five-year history of the RAC in the East Whitewater Replenishment Fund.

STORMWATER FUND

In 1937, the Coachella Valley Stormwater District of Riverside County was merged into the Coachella Valley Water District. The District became responsible for much of the region's stormwater protection, helping to prevent loss of life and extensive property damage.

CVWD protects 590 square miles from flooding, with Riverside County Flood Control District responsible for the remaining areas of the valley. There are 16 stormwater channels within CVWD's boundaries. The entire system includes approximately 134 miles of channels built along the natural alignment of dry creeks that flow from the surrounding mountains into the Whitewater River. Along with the channels, a number of levees have been built to collect rapidly flowing floodwater as it pours from the adjacent mountains onto the valley floor.

The backbone of CVWD's flood protection is a 49-mile storm channel that runs from the Whitewater area north of Palm Springs to the Salton Sea. The Whitewater River/Coachella Valley Stormwater Channel was designed to convey rain and snow melt from Whitewater to the Salton Sea. It was built to withstand a standard project flood or a flow of about 83,000 cubic feet per second. Although the Coachella Valley averages less than four inches of rain per year, the surrounding mountains are subject to much higher rainfall, which can produce unpredictable, damaging, and even deadly flash flooding events throughout the Valley. Ensuring adequate stormwater protection is critical.

The District continues to make stormwater protection improvements. With completion of the environmental documents, land acquisition is expected to occur this year for the North Indio Flood Control Project (NIFCP), which connects the flood conveyance channels of Sun City Palm Desert to those of Sun City Shadow Hills. Construction will follow in subsequent years.

NONPOTABLE WATER FUND

The District established nonpotable water operations in an effort to help protect the Valley's groundwater supply. The goal is to maximize the use of recycled and canal water in order to reduce reliance on groundwater pumping.

The Coachella Valley is home to about 120 golf courses. Unfortunately, the amount of wastewater that CVWD recycles cannot meet the year-round irrigation needs of the courses. The District completed the Mid-Valley Pipeline Project in 2009 bringing Colorado River water to the District’s largest wastewater reclamation plant in Palm Desert. This substantially increased the available nonpotable water supply for golf courses. At the end of 2019, 53 of the 105 courses within CVWD’s boundaries will be using a water source other than groundwater.

The District currently sells and delivers recycled water, canal water, and recycled water blended with canal water to golf courses, homeowner associations, and a high school for grass irrigation, water landscapes, athletic fields, and fill lakes. In fiscal year ending 2019, the nonpotable system delivered 38,344 acre-feet of nonpotable water, an increase of 2,906 acre-feet over 2018.

2) Economic Indicators

At the end of calendar year 2018, the estimated population of major cities surrounding the Coachella Valley is about 387,737, which can increase to almost 600,000 during the months of November through May with the influx of “snowbirds” escaping the cold winters of Canada, the Pacific Northwest, and the Northeastern United States.

Tourism and Golf

Tourism is the region’s largest and most dynamic sector, and is a critical component of the Valley’s economy. It generates approximately 51,000 jobs and more than $7 billion for the local economy, according to a Tourism Economics study commissioned by the Greater Palm Springs Convention and Visitors Bureau. The report highlighted the economic impact of the growth of major events in the Coachella Valley such as Modernism Week, the Palm Springs International Film Festival, the Coachella Valley Music and Arts Festival, the Stagecoach Country Music Festival, and the BNP Paribas Open tennis tournament.

Golf facilities contribute to the economic strength of the Coachella Valley. Tourism Economics was hired by the Hi-Lo Desert Golf Course Superintendents Association to estimate the benefits of the golf industry to the Coachella Valley. It was determined that the region’s 124 golf courses, which represents roughly 13.9% of California’s golf industry, generates an estimated $745 million in golf related spending and directly employs over 8,000 workers. An additional $7.2 million is generated by golf tournament organizational and media expenditures.

Housing

Based on the U.S. Census Bureau Riverside County report, the median house value in calendar year 2018 increased by about 10.2%. Increase in home prices can be driven by reduced inventory and lack of new home building. The Valley maintains an inventory of homes that includes affordable price points for all buyer types. According to market watch, the housing market continues to be a seller’s market.

Employment

As of calendar year 2018, the Riverside County’s unemployment rate decreased to 4.2% from 15.3% ten years ago. On average, the unemployment rate has steadily declined each year an average of about 1.2% as the economy continues to recover.

Crop Production

The District irrigates about 77,101 acres of cropland in the Coachella Valley. As of calendar year 2018, the District delivered about 338,094 acre-feet to 1,253 customers. Crop production for calendar year 2018 is valued at almost $620 million, according to the CVWD annual crop report. The Valley’s farmland is among the most profitable per-acre crop-growing regions in the state, renowned for dates, citrus, grapes, bell peppers, and carrots. Over 60% of farms in the Coachella Valley use drip irrigation. Besides reducing water use, drip irrigation allows pesticide and herbicides to be added directly to irrigation lines. Drip irrigation tends to increase crop yield; however, it is not appropriate for all types of crops. More than two-thirds of local farmland is irrigated in part with Colorado River water, delivered via the Coachella Canal.

Cannabis Cultivation

Beginning January 2018, the State of California has allowed the retail sale of marijuana to adults for recreational purposes as approved under Proposition 64 by the California voters back in November 2016. Several cities has expanded the cultivation of marijuana for resale, which in turn helps those cities increase sales tax revenue collections. Marijuana remains as a controlled substance under federal law; therefore, the District cannot use any of the Colorado River Water as a source of irrigation for these marijuana farms. It is too early to determine if this new source of revenue will flourish.

3) Fiscal 2019 Highlights

- Total net position increase by $63.0 million.

- Total capital assets increased by $102.3 million mainly due to completion of several major capital projects such as the Mission Hills Pressure Zone Expansion, WRP 7 – Secondary Clarifiers and Filter Modifications, the Domestic Water Transmission Pipeline Replacement Phase 2, WRP 10 – T1 Tertiary Filter Seal Coating, and the Re-Drill of Sky Mountain Zone Well.

- The capital improvement program reached an execution rate of 92.4%, which exceeded the target rate of 80%.

- Water purchased cost declined by $19.6 million since Metropolitan Water District (MWD) reduced the water allotment.

4) Fiscal Year 2020 Financial Plan - Operating and Capital Improvement Budgets

Each year, the Board approves an annual operating budget. The District uses a base budget approach to budgeting. The base budget approach consists of budget proposals sufficient to maintain the operation of programs authorized in earlier years. Departments may request funding above the base budget amount in order to maintain current levels of service, to provide for the expansion of existing programs, or to enable the implementation of new services or programs. These are considered supplemental requests. All supplemental funding requests must be thoroughly described and include concise justification that reflects consideration of reasonable alternatives, particularly, if the request involves addition of full-time personnel.

The adopted fiscal year 2020 operating budget slightly increased to $289.7 million from $289.2 million as compared to fiscal year 2019. The primary drivers for the increase were in the personnel costs, offset by decreases in supplies & services, the Quantification Settlement Agreement Mitigation payments, and the elimination of the effluent disposal fee. In addition, the interfund debt service increased by $6 million and the loan payment between the Domestic Water Fund and the East Whitewater Replenishment Fund has been re-amortized to help maintain reserves.

The Board also approves an annual capital improvement budget (CIB) based on new and replacement infrastructure needs of the District. The fiscal year 2020 CIB is $103.4 million, a decrease of ($24.0) million as compared to fiscal year 2019. The CIB includes funding for a variety of projects and vehicle and equipment replacements.

Strategic Plan

In fiscal year 2020, the District reviewed the list of initiatives and projects plans that carried over from prior years. The District chose to continue on the same path, and will modify those goals based on changing needs overtime. The following is the strategic initiatives:

- Financial stability
- Water supply sustainability
- Exceptional customer service
- Water quality and environmental leadership
- Infrastructure investment and management

Staff

The District budgets approximately 569 staff members who are responsible for daily operations and implementing strategic initiatives and policies set forth by the Board of Directors.

Challenges Facing the District

The District currently faces several challenges including investment in infrastructure, the California Water Fix, the Agua Caliente Lawsuit, increasing State Water Project costs, and increasing CalPERS costs.

Investment in Infrastructure

Large portions of the District's infrastructure are aging and require major investment in both the short- and long-term. The District continues to work on a comprehensive Asset Management Master Plan, which began three years ago. The purpose of the plan is to provide the District a comprehensive view of the state of the assets and a timeline for replacement based on likelihood and consequence of failure. To date, over 130,000 physical assets have been identified, inventoried, located, photographed, condition scored, and valued. These physical assets has been entered into the new Computerized Maintenance Management System (CMMS). For fiscal year 2020, the focus will be on identifying a fund to use as a pilot project for budgeting purposes. The District currently has the reserves to address the immediate replacement and improvement projects, but is taking a proactive look at alternative funding sources such as grants, loans, and revenue bond funding.

California Water Fix

California's largest supply of clean water is dependent on an aging and inefficient system that cannot adequately store water when it is available. The proposed solution, the California Water Fix, will update the infrastructure, reduce risk from earthquakes, and provide reliable water while protecting the environment. Part of the cost to fix California's primary water delivery system will be paid for by State Water Project contractors and other public water agencies that rely on the supply. The State Water Project contractors are estimated to contribute $11 billion to the project; the District's share would be based on its percentage of entitlement, which is 3.4%. Cost estimates and financing plans are being developed. This project will have a major impact on rates in the Coachella Valley.

Agua Caliente Lawsuit

The Agua Caliente Band of Cahuilla Indians filed a lawsuit on May 14, 2013 against CVWD and Desert Water Agency (DWA) claiming senior water rights above all users in the Coachella Valley. The suit was broken into three phases. In March 2017, the Ninth Circuit Court granted federal groundwater rights to the Agua Caliente (Phase 1). In July 2017, the District and DWA filed petitions with the U.S. Supreme Court asking the Court to review the ruling. The Supreme Court declined to hear the case at this time. On April 19, 2019, the Federal Court ruled that the Agua Caliente Tribe was not harmed because it has always had access to as much high-quality water as it needs. The judge ruled that the Tribe does not have standing, the right to pursue a lawsuit against the local public water agencies. The only claim remaining in the Tribe's lawsuit is the "narrow issue" of whether the Tribe has an ownership interest in storage space for groundwater under its reservation. The parties will now move into Phase 3.

State Water Project Costs

In early 2017, the Oroville Dam, a part of the State Water Project system, suffered severe damage and erosion to the Gated Spillway and Emergency Spillway. The cost for cleanup, and the initial cost to reconstruct the dam, is in excess of $850 million. Efforts are being made to recover these costs from the Federal Emergency Management Agency (FEMA). However, whatever costs FEMA will not reimburse the State Water Project for, will be passed on to the State Water Project Contractors. These costs will then be passed on to District ratepayers.

Increasing CalPERS Costs

The District provides retirement benefits to District employees through the California Public Employees Retirement System (CalPERS). The Board of Trustees has been very concerned about the rising level of retirement benefit unfunded liability, caused mostly by the lower than anticipated investment returns by the CalPERS investment portfolio managers. On October 23, 2018, the Board of Directors unanimously voted to pay $20 million directly to CalPERS in four equal payments throughout the fiscal year in order to reduce the District's unfunded liability. Further benefits of paying the $20 million directly to CalPERS are: (1) a reduction in the annual growth of the Required Minimum Contributions, (2) strengthening of the District's position for a future bond rating (as described in the confidential rating received from Fitch in March 2018), and (3) a reduction of pressure on rate increases by lowering future CalPERS costs. The Finance staff continues to work directly with the District's CalPERS actuary to modify the CalPERS projections utilizing more current and accurate data provided by the District in order to ensure the District continues to make the appropriate amount of payments to CalPERS, which will reduced so that the unfunded liability will continue to be reduced over the coming years.

Financial Stability

Overall, the financial stability of the District remains stable and strong ending fiscal year 2019. The District plans to maintain an emphasis on meeting the execution rate of the Capital Improvement Program, which means more of the unobligated cash will be used reducing available reserves. The District is looking into alternative funding sources such as grants, loans, and revenue bonding in fiscal year 2020 and beyond. While the fiscal 2020 budget was adopted with a rate increase only in Domestic Water, future budgets may require rate increases in additional funds, including Domestic Water, to ensure reserve targets are met. The District is set to prepare a 20-year projection in the future to better plan rates, reserves, and funding needs for capital projects.

5) Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Coachella Valley Water District, for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, an agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to thank the dedicated employees of the District for their commitment to providing high-quality service to the District's customers. In addition, we would like to thank the Board of Directors for providing the resources necessary to prepare this report and for their role in preserving the District's framework of internal controls. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance department.

Respectfully submitted,

Geoffrey A. Kiehl

Geoffrey Kiehl
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Coachella Valley Water District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

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Coachella Valley Water District

BOARD OF DIRECTORS

Standing from the left:

Peter Nelson / Division Four

John Powell Jr., **Board President** / Division Three

G. Patrick O’ Dowd / Division One

Seated from the left:

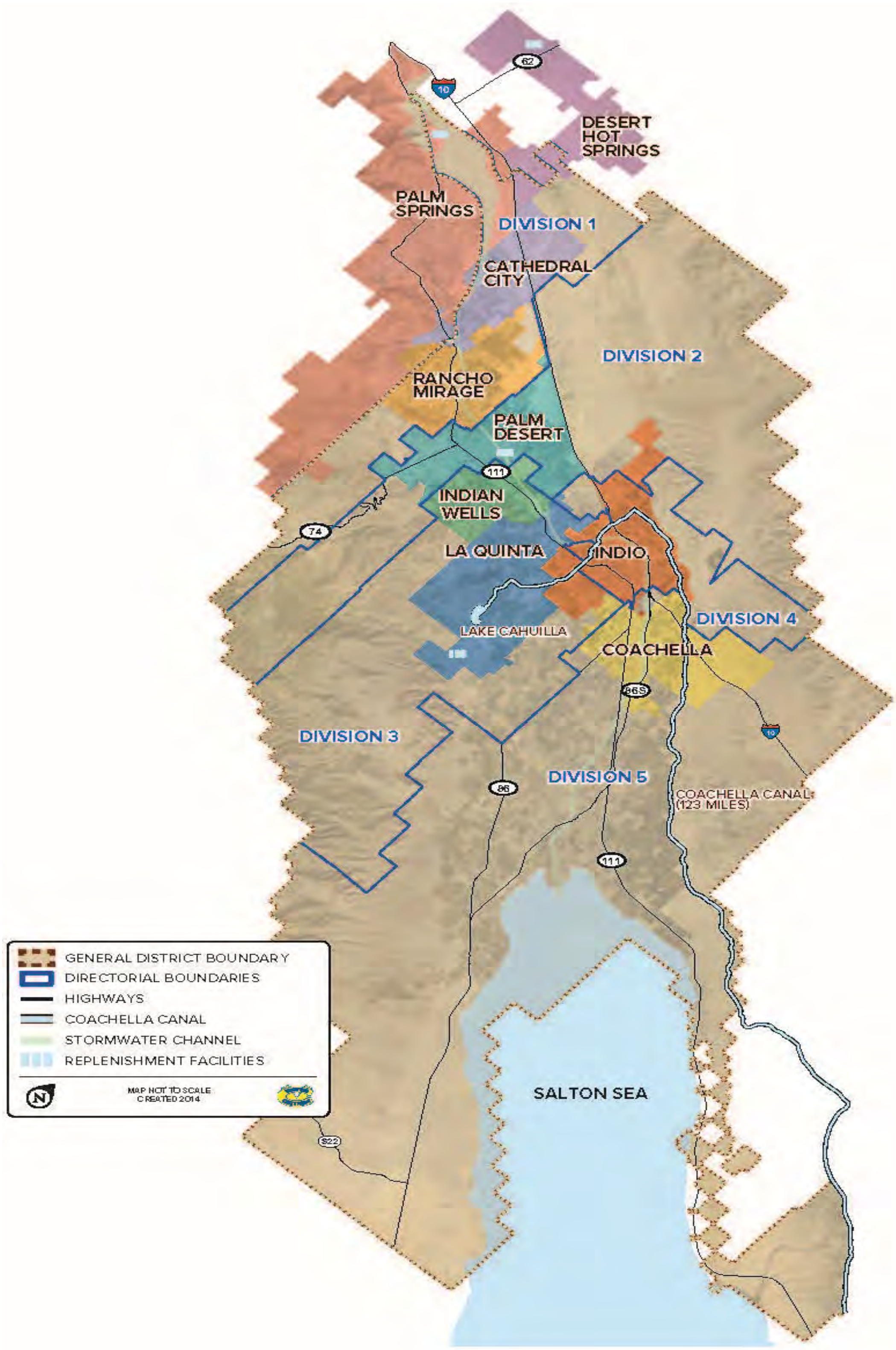
Anthony Bianco / Division Two

Cástulo R. Estrada, **Board Vice President** / Division Five

Mission Statement:

To meet the water-related needs of the people through dedicated employees, providing high-quality water at a reasonable cost.

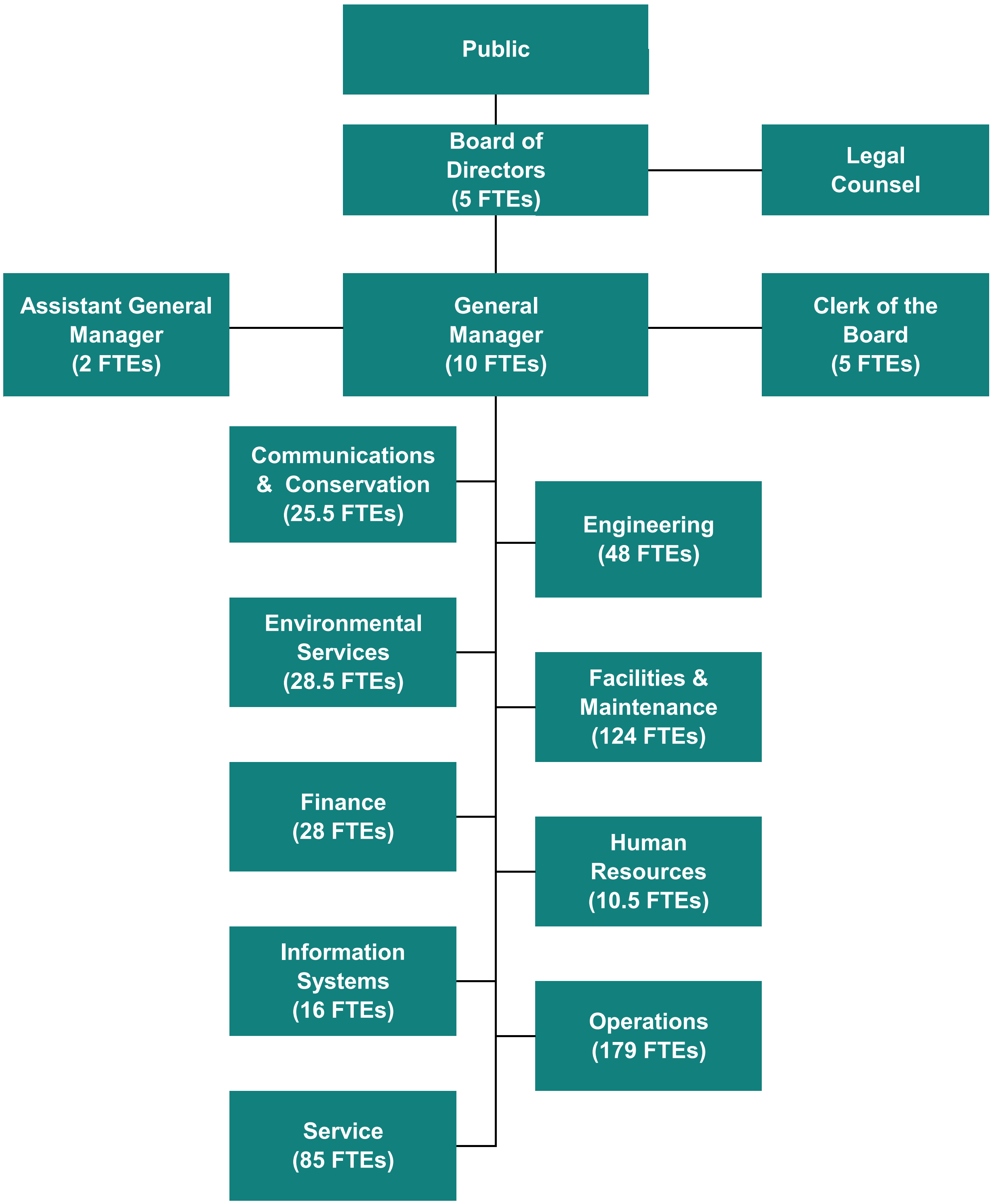
Coachella Valley Water District – Directorial Boundaries



Coachella Valley Water District Boundary Map

Coachella Valley Water District

Organizational Chart



District Departments & Directors

Senior Administration

General Manager	***Jim Barrett***
Assistant General Manager	***Robert Cheng***
Assistant General Manager	***Dan Charlton***

Departments & Directors

Clerk of the Board	***Sylvia Bermudez***
Communication & Conservation	***Katie Evans**, Director*
Engineering	***Carrie Oliphant**, Director*
Environmental Services	***Steve Bigley**, Director*
Finance	***Geoffrey Kiehl**, Director*
Human Resources	***Scott Hunter**, Director*
Information Systems	***Luis Maciel**, Director*
Facilities & Maintenance	***Chad Austin**, Asst. Director*
Operations	***Mike Garcia & Ruben Rivera**, Asst. Directors*
Service	***Scott Burritt**, Acting Director*

Acknowledgements

Accounting Division

Controller	***Karrie Swaine***
Senior Accountant (Financial Analysis & Reporting)	***Petya Vasileva***
Accountant (Fixed Assets & Expenditures)	***Sara Hypes***
Accountant (Misc. Revenue, Billing & Collections)	****vacant****
Accounting Technician III (Accounts Payable)	***Tracy Bustamante***
Accounting Technician (Accounts Payable)	****vacant****
Accounting Technician II (Accounts Receivable)	***Doug Kneuer***
Accounting Technician (Accounts Receivable)	****vacant****
Accounting Technician II (Payroll)	***Karla Kezis***
Accounting Technician II (Payroll)	***Tina Casarrubias***

Special Acknowledgement

Revenue Manager, Customer Services	***Irene Martinez***
Communications Specialist	***Andrea Shek***
Administrative Assistant	***Lena Luna***

For any additional inquiries, you may contact us at:

In Person Inquiry:
Coachella Valley Water District
Steve Robbins Administration Building
75-515 Hovley Lane East
Palm Desert, CA 92260
Phone: (760) 398-2651

Mailing Address
Coachella Valley Water District
P.O. Box 1058
Coachella, CA 92236

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WNDE
White Nelson Diehl Evans LLP
CPAs | TAX | ADVISORY | AUDIT

INDEPENDENT AUDITORS' REPORT

Board of Directors
Coachella Valley Water District
Coachella, California

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Coachella Valley Water District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

2875 Michelle Drive, Suite 300 | Irvine, California 92606 | WNDECPA.com | 714.978.1300

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of plan contributions - pension, the schedule of changes in net OPEB liability and related ratios, the schedule of plan contributions - OPEB, and the annual money-weighted rate of return on investments - OPEB, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI 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 section, combining fund financial statements (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
November 20, 2019

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MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Coachella Valley Water District's (District) annual financial report presents our analysis of the District's financial performance and activities for the fiscal year ended June 30, 2019. The following discussion and analysis should be read in conjunction with the basic financial statements and notes to the basic financial statements.

About the District

The District operates under the authority of the California Water Code and engages in various activities classified as "proprietary." These activities are accounted for much like that of a private business and use the full accrual method of accounting for transactions. The major activities include: sale and delivery of groundwater to domestic and commercial accounts; sale and delivery of Colorado River water to agricultural and other accounts; operation and maintenance of a system of farm drains; collection, treatment, and disposal of wastewater; sale and delivery of recycled water; operation and maintenance of stormwater channels and flood protection facilities; and replenishment of the groundwater basin. The District also owns and operates a fleet of vehicles and other rolling stock to support the various operating activities.

Overview of the Financial Statements

The financial statements of the District report information using accounting principles appropriate for an enterprise fund to report its activities. An "income determination" or "cost of services" measurement focus is reported with revenues and expenses recognized on the accrual basis of accounting. The financial statements conform to generally accepted accounting principles (GAAP) in the United States, and to the standards set by the Governmental Accounting Standards Board (GASB).

The Statement of Net Position shows the District's financial position at June 30, 2019. The statement includes the District's assets (i.e. the nature and amount of investments in resources) and liabilities (i.e. the obligations to creditors) by fund group. The net position represents the District's remaining value after the liabilities and deferred inflows of sources are deducted from assets and deferred outflows of sources. In addition, this statement also provides the basis of evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Fund Net Position identifies the District's revenues and expenses for the fiscal year ended June 30, 2019. This statement provides information by fund groups on the District's operations and whether the District's operating and non-operating revenues have recovered all its costs.

The Statement of Cash Flows provides information concerning the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. This statement also provides information on the sources and uses of cash and on the change in the cash balance.

The Notes to the Basic Financial Statements provide a description of the accounting policies used to prepare the financial statements, and present material disclosures required by GAAP that are not otherwise present in the financial statements. The District, like other special Districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into two categories: proprietary funds and agency funds.

The District maintains two types of proprietary funds reported using the accrual basis of accounting: Enterprise funds and Internal service funds. Enterprise funds report the District's business-type activities: Domestic Water, Sanitation, Canal Water, Stormwater, and Groundwater Replenishment. The District uses internal service fund accounting to report the activities of its Motorpool Fund.

The Required Supplementary Section includes schedules to identify the funding progress for the District's pension and other post-employment benefit liabilities.

Supplementary Information Section this section includes Agency Fund financial statements for the seven Assessment Districts, two Community Facility Districts, and the Coachella Canal Lining Project. The faith and credit of the Coachella Valley Water District are not pledged to these Districts; therefore, they are accounted for in agency funds and are in the basic financial statement.

Financial Highlights

The following are highlights of the financial status of the District during the time period specified. Each of these items is discussed in detail in subsequent sections of this report.

- As of June 30, 2019, the District's assets and deferred outflows exceeds liabilities and deferred inflows by approximately $1.8 billion broken down as $1.5 invested in capital assets, $88 million in restricted funds, and unrestricted funds of $236 million. The unrestricted funds pay for obligations as determined by the Board of Directors to support the services provided to the customers of the District.

- The District's total net position increased by $63.0 million, or an increase of 3.7% from the prior fiscal year primarily due to an increase in net investment in capital assets of $102.3 million due to the completion of several major projects with the decrease in unrestricted net position of $45.3 million. In fiscal year 2019, the District set an objective of completing budgeted capital projects at 80%. The District exceeded that goal and reached an execution rate of 92.4%.

- Operating revenues decreased by approximately $6.0 million, or a decrease of 3.5% from the prior fiscal year. This is mainly due to a decrease in water sales and replenishment charges.

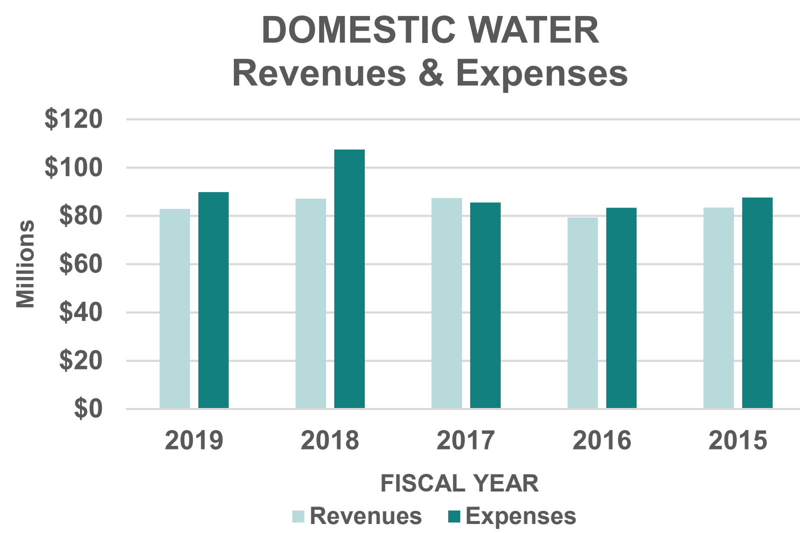
- Operating expenses, excluding depreciation, decreased by approximately $13.8 million, or a decrease of 6.0% as compared to the prior fiscal year. This is primarily due to a significant decrease in water purchases due to the lack of availability.

- Non-operating revenues increased by $23.2 million, or 20.21% higher than the prior fiscal year. The primary reason is the increase in investment income, property taxes and intergovernmental revenues.

- Non-operating expenses decreased by $16.3 million, or 93.9% lower than the prior fiscal year. This is mainly due to the design costs related to the Chromium 6 project that was expensed in fiscal year 2018.

Overview of Fund Group Activity

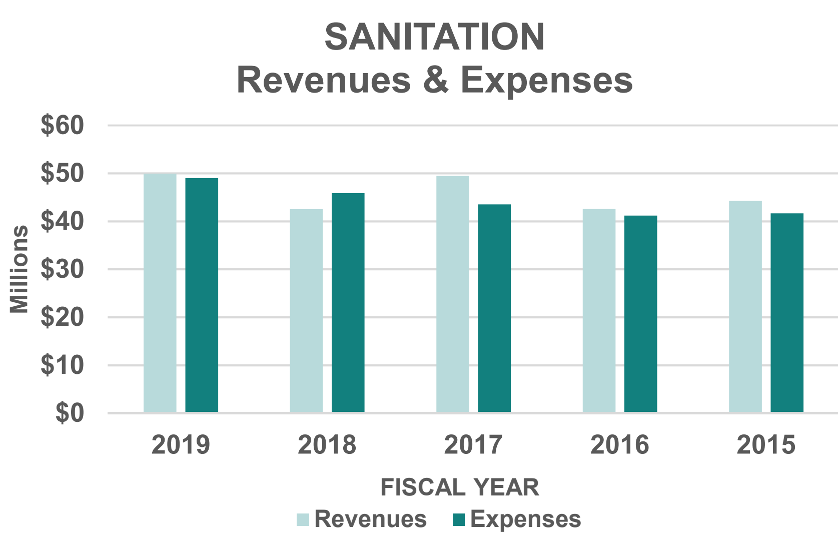
Domestic Water Fund. Activity associated with providing domestic water to the residents of the Coachella Valley. In fiscal year 2019, the Domestic Water Fund net position increased by $60.1 million as compared to the prior year. Cash and investments (including restricted cash) decreased by ($23.5) million, while capital assets increased by almost $40 million. As stated in the financial highlights, the District set an objective of completing capital projects at 80% of budget but reached an execution rate of 92.4% in fiscal year 2019. Also, the advances to other funds significantly increased by $44.1 million due to the recording of the inter-fund loan between Domestic Water Fund and Ground Replenishment Fund related to the Mid-Valley Pipeline, which should have been recorded back in 2009.



Operating revenues decreased by $6.6 million, primarily due to the decline in water consumption and higher rainfall. Operating expenses decreased by ($1.1) million, mainly due to increases in personnel costs, depreciation, and materials; in contrast to the decrease in water purchases, power, and contract services.

Total net non-operating income increased by $18.9 million, mainly due to the following factors: 1) Higher investment returns and market value by $3.3 million; 2) Elimination of net loss on the disposal of capital assets in the amount of $16.6 million, which is related to the design of the Chromium 6 project that was expensed last year; 3) Receipt of $675 thousand in state and federal grants; and 4) Decrease of ($1.5) million in other expenses and ($133) thousand in property taxes.

Sanitation Fund. Activity associated with the District's wastewater reclamation plants. The plants allow the District to provide sanitation service to most of the Coachella Valley. The Sanitation Fund net position increased by $3.5 million in fiscal year 2019.



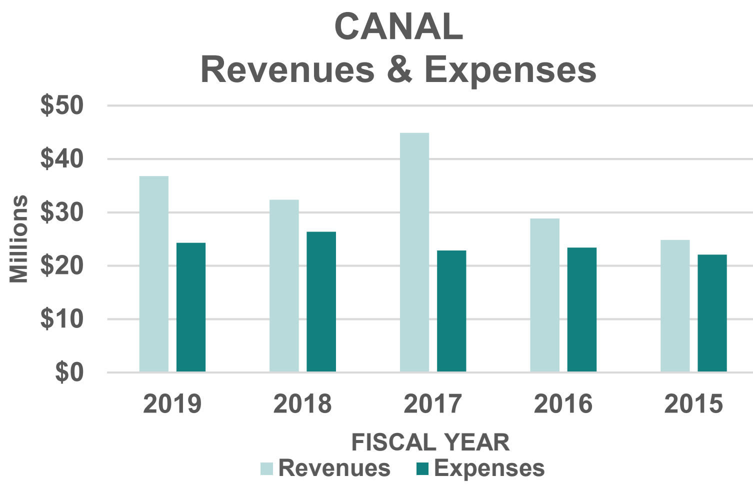
Cash and investments (including restricted cash) decreased ($8.0) million, and capital asset increased by $8.1 million.

Total operating revenues increased by $545 thousand, while total operating expenses increased by $3.1 million. Total net non-operating income increased by $6.9 million, mostly due to $1.8 million in federal and state grants and $4.6 million in investment income.

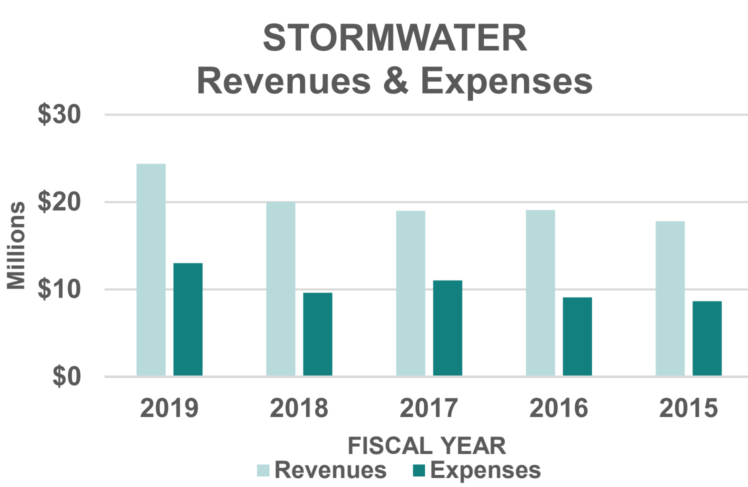
Canal Water Fund. Activity associated with providing irrigation water to agricultural farmers and certain golf courses of the Coachella Valley and farm drainage. The total net position for the canal water fund increased by $9.3 million in fiscal year 2019.

Cash and investments (including restricted cash) decreased by ($11.3) million, while capital assets significantly increased by $11.0 million. Current liabilities also decreased by $6.5 million as compared to the prior year.

Net operating loss decreased by ($2.9) million mainly due to lower contract services expenses related to the slow-down in rebate programs. Total non-operating revenues increased by $3.5 million, mainly due to the increase of $2.3 million in investment income and $1.1 million in IID power proceeds and federal grants.



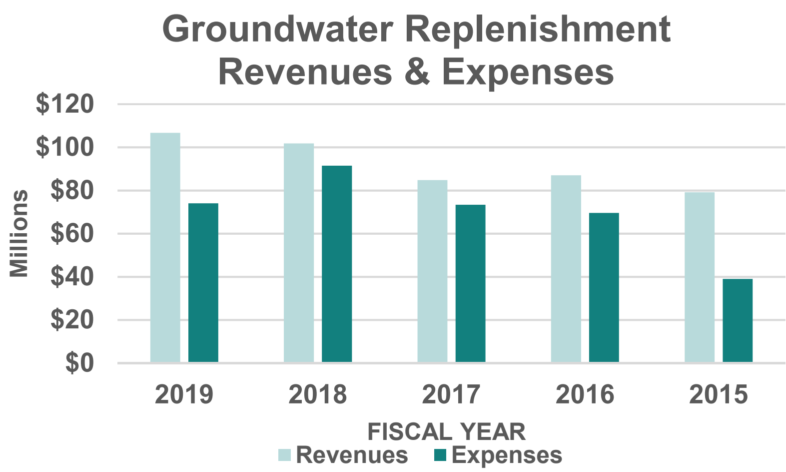
Stormwater Fund. Activity associated with providing stormwater protection in the Coachella Valley. In fiscal year 2019, the total net position for the Stormwater Fund increased by $10.3 million.



Cash and investments decreased by over ($5.3) million; while capital assets increased by $14.9 million. Similar to the other funds, the capital assets increase is mainly due to the completion of several large capital projects in fiscal year 2019.

Total net operating loss increased by ($3.4) million primarily due to an increase of $1.4 million in contract services and $1.5 million in other expenses made-up of professional services, permit and fees, loan applications, and equipment leases, and other miscellaneous charges.

Groundwater Replenishment Fund Group. Activity associated with replacing the groundwater or replenishing the aquifer. The total net position for the Groundwater Replenishment Fund decreased by ($18.9) million.



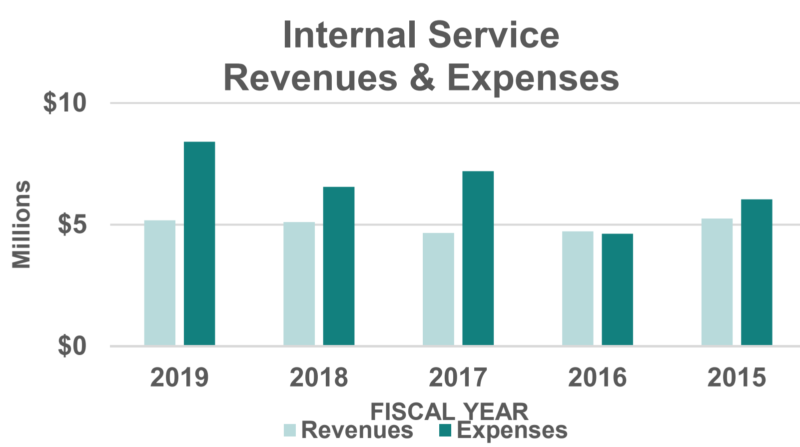
Cash and investments decreased by ($11.2) million, while capital assets increased by $28.6 million. Advances from other funds under long-term liabilities significantly increased by $42.5 million due to the recording of the inter-fund loan between the Domestic Water Fund and the Groundwater Replenishment Fund related to the Mid-Valley Pipeline construction, which should have occurred in 2009.

Net operating loss decreased by $16.4 million. Total operating revenues declined by $883 thousand due to lower replenishment charges. Total operating expenses decreased due to a decline of $18.4 million in water purchases and $1.3 million in contract services, offset by an increase in other charges by $1.5 million.

Internal Service Fund Group. Activities associated with this group are designed to function as cost-reimbursement funds. The District operates one fund within this group: Motorpool Fund.

The Motorpool Fund total net position for fiscal year 2019 decreased by ($1.4) million. Cash and investments decreased by ($1.5) million.

Overall, total net operating loss increased by ($1.6) million primarily due to increase in material and supplies expenditures.



Financial Analysis of the District

Financial position summary

The Statement of Net position (Table 1) shows an overall net increase of $63.0 million for the fiscal year ending June 30, 2019 as compared to the prior fiscal year.

Total assets increased by $84.1 million or 4.3% as compared to the prior fiscal year. The total increase comprised of a decrease in current assets by ($66.8) million, an increase of $48.6 million in noncurrent assets, and an increase of $102.3 million in capital assets.

Current assets decreased by ($66.8) million primarily due to the use of ($67.3) million in cash to finance capital projects. Also, the decrease of ($3.8) million in prepaid expenses related to the Quantification Settlement Agreement (QSA), which is then offset by a net increase in accounts receivable, property tax receivables, interest receivables, deposits, and due from other governments in the amount of $4.0 million.

Noncurrent assets increased by $48.6 million, primarily due to the inter-fund loan between the Domestic Water Fund and the West Replenishment Fund in the Groundwater Replenishment Fund Group for costs related to the Mid-Valley Pipeline for $52.3 million less the annual repayment of the loan between Domestic Water Fund and East Replenishment Fund in the Groundwater Replenishment Fund Group, and an increase of $6.0 million in restricted cash and investments.

The total increase of $102.3 million in capital assets is mainly due to the completion of several major capital projects such as the Mission Hills Pressure Zone Expansion, WRP 7 – Secondary Clarifiers and Filter Modifications, the Domestic Water Transmission Pipeline Replacement Phase 2, WRP 10 – T1 Tertiary Filter Seal Coating, and the Re-Drill of Sky Mountain Zone Well.

Total liabilities increased by $36.8 million mainly due to the net increase of $42.5 million in the inter-fund loan between the Domestic Water Fund, the West Replenishment Fund, and the East Replenishment Fund, as indicated under noncurrent assets. The change also includes a net decrease of ($10.3) million in accounts payable, unearned revenues, and pension related liabilities, offset by a net increase of $4.6 million in accrued liabilities, retentions payable, customer advances and deposits, compensated absences, and other long-term debt.

Deferred Outflow of Sources increased by $15.0 million, due to the following reasons: 1) the difference in pension liability from the expected versus actual actuarial experience; 2) pension contributions subsequent to measurement date; 3) changes in assumption; and 4) difference in projected and actual earnings on pension plan investments. While the Deferred Inflow of Sources decreased by $0.9 million primarily due to the difference between expected versus actual actuarial experience, and changes in pension actuarial assumptions.

As of June 30, 2019, Investment in capital assets net of related debt is almost $1.5 billion, which is an increase of $102.3 million or 7.5% as compared to the prior fiscal year. Investments in capital assets (i.e., land improvements, buildings, and equipment) less any related outstanding debt used to acquire these assets represents almost 82% of the District's net position. Restricted net position increased by $6.0 million and represent less than 5% of net position. Unrestricted net position accounts decreased by ($45.3) million and accounts to13% of the total net position.

Table 1

COACHELLA VALLEY WATER DISTRICT

Condensed Statement of Net Position

As of June 30, 2019

(in millions)

	2019	2018	Dollar Change	Percentage Change
Current Assets	$ 437.5	$ 504.3	$ (66.8)	(13.2%)
Noncurrent Assets	139.9	91.3	48.6	53.2%
Capital Asset	1,459.5	1,357.2	102.3	7.5%
Total Assets	**2,036.9**	**1,952.8**	**84.1**	**4.3%**
Deferred Outflow of Resources	48.9	33.9	15.0	44.2%
Total Deferred Outflow of Resource	**48.9**	**33.9**	**15.0**	**44.2%**
Long-term Debt	231.4	192.0	39.4	20.5%
Other Liabilities	58.2	60.8	(2.6)	(4.2%)
Total Liabilities	**289.6**	**252.8**	**36.8**	**14.6%**
Deferred Inflow of Resources	12.7	13.6	(0.9)	(6.9%)
Total Deferred Inflow of Resource	**12.7**	**13.6**	**(0.9)**	**(6.9%)**
Net Investment in Capital Assets	1,459.5	1,357.2	102.3	7.5%
Restricted Net Position	88.0	82.0	6.0	7.3%
Unrestricted Net Position	236.0	281.3	(45.3)	(16.1%)
Total Net Position	**$ 1,783.5**	**$ 1,720.5**	**$ 63.0**	**3.7%**

Note: Allow for rounding differences.

Activities and changes in Net Position

The Statement of Revenues, Expenses, and Changes in Fund Net Position (Table 2) identifies the various revenue, expense, and other significant items that contributed to the change in net position.

Total net position increased by $63.0 million, or 3.7% in fiscal year ending June 30, 2019.

Total revenues increased by $17.3 million, or 6.0% as compared to prior fiscal year comprising of ($6.1) million decrease in operating revenues offset by an increase of $23.2 million in non-operating revenues.

Lower than expected water consumption and higher rainfall attributed to decline of ($4.3) million in water sales, ($1.1) million in replenishment charges, ($1.0) million in meter and service fees, and increase of $200 thousand in other charges, resulting to a net decrease of ($6.1) million in operating revenues in fiscal year 2019.

The significant increase of $23.2 million in non-operating revenues is comprised of property tax revenues, investment income, intergovernmental income, and other non-operating revenues. Property taxes increased by $4.2 million related to the growth of population and assessed values; the intergovernmental income increased by $2.8 million due to the receipt of State and Federal grants related to various domestic, groundwater, and sanitation projects. The Net increase of $16.2 million related to investment income due to a higher annual rate of return and the change in market value and other income.

Total expenses decreased ($28.4) million, or 9.9% in fiscal year 2019 which consisted of a ($13.8) million decrease in operating expenses, ($16.3) million decrease in non-operating expenses, and an increase of $1.6 million in depreciation expense.

The cost of water purchases declined by ($19.6) million since Metropolitan Water District (MWD) reduced the water allotment this year for their own use. Personnel costs increased by $2.7 million due to the recruitment of positions that were open last fiscal year and the retirement of several key positions. Materials, professional services, and depreciation increased by $5.5 million as the District pursued the completion of multiple capital projects; offset by a ($2.5) million decrease in contract services and utilities expenses primarily due to a higher interest in the rebate program last fiscal year as compared to this fiscal year. The net operating expense change is a decrease of ($13.8) million.

Non-operating expenses decreased by ($16.3) million mainly due to the expensing the cost related to the design of the Chromium 6 project in fiscal year 2018.

Capital contributions and development fees increased by $3.1 million or 24.0% in fiscal year 2019. The fluctuations in capital contributions is attributed to the varying stages of the projects from design, construction, and completion from year-to-year. Some years the capital contributions can significantly vary from an increase to a decrease and vice versa.

Table 2
COACHELLA VALLEY WATER DISTRICT
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
As of June 30, 2019
(in millions)

	2019	2018	Dollar Change	Percentage Change
Operating Revenues				
Water Sales	$ 77.6	$ 81.9	$ (4.3)	(5.2%)
Water and sewer availability	3.3	2.6	0.6	24.1%
Meter and service fees	15.2	16.1	(1.0)	(6.0%)
Sanitation service fees	39.9	39.4	0.5	1.2%
Groundwater replenishment	24.5	25.6	(1.1)	(4.2%)
Other charges	7.3	8.0	(0.9)	(10.7%)
Total Operating Revenues	167.8	173.7	(6.1)	(3.5%)
Non-Operating Revenue	138.0	114.8	23.2	20.2%
Total Revenues	**305.8**	**288.6**	**17.3**	**6.0%**
Operating Expenses				
General operations	141.5	135.3	6.2	4.6%
Water purchases	60.8	80.4	(19.6)	(24.4%)
Utilities	14.9	15.2	(0.4)	(2.4%)
Total Operating Expenses	**217.1**	**230.9**	**(13.8)**	**(6.0%)**
Depreciation expense	40.4	38.7	1.6	4.2%
Non-Operating Expense	1.1	17.4	(16.3)	(93.9%)
Total Expenses	**258.6**	**287.0**	**(28.4)**	**(9.9%)**
Income before capital contributions	47.3	1.5	45.8	3,024.7%
Capital contributions	5.4	3.1	2.3	74.3%
Development fees	10.2	9.5	0.8	8.2%
Change in net position	63.0	14.1	48.9	346.7%
Beginning net position	1,720.5	1,739.7	(19.2)	(1.1%)
Restatements of FY 2017	-	(33.3)	33.3	0.0%
Ending Net Position	**$ 1,783.5**	**$ 1,720.5**	**$ 63.0**	**3.7%**

Note: Allow for rounding differences.

Capital Assets

As of June 30, 2019, the District's Capital Assets totaled $2.2 billion, an increase of $141.5 million, or 6.8%. Capital assets include all of the District's major infrastructure including: water treatment facilities, water mains, pipes, storage reservoirs, well, water reclamation facilities, storm water improvements, irrigation and drainage facilities, land, water rights, District headquarters and other structures, as well as vehicles and other equipment. The District's Board approved a capitalization policy, effective November 12, 2014. Assets with a value of $10,000 or greater are capitalized; assets acquired with federal grant funds with a value of $5,000 or greater are capitalized.

A comparison of the changes in the District's capital assets over the past two fiscal years is presented in Table 3.

Table 3

COACHELLA VALLEY WATER DISTRICT

Capital Assets

As of June 30, 2019

(in millions)

	2019	2018	Dollar Change	Percentage Change
Land	$ 57.6	$ 56.9	$ 0.70	1.2%
Domestic water plant	623.7	589.4	34.3	5.8%
Sanitation plant	551.2	543.3	7.9	1.5%
Canal water	52.4	42.5	9.9	23.3%
Common plant	1.8	1.8	-	0.0%
Stormwater works	140.2	126.8	13.4	10.6%
Groundwater replenishment	94.1	91.9	2.2	2.4%
Water rights	74.0	74.0	-	0.0%
Interest in jointly owned facilities	344.5	324.4	20.1	6.2%
Equipment	80.2	72.3	7.9	10.9%
Construction in progress	188.3	143.2	45.1	31.5%
Total capital assets	**2,208.0**	**2,066.5**	**141.5**	**6.8%**
Less depreciation	748.5	709.3	39.2	5.5%
Net capital assets	**$ 1,459.5**	**$ 1,357.2**	**$ 102.3**	**7.5%**

Note: Allow for rounding differences.

For more detailed information on capital asset activity, refer to Note 3: Capital Assets.

Economic Factors and Next Year's Budget

Overall, the District's financial condition remains stable and the economic outlook is stable. However, even though rate increases were implemented for Domestic Water for fiscal year 2020, there remains a need to continue with a plan of rate increases in fiscal year 2021 and beyond. In addition, the West Replenishment Fund requires rate increases to remain fiscally solvent. To this end, the District will begin work on Cost of Service Studies for Domestic Water, Canal, and the three Replenishment Funds in fiscal year 2020, with anticipated completion in time to prepare Proposition 218 notices for rate increases to take effect July 1, 2021.

A majority of the District is located in Riverside County. The District's economy relies largely on tourism (hotels and resorts), construction, and agriculture. The District produces, stores, treats, and distributes potable water for a population of more than 400,000, which can increase up to 600,000 during winter and parts of spring season. The District also provides nonpotable water, regional sanitation services, water reclamation, groundwater management, agricultural irrigation and drainage, and stormwater protection for the Coachella Valley.

For fiscal year 2020, the District's total budget is $393.1 million or 5.6% increase from the prior fiscal year.

The total budget consists of the operating budget and capital improvements budget. Operating budget is at $289.7 million, which is $500,000 higher as compared to prior year budget, due to increase in personnel costs, offset by decrease in supplies and services, the Quantification Settlement Agreement payments, and the elimination of the effluent disposal fee. In addition, the interfund debt service increased by $6 million and the loan payment between the Domestic Water Fund and the East Whitewater Replenishment Fund has been re-amortized to help maintain reserves. Capital Improvement projects is $103.4 million, which is a decrease of ($24.0) million. The decrease in the capital improvement budget is due to completion of several major projects in fiscal year 2019.

ADDITIONAL FINANCIAL INFORMATION

This financial report provides the District's customers, investors, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Department at 75515 Hovley Lane East, Palm Desert, CA 92211

STATEMENT OF NET POSITION
JUNE 30, 2019

	Domestic Water	Sanitation	Canal Water	Stormwater
Assets:				
Current Assets:				
Cash and investments (Note 2)	$ 45,533,435	$ 107,841,638	$ 55,958,015	$ 117,498,975
Receivables:				
Accounts	8,101,662	1,861,811	4,448,713	482,318
Property taxes	61,949	1,093,542	504,892	459,441
Interest	558,915	822,403	282,289	639,062
Deposits	32,561	208,598	-	-
Supplies inventory	3,271,355	-	-	-
Prepaid expenses	4,327	-	-	-
Due from other governments	720,959	1,606,628	-	46,917
Total Current Assets	**58,285,163**	**113,434,620**	**61,193,909**	**119,126,713**
Noncurrent Assets:				
Advances to other funds (Note 12)	78,277,424	-	-	-
Restricted cash and investments (Note 2)	43,302,768	18,278,103	-	-
Capital assets (Note 3):				
Land and land rights	12,706,497	3,461,285	3,299,923	8,823,859
Water rights	73,781,290	240,830	-	-
Construction in progress	76,026,415	45,785,999	9,129,819	36,107,462
Land improvements	50,295	-	-	-
Building and plant	623,729,251	551,231,994	52,385,418	140,225,182
Interest in shared facilities	-	-	35,479,522	-
Equipment	19,065,496	16,009,902	7,308,864	2,755,190
Less accumulated depreciation	(275,066,255)	(228,479,203)	(42,104,131)	(72,098,969)
Total capital assets, net	530,292,989	388,250,807	65,499,415	115,812,724
Total Noncurrent Assets	**651,873,181**	**406,528,910**	**65,499,415**	**115,812,724**
Total Assets	**710,158,344**	**519,963,530**	**126,693,324**	**234,939,437**
Deferred Outflows of Resources:				
Deferred pension related items (Note 6)	22,549,269	12,323,462	6,841,273	2,550,601
Total Deferred Outflows of Resources	**22,549,269**	**12,323,462**	**6,841,273**	**2,550,601**
Liabilities:				
Current Liabilities:				
Accounts payable	9,226,712	4,706,299	1,015,781	1,527,469
Accrued liabilities	2,089,076	498,112	285,315	108,054
Unearned revenues	-	211,781	-	-
Retentions payable	1,784,494	516,512	235,698	717,174
Customer advances and deposits	4,070,727	149,048	216,026	759,829
Current portion of long-term liabilities	3,910,617	1,555,856	972,899	366,658
Total Current Liabilities	**21,081,626**	**7,637,608**	**2,725,719**	**3,479,184**
Long-Term Liabilities:				
Compensated absences payable (Note 4)	868,001	518,619	324,300	122,219
Claims liability (Note 4)	1,628,087	-	-	-
Net OPEB liability (Note 8)	5,638,118	3,478,397	1,559,282	839,611
Net pension liability (Note 6)	61,360,419	36,037,570	20,235,416	7,164,013
Advances from other funds (Note 12)	-	-	-	-
Total Long-Term Liabilities	**69,494,625**	**40,034,586**	**22,118,998**	**8,125,843**
Total Liabilities	**90,576,251**	**47,672,194**	**24,844,717**	**11,605,027**
Deferred Inflows of Resources:				
Deferred OPEB related items (Note 8)	4,273,094	2,628,256	1,178,187	634,385
Deferred pension related items (Note 6)	1,407,112	1,097,303	631,423	169,956
Total Deferred Inflows of Resources	**5,680,206**	**3,725,559**	**1,809,610**	**804,341**
Net Position:				
Investment in capital assets	530,292,989	388,250,807	65,499,415	115,812,724
Restricted:				
Construction, capital, and replacement funds	43,302,768	18,278,103	-	-
State Water Project	-	-	-	-
Unrestricted	62,855,399	74,360,329	41,380,855	109,267,946
Total Net Position	**$ 636,451,156**	**$ 480,889,239**	**$ 106,880,270**	**$ 225,080,670**

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Groundwater Replenishment	Totals	Internal Service Fund Motorpool
Assets:			
Current Assets:			
Cash and investments (Note 2)	$ 72,707,937	$ 399,540,000	$ 2,574,405
Receivables:			
Accounts	1,959,176	16,853,680	5
Property taxes	2,858,698	4,978,522	-
Interest	477,917	2,780,586	28,362
Deposits	100,000	341,159	-
Supplies inventory	-	3,271,355	169,254
Prepaid expenses	4,000,000	4,004,327	-
Due from other governments	584,003	2,958,507	-
Total Current Assets	**82,687,731**	**434,728,136**	**2,772,026**
Noncurrent Assets:			
Advances to other funds (Note 12)	-	78,277,424	-
Restricted cash and investments (Note 2)	-	61,580,871	-
Capital assets (Note 3):			
Land and land rights	29,261,080	57,552,644	-
Water rights	-	74,022,120	-
Construction in progress	21,125,246	188,174,941	-
Land improvements	-	50,295	-
Building and plant	94,134,195	1,461,706,040	1,845,248
Interest in shared facilities	309,010,171	344,489,693	-
Equipment	159,947	45,299,399	34,905,052
Less accumulated depreciation	(106,097,847)	(723,846,405)	(24,690,804)
Total capital assets, net	347,592,792	1,447,448,727	12,059,496
Total Noncurrent Assets	**347,592,792**	**1,587,307,022**	**12,059,496**
Total Assets	**430,280,523**	**2,022,035,158**	**14,831,522**
Deferred Outflows of Resources:			
Deferred pension related items (Note 6)	2,874,601	47,139,206	1,737,097
Total Deferred Outflows of Resources	**2,874,601**	**47,139,206**	**1,737,097**
Liabilities:			
Current Liabilities:			
Accounts payable	20,666,852	37,143,113	956,064
Accrued liabilities	131,328	3,111,885	69,640
Unearned revenues	-	211,781	-
Retentions payable	770,503	4,024,381	56,269
Customer advances and deposits	-	5,195,630	-
Current portion of long-term liabilities	461,636	7,267,666	209,672
Total Current Liabilities	**22,030,319**	**56,954,456**	**1,291,645**
Long-Term Liabilities:			
Compensated absences payable (Note 4)	153,879	1,987,018	69,891
Claims liability (Note 4)	-	1,628,087	-
Net OPEB liability (Note 8)	479,062	11,994,470	-
Net pension liability (Note 6)	7,546,277	132,343,695	5,053,066
Advances from other funds (Note 12)	78,277,424	78,277,424	-
Total Long-Term Liabilities	**86,456,642**	**226,230,694**	**5,122,957**
Total Liabilities	**108,486,961**	**283,185,150**	**6,414,602**
Deferred Inflows of Resources:			
Deferred OPEB related items (Note 8)	349,008	9,062,930	-
Deferred pension related items (Note 6)	153,503	3,459,297	136,380
Total Deferred Inflows of Resources	**502,511**	**12,522,227**	**136,380**
Net Position:			
Investment in capital assets	347,592,792	1,447,448,727	12,059,496
Restricted:			
Construction, capital, and replacement funds	-	61,580,871	-
State Water Project	26,400,000	26,400,000	-
Unrestricted	(49,827,140)	238,037,389	(2,041,859)
Total Net Position	**$ 324,165,652**	**$ 1,773,466,987**	**$ 10,017,637**

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2019**

	Domestic Water	Sanitation	Canal Water	Stormwater
Operating Revenues:				
Sales	$ 57,277,442	$ -	$ 16,885,032	$ -
Availability charges	632,799	77,477	2,570,605	-
Meter and service fees	14,157,181	33,202	979,022	5,994
Sanitation service fees	-	39,869,858	-	-
Replenishment charges	-	-	-	-
Other charges	1,436,712	171,333	122,484	25,626
Total Operating Revenues	**73,504,134**	**40,151,870**	**20,557,143**	**31,620**
Operating Expenses:				
Wages and salaries	22,062,444	12,044,514	6,728,393	2,568,767
Benefits	12,497,465	6,851,484	3,728,247	1,400,892
Materials and supplies	7,326,851	2,877,267	2,130,594	290,379
Water purchases	11,835,539	-	3,367,248	-
Power	9,133,623	3,809,496	533,085	33,256
Contract services	1,643,520	3,889,847	1,563,084	2,591,401
Depreciation	13,374,414	13,645,611	1,540,523	2,665,387
Other	11,944,821	5,836,384	4,713,199	3,453,243
Total Operating Expenses	**89,818,677**	**48,954,603**	**24,304,373**	**13,003,325**
Operating Loss	(16,314,543)	(8,802,733)	(3,747,230)	(12,971,705)
Nonoperating Revenues (Expenses):				
Property taxes	238,093	1,978,935	10,776,288	18,324,743
Intergovernmental	1,126,301	1,836,822	-	52,019
Investment income	4,683,380	5,323,011	2,519,939	4,889,443
Interest expense	-	-	-	-
Other	3,312,646	657,475	2,921,785	1,084,229
Gain (loss) on disposal of capital assets	(2,800)	(36,156)	-	-
Total Nonoperating Revenues (Expenses)	**9,357,620**	**9,760,087**	**16,218,012**	**24,350,434**
Income (Loss) before transfers and capital contributions	(6,956,923)	957,354	12,470,782	11,378,729
Transfers in (Note 12)	59,153,711	-	-	-
Transfers out (Note 12)	(601,656)	(4,499,717)	(3,181,140)	(1,046,409)
Capital contributions:				
Contributed plant	3,418,960	1,957,278	31,348	32,546
Development fees	5,107,371	5,128,897	-	-
Changes in Net Position	60,121,463	3,543,812	9,320,990	10,364,866
Net Position:				
Beginning of Year	576,329,693	477,345,427	97,559,280	214,715,804
End of Fiscal Year	**$ 636,451,156**	**$ 480,889,239**	**$ 106,880,270**	**$ 225,080,670**

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2019

	Groundwater Replenishment	Totals	Internal Service Fund Motorpool
Operating Revenues:			
Sales	$ 3,480,099	$ 77,642,573	$ -
Availability charges	-	3,280,881	-
Meter and service fees	6	15,175,405	-
Sanitation service fees	-	39,869,858	-
Replenishment charges	24,535,762	24,535,762	-
Other charges	625,235	2,381,390	4,904,610
Total Operating Revenues	**28,641,102**	**162,885,869**	**4,904,610**
Operating Expenses:			
Wages and salaries	3,134,789	46,538,907	1,616,407
Benefits	1,507,346	25,985,434	948,411
Materials and supplies	379,148	13,004,239	1,975,266
Water purchases	45,557,557	60,760,344	-
Power	1,360,809	14,870,269	-
Contract services	1,168,665	10,856,517	372,306
Depreciation	6,159,339	37,385,274	2,987,816
Other	13,746,600	39,694,247	504,020
Total Operating Expenses	**73,014,253**	**249,095,231**	**8,404,226**
Operating Loss	(44,373,151)	(86,209,362)	(3,499,616)
Nonoperating Revenues (Expenses):			
Property taxes	73,648,190	104,966,249	-
Intergovernmental	690,700	3,705,842	-
Investment income	2,719,608	20,135,381	45,658
Interest expense	(1,020,785)	(1,020,785)	-
Other	991,631	8,967,766	30,409
Gain (loss) on disposal of capital assets	-	(38,956)	192,481
Total Nonoperating Revenues (Expenses)	**77,029,344**	**136,715,497**	**268,548**
Income (Loss) before transfers and capital contributions	32,656,193	50,506,135	(3,231,068)
Transfers in (Note 12)	1,533,481	60,687,192	1,823,643
Transfers out (Note 12)	(53,144,736)	(62,473,658)	(37,177)
Capital contributions:			
Contributed plant	-	5,440,132	-
Development fees	-	10,236,268	-
Changes in Net Position	(18,955,062)	64,396,069	(1,444,602)
Net Position:			
Beginning of Year	343,120,714	1,709,070,918	11,462,239
End of Fiscal Year	**$ 324,165,652**	**$ 1,773,466,987**	**$ 10,017,637**

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

	Domestic Water	Sanitation	Canal Water	Stormwater
Cash Flows from Operating Activities:				
Cash received from customers and users	$ 60,814,184	$ 39,538,935	$ 18,780,081	$ 286,164
Cash received from interfund service provided	-	-	-	-
Cash paid to employees for services	(42,459,311)	(23,438,489)	(12,903,916)	(4,944,280)
Cash paid to suppliers of goods and services	(20,433,605)	(8,463,692)	(14,105,864)	(3,094,610)
Cash paid to others	-	(5,801,623)	(3,734,177)	(3,447,249)
Net Cash Provided (Used) by Operating Activities	**(2,078,732)**	**1,835,131**	**(11,963,876)**	**(11,199,975)**
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	59,153,711	-	-	-
Cash transfers out	(601,656)	(4,499,717)	(3,181,140)	(1,046,409)
Payment received from/(provided to) other funds	8,216,636	1,615,917	-	-
Payments received from/(provided to) other governments	609,913	231,194	-	74,835
Advance to other funds	(52,340,180)	-	-	-
Cash received from property taxes	348,447	1,838,618	10,619,021	18,256,837
Net Cash Provided (Used) by Non-Capital Financing Activities	**15,386,871**	**(813,988)**	**7,437,881**	**17,285,263**
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(44,627,520)	(15,605,637)	(12,528,137)	(18,139,415)
Proceeds from sale of capital assets	-	875,893	-	639,877
Interest received/(paid) on interfund debt	988,336	32,449	-	-
Other items	3,312,646	657,475	2,921,785	1,084,229
Net Cash Used by Capital and Related Financing Activities	**(40,326,538)**	**(14,039,820)**	**(9,606,352)**	**(16,415,309)**
Cash Flows from Investing Activities:				
Interest received on investments	3,490,269	4,999,538	2,382,985	5,064,596
Net Cash Provided by Investing Activities	**3,490,269**	**4,999,538**	**2,382,985**	**5,064,596**
Net Increase (Decrease) in Cash and Cash Equivalents	**(23,528,130)**	**(8,019,139)**	**(11,749,362)**	**(5,265,425)**
Cash and Cash Equivalents at Beginning of Year	112,364,333	134,138,880	67,707,377	122,764,400
Cash and Cash Equivalents at End of Year	**$ 88,836,203**	**$ 126,119,741**	**$ 55,958,015**	**$ 117,498,975**

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

	Groundwater Replenishment	Totals	Internal Service Fund Motorpool
Cash Flows from Operating Activities:			
Cash received from customers and users	$ 28,501,360	$ 147,920,724	$ -
Cash received from interfund service provided	-	-	4,904,610
Cash paid to employees for services	(5,692,251)	(89,438,247)	(3,181,522)
Cash paid to suppliers of goods and services	(52,372,348)	(98,470,119)	(1,949,177)
Cash paid to others	(13,746,594)	(26,729,643)	(504,020)
Net Cash Provided (Used) by Operating Activities	**(43,309,833)**	**(66,717,285)**	**(730,109)**
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	1,533,481	60,687,192	1,823,643
Cash transfers out	(53,144,736)	(62,473,658)	(37,177)
Payment received from/(provided to) other funds	(9,832,553)	-	-
Payments received from/(provided to) other governments	434,823	1,350,765	-
Advance to other funds	52,340,180	-	-
Cash received from property taxes	72,980,803	104,043,726	-
Net Cash Provided (Used) by Non-Capital Financing Activities	**64,311,998**	**103,608,025**	**1,786,466**
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(34,776,082)	(125,676,791)	(2,865,825)
Proceeds from sale of capital assets	-	1,515,770	217,714
Interest paid on interfund debt	(1,020,785)	-	-
Other items	991,631	8,967,766	30,409
Net Cash Used by Capital and Related Financing Activities	**(34,805,236)**	**(115,193,255)**	**(2,617,702)**
Cash Flows from Investing Activities:			
Interest received on investments	2,584,749	18,522,137	42,005
Net Cash Provided by Investing Activities	**2,584,749**	**18,522,137**	**42,005**
Net Increase (Decrease) in Cash and Cash Equivalents	**(11,218,322)**	**(59,780,378)**	**(1,519,340)**
Cash and Cash Equivalents at Beginning of Year	83,926,259	520,901,249	4,093,745
Cash and Cash Equivalents at End of Year	**$ 72,707,937**	**$ 461,120,871**	**$ 2,574,405**

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

	Domestic Water	Sanitation	Canal Water	Stormwater
Reconciliation to amounts reported on the Statement of Net Position:				
Reported on the Statement of Net Position:				
Cash and investments	$ 45,533,435	$ 107,841,638	$ 55,958,015	$ 117,498,975
Restricted cash and investments	43,302,768	18,278,103	-	-
Cash and Cash Equivalents at End of Year	**$ 88,836,203**	**$ 126,119,741**	**$ 55,958,015**	**$ 117,498,975**
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Operating loss	$ (16,314,543)	$ (8,802,733)	$ (3,747,230)	$ (12,971,705)
Adjustments to reconcile operating loss net cash provided (used) by operating activities:				
Depreciation	13,374,414	13,645,611	1,540,523	2,665,387
(Increase) decrease in accounts receivable	1,097,769	(563,166)	(763,094)	147,665
(Increase) decrease in deposits receivable	17,139	-	-	-
(Increase) decrease in supplies inventory	(137,430)	-	-	-
(Increase) decrease in prepaid expenses	4,210,852	-	122,162	-
(Increase) decrease in deferred outflows of resources pension related items	(6,868,285)	(3,781,093)	(2,052,237)	(800,505)
Increase (decrease) in accounts payable	2,084,998	1,812,458	(6,798,887)	(392,233)
Increase (decrease) in accrued liabilities	932,583	72,425	26,183	15,377
Increase (decrease) in unearned revenues	(105,168)	(67,060)	-	-
Increase (decrease) in retentions payable	1,037,200	300,460	164,872	212,659
Increase (decrease) in customer advances and deposits	457,491	50,493	(34,946)	112,873
Increase (decrease) in compensated absences payable	(7,200)	297,117	152,778	61,877
Increase (decrease) in claims liability	97,948	-	-	-
Increase (decrease) in net OPEB liability	(32,960)	(20,778)	(9,314)	(5,018)
Increase (decrease) in net pension liability	(1,471,221)	(809,929)	(439,600)	(171,474)
Increase (decrease) in deferred inflows of resources OPEB related items	(621,486)	(391,804)	(175,633)	(94,595)
Increase (decrease) in deferred inflows of resources pension related items	169,167	93,130	50,547	19,717
Total Adjustments	**14,235,811**	**10,637,864**	**(8,216,646)**	**1,771,730**
Net Cash Provided (Used) by Operating Activities	**$ (2,078,732)**	**$ 1,835,131**	**$ (11,963,876)**	**$ (11,199,975)**
Non-Cash Investing, Capital, and Financing Activities:				
Capital assets contributed by other parties	$ 3,418,960	$ 1,957,278	$ 31,348	$ 32,546
Loss on disposal of assets	(2,800)	(36,156)	-	-
Gain on disposal of assets	-	-	-	-

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

	Groundwater Replenishment	Totals	Internal Service Fund Motorpool
Reconciliation to amounts reported on the Statement of Net Position:			
Reported on the Statement of Net Position:			
Cash and investments	$ 72,707,937	$ 399,540,000	$ 2,574,405
Restricted cash and investments	-	61,580,871	-
Cash and Cash Equivalents at End of Year	**$ 72,707,937**	**$ 461,120,871**	**$ 2,574,405**
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Operating loss	$ (44,373,151)	$ (86,209,362)	$ (3,499,616)
Adjustments to reconcile operating loss net cash provided (used) by operating activities:			
Depreciation	6,159,339	37,385,274	2,987,816
(Increase) decrease in accounts receivable	(135,613)	(216,439)	-
(Increase) decrease in deposits receivable	-	17,139	-
(Increase) decrease in supplies inventory	-	(137,430)	(13,512)
(Increase) decrease in prepaid expenses	(500,000)	3,833,014	-
(Increase) decrease in deferred outflows of resources pension related items	(949,057)	(14,451,177)	(527,598)
Increase (decrease) in accounts payable	(3,937,534)	(7,231,198)	355,638
Increase (decrease) in accrued liabilities	2,744	1,049,312	2,962
Increase (decrease) in unearned revenues	-	(172,228)	-
Increase (decrease) in retentions payable	531,365	2,246,556	56,269
Increase (decrease) in customer advances and deposits	(4,123)	581,788	-
Increase (decrease) in compensated absences payable	147,247	651,819	7,950
Increase (decrease) in claims liability	-	97,948	-
Increase (decrease) in net OPEB liability	(3,582)	(71,652)	-
Increase (decrease) in net pension liability	(203,292)	(3,095,516)	(113,013)
Increase (decrease) in deferred inflows of resources OPEB related items	(67,552)	(1,351,070)	-
Increase (decrease) in deferred inflows of resources pension related items	23,376	355,937	12,995
Total Adjustments	**1,063,318**	**19,492,077**	**2,769,507**
Net Cash Provided (Used) by Operating Activities	**$ (43,309,833)**	**$ (66,717,285)**	**$ (730,109)**
Non-Cash Investing, Capital, and Financing Activities:			
Capital assets contributed by other parties	$ -	$ 5,440,132	$ -
Loss on disposal of assets	-	(38,956)	-
Gain on disposal of assets	-	-	192,481

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Agency Funds	OPEB Trust Fund
Assets:		
Cash and investments		
Cash and cash equivalents	$ 13,675,821	$ 25,766,523
Receivables:		
Accounts	71,920	-
Property taxes	70,095	-
Interest	39,469	48
Total Assets	**$ 13,857,305**	**$ 25,766,571**
Liabilities:		
Accounts payable	$ 222,265	$ -
Held for others	9,351,062	-
Deposits payable	4,283,978	-
Total Liabilities	**$ 13,857,305**	**$ -**
Net Position:		
Restricted for OPEB		25,766,571
Total Net Position		**$ 25,766,571**

See Notes to Financial Statements.

COACHELLA VALLEY WATER DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR YEAR ENDED JUNE 30, 2019

	OPEB Trust Fund
Assets:	
Contributions:	
Employers	$ 2,099,162
Interest and change in fair value of investments	1,605,785
Investment related expense	(95,088)
Total Additions	**3,609,859**
Deductions:	
Benefits	2,099,162
Administrative expenses	9,604
Total Deductions	**2,108,766**
Change in Net Position	1,501,093
Net Position - Beginning of the Year	24,265,478
Net Position - End of the Year	$ 25,766,571

See Notes to Financial Statements.

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Note 1: Organization and Summary of Significant Accounting Policies

The Coachella Valley Water District (the District) was organized in 1918 under the County Water District Act provisions of the state water codes. The District provides domestic and irrigation water, stormwater protection, agricultural drainage, sanitation, groundwater replenishment and water conservation services to users within its boundaries. The District's service area covers approximately 1,000 square miles mostly, within the Coachella Valley in Riverside County, California. The boundaries also extend into small portions of Imperial and San Diego counties. The Coachella Valley is a fascinating place in which to live, work and play because what once was a barren wasteland, has been transformed into a vibrant collection of diverse communities with thriving agricultural and recreation/hospitality industries.

Domestic water is delivered to more than 109,000 customers. The valley's drinking water comes from a vast underground aquifer. This water is nearly pristine and requires little treatment to meet all state and federal water quality standards.

The District’s Board of Directors has formed various improvement districts, which are geographical segments within the service area of the District. Special assessment debt without government commitment is issued for certain improvement districts, and interest and principal thereon are payable from ad valorem assessments on land within such districts, from service charges and proceeds from the sale of property.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District is considered to be financially accountable for an organization if the District appoints a voting majority of that organization’s governing body, and the organization is able to provide specific financial benefits to or impose specific financial burdens on the District. The District is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the District). In certain cases, other organizations are included as component units, if the nature and significance of their relationship with the District are such that, their exclusion would cause the District’s financial statements to be misleading or incomplete. The District has one component unit, the Coachella Valley Water District Public Facilities Corporation.

The Coachella Valley Water District Public Facilities Corporation (Corporation) is a blended component unit as no person other than a Director of the District is eligible to serve as a Director of the Corporation, except a person approved by a resolution of the Board of Directors of the District. The Corporation is a nonprofit public benefit Corporation organized to provide financial assistance to the District by acquiring and constructing various public improvements, and the acquisition of land and related facilities for the use, benefit, and enjoyment of the public. There is also a financial benefit/burden relationship between the District and the Corporation. Separate financial statements of the Corporation are not prepared.

a. Basis of Accounting and Measurement Focus

A proprietary fund accounts for operations in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The proprietary fund financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Under the *economic resources measurement focus*, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the *accrual basis of accounting*, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues related to water sales, sanitation, and other user charges are recognized when earned. Unbilled service receivables, if material, have been reflected in the financial statements.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

a. Basis of Accounting and Measurement Focus (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 consist of charges to customers for sales and use of water and sanitation. Nonoperating revenues primarily consist of property taxes, intergovernmental revenues, penalties and interest, backflow charges, and interest earned on investments. The principal operating expenses consist of wages and salaries, benefits, materials and supplies, water purchases, power, contract services, and depreciation on capital assets. Nonoperating expenses primarily consist of interest expense on interfund advances.

The Other Post-Employment (OPEB) Trust fiduciary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of District revenues and expenses. Since revenues and expenses are not recognized, agency funds have no measurement focus; however, assets and liabilities are accounted for on the *accrual basis of accounting*.

The District follows all applicable Government Accounting Standards Board (GASB) pronouncements.

b. Major Fund Groups

For financial statement purposes, the operations of the District are reported in the following major funds:

Domestic Water. Activity associated with providing domestic water to the residents of the Coachella Valley. More than 2,004 miles of distribution pipelines serve those customers from water stored in sixty-two reservoirs.

Sanitation. Activity associated with the District's wastewater reclamation plants. The plants allow the District to provide sanitation service to most of the Coachella Valley that it serves with domestic water.

Canal Water. Activity associated with providing irrigation water to agricultural farmers and certain golf courses of the Coachella Valley and farm drainage.

Stormwater. Activity associated with providing stormwater protection in the Coachella Valley.

Groundwater Replenishment. Activities associated with replacing groundwater, or replenishing the aquifer, including activities associated with delivering non-potable water to fourteen (14) golf courses, four (4) Home Owners' Associations, and one (1) public high school and District facilities.

Additionally, the District reports the following fund types:

Internal Service Funds are used to account for the fleet management services that are provided to other departments of the District.

OPEB Trust Fund accounts for the activities of the Districts Section 115 OPEB Trust, which accumulates resources for retiree's healthcare costs in an irrevocable trust account.

Agency Funds account for assets received and held by the District, while acting in the capacity as agents or custodians. Included in the Agency Fund are cash and deposits that are maintained for certain assessment districts, community facilities districts, contractor deposits, and grant pass through funds.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

c. Property Taxes

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the local governments based on complex formulas.

Tax liens attach annually, on the first day of March preceding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash, and cash equivalents represent each funds' share in the cash and investment pool of the District.

e. Restricted Cash and Investments

Restricted cash and investments include development fees that are restricted by state law for the construction of capital facilities. As required by GASB Statement No. 34, restricted assets are only reported in funds for which the related restriction is for a purpose more restricted, than that for which the fund was established.

f. Investments

Investments are reported in the accompanying Statement of Net Position at fair value, which represents the quoted or stated market value, except for certain non-negotiable certificates of deposit that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The District pools cash and investments of all funds. Investment income earned by the pooled investments is allocated to the various funds, based on each fund's average cash and investment balance.

g. Supplies Inventory

Supplies inventory consists of materials used in the construction and maintenance of the District's capital assets and is valued at weighted-average cost using the consumption method.

h. Prepaid Expenses

Prepaid expenses primarily consist of advances made on the District's mitigation payments under the Quantification Settlement Agreement and are expensed in accordance with the funding schedule. See Note 9.

i. Capital Assets

Capital assets, consisting of property, plant, equipment, and water rights, are recorded at cost. Property, plant, and equipment donated to these proprietary fund type operations, are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

i. Capital Assets (Continued)

Capital Assets are defined by the District as assets with an initial, individual cost of more than $10,000 and an estimated useful life of more than one year. Assets acquired with federal grant funds are capitalized when the cost is greater than or equal to $5,000 and have an estimated useful life of more than one year. Depreciation is charged to operations using a straight-line method, based on average useful life of the asset.

The estimated useful lives of the capital assets are as follows:

Assets	Years
Domestic water plan	25-50
Sanitation plant	25-50
Irrigation plant and drainage works	40-49
Common plant and equipment	3-45
Stormwater	5-50

Interests in jointly-owned facilities are depreciated, using the straight-line method, with an estimated life of 100 years. On occasion, the District will construct assets on behalf of other agencies, where the other agencies will be responsible for managing and owning the assets. These assets are not capitalized.

j. Contributed Plant

Contributed plant represents utility plant donated or paid for by developers within the District. Water, sanitation, stormwater, and other plant facilities contributed to the District are recorded at acquisition value at the date of donation. The District received capital contributions totaling $5,440,132 for the year ended June 30, 2019.

k. Deferred Outflows/Inflows of Resources

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has the following items on the Statement of Net Position that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experiences and changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the net differences between projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.

More information on these deferred outflows of resources are provided in Note 6.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

k. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods, and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions for differences between expected and actual experiences and changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to OPEB for differences between expected and actual experiences and changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plans.
- Deferred inflows related to OPEB resulting from the net differences between projected and actual earnings on investments of the OPEB Plan's fiduciary net position. These amounts are amortized over five years.

More information on these deferred inflows are provided in Notes 6 and 8.

l. Claims Payable

The District records a liability for claims, judgments, and litigation when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

m. Long-Term Obligations

Interest on the debt is recorded when incurred. Principal that is due within one year is shown as a current liability. Bond discounts and premiums, if material, are recorded as a reduction or increase, respectively, of outstanding debt and are deferred and amortized over the term of the debt. The District has no such long-term obligations.

n. Pension

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

o. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and the OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary on the same basis as they are reported by the Plan. For this purpose, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

p. Compensated Absences

It is the District's policy to permit employees to accumulate earned, but unused vacation benefits up to certain limits. Vacation hours are earned based upon the number of years of employment. Employees earn ten working days for each full year of service for the first five years of continuous employment. Employees earn fifteen working days during the second five years (six – ten) of continuous employment. After the tenth year of service, vacation leave shall accrue at the rate of 20 working days for each year of service. Employees in the Coachella Valley Water District Employee Association bargaining unit, cease to accrue vacation leave at six hundred hours (600), employees in the ASSET bargaining unit, cease to accrue vacation leave at four hundred eighty hours (480), employees in the Management bargaining unit, cease to accrue vacation leave at five hundred hours (500), and the General Manager has no maximum vacation accrual. Earned vacation pay is paid upon separation from employment.

Sick leave credits are earned at the rate of one working day, for each full month of service. Sick leave shall not accrue during any 30 calendar day absence without pay. Unused sick leave credits shall be accumulated from year to year, to a maximum of three hundred sixty (360) hours in sick leave fund, to be used by the employee as needed for approved sick leave. Sick leave credits over three hundred sixty hours (360), shall accrue to an emergency health fund. Only employees who had three hundred or more hours accumulated in the emergency health fund at June 29, 1991, can accumulate to a maximum of six hundred hours (600).

Upon retirement from the District, an employee's unused sick leave and emergency health fund of record shall be covered as follows: Up to four hundred eighty (480) hours of accrued sick leave and emergency health fund combined, shall be paid to the employee at the rate of one hundred (100%) percent. All accrued sick leave and emergency health fund beyond the four hundred eighty (480) hours, will be paid at fifty (50%) percent of cash value.

q. Net Position

Net position of the District is categorized as investment in capital assets, restricted and unrestricted.

Investment in capital assets represent the capitalized cost of capital assets, net of accumulated depreciation. The District has no related outstanding debt balances.

Restricted net position represents net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or imposed by law, through constitutional provisions or enabling legislation.

All net position not categorized as investment in capital assets or restricted, are included in unrestricted net position, including amounts reserved in accordance with designations by the Board of Directors.

r. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted grant or developer proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the District's financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to use consider restricted - net position to have been depleted before unrestricted - net position is applied.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

s. New Accounting Pronouncements

Current Year Standards

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the District.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not impact the District.

Pending Accounting Standards

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

t. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Note 2: Cash and Investments

Cash and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Current assets:	
Cash and investments	$ 402,114,405
Noncurrent assets:	
Restricted cash and investments:	
Construction, capital, and replacement funds	61,580,871
Fiduciary Funds:	
Cash and investments	39,442,344
Total cash and investments	$ 503,137,620

Cash and investments as of June 30, 2019, consist of the following:

Petty cash on hand	$ 4,132
Deposits with financial institutions	9,154,381
Investments	493,979,107
Total cash and investments	$ 503,137,620

Investments Authorized for the District's OPEB Trust Fund

The OPEB Trust Fund is administered by a third-party whose main objective is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss. Assets are invested in accordance with the below targets for each asset class to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate:

	Asset Weightings	
Asset Classes	Range	Target
Growth Assets:		
Domestic Equity	29 - 49%	39%
International Equity	1 - 41%	21%
Other	0 - 20%	0%
Income Assets:		
Fixed Income	20 - 60%	40%
Other	0 - 20%	0%
Real Return Assets	0 - 20%	0%
Cash Equivalents	0 - 20%	0%

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

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address the funds within the OPEB Trust Fund that are governed by the agreement between the District and the trustee, rather than the general provisions of the California Government Code or the District's investment policy.

Note 2: Cash and Investments (Continued)

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

Authorized Investment Type	Minimum Rating	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	A	5 years	None	None
U.S. Treasury Obligations	None	5 years	None	None
U.S. Federal Agency Securities	None	5 years	None	None
Banker's Acceptances	Highest**	180 days	40%	5%
Commercial Paper	Highest**	270 days	25%	10%
Negotiable Certificates of Deposit	A	5 years	30%	5%
Asset-Backed Securities (ABS)	AA	5 years	20%	5%
Medium-Term Notes	A	5 years	30%	5%
Mutual Funds	None	5 years	5%	None
Money Market Mutual Funds	Highest**	5 years	20%	5%
Supranationals obligations	AA	5 years	30%	5%
Local Agency Investment Fund (LAIF)	None	N/A	None	None
Riverside County Treasurer's Pooled Investment Fund (TPIF)	None	None	100%	N/A
JPA Pools (other investment pools)	None	N/A	None	None
Certificates of Deposit	None	5 years	30%	5%
Registered State Notes or Bonds	A	5 years	None	None
District's Own Bonds	None	5 years	100%	N/A

* Based on state law requirements, or investment policy requirements, whichever is more restrictive

** Shall have the highest ranking or the highest letter and number rating as provided for by a nationally recognized statistical-rating organization

Disclosures Relating to Interest Rate Risk

Interest rate risk, is a risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk, is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. This way, a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary, to provide the cash flow and liquidity needed for operations.

Note 2: Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2019:

	Remaining Investment Maturities			
	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months
Investments:				
Riverside County Treasurers Investment Fund	$ 16,269,712	$ 16,269,712	$ -	$ -
First American Government Obligation	505,720	505,720	-	-
U.S. Treasury Notes	152,169,654	-	28,553,529	123,616,125
Fannie Mae/Freddie Mac	14,995,249	-	3,766,811	11,228,438
Federal Agency Collateralized Mortgage Obligation	26,226,889	4,143	200,617	26,022,129
Supra-National Agency Bond	13,271,362	-	8,815,504	4,455,858
Asset Backed Securities	77,295,104	246,935	4,447,877	72,600,292
Medium-Term Notes	113,573,583	34,134,342	30,120,138	49,319,103
Federal Home Loan Bank	3,644,558	-	-	3,644,558
Certificates of Deposits	50,260,753	18,139,614	27,499,909	4,621,230
OPEB Trust Mutual Funds	25,766,523	25,766,523	-	-
Total Investments	$ 493,979,107	$ 95,066,989	$ 103,404,385	$ 295,507,733

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating as required by (where applicable) the California Government Code, the District's investment policy, or trust agreements, and the actual rating, as reported by Standards & Poor's and Moody's, as of year-end for each investment type as of June 30, 2019:

Investment Type	Total as of June 30, 2019	Minimum Legal Rating	Exempt From Disclosure	AAA-A	A-1-A-1+	A3*	Not Rated/ Exempt from Disclosure
Riverside County Treasurers Investment Fund	$ 16,269,712	N/A	$ -	$ -	$ -	$ -	$ 16,269,712
First American Government Obligation	505,720	N/A	-	-	-	-	505,720
U.S. Treasury Notes	152,169,654	N/A	152,169,654	-	-	-	-
Fannie Mae/Freddie Mac	14,995,249	N/A	-	14,995,249	-	-	-
Federal Agency Collateralized Mortgage Obligation	26,226,889	N/A	-	26,226,889	-	-	-
Supra-National Agency Bonds	13,271,362	AA	-	13,271,362	-	-	-
Asset Backed Securities	77,295,104	AA	-	50,669,830	-	-	26,625,274
Medium-Term Notes	113,573,583	A	-	94,125,154	-	19,448,429	-
Federal Home Loan Bank	3,644,558	N/A	-	3,644,558	-	-	-
Certificates of Deposits	50,260,753	N/A	-	32,121,139	18,139,614	-	-
OPEB Trust Mutual Funds	25,766,523	N/A	-	-	-	-	25,766,523
Total Investments	$ 493,979,107		$ 152,169,654	$ 235,054,181	$ 18,139,614	$ 19,448,429	$ 69,167,229

* Ratings for these securities are based on Moody's credit ratings.

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

The 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. 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 Treasurer may waive the collateral requirement for deposits that are fully insured up to $250,000 by the FDIC.

As of June 30, 2019, all of the District’s deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in County Investment Pool

The District is a voluntary participant in the County of Riverside Treasurer’s Pooled Investment Fund (TPIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County of Riverside. 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 TPIF for the entire TPIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawals is based on the accounting records maintained by TPIF, which are recorded on an amortized cost basis.

Note 2: Cash and Investments (Continued)

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2019:

		Level		
Investment Type	Totals	1	2	3
U.S. Treasury Notes	$ 152,169,654	$ 152,169,654	$ -	$ -
Fannie Mae/Freddie Mac	14,995,249	-	14,995,249	-
Federal Agency Collateralized Mortgage Obligation	26,226,889	-	26,226,889	-
Supra-National Agency Bond	13,271,362	-	13,271,362	-
Asset Backed Securities	77,295,104	-	77,295,104	-
Medium-Term Notes	113,573,583	-	113,573,583	-
Federal Home Loan Bank	3,644,558	-	3,644,558	-
Certificates of Deposit	50,260,753	-	50,260,753	-
OPEB Trust Mutual Funds	25,766,523	-	25,766,523	-
Total Investments	477,203,675	$ 152,169,654	$ 325,034,021	$ -
Riverside County Treasurers Investment Fund*	16,269,712			
First American Government Obligation*	505,720			
Total Investments	$ 493,979,107			

* Not subject to fair value measurement hierarchy.

U.S. Treasury Notes classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. All investments classified in Level 2 of the fair value hierarchy are value using specified fair market value factors or institutional bond quotes.

Note 3: Capital Assets

	Balance at July 1, 2018	Transfers	Increases	Decreases	Balance at June 30, 2019
Capital assets, not being depreciated:					
Land and land rights					
Domestic Water	$ 12,645,747	$ 60,750	$ -	$ -	$ 12,706,497
Sanitation	3,308,715	177,440	-	(24,870)	3,461,285
Canal Water	3,299,923	-	-	-	3,299,923
Storm Water	8,352,735	438,578	32,546	-	8,823,859
Groundwater Replenishment	29,261,080	-	-	-	29,261,080
Total land and land rights	56,868,200	676,768	32,546	(24,870)	57,552,644
Construction in progress					
Domestic Water	63,445,153	(37,024,031)	49,605,293	-	76,026,415
Sanitation	32,203,179	(6,165,200)	20,599,044	(851,024) *	45,785,999
Canal Water	6,490,763	(9,868,801)	12,507,857	-	9,129,819
Storm Water	32,509,313	(13,906,665)	18,138,878	(634,064) *	36,107,462
Groundwater Replenishment	8,584,154	(2,183,542)	14,724,634	-	21,125,246
Total construction in progress	143,232,562	(69,148,239)	115,575,706	(1,485,088)	188,174,941
Water rights					
Domestic Water	73,781,290	-	-	-	73,781,290
Sanitation	240,830	-	-	-	240,830
Total water rights	74,022,120	-	-	-	74,022,120
Total capital assets not being depreciated	274,122,882	(68,471,471)	115,608,252	(1,509,958)	319,749,705
Capital assets, being depreciated:					
Land improvements					
Domestic Water	50,295	-	-	-	50,295
Buildings and plant					
Domestic Water	589,368,307	31,045,207	3,437,912	(122,175)	623,729,251
Sanitation	543,301,249	5,987,760	1,981,810	(38,825)	551,231,994
Canal Water	42,467,256	9,886,814	31,348	-	52,385,418
Storm Water	126,756,557	13,468,087	538	-	140,225,182
Groundwater Replenishment	91,950,653	2,183,542	-	-	94,134,195
Other Services/Internal Services	1,845,248	-	-	-	1,845,248
Total building and plant	1,395,689,270	62,571,410	5,451,608	(161,000)	1,463,551,288
Interest in shared facilities:					
Canal Water	35,479,522	-	-	-	35,479,522
Groundwater Replenishment	288,958,724	-	20,051,447	-	309,010,171
Total interest in shared facilities	324,438,246	-	20,051,447	-	344,489,693
Equipment					
Domestic Water	13,036,153	5,900,061	129,282	-	19,065,496
Sanitation	15,898,944	-	110,958	-	16,009,902
Canal Water	7,306,597	-	2,267	-	7,308,864
Storm Water	2,761,003	-	-	(5,813)	2,755,190
Groundwater Replenishment	159,947	-	-	-	159,947
Other Services/Internal Services	33,108,183	-	2,865,203	(1,068,334)	34,905,052
Total equipment	72,270,827	5,900,061	3,107,710	(1,074,147)	80,204,451
Total depreciated assets	$1,792,448,638	$ 68,471,471	$ 28,610,765	$ (1,235,147)	$1,888,295,727

* Deletions include abandoned projects and projects that were determined to not be capitalizable.

Note 3: Capital Assets (Continued)

	Balance at July 1, 2018	Transfers	Increases	Decreases	Balance at June 30, 2019
Less accumulated depreciation for:					
Land Improvements					
Domestic Water	$ (16,933)	$ -	$ (2,012)	$ -	$ (18,945)
Buildings and plant					
Domestic Water	(251,163,153)	-	(12,496,290)	119,384	(263,540,059)
Sanitation	(209,595,985)	-	(12,896,778)	2,669	(222,490,094)
Canal Water	(14,732,273)	-	(934,179)	-	(15,666,452)
Storm Water	(67,259,739)	-	(2,579,696)	-	(69,839,435)
Groundwater Replenishment	(23,352,147)	-	(1,730,070)	-	(25,082,217)
Other Services/Internal Services	(1,301,055)	-	(37,661)	-	(1,338,716)
Total building and plant	(567,404,352)	-	(30,674,674)	122,053	(597,956,973)
Interest in shared facilities:					
Canal Water	(20,567,952)	-	(354,783)	-	(20,922,735)
Groundwater Replenishment	(76,463,801)	-	(4,426,978)	-	(80,890,779)
Total interest in shared facilities	(97,031,753)	-	(4,781,761)	-	(101,813,514)
Equipment					
Domestic Water	(10,630,507)	-	(870,939)	(5,805)	(11,507,251)
Sanitation	(5,240,277)	-	(748,832)	-	(5,989,109)
Canal Water	(5,263,383)	-	(251,561)	-	(5,514,944)
Storm Water	(2,173,842)	-	(91,487)	5,795	(2,259,534)
Groundwater Replenishment	(122,559)	-	(2,292)	-	(124,851)
Other Services/Internal Services	(21,445,656)	-	(2,949,532)	1,043,100	(23,352,088)
Total Equipment	(44,876,224)	-	(4,914,643)	1,043,090	(48,747,777)
Total accumulated depreciation	(709,329,262)	-	(40,373,090)	1,165,143	(748,537,209)
Net depreciable assets	1,083,119,376	68,471,471	(11,762,325)	(70,004)	1,139,758,518
Capital assets, net	$1,357,242,258	$ -	$ 103,845,927	$ (1,579,962)	$1,459,508,223

The District's interest in shared facilities is as follows:

	2019	2018
All-American Canal	$ 21,213,582	$ 21,213,582
Distribution System for All American Canal	14,265,940	14,265,940
California State Water Project	309,010,171	288,958,724
Totals	344,489,693	324,438,246
Less accumulated depreciation	(101,813,526)	(97,031,753)
Interest in shared facilities, net	$ 242,676,167	$ 227,406,493

The interest in jointly-owned facilities for the All-American Canal (the Canal) and the related Distribution System (the System) represent the District's allocated share of the cost of these facilities, as determined by the United States Department of the Interior. Depreciation is provided on the straight-line method based on a 100-year life for the Canal and the System.

The interest in jointly-owned facilities in the California State Water Project results from the District's participation under a 1963 contract with the State of California, Department of Water Resources. Under the terms of this contract, the District secured rights to receive certain amounts of acre-feet of water each year through 2035, an amount up to a total of 4,782,511 acre-feet of water. Under certain conditions, the District may carry-over a portion of its annual entitlement from one year so that delivery may be taken in the first three months of the next calendar year.

Note 3: Capital Assets (Continued)

As of June 30, 2019, 1,714,067 acre-feet had been received and utilized by the District. Certain amounts billed for capital costs are capitalized, as interest in jointly owned facilities and are amortized over the remaining life of the contract. All other changes under this contract are expensed as incurred.

The following material construction commitments existed at June 30, 2019:

Project Name	Contract Amount	Expenditures to Date as of June 30, 2019	Remaining Commitments
WRP 10 Plants B and C Improvements Project	$ 5,064,682	$ 3,855,068	$ 1,209,614
Rehabilitation of Reservoir 5643-1 and 5643-2 Project	2,571,951	2,227,307	344,644
Palm Desert Groundwater Replenishment Facility Project, Phase 1	8,975,037	8,849,078	125,959
Critical Support Services Building	13,600,000	13,576,320	23,680
Reservoir 4605-1 (Sky Mountain Pressure Zone)	9,649,967	7,199,202	2,450,765
Wasteway Channels Improvements	6,525,555	5,948,831	576,724
San Antonio Del Desierto Sewer Pipeline and Lift Station 55-27	3,178,833	3,078,833	100,000
Highway 86 Transmission Main Extension, Phase 2	20,393,025	13,139,773	7,253,252
WRP 4, 7, and 10 Chemical System Safety Upgrade Project	11,055,600	3,573,705	7,481,895
Palm Desert Auto Shop Building Project	1,597,710	1,125,372	472,338
WRP 2 Improvement Project	2,352,165	1,646,628	705,537
Replacement of Booster Station N. 3501	3,252,777	1,927,977	1,324,800
Talavera Water Main Replacement, Phase 2	4,201,869	3,311,242	890,627
Well Rehabilitation Project	606,956	599,006	7,950
Avenue 59 Drain Replacement and Irrigation Lateral 101.3 and Avenue 55-Fillmore Drain Improvement Project	2,187,968	2,078,570	109,398
Lift Station 81-01 and 81-03	9,478,552	2,144,419	7,334,133
WRP 10 Lighting	379,742	204,791	174,951
Reservoir Safety Program Upgrades Phase 11 (57 Reservoirs)	1,444,400	165,576	1,278,824
WRP 10 Secondary Effluent Pump Station	25,496,999	482,552	25,014,447
WRP 7 Programmable Logic Controller (PLC) Upgrade	2,737,800	85,000	2,652,800
Salton Sea Communities and Primrose Lane Water Main Replacement	2,008,387	294,099	1,714,288
Well Drilling Plans and Pumping Plants for Well Nos. 3405-2, 4615-1, and 5683-1	5,888,230	5,859,971	28,259
	$ 142,648,205	$ 81,373,320	$ 61,274,885

Note 4: Long-Term Debt

Long-term liability for the year ended June 30, 2019, is as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year	Due After One Year
Compensated absences payable	$ 7,567,864	$ 1,754,074	$ 1,094,304	$ 8,227,634	$ 6,170,725	$ 2,056,909
Claims payable	2,836,753	115,382	17,435	2,934,700	1,306,613	1,628,087
Totals	$ 10,404,617	$ 1,869,456	$ 1,111,739	$ 11,162,334	$ 7,477,338	$ 3,684,996

Compensated absences payable is liquidated by all funds.

Self-Insurance Claims Liability

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported.

Note 4: Long-Term Debt (Continued)

Self-Insurance Claims Liability (Continued)

The District's participation in the self-insurance program is listed below:

Property Loss: Insured up to a replacement value of $100 million, with a $50,000 deductible per occurrence on scheduled buildings and contents, actual cash value on scheduled mobile equipment.

Workers' Compensation: Permissibly Self Insured with an excess policy with limits of $35 million with a $250,000 self-insured retention per claim. The claims are overseen through a third-party administrator.

General Liability: Insured up to $35 million per occurrence with an aggregate of $70 million with a $250,000 self-insured retention per accident for losses sustained because of liability imposed on the District.

Auto Liability: Insured up to $2 million per occurrence with a $5,000 deductible.

Public Officials Liability: Insured up to $10 million per occurrence and in the aggregate with a $500,000 self-insured retention.

Employee Dishonesty/Crime Supplement: Insured up to $5 million per occurrence and in the aggregate with a $100,000 deductible for employee dishonesty which covers all employees.

Underground Storage Tank Liability: Insured up to $1 million per pollution incident with an aggregate of $2 million and a $5,000 deductible. Covering eleven (11) underground storage tanks at 51501 Tyler Street, Coachella, CA 92236, 43-000 Cook Street, Palm Desert, CA 92260, and 75525 Hovley Lane, Palm Desert, CA 92211.

Pollution liability and 1st party coverage: Insured up to $25 million per occurrence and in the aggregate with a $250,000 self-insured retention.

A number of other suits and claims arising in the course of business are pending against the District. In the opinion of the District's General Counsel, the adverse results, if any, of such legal actions on these suits and claims will not have a material effect on the District's financial position, changes in net position, or liquidity.

Changes in claims liability over the past three years are as follows:

Liability at June 30, 2017	$ 2,434,523
Claims and changes in estimate	823,070
Claim payments	(420,840)
Liability at June 30, 2018	2,836,753
Claims and changes in estimate	115,382
Claim payments	(17,435)
Liability at June 30, 2019	$ 2,934,700

The claims liability is typically liquidated by the Domestic Water Fund. Management estimates the District's liability under these claims will not exceed amounts provided for by the District as of June 30, 2019. During the past three fiscal years, there were no settlements or judgments that exceeded insured coverage. There were also no significant reductions in insured liability coverage in 2018-2019.

Note 5: Special Assessment Debt without Government Commitment

As of June 30, 2019, certain special assessment district limited obligation improvement bonds, were outstanding that are not recorded as liabilities by the District. The bonds are payable from the annual installments collected on regular property tax bills, sent to owners of property having unpaid assessments levied against land benefited by the projects. Neither the faith, credit nor taxing power of the District is pledged to the repayment of the bonds.

Accordingly, no liability has been recorded in the District's financial statements. However, any unspent bond proceeds received upon issuance of these bonds, are recorded as due to homeowners. At June 30, 2019, the following limited obligation Improvement Bonds remain outstanding:

	Date of Issue	Amount of Issue	Outstanding June 30, 2019
Assessment District No. 67	1999	$ 884,410	$ 135,000
Assessment District No. 68	2002	2,560,000	1,195,000
Assessment District No. 70	2006	8,239,480	4,180,000
Assessment District No. 33	2010	786,528	616,528
Total Non-committal Debt Issues		$ 12,470,418	$ 6,126,528

Note 6: Miscellaneous Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan (the Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statue and resolution adopted by the District. 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 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five years of service. The death benefit is one of the following:

- The Basic Death benefit – this is a standard benefit where an employee's beneficiary (or estate) may receive the retirement benefit if the member dies while actively employed. The benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service; up to six months.

- The 1957 Survivor benefit – this is a standard benefit where an employee's eligible survivor may receive the members retirement benefit if the member dies while actively employed, has attained at least the age of 50, and has at least five years of credited service. The benefit is a monthly allowance equal to one-half of the unmodified service retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. The benefit is payable to the spouse until their death; and payable to dependents until reaching the age of 18.

CalPERS also offers optional death benefits, such as Optional Settlement 2W Death Benefit, and the Special Death Benefit. More information on these benefits is available on the CalPERS website. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

Note 6: Miscellaneous Pension Plan (Continued)

Benefits Provided (Continued)

The Plan's provisions and benefits in effect at the June 30, 2018 measurement date, are summarized as follows:

Hire Date	Prior to Jan. 5, 2008*+	Prior to Jan. 1, 2013+	On or After Jan. 1, 2013*
Benefit formula	2.0% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50	minimum 50	minimum 52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	0.000%	8.000%	5.500%
Required employer contribution rates:			
Normal cost rates	0.000%	7.776%	10.969%
Payment of unfunded liability	$ -	$ 7,669,729	$ -

*There were no active employees this plan during the measurement period, therefore, there were no employee contributions made during this period. In addition, the District was not required to make any contributions during this period. State Assembly Bill 340 created PEPRA that implemented new benefit formulas, a final compensation period, and new contribution requirements for new employees eligible to participate in the Plan.
+ Closed to new entrants.

Employees Covered

At the June 30, 2018 measurement date, the following employees were covered by the benefit terms of the Plan:

Retired employees and beneficiaries	473
Terminated or transferred employees	143
Active employees	545
Total	1,161

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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. District contribution rates may change if plan contracts are amended. Payments made by the District to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Note 6: Miscellaneous Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected salary increases	(1)
Mortality rate table*	(2)
Post retirement benefit income	(3)

(1) Varies by entry age and service.
(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERSdemographic data from 1997 to 2015) that can be found on the CalPERS website.
(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ -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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Note 6: Miscellaneous Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

Discount Rate

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

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

Note 6: Miscellaneous Pension Plan (Continued)

Changes in the Net Pension Liability

The changes in Plan's Net Pension Liability recognized over the measurement period are as follows:

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/2017 (Measurement Date)	$ 389,476,894	$ 248,871,604	$ 140,605,290
Changes recognized for the Measurement Period:			
Service Cost	7,124,963	-	7,124,963
Interest on total pension liability	27,295,591	-	27,295,591
Differences between expected and actual experience	470,080	-	470,080
Changes in assumptions	(2,443,307)	-	(2,443,307)
Net plan to plan resource movement	-	(616)	616
Contributions from the employer	-	12,547,765	(12,547,765)
Contributions from the employee	-	3,240,219	(3,240,219)
Net investment income	-	20,992,758	(20,992,758)
Benefit payments, including refunds of employee contributions	(18,619,271)	(18,619,271)	-
Administrative Expense	-	(387,811)	387,811
Other Miscellaneous Expense	-	(736,459)	736,459
Net changes	13,828,056	17,036,585	(3,208,529)
Balance at 6/30/18 (Measurement Date)	$ 403,304,950	$ 265,908,189	$ 137,396,761

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

The following table presents the net pension liability of the District for the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15%) or 1% point higher (8.15%) than the current rate:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Net Pension Liability	$ 192,699,597	$ 137,396,761	$ 91,748,450

Pension Plan Fiduciary Net Position

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

Note 6: Miscellaneous Pension Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the District recognized pension expense of $16,832,793. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	$ 33,850,422	$ -
Changes in assumptions	13,347,429	(3,187,104)
Difference between expected and actual experiences	1,495,795	(408,573)
Net difference between projected and actual earnings on pension plan investments	182,657	-
Total	$ 48,876,303	$ (3,595,677)

The net difference between projected and actual earnings on pension plan investments is amortized over a five-year period. The changes of assumptions and differences between expected and actual experiences are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

The $33,850,422 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, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2020	$ 6,044,419
2021	5,224,237
2022	1,322,999
2022	(1,049,759)
2023	(111,692)
Total	$ 11,430,204

Payable to the Pension Plan

At June 30, 2019, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Note 7: Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. No contributions are required by the District. The assets of the plan are held for the exclusive benefit of the plan participants and their beneficiaries and the assets shall not be diverted for any other purpose. The third-party administrator has the managing and reporting responsibilities. Each participate retains title to all accumulated funds and directs the investment in their respective accounts by selecting various investment options and the District has no liability for any losses that may be incurred. Pursuant to federal legislation, the Section 457 plan assets were placed in trust for exclusive benefit of all employees and their beneficiaries and are not available to the creditors of the District. For this reason, the assets and related liabilities of the plan are excluded from the financial records of the District and are not included in the accompanying financial statements.

Note 8: Post-Employment Benefits Other than Pensions

Plan Description and Benefits Provided

The District provides healthcare benefits to all employees who retire from the District, under retirement criteria established by the District, up to the age of 65, through a single-employer defined benefit plan. The District, on September 10, 2013, entered into an agreement with PFM, by resolution approved by the Board of Directors, to establish a pre-funded Section 115, irrevocable OPEB (Other Post-Employment Benefit) Trust, in which PFM would act as the Trust administrator.

Elected Officials and Association of Coachella Valley Water District Managers "ACVWDM":

Elected Officials and ACVWDM employees hired prior to July 1, 2011, with ten or more years of service, who retired between July 1, 2011 and December 28, 2013, are eligible to participate in the District medical plan on a cost-sharing basis. Elected Officials and ACVWDM employees hired on, or after July 1, 2011, with fifteen or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

For Elected Officials and ACVWDM employees eligible for Medicare, with 12 or more years of service, the District pays the cost of a Medicare supplement ("Medigap") policy selected at the time of retirement, retiree must stay in same medical plan elected before retirement and cannot upgrade medical plan during retirement. District pays cost of Medigap for retiree, spouse/domestic partner, or surviving spouse/domestic partner for any coverage elected, up to a cap.

Association of Supervisory Support Evaluation Team "ASSET"

ASSET employees hired prior to July 1, 2011, with ten or more years of service, who retired between July 1, 2011 and April 18, 2014, are eligible to participate in the District medical plan on a cost-sharing basis. ASSET employees hired on, or after July 1, 2011, with fifteen or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

Coachella Valley Water District Employee Association "CVWDEA"

CVWDEA employees hired prior to August 9, 2011, with ten or more years of service, who retired between July 1, 2011 and August 8, 2011, are eligible to participate in the District medical plan on a cost-sharing basis. Employees hired on, or after August 9, 2011, with fifteen or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

All Employees

The District covers 100% of costs of retiree medical for all employees who retired prior to July 1, 2011. Coverage will continue for the retiree and spouse or registered domestic partner and eligible dependents, until they become entitled to Medicare Benefits at age 65. Coverage for retirees' eligible spouse or registered domestic partner and eligible dependents will continue until they are eligible for coverage under any other healthcare plan, public healthcare program, or are no longer eligible for coverage under the District's group health plans, according to the terms and conditions of the agreement between the group health plan and the District.

Current District employees are eligible OPEB participants upon reaching age 50 with a minimum of fifteen years of eligible service with the District. Board members are also eligible to participate. Eligible retirees and Board members may enroll in the Anthem Blue Cross PPO Fully Insured Plan, Anthem Blue Cross HMO Plan or the Kaiser Permanente HMO plan provided by the District.

Note 8: Post-Employment Benefits Other than Pensions (Continued)

Plan Description and Benefits Provided (Continued)

All Employees

As of January 1, 2015: The Anthem Blue Cross PPO Fully Insured Plan replaced the AETNA Health of California PPO Plan and the Anthem Blue Cross HMO Plan replaced the AETNA Health of California HMO Plan. The District's Resolution No. 2008-200 establishes the authority for the plan. The activity and liability from the OPEB plan are included in these financial statements.

Employees Covered

The following current and former employees were covered by the benefit terms under the plan as of the year ended June 30, 2019:

Retired employees and beneficiaries	145
Terminated or transferred employees	-
Active employees	540
Total	685

Accounting for the Plan

The OPEB trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value, which is determined by the means of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued their fair value as determined by the custodian with the assistance of a valuation service.

Investment Policy and Rate of Return

The District's policy in regard to the allocation of invested assets is established and may be amended by the District's Board of Directors by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The long-term expected rates of return are Bartel Associates estimates and are presented as geometric means developed over a 20-year period.

The Board's adopted asset allocation policy and the long-term expected real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	PFM Target Allocation	Expected Real Rate of Return
Domestic equity	60%	4.82%
Fixed income	40%	1.47%
Total	100%	

Note 8: Post-Employment Benefits Other than Pensions (Continued)

Method Used to Value Investments (Continued)

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.57% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the District's cash contributions were no payments to the trust, $1,615,892 in payments to retirees, and the estimated implied subsidy was $483,270, resulting in total payments of $2,099,162.

Actuarial Assumptions

The District's total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement period, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age normal, level percent of Pay
Actuarial Assumptions	
Discount rate	6.25%
Inflation	2.75%
Projected salary increase	3.00%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality Improvement Scale MP-2017
Healthcare Trend	7.50% non- medicare; 6.50% medicare; decreasing to an ultimate rate of 4.0% on 2076

The actuarial assumptions used in the June 30, 2017 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified, as appropriate, for the District.

Discount Rate

GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

The discount rate utilized to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB Trust investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

Note 8: Post-Employment Benefits Other than Pensions (Continued)

Change of Assumptions

There were no changes of assumptions for the fiscal year ended June 30, 2019.

Change of Benefit Terms

There were no changes of benefit terms for the fiscal year ended June 30, 2019.

Changes in the Net OPEB Liability

The District's net OPEB liability for the Plan is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2019, in accordance with standard update procedures.

The changes in the Net OPEB liability for the Plan are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (Measurement Date)	$ 36,321,000	$ 24,265,000	$ 12,056,000
Changes recognized for the measurement period:			
Service Cost	1,256,225	-	1,256,225
Interest	2,282,978	-	2,282,978
Contribution - employer*	-	2,099,162	(2,099,162)
Net investment income	-	1,511,175	(1,511,175)
Benefit payments	(2,099,162)	(2,099,162)	-
Administrative expense	-	(9,604)	9,604
Net Changes	1,440,041	1,501,571	(61,530)
Balance at June 30, 2019 (Measurement Date)	$ 37,761,041	$ 25,766,571	$ 11,994,470

* Includes implied subsidy of $483,270

The Plan fiduciary net position is 68.24% of the total OPEB liability at June 30, 2019.

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current discount rate:

	Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1% (7.25%)
Net OPEB Liability	$ 15,573,684	$ 11,994,470	$ 8,822,741

Note 8: Post-Employment Benefits Other than Pensions (Continued)

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

The following presents the net OPEB liability of the District if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current heathcare cost trend rates:

	1% Decrease (6.5% Non-Medicare; 5.50% Medicare; decreasing to 3.0% in 2076)	*Current Healthcare Cost Trend Rates* (7.5% Non-Medicare; 6.50% Medicare; decreasing to 4.0% in 2076)	*1% Increase* (8.5% Non-Medicare; 7.50% Medicare; decreasing to 5.0% in 2076)
Net OPEB Liability	$ 7,490,929	$ 11,994,470	$ 17,350,955

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of $686,562. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Inflow of Resources
Changes of assumptions	$ -	$ (8,066,000)
Differences between expected and actual experiences	-	(825,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(171,930)
Total	-	(9,062,930)

The net difference between projected and actual earnings on OPEB plan investments is amortized over a five-year period. The changes of assumptions and differences between expected and actual experience are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30:	Deferred Inflows of Resources
2020	$ (1,345,982)
2021	(1,345,982)
2022	(1,344,982)
2023	(1,286,984)
2024	(1,288,000)
Thereafter	(2,451,000)

Payable to the OPEB Plan

At June 30, 2019, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

Note 9: Quantification Settlement Agreement

CVWD entered into a Quantification Settlement Agreement (QSA) with the Imperial Irrigation District (IID) and Metropolitan Water District of Southern California (MWD) on October 10, 2003. The QSA and all related agreements are intended to mutually settle longstanding disputes regarding the priority, use, and transfer of Colorado River Water and to establish the terms for further distribution of Colorado River water among the parties for up to 75 years. Other parties involved in the QSA include the US Department of the Interior, State of California, and San Diego County Water Authority (SDCWA).

QSA Water Transfer

The QSA quantified the annual Colorado River water deliveries to CVWD, IID, and MWD, and secures long-term Colorado River water supplies by setting the transfer period effective for up to 75 years. The QSA protects the Valley's groundwater supply by providing water for irrigation and aquifer replenishments, which sustains the region's economy and quality of life.

Before the QSA, CVWD received an annual average of 330,000 acre-feet af of Colorado River water; this quantity was subjected to an annual application process through the Department of the Interior. The QSA allowed CVWD to receive a guaranteed annual base entitlement to Colorado River water of 330,000 af. Of this quantity, 29,000 af (29 taf) is transferred to SDCWA and various Indian tribes. The adjusted base allotment of 301 taf is provided to CVWD at no cost.

The QSA also allowed CVWD to obtain conserved Colorado River water from IID (up to 68 taf annually for the fiscal year 2018-2019), under the IID-CVWD Acquisition Agreement. This additional water is transferred in two separate installments (up to 50 taf, and up to 18 taf), and is partially used to replenish the aquifer at the Thomas E. Levy Groundwater Replenishment Facility (TEL). IID water costs are estimated and payment is made annually regardless of the volume transferred to CVWD ("take or pay" contract).

Another water supply obtained in connection with the QSA is the 2003 MWD-CVWD 35,000 af Exchange Water; this agreement allows CVWD to receive up to 35 taf of MWD's State Water Project (SWP) water, delivered in the form of Colorado River water and used to replenish the West Whitewater River Subbasin. MWD water costs are paid annually; invoice is based on volume delivered.

CVWD's estimated QSA water transfers and payments are shown below.

	50 taf IID		18 taf IID		35 taf MWD		Total IID/MWD	
Fiscal Year	Vol (af)	Cost	Vol (af)	Cost	Vol (af)	Cost	Vol (af)	Cost
2019	50,000	$ 3,988,500	18,000	$ 1,428,120	35,000	$ 9,835,000	103,000	$ 15,251,620
2020	50,000	4,144,000	23,000	2,075,000	35,000	10,430,000	108,000	16,649,000
2021	50,000	4,268,000	28,000	2,852,000	35,000	10,745,000	113,000	17,865,000
2022	50,000	4,396,000	33,000	3,675,000	35,000	11,060,000	118,000	19,131,000
2023	50,000	4,528,000	38,000	4,545,000	35,000	11,410,000	123,000	20,483,000
2024	50,000	4,664,000	43,000	5,465,000	35,000	11,760,000	128,000	21,889,000
2025	50,000	4,803,920	48,000	6,283,479	35,000	12,112,800	133,000	23,200,199
2026	50,000	4,948,038	53,000	7,146,148	35,000	12,476,184	138,000	24,570,370
2027 to 2077	2,550,000	597,209,335	2,703,000	870,406,186	1,785,000	1,505,827,956	7,038,000	2,973,443,477

QSA Water Transfer Mitigation

Under the terms of the QSA, CVWD entered into a separate agreement on October 10, 2003 (effective date of January 1, 2004), with the State of California Department of Fish and Game (State), IID and SDCWA; these agencies make up the QSA Joint Powers Authority (JPA). The JPA pays for environmental mitigation requirements and environmental mitigation costs associated with the water transfers through the collection, holding, investing, and disbursing of funds.

Note 9: Quantification Settlement Agreement (Continued)

QSA Water Transfer Mitigation (Continued)

The agreement terminates on the latter of (1) the mutual termination date of the 1998 IID/SDCWA Transfer Agreement and the IID/CVWD Acquisition Agreement, or (2) when all environmental mitigation requirements have been satisfied and the associated costs fully paid. The JPA governing body is composed of one commissioner appointed by each of the four parties to the agreement. All secretarial, clerical, accounting and administrative duties of the JPA are performed by personnel of SDCWA.

The original value of this commitment was $133,000,000 (2003 dollars ($)) and calculated using a six percent discount factor (as allowed under the QSA JPA agreement). The cost-share by each JPA member is as follows: $36,717,791 (CVWD); $44,061,350 (IID); $52,220,859 (SDCWA). The State is solely responsible for the payment of the costs of and liability for environmental mitigation requirements in excess of the $133 million (m) contributed by the other members.

The total obligation for CVWD was approximately $36.7 m (2003 $), which has an approximate future value of $73.6 m (2025 $), escalated at a six percent discount rate provided in the QSA. However, in fiscal years 2008 and 2009, through Resolution 2007-93, CVWD contributed a payment advance of $4.4 m, which reduced the value of future payments from $73.6 m to $69.6 m (2025 $), and represents a savings of approximately $4 m.

In January 2015, the QSA requested and CVWD's Board of Directors approved prepayment funding to the original QSA Mitigation Payment Schedule, which provided for an advance up to $5 m, starting in 2015, and spread over a maximum of six years. The $5 m prepayment will reduce the CVWD's share by approximately $2.5 m in future payments.

Original scheduled payments are due December 31, and advance payments are due July 1; these payments are budgeted in the District's annual operating expenses. A summary of CVWD's mitigation payments is tabulated below.

Calendar Year	Original Funding Schedule	Revised Funding Schedule (2007)	FY2019 Advance	FY2020 Advance	Adjustment for Advances	Total Calendar Year Payments
2019	$ 745,350	$ 745,350	$ -	$ 1,000,000	$ -	$ 1,745,350
2020	738,869	738,869	-	-	-	738,869
2021	2,697,555	2,697,555	-	-	-	2,697,555
2022	2,706,745	2,706,745	-	-	-	2,706,745
2023	6,953,711	6,953,711	-	-	(4,220,705)	2,733,006
2024	2,748,523	2,748,523	-	-	(2,596,647)	151,876
2025	1,446,565	1,446,565	-	-	(881,435)	565,130

In addition, CVWD was required to make contributions to the Salton Sea Restoration Fund, which is administered by the State. As of June 30, 2015, all required contributions have been made.

Recent QSA-Related Developments

In August 2016, the U.S. Department of the Interior and the California Department of Natural Resources signed a memorandum of understanding (MOU) regarding coordination of activities to manage the Salton Sea; the MOU also provided the State with a lead role in the cooperative effort of restoring the sea.

Note 9: Quantification Settlement Agreement (Continued)

Recent QSA-Related Developments (Continued)

In December 2016, Congress enacted and the President signed the Water Infrastructure Improvements for the Nation Act, which includes a provision that would allow the U.S. Army Corps of Engineers to work with non-federal partners in addition to the Salton Sea Authority on a variety of restoration projects. The provision also makes permanent a current pilot program at the Salton Sea that allowed the Corps to work in the area.

The State Water Resources Control Board adopted Order on Long-Term Management of the Salton Sea on November 7, 2017, to ensure the goals of the Salton Sea Management Plan are met. This action revises a 2002 order approving long-term water transfer from the Imperial Irrigation District to the San Diego County Water Authority, the Metropolitan Water District of Southern California, and CVWD. The immediate result of this order is to terminate the need for water deliveries for Salton Sea mitigation purposes in 2017, with the longer-term goal to ensure that the range of measures to address the impacts of reduced water flows are met.

A key element of the state's 10-year plan is for the construction of 29,800 acres of pond, wetlands and dust-suppression projects on exposed portions of the Salton Sea. The plan provides a schedule of targeted completion dates for the 10-year plan, starting with 500 acres in 2018 and finishing with 4,200 acres in 2028. A plan to address the needs beyond 2028 will be developed by the state at a future date.

Since the November 2017 adoption, the State Board has held two informational meetings in 2018 and two meetings in 2019 regarding the status updates of the program. Although CVWD is not a direct party to the Draft Stipulated Order, we are actively watching and participating in the discussions as necessary to ensure that the conditions int eh QSA are not negatively impacted.

Note 10: Department of Water Resources (DWR) Water Supply Contract Commitment

Recognizing a need for additional imported water to supplement its Colorado River supply for groundwater recharge purpose, CVWD entered into a State Water Project (SWP) Water Supply Contract (Contract) with the Department of Water Resources (acting on behalf of the State of California) on March 29, 1963. This contract complies with the provisions of the California Water Resources Development Bond Act and other applicable laws of the State of California.

The current Contract and its amendments provide CVWD with a maximum annual water amount of up to 138,350 acre feet (af). The original contracted amount was 23,100 af, and the additional 115,250 af was acquired through a series of subsequent transfers, including 9,900 af from Tulare Lake Basin Water Storage District (Tulare Lake) (2004), 5,250 af from Tulare Lake (2007), 88,100 af from the Metropolitan Water District of Southern California (MWD) (2003) and 12,000 af from Berrenda Mesa Water District (2007).

Because the Coachella Valley does not have a physical connection to SWP facilities (which terminates at Lake Perris in Southern California) and MWD and CVWD have access to both SWP water and Colorado River water, an agreement was negotiated to allow CVWD to exchange its SWP water for an equivalent amount of Colorado River water with MWD. This Colorado River water, also known as "Exchange Water" is delivered through MWD's Colorado River Aqueduct to the turnout on the Whitewater River. The Exchange Water is then delivered to both the Mission Creek Groundwater Replenishment Facility and the Whitewater Groundwater Replenishment Facility for direct groundwater recharge, helping to eliminate groundwater overdraft in the Coachella Valley Groundwater Basin.

Actual availability of SWP water varies from year to year, based on precipitation and snowpack runoff in Northern California where the SWP reservoirs are located. Although the long-term average SWP allocation is about 60% of each contractor's maximum contracted amount, a wet or dry hydrologic year can increase or decrease the actual SWP allocated to the contractors. It is recognized that annual average SWP allocation is expected to decrease unless additional SWP conservation facilities are constructed.

Note 10: Department of Water Resources (DWR) Water Supply Contract Commitment (Continued)

The term of the Contract terminates in 2035, or for a project repayment period of 75 years, and provides for a pledge of certain CVWD revenues to the bondholders of the State under the Bond Act. A Contract Extension is pending that would extend the Contract an additional 50 years, from 2035 to 2085, which will relieve pressure on the contractor's shrinking repayment period once it's executed.

Provision is made in the Contract for two general charges: (1) a Delta Water Charge and (2) a Transportation Charge, which are divided into components. The Delta Water Charge is intended to cover all costs of project conservation facilities (storage) including capital, maintenance, operation, and replacement components, and is charged to CVWD on the basis of water entitlement and/or delivery. The Transportation Charge is for facilities necessary to deliver water to the contractors and also includes a capital, maintenance, operation, and replacement component. These charges are collected by DWR through the contractors' annual Statement of Charges.

As of July 1, 2019, CVWD's estimated commitment through the Statement of Charges is as follows:

Calendar Year	Amount due
2019	$ 43,953,982
2020	56,664,885
2021	55,059,097
2022	56,667,848
2023	55,648,247
2024	55,404,905
2025	55,749,248
2026	55,096,496
2027	55,858,779
2028	55,382,871
2029	55,543,695
2030	55,296,557
2031	56,607,190
2032	55,259,377
2033	56,759,654
2034	55,188,868
2035	59,532,566
Total	**939,674,265**

Note 11: Commitment to Participate in Lower Colorado River Multi-Species Conservation Program

The implementation of the Program is estimated at a cost of $626 million as of 2003, over a 50-year term. The District recognizes its share of Program expenses as Program costs are incurred. The District's share of Program costs is estimated to be approximately $15 million, to be incurred over the 50 year period provided for in the Program agreement. District payments are billed quarterly, in compliance with the program's implementation schedule. The Department of the Interior has pledged to pay for half of the estimated program costs and for any rise in costs other than inflation.

Note 12: Interfund Receivables/Payables and Transfers

Long-term interfund receivables and payables consisted of the following as of June 30, 2019:

Receivable Fund	Payable Fund	Amount
Domestic Water Fund	Groundwater Replenishment Fund (East Whitewater RAC)	$ 25,937,244
Domestic Water Fund	Groundwater Replenishment Fund (West)	52,340,180
Total		$ 78,277,424

On April 24, 2012, a $2,234,020 loan was made from the Sanitation Fund to the Non-potable Water Fund with an initial interest rate of 1.46%. The purpose of the loan was to enable the Non-potable Water Fund to purchase the Classic Club pipeline. This interfund loan was forgiven as of June 30, 2019.

On June 25, 2013, the Board of Directors approved an interfund loan from the Domestic Water Fund to the East Whitewater Replenishment Fund in the amount of $60,285,179, to reimburse the Domestic Water Fund for project costs incurred related to the Martinez Canyon Spreading Area and the Thomas E. Levy Recharge (TEL) facilities. The term of the interfund loan is fifteen years, with interest to accrue at a rate commensurate with the District’s average monthly return on investments, plus a ten percent premium on the calculated interest rate. The outstanding balance on the loan as of June 30, 2019, was $25,937,244.

The annual scheduled repayments on the Domestic Water Fund and Groundwater Replenishment Fund (East Whitewater RAC) interfund advance as of June 30, 2019, are as follows:

Martinez Canyon Spreading Area and the (TEL) facilities loan

Year Ending June 30,	Principal	Interest	Total
2020	$ 12,786,959	$ 563,979	$ 13,350,938
2021	13,150,285	200,659	13,350,944
Total	$ 25,937,244	$ 764,638	$ 26,701,882

On May 14, 2019, the Board of Directors approved an interfund loan from the Domestic Water Fund to the West Replenishment Fund in the amount of $52,340,180, to reimburse the Domestic Water Fund for project costs incurred related to the Mid-Valley Pipeline. The annual payments are interest only. Principal will be paid in the instance that the West Replenishment Fund has reserves in excess of the target at June 30 each year; in which case the amount of reserves in excess of the target will be the principal payment for that year. The term is 30 years with interest to accrue at a rate commensurate with the District's average monthly return on investments, plus a 10% premium on the calculated interest rate. The outstanding balance on the loan as of June 30, 2019, was $52,340,180.

Note 12: Interfund Receivables/Payables and Transfers (Continued)

Transfers in and out for the year ended June 30, 2019, are summarized as follows:

From	To	Amount
Domestic Water Fund	Motorpool Fund	$ 601,656
Sanitation Fund	Motorpool Fund	391,279
Canal Water Fund	Motorpool Fund	339,045
Stormwater Fund	Motorpool Fund	357,528
Groundwater Replenishment Fund	Motorpool Fund	134,135
Motorpool	Domestic Water Fund	37,177
Groundwater Replenishment Fund	Domestic Water Fund	52,340,180
Groundwater Replenishment Fund	Domestic Water Fund	670,421
Sanitation Fund	Domestic Water Fund	2,574,957
Canal Water Fund	Domestic Water Fund	2,842,095
Stormwater Fund	Domestic Water Fund	688,881
Sanitation	Groundwater Replenishment Fund	1,533,481
		$ 62,510,835

The Domestic Water Fund, Sanitation Fund, Stormwater Fund, Canal Water Fund, and Stormwater and Groundwater Replenishment Fund transferred $1,823,643 to the Motorpool Fund to fund capital asset acquisitions.

The Motorpool Fund, Groundwater Replenishment Fund, Sanitation Fund, Canal Water Fund, and Stormwater fund transferred $6,813,531 to the Domestic Water Fund to allocate construction in progress expenses.

The Sanitation Fund transferred $1,533,481 to the Groundwater Replenishment Fund to forgive the interfund advance.

The Groundwater Replenishment Fund transferred $52,340,180 to the Domestic Water Fund to set up the interfund advance that cannot be paid until future years. The interfund advance is to reimburse the Domestic Water Fund for expenses incurred in prior years on the Mid-Valley Pipeline project.

Note 13: Restricted and Unrestricted Net Position

Net Investment in Capital Assets	$ 1,459,508,223
Restricted Net Position:	
Construction, capital, and replacement funds	61,580,871
State Water Project	26,400,000
Unrestricted	235,995,530
Total Net Position	$ 1,783,484,624

Note 13: Restricted and Unrestricted Net Position (Continued)

Although not legally restricted, unrestricted net position has been designated for various purposes to establish and maintain sound financial management and a stable rate structure.

Operating	$	42,398,000
QSA Mitigation		16,378,000
Rate Stabilization		55,537,000
Emergency Repair		26,400,000
Motorpool Replacement		43,996,000
Other Unrestricted		2,496,000
Unrestricted Net Position	$	187,205,000

Note 14: Joint Powers Authority

Effective May 14, 2018, the District jointed the Delta Conveyance Design and Construction Joint Powers Authority (Construction Authority). The Delta water conveyance facilities are owned and operated by the California Department of Water Resources (DWR) and convey water from the Sacramento River north of the Delta directly to the existing State Water Project (SWP) and Central Valley Project (CVP) pumping plants. The purpose of the project is to make physical and operational improvements to the SWP and CVP necessary to protect and maintain ecosystem health, maintain water quality, and restore and protect water supplies. The Construction Authority is governed by a Board of Directors of up to five directors and five alternative directors with each pair appointed by and representing the members. Each member contributes $200,000 per Board seat, which are labeled as Construction Authority stand up costs. Except for such stand up costs, the funding for the Construction Authority shall include but not be limited to all costs incurred and associated with the design and construction of the Conveyance project and shall be derived exclusively from DWR. The issuance of debt shall be approved by the Board of Directors and the Construction Authority shall hold title to al funds and property acquired. The debt, liabilities and obligations of the Construction Authority shall be the debts, liabilities, and obligations of the Construction Authority and not the individual members. The Construction Authority does not issue separate financial statements.

Note 15: Subsequent Event

The District applied for and received a Drinking Water SRF loan for the Highway 86 Transmission Main and Booster Station construction project in the amount of $26,703,000. The project is included in the District five-year capital improvement program. The District signed the initial funding agreement on May 16, 2018. Final budget approval was submitted to the State Water Resources Control Board in August 2018 and the final funding agreement was received in August 2019. The first draw was submitted in August 2019 in the amount of $10,344,425.

The District has been approved for Water Infrastructure and Innovation Act (WIFIA) financing from the United States Environmental Protection Agency (USEPA) for two projects: Coachella Valley Stormwater Improvement Project and the North Indio Flood Control Project, in the amounts of $52.3 million and $65.9 million, respectively. The District is working through financial and legal due diligence with the USEPA, and final loan approval should be in January 2020.

The District has applied for California Office of Emergency Services (CalOES)/Federal Emergency Management Agency (FEMA) grant funding for two projects: East Side Dike Improvement Project and North Cathedral City Stormwater Master Plan. The East Side Dike Improvement Project total cost is $3.9 million, with federal funding anticipated to be $2,925,000. The North Cathedral City Stormwater Master Plan project total cost is $6,666,892. With federal funding anticipated to be $5,000,000. The East Side Dike project has been forwarded to FEMA for funding. Estimated notification of award is March 2020.

Note 15: Subsequent Event (Continued)

The District has applied for a Clean Water State Revolving Fund (CSWRF) loan for the Wastewater Reclamation Plant No. 10 (WRP 10) Customers Nonpotable Water Supply Project in the amount of $30,000,000. In June 2019, the project was placed on the fundable list by the State Water Resources Control Board, a funding agreement should be executed by June 2020.

On June 25, 2019, the District executed a tax-exempt line of credit and a taxable line of credit agreement for an aggregate amount of $75 million with Bank of the West. The line of credit availability is to be effective beginning July 1, 2019. The purpose of the agreement is to allow the District the ability to use the line of credit from time-to-time to provide low-cost and flexible financing for upcoming capital projects. The District can use the available credit to borrow funds as needed across all operating funds and can repay or terminate the line of credit at any time without pre-payment penalty. The District is obligated to pay an annual commitment fee equal to 20 basis points (0.20%) of unutilized line of credit. Any draw on the line of credit will be charged interest based on variable rate linked to 1-month LIBOR index plus a credit spread of 30 basis points.

Other events occurring after June 30, 2019, have been evaluated for possible adjustments to the financial statements or disclosure as of November 20, 2019, which is the date these financial statements were available to be issued.

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MISCELLANEOUS PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2015	2016	2017	2018	2019
Fiscal year ended	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Measurement period	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Total Pension Liability:					
Service cost	$ 5,485,267	$ 5,436,814	$ 5,783,089	$ 6,802,190	$ 7,124,963
Interest on total pension liability	23,199,726	24,080,603	25,225,601	26,342,072	27,295,591
Changes in assumptions	-	(6,023,990)	-	22,552,553	(2,443,307)
Differences between expected and actual experience	-	(2,042,873)	944,339	1,244,724	470,080
Benefit payments, including refunds of employee contributions	(14,862,689)	(15,426,247)	(15,908,979)	(17,373,710)	(18,619,271)
Net Change in Total Pension Liability	**13,822,304**	**6,024,307**	**16,044,050**	**39,567,829**	**13,828,056**
Total Pension Liability - Beginning of Year	**314,018,404**	**327,840,708**	**333,865,015**	**349,909,065**	**389,476,894**
Total Pension Liability - End of Year (a)	**327,840,708**	**333,865,015**	**349,909,065**	**389,476,894**	**403,304,950**
Plan Fiduciary Net Position:					
Plan to plan resource movement	-	47	-	(518)	(616)
Contributions - employer	7,407,594	8,196,637	8,819,906	10,688,138	12,547,765
Contributions - employee	2,917,459	2,956,640	3,196,965	3,129,689	3,240,219
Net investment income	34,250,928	5,096,743	1,200,323	26,008,057	20,992,758
Benefit payments	(14,862,689)	(15,426,247)	(15,908,979)	(17,373,710)	(18,619,271)
Administrative expense	-	(258,450)	(139,921)	(334,788)	(387,811)
Other miscellaneous expense	-	-	-	-	(736,459)
Net Change in Plan Fiduciary Net Position	**29,713,292**	**565,370**	**(2,831,706)**	**22,116,868**	**17,036,585**
Plan Fiduciary Net Position - Beginning of Year	**199,307,780**	**229,021,072**	**229,586,442**	**226,754,736**	**248,871,604**
Plan Fiduciary Net Position - End of Year (b)	**229,021,072**	**229,586,442**	**226,754,736**	**248,871,604**	**265,908,189**
					-
Net Pension Liability - Ending (a)-(b)	**$ 98,819,636**	**$ 104,278,573**	**$ 123,154,329**	**$ 140,605,290**	**$ 137,396,761**
Plan fiduciary net position as a percentage of the total pension liability	69.86%	68.77%	64.80%	63.90%	65.93%
Covered payroll	$ 34,880,240	$ 36,151,428	$ 38,917,148	$ 40,954,846	$ 42,572,677
Net pension liability as percentage of covered payroll	283.31%	288.45%	316.45%	343.32%	322.73%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.
From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.
From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.

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

COACHELLA VALLEY WATER DISTRICT

MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2015	2016	2017	2018	2019
Fiscal year ended	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Contractually required contribution (actuarially determined)	$ 8,217,475	$ 9,940,264	$ 10,976,030	$ 11,747,022	$ 12,650,422
Contributions in relation to the actuarially determined contributions	(8,217,475)	(9,940,264)	(10,976,030)	(11,747,022)	(33,850,422)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (21,200,000)
Covered payroll	$ 36,151,428	$ 38,917,148	$ 40,954,846	$ 42,572,677	$ 45,067,739
Contributions as a percentage of covered - payroll	22.73%	25.54%	26.80%	27.59%	75.11%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 years (2.7% @55), 52 years (2.0%@62)**
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

COACHELLA VALLEY WATER DISTRICT

OPEB PLAN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, AND FOR THE LAST 10 FISCAL YEARS*

	2017	2018	2019
Fiscal year end	6/30/2017	6/30/2018	6/30/2019
Measurement date	6/30/2017	6/30/2018	6/30/2019
Total OPEB Liability:			
Service cost	$ 1,621,000	$ 1,715,000	$ 1,256,225
Interest on total OPEB liability	1,606,000	1,649,000	2,282,978
Difference between expected and actual experience	(194,000)	(1,063,000)	-
Changes in assumptions	-	(10,404,000)	-
Benefit payments, including refunds and the implied subsidy benefit payments	(1,821,000)	(1,957,000)	(2,099,162)
Net Change in Total OPEB Liability	**1,212,000**	**(10,060,000)**	**1,440,041**
Total OPEB Liability - Beginning of Year	**45,169,000**	**46,381,000**	**36,321,000**
Total OPEB Liability - End of Year (a)	**46,381,000**	**36,321,000**	**37,761,041**
Plan Fiduciary Net Position:			
Contributions - employer	1,821,000	1,957,000	2,099,162
Net investment income	2,159,000	1,758,000	1,511,175
Administrative expenses	(1,821,000)	(10,000)	(9,604)
Benefit payments, including refunds and the implied subsidy benefit payments	(16,000)	(1,957,000)	(2,099,162)
Net Change in Plan Fiduciary Net Position	**2,143,000**	**1,748,000**	**1,501,571**
Plan Fiduciary Net Position - Beginning of Year	**20,374,000**	**22,517,000**	**24,265,000**
Plan Fiduciary Net Position - End of Year (b)	**22,517,000**	**24,265,000**	**25,766,571**
Net OPEB Liability - Ending (a)-(b)	**$ 23,864,000**	**$ 12,056,000**	**$ 11,994,470**
Plan fiduciary net position as a percentage of the total OPEB liability	48.55%	66.81%	68.24%
Covered-employee payroll	$ 40,954,846	$ 42,572,677	$ 45,067,739
Net OPEB liability as percentage of covered - employee payroll	58.27%	28.32%	26.61%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
The fiscal year ended June 30, 2017 was the first year of implementation; therefore, there are no prior GASB 75 actuarial reports.

* Fiscal year 2017 was the first year of implementation; therefore, only three years are shown.

COACHELLA VALLEY WATER DISTRICT

OPEB PLAN
ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS
AS OF JUNE 30, AND FOR THE LAST 10 FISCAL YEARS*

	2017	2018	2019
Annual money-weighted rate of return, net of investment expense	7.75%	7.77%	6.57%

(1) Historical information is required only for year for which GASB 74 is applicable. Fiscal year 2017 was the first year of implementation; therefore, only three years are shown.

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COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2019

	Assessment District No. 33	Assessment District No. 67	Assessment District No. 68
Assets:			
Cash and investments	$ 183,311	$ 214,198	$ 429,356
Receivables:			
Accounts	-	-	-
Property taxes	-	654	4,121
Interest	1,232	1,127	2,246
Total Assets	**$ 184,543**	**$ 215,979**	**$ 435,723**
Liabilities:			
Accounts payable	$ -	$ -	$ -
Held for others	184,543	215,979	435,723
Deposits payable	-	-	-
Total Liabilities	**$ 184,543**	**$ 215,979**	**$ 435,723**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2019

(CONTINUED)

	Assessment District No. 70	Community Facilities District No. 102	Facilities District - 2015-01	Grants Pass Thru Fund
Assets:				
Cash and investments	$ 1,222,941	$ 6,751,112	$ 9,606	$ -
Receivables:				
Accounts	71,920	-	-	-
Property taxes	40,824	24,496	-	-
Interest	6,029	25,418	-	-
Total Assets	**$ 1,341,714**	**$ 6,801,026**	**$ 9,606**	**$ -**
Liabilities:				
Accounts payable	$ 2,824	$ 219,441	$ -	$ -
Held for others	1,338,890	6,581,585	9,606	-
Deposits payable	-	-	-	-
Total Liabilities	**$ 1,341,714**	**$ 6,801,026**	**$ 9,606**	**$ -**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2019

	Contractor Deposit Fund	Canal Lining Project	Totals
Assets:			
Cash and investments	$ 4,283,978	$ 581,319	$ 13,675,821
Receivables:			
Accounts	-	-	71,920
Property taxes	-	-	70,095
Interest	-	3,417	39,469
Total Assets	**$ 4,283,978**	**$ 584,736**	**$ 13,857,305**
Liabilities:			
Accounts payable	$ -	$ -	$ 222,265
Held for others	-	584,736	9,351,062
Deposits payable	4,283,978	-	4,283,978
Total Liabilities	**$ 4,283,978**	**$ 584,736**	**$ 13,857,305**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGE IN NET ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Assessment District No. 33				
Assets:				
Cash and investments	$ 172,418	$ 74,187	$ 63,294	$ 183,311
Receivables:				
Interest	867	723	358	1,232
Total Assets	**$ 173,285**	**$ 74,910**	**$ 63,652**	**$ 184,543**
Liabilities:				
Held for others	$ 173,285	$ 75,100	$ 63,842	$ 184,543
Total Liabilities	**$ 173,285**	**$ 75,100**	**$ 63,842**	**$ 184,543**
Assessment District No. 67				
Assets:				
Cash and investments	$ 205,328	$ 95,361	$ 86,491	$ 214,198
Receivables:				
Property taxes	882	653	881	654
Interest	689	856	418	1,127
Total Assets	**$ 206,899**	**$ 96,870**	**$ 87,790**	**$ 215,979**
Liabilities:				
Held for others	$ 206,899	$ 109,312	$ 100,232	$ 215,979
Total Liabilities	**$ 206,899**	**$ 109,312**	**$ 100,232**	**$ 215,979**
Assessment District No. 68				
Assets:				
Cash and investments	$ 408,342	$ 238,111	$ 217,097	$ 429,356
Receivables:				
Property taxes	13,352	7,390	16,621	4,121
Interest	1,395	1,667	816	2,246
Total Assets	**$ 423,089**	**$ 247,168**	**$ 234,534**	**$ 435,723**
Liabilities:				
Held for others	$ 423,089	$ 228,113	$ 215,479	$ 435,723
Total Liabilities	**$ 423,089**	**$ 228,113**	**$ 215,479**	**$ 435,723**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGE IN NET ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Assessment District No. 70				
Assets:				
Cash and investments	$ 1,178,576	$ 741,046	$ 696,681	$ 1,222,941
Receivables:				
Accounts	53,790	19,066	936	71,920
Property taxes	16,488	118,535	94,199	40,824
Interest	3,684	4,571	2,226	6,029
Total Assets	**$ 1,252,538**	**$ 883,218**	**$ 794,042**	**$ 1,341,714**
Liabilities:				
Accounts payable	$ 150	$ 132,591	$ 129,917	$ 2,824
Held for others	1,252,388	825,773	739,271	1,338,890
Total Liabilities	**$ 1,252,538**	**$ 958,364**	**$ 869,188**	**$ 1,341,714**
Community Facilities District 102				
Assets:				
Cash and investments	$ 5,875,602	$ 1,031,060	$ 155,550	$ 6,751,112
Receivables:				
Property taxes	25,663	29,856	31,023	24,496
Interest	10,937	28,124	13,643	25,418
Total Assets	**$ 5,912,202**	**$ 1,089,040**	**$ 200,216**	**$ 6,801,026**
Liabilities:				
Accounts payable	$ -	$ 340,851	$ 121,410	$ 219,441
Held for others	5,912,202	1,337,024	667,641	6,581,585
Total Liabilities	**$ 5,912,202**	**$ 1,677,875**	**$ 789,051**	**$ 6,801,026**
Community Facilities District 2015-01				
Assets:				
Cash and investments	$ 9,428	$ 179	$ 1	$ 9,606
Total Assets	**$ 9,428**	**$ 179**	**$ 1**	**$ 9,606**
Liabilities:				
Held for others	$ 9,428	$ 179	$ 1	$ 9,606
Total Liabilities	**$ 9,428**	**$ 179**	**$ 1**	**$ 9,606**
Grants Pass Thru Fund				
Assets:				
Cash and investments	$ 5,000	$ -	$ 5,000	$ -
Total Assets	**$ 5,000**	**$ -**	**$ 5,000**	**$ -**
Liabilities:				
Accounts payable	$ 5,000	$ -	$ 5,000	$ -
Total Liabilities	**$ 5,000**	**$ -**	**$ 5,000**	**$ -**

COACHELLA VALLEY WATER DISTRICT

COMBINING STATEMENT OF CHANGE IN NET ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Contractor Deposit Fund				
Assets:				
Cash and investments	$ 3,987,184	$ 718,348	$ 421,554	$ 4,283,978
Total Assets	**$ 3,987,184**	**$ 718,348**	**$ 421,554**	**$ 4,283,978**
Liabilities:				
Accounts payable	$ 32,891	$ -	$ 32,891	$ -
Deposits payable	3,954,293	718,348	388,663	4,283,978
Total Liabilities	**$ 3,987,184**	**$ 718,348**	**$ 421,554**	**$ 4,283,978**
Coachella Canal Lining Project Operations and Maintenance				
Assets:				
Cash and investments	$ 545,806	$ 599,703	$ 564,190	$ 581,319
Receivables:				
Accounts	3,253	-	3,253	-
Interest	1,978	2,697	1,258	3,417
Total Assets	**$ 551,037**	**$ 602,400**	**$ 568,701**	**$ 584,736**
Liabilities:				
Held for others	$ 551,037	$ 595,260	$ 561,561	$ 584,736
Total Liabilities	**$ 551,037**	**$ 595,260**	**$ 561,561**	**$ 584,736**
Totals - All Agency Funds				
Assets:				
Cash and investments	$ 12,387,684	$ 3,497,995	$ 2,209,858	$ 13,675,821
Receivables:				
Accounts	57,043	19,066	4,189	71,920
Property taxes	56,385	156,434	142,724	70,095
Interest	19,550	38,638	18,719	39,469
Total Assets	**$ 12,520,662**	**$ 3,712,133**	**$ 2,375,490**	**$ 13,857,305**
Liabilities:				
Accounts payable	$ 38,041	$ 473,442	$ 289,218	$ 222,265
Held for others	8,528,328	3,170,761	2,348,027	9,351,062
Deposits payable	3,954,293	718,348	388,663	4,283,978
Total Liabilities	**$ 12,520,662**	**$ 4,362,551**	**$ 3,025,908**	**$ 13,857,305**

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STATISTICAL SECTION

TABLE OF CONTENTS

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

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

These schedules contain information to help the reader assess the factors that affect the government's ability to generate its most significant local source of revenues.

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

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

These schedules contain information about the government's operations and resources to help the reader understand how the government's financial information relates to the services the government provides and the activities it performs.

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Net Position by Component
Last Ten Fiscal Years
($000's)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Investment in Capital Assets	$ 1,054.2	$ 1,100.9	$ 1,101.1	$ 1,126.7	$ 1,198.2	$ 1,237.2	$ 1,266.6	$ 1,315.4	$ 1,357.2	$ 1,459.5
Restricted for construction, capital and replacement	85.6	65.6	69.8	64.2	50.4	53.8	61.5	56.5	55.6	61.6
Restricted for State Water Project	68.8	75.0	78.7	62.0	62.0	26.4	26.4	26.4	26.4	26.4
Restricted for debt service	10.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unrestricted	213.2	270.3	306.8	352.0	358.8	314.0	320.3	341.5	281.2	236.0
Total Net Position	**$1,431.8**	**$1,511.8**	**$1,556.5**	**$1,605.0**	**$1,669.4**	**$1,631.5**	**$1,674.8**	**$1,739.7**	**$1,720.4**	**$1,783.5**
Percent Change	*4.04*	*5.59*	*2.95*	*3.11*	*4.01*	*(2.27)*	*2.65*	*3.88*	*(1.11)*	*3.67*

Note: Allow for rounding differences

Changes in Net Position
Last Ten Fiscal Years
($000's)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues:										
Sales	$79.2	$81.2	$69.7	$69.6	$70.5	$65.4	$54.1	$72.8	$81.9	$77.6
Water & sewer availability charges	1.5	2.3	2.5	2.0	2.5	2.2	2.3	2.6	2.6	3.3
Meter & service fees[1]	2.5	2.2	15.5	15.1	15.5	15.4	16.5	14.9	16.1	15.2
Sanitation service fees	32.8	36.9	37.3	37.5	38.1	38.3	38.5	39.1	39.4	39.9
Replenishment charges	18.2	17.6	19.2	20.9	21.4	21.3	19.3	22.9	25.6	24.5
Other charges	4.2	24.6	10.5	12.0	13.4	7.6	8.0	7.0	8.0	7.3
Total Operating Revenues	**$138.4**	**$164.8**	**$154.7**	**$157.1**	**$161.4**	**$150.2**	**$138.6**	**$159.3**	**$173.7**	**$167.8**
Operating Expenses:[2]										
Transmission & distribution	15.1	14.9	-	-	-	-	-	-	-	-
Pumping	0.0	0.0	-	-	-	-	-	-	-	-
Source of supply	51.4	56.3	-	-	-	-	-	-	-	-
Operations & maintenance	62.4	56.5	-	-	-	-	-	-	-	-
General & administrative	12.3	18.2	-	-	-	-	-	-	-	-
Wages & salaries	0.0	0.0	35.8	37.2	38.0	38.8	42.2	43.2	45.2	48.2
Benefits	0.0	0.0	19.4	19.2	19.2	20.3	17.3	22.8	27.2	26.9
Materials & supplies	0.0	0.0	11.4	11.6	12.3	12.7	11.7	12.0	12.5	15.0
Water purchases	0.0	0.0	67.3	53.3	53.7	42.1	63.8	59.5	80.4	60.8
Utilities	0.0	0.0	14.2	14.8	15.9	15.6	14.7	14.3	15.2	14.9
Contract services	0.0	0.0	14.0	31.4	13.0	9.9	9.9	11.4	13.3	11.2
Depreciation	38.8	40.2	34.6	35.1	36.2	35.8	36.6	46.9	38.7	40.4
Other	4.5	9.8	24.1	2.7	20.3	24.7	34.5	32.9	37.1	40.2
Total Operating Expenses	**$184.4**	**$195.9**	**$220.6**	**$205.4**	**$208.6**	**$200.0**	**$230.6**	**$242.9**	**$269.6**	**$257.5**
Non-operating revenues:										
Property taxes	64.1	73.3	81.4	74.7	85.8	89.0	93.6	96.8	100.7	105.0
Intergovernmental	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	3.7
Investment income	6.5	6.8	5.2	0.5	7.6	5.3	8.6	3.4	3.4	20.2
Other	0.0	5.6	11.7	6.5	4.5	9.9	20.4	30.2	9.8	9.0
Gain (loss) on disposal of capital assets	0.0	0.0	0.0	0.0	0.9	(4.1)	0.3	0.5	(16.7)	0.2
Total Non-operating Revenues	**$70.6**	**$85.7**	**$98.3**	**$81.7**	**$98.8**	**$100.1**	**$122.9**	**$130.9**	**$98.1**	**$138.0**
Non-operating Expenses:										
Interest expense	0.7	0.6	0.1	0.2	0.6	0.6	0.6	0.7	0.7	1.0
Total Non-operating Expenses	**$0.7**	**$0.6**	**$0.1**	**$0.2**	**$0.6**	**$0.6**	**$0.6**	**$0.7**	**$0.7**	**$1.0**
Income (Loss) Before Capital Contributions	**$23.9**	**$54.0**	**$32.2**	**$33.3**	**$51.0**	**$49.8**	**$30.3**	**$46.6**	**$1.5**	**$47.3**
Capital contributions	22.0	28.8	12.4	6.2	11.0	19.6	13.0	18.4	12.6	15.7
Change in net position	45.9	82.7	44.6	39.5	62.0	69.4	43.3	65.0	14.1	63.0
Total net position beginning of year	1,385.9	1,429.1	1,511.8	1,556.5	1,605.0	1,669.4	1,631.5	1,674.8	1,739.7	1,720.5
Restatements	0.0	0.0	0.0	9.0	2.4	(107.3)	0.0	0.0	(33.3)	0.0
Total Net Position End of Year	**$1,431.8**	**$1,511.8**	**$1,556.5**	**$1,605.0**	**$1,669.4**	**$1,631.5**	**$1,674.8**	**$1,739.7**	**$1,720.5**	**$1,783.5**
Percent Change	*4.04*	*5.59*	*2.95*	*3.11*	*4.01*	*(2.27)*	*2.65*	*3.88*	*(1.11)*	*3.66*

Notes:

[1] *Prior to 2012 Meter and service fees were reported in Sales*

[2] *Prior to 2012 expenses were reported by function; beginning in 2012 expenses are reported by category; Pumping is included in Source of Supply*

Allow for rounding differences

Summary of Changes in Net Position
Last Ten Fiscal Years
($000's)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenue Less Expenses	Income Before Capital Contributions	Capital Contributions	Restatements	Changes in Net Position
2010	138.4	184.4	(46.0)	70.0	23.9	22.0	-	45.9
2011	164.8	195.9	(31.1)	85.1	54.0	28.8	-	82.7
2012	154.7	220.6	(65.9)	98.2	32.2	12.4	-	44.6
2013	157.1	205.4	(48.3)	81.5	33.3	6.2	9.0	48.5
2014	161.4	208.6	(47.1)	98.2	51.0	11.0	(2.4)	59.7
2015	150.2	200.0	(49.7)	99.5	49.8	19.6	(107.3) [1]	(37.9)
2016	138.6	230.6	(92.0)	122.3	30.3	13.0	-	43.3
2017	159.3	242.9	(83.6)	130.2	46.6	18.4	-	65.0
2018	173.7	269.6	(95.9)	97.3	1.4	12.6	(33.3) [2]	(19.4)
2019	167.8	257.5	(89.7)	137.0	47.3	15.7	-	63.0

Notes:

[1] *Pursuant to GASB Statement No. 68, the District retrospectively applied the net pension liability as of June 30, 2014, in the amount of $107,303,030.*

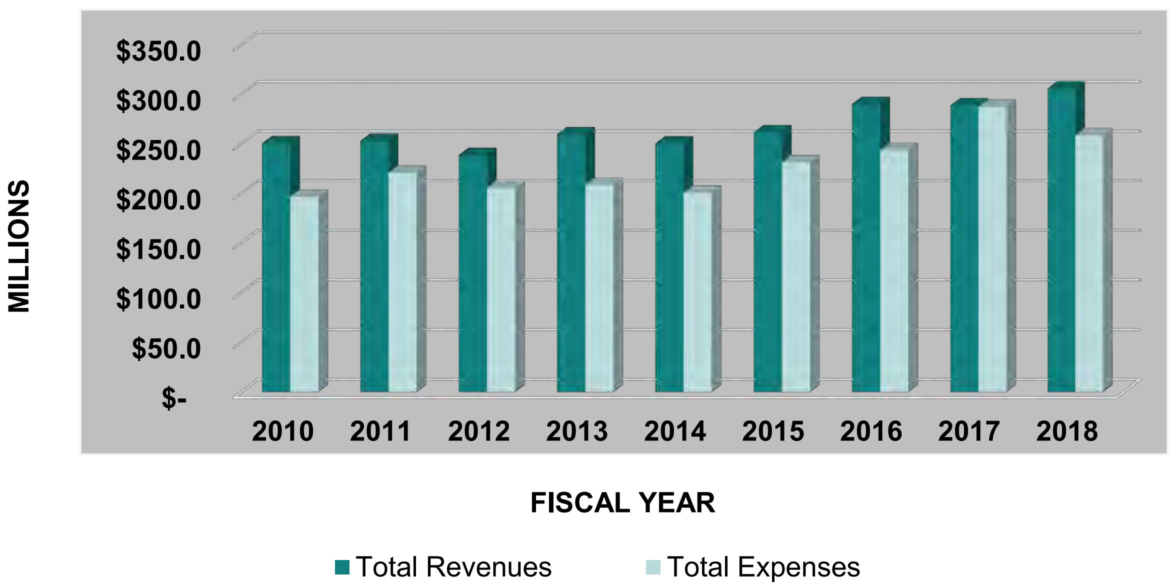
[2] *Pursuant to GASB Statement No. 75, the District applied the net postemployment benefits other than pension liability as of June 30, 2017, in the amount of $33,344,000.*

Allow for rounding differences

Total Revenues vs. Total Expenses
Last Ten Fiscal Years
($000's)

Fiscal Year	Total Revenues	Total Expenses	Excess of Revenues Over Expenses
2010	$ 209.0	$ 185.1	$ 23.9
2011	250.5	196.6	54.0
2012	253.0	220.8	32.2
2013	238.7	205.4	33.3
2014	259.6	208.6	51.0
2015	250.4	200.6	49.8
2016	261.5	231.2	30.3
2017	290.2	243.6	46.6
2018	288.8	287.3	1.4
2019	305.8	258.6	47.2

Note: Allow for rounding differences



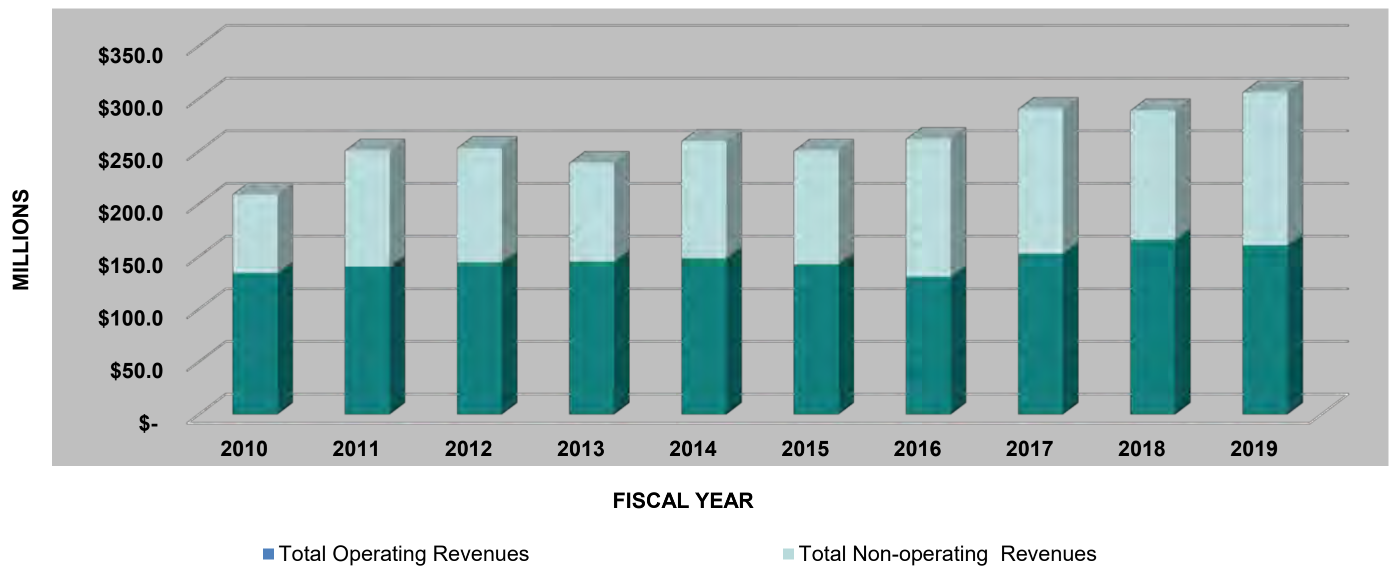
Revenues by Source
Last Ten Fiscal Years
($000's)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues:										
Sales	$ 79.2	$ 81.2	$ 69.7	$ 69.6	$ 70.5	$ 65.4	$ 54.1	$ 72.8	$ 81.9	$ 77.6
Water & Sewer Availability	1.5	2.3	2.5	2.0	2.5	2.2	2.3	2.6	2.6	3.3
Meter & Service Fees	2.5	2.2	15.5	15.1	15.5	15.4	16.5	14.9	16.1	15.2
Sanitation Service Fees	32.8	36.9	37.3	37.5	38.1	38.3	38.5	39.1	39.4	39.9
Replenishment Charges	18.2	17.6	19.2	20.9	21.4	21.3	19.3	22.9	25.6	24.5
Total Operating Revenues	**134.2**	**140.2**	**144.2**	**145.1**	**148.1**	**142.6**	**130.6**	**152.3**	**165.7**	**160.5**
Non-operating Revenues:										
Property Taxes	64.1	73.3	81.4	74.7	85.8	89.0	93.6	96.8	100.7	105.0
Investment Income	6.5	6.8	5.2	0.5	7.6	5.3	8.6	3.4	3.4	20.2
Other Charges	4.2	30.2	22.2	18.6	18.1	13.4	28.7	37.7	18.9	20.2
Total Non-operating Revenues	**74.8**	**110.3**	**108.8**	**93.7**	**111.5**	**107.7**	**130.9**	**137.8**	**123.1**	**145.3**
Total Revenues	**$ 209.0**	**$ 250.5**	**$ 253.0**	**$ 238.8**	**$ 259.6**	**$ 250.4**	**$ 261.5**	**$ 290.2**	**$ 288.8**	**$ 305.8**

Notes:

Fiscal year 2011 and 2017 include payments from Imperial Irrigation Water District and insurance claims.

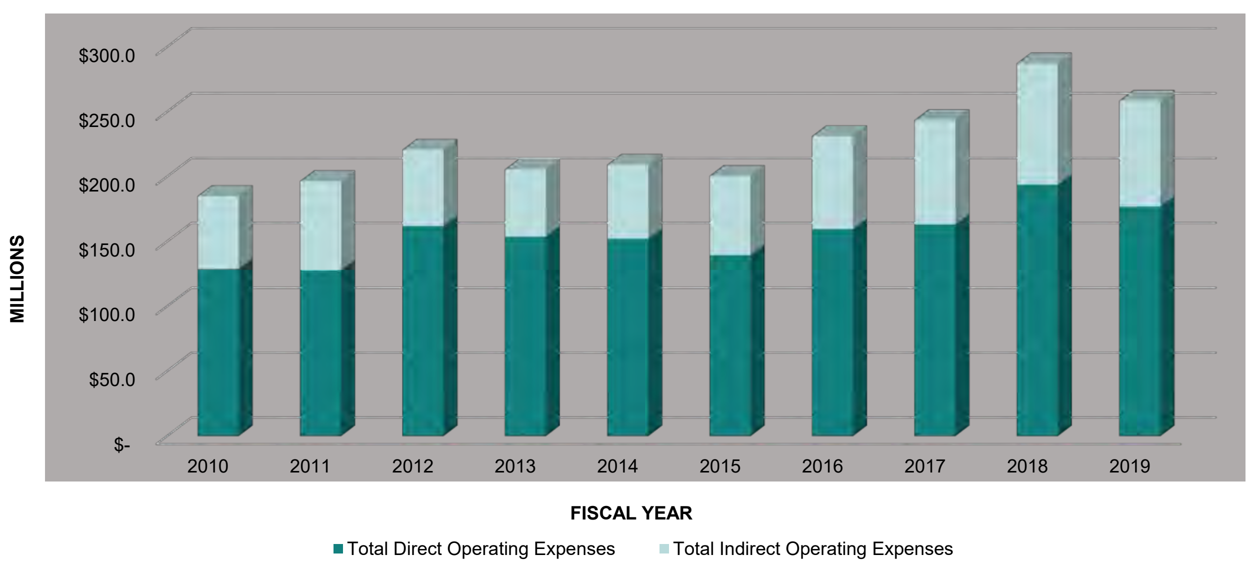
Allow for rounding differences



Expenses by Function
Last Ten Fiscal Years
($000's)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Direct Operating Expenses:										
Transmission & distribution	$ 15.1	$ 14.9	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Source of supply	51.4	56.3	-	-	-	-	-	-	-	-
Operations & maintenance	62.4	56.5	-	-	-	-	-	-	-	-
Wages & salaries	-	-	35.8	37.2	38.0	38.8	42.2	43.2	45.2	48.2
Benefits	-	-	19.4	19.2	19.2	20.3	17.3	22.8	27.2	26.9
Materials & supplies	-	-	11.4	11.6	12.3	12.7	11.7	12.0	12.5	15.0
Water purchases	-	-	67.3	53.3	53.7	42.1	63.8	59.5	80.4	60.8
Utilities	-	-	14.2	14.8	15.9	15.6	14.7	14.3	15.2	14.9
Contract services	-	-	14.0	17.6	13.0	9.9	9.9	11.4	13.3	11.2
Expenses	**128.9**	**127.7**	**161.9**	**153.7**	**152.0**	**139.5**	**159.6**	**163.1**	**193.8**	**176.9**
Indirect Operating Expenses:										
General & administrative	12.3	18.2	-	-	-	-	-	-	-	-
Depreciation	38.8	40.2	34.6	35.1	36.2	35.8	36.6	46.9	38.7	40.4
Interest expense	0.7	0.6	0.1	0.2	0.6	0.6	0.6	0.7	0.7	1.0
Other	4.5	9.8	24.1	16.6	20.3	24.7	34.5	32.9	54.1	40.2
Expenses	**56.2**	**68.8**	**58.9**	**51.8**	**57.1**	**61.1**	**71.7**	**80.5**	**93.6**	**81.6**
Total Expenses	**$ 185.1**	**$ 196.6**	**$ 220.8**	**$ 205.6**	**$ 209.2**	**$ 200.6**	**$ 231.2**	**$ 243.6**	**$ 287.3**	**$ 258.6**

Notes:
Beginning in 2009, pumping included with Source of supply
Beginning in 2012, reporting changed from function to expense category
Allow for rounding differences



Total Assessed Value and Property Taxes Collected
Last Ten Fiscal Years
($000s)

Fiscal Yesr	Assessed Value	Percent Increase/ Decrease	Tax Collected	Total Direct Tax Rate[1]	Percent Increase/ Decrease
2010	$ 54,432,958	(0.05)	$ 64,112	0.001	9.25 [2]
2011	51,138,094	(6.05)	73,272	0.001	14.29 [3]
2012	50,152,868	(1.93)	81,404	0.002	11.10 [4]
2013	48,714,783	(2.87)	74,709	0.002	(8.23) [5]
2014	51,446,095	5.61	85,780	0.002	14.82
2015	54,254,424	5.46	89,017	0.002	3.77
2016	56,982,193	5.03	93,601	0.002	5.15
2017	59,083,482	3.69	96,755	0.002	3.37
2018	61,017,806	3.27	100,746	0.002	4.12
2019	63,700,378	4.40	104,852	0.002	4.08

Note : In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" of no more than 2%. With few exceptions, property is only re-assessed at the time that it is sold to a new owner. The assessed valuation data shown above, represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

[1] *Tax rates are per $1,000 of assessed value.*

[2] *Property tax revenue increased due to an increase in the levy for State Water Project. The rest of property tax income decreased because of the Proposition 1A borrowing by the State of California.*

[3] *Property tax revenue increased due to an increase in the levy for State Water Project.*

[4] *Property tax revenue increased due to the dissolution and distribution of the Redevelopment Agencies.*

[5] *Property tax revenue decreased due to overpayment by the Riverside County Treasurer in the prior year.*

Source: County of Riverside, secured values only;California Municipal Statistics, Inc.

Principal Property Taxpayers
Current Year and Ten Years Ago

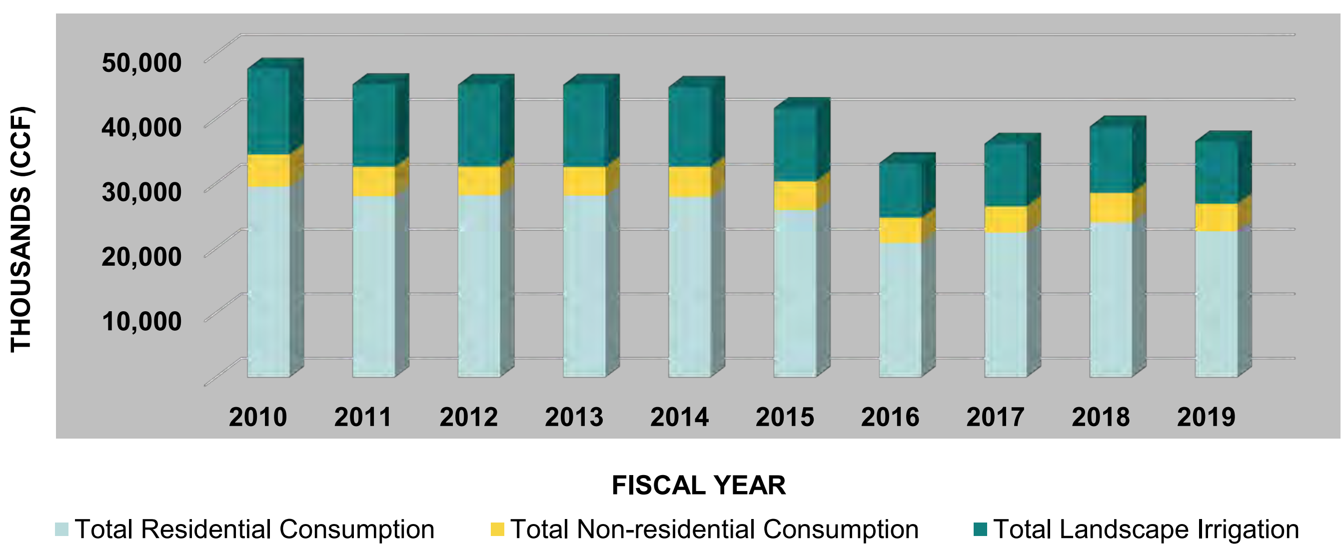
Taxpayer	2010 Taxable Assessed Value ($000s)	2010 Percent of Total District Taxable Assessed Value	2019 Taxable Assessed Value ($000s)	2019 Percent of Total District Taxable Assessed Value
Garden of Champions LLC	-	-	$ 261,209	0.41
BRE Iconic LQR Owner LLC	-	-	201,044	0.32
Newage Desert Springs LLC	-	-	159,301	0.25
WEA Palm Desert	$ 138,765	0.25	156,347	0.25
WVC Rancho Mirage INC	-	-	139,760	0.22
Garden on El Paseo	-	-	136,660	0.22
Walmart/Sams	100,062	0.18	126,686	0.20
Time Warner Cable Pacific West LLC	-	-	102,885	0.16
PRU Desert Crossing	-	-	100,198	0.16
H E Indian Wells	-	-	98,907	0.16
Eisenhower Memorial Hospital	291,853	0.52	-	-
KSL Desert Resorts INC	200,339	0.36	-	-
DS Hotel LLC	194,893	0.35	-	-
Worldmark the Club	158,580	0.28	-	-
T D Desert Development LP	141,594	0.25	-	-
SA California Group INC	135,510	0.24	-	-
H N and Frances C Berger Found	113,024	0.20	-	-
Trendwest Resorts INC	106,158	0.19	-	-
Total	**1,580,778**	**2.82**	**1,482,997**	**2.35**

Source: HDL Coren & Cone (Riverside County Assessor)

Total Domestic Consumption by Customer Class
Last Ten Fiscal Years
(CCF 000s)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Single family residential	27,416	26,003	26,191	26,139	25,939	24,014	19,221	20,758	22,321	21,001
Duplex - triplex	604	559	549	534	530	497	401	404	421	406
Multi-dwelling	529	518	499	495	505	476	413	425	425	445
Apartments	963	948	931	944	940	905	805	831	848	830
Mobile home/trailer parks	1,337	1,268	1,247	1,239	1,229	1,181	1,039	1,072	1,132	1,042
Hotels/motels	437	446	399	437	420	420	376	397	440	422
Commercial	964	823	823	1,256	1,256	1,199	1,079	1,113	1,131	1,101
Business	1,288	1,214	1,230	800	810	779	687	666	648	631
Temporary construction meters	458	378	297	271	489	432	355	339	626	494
Public agency	472	412	440	450	461	435	348	460	544	499
Landscape irrigation	13,229	12,710	12,607	12,651	12,291	11,270	8,396	9,660	10,240	9,608
Total Consumption	**47,697**	**45,279**	**45,213**	**45,216**	**44,870**	**41,608**	**33,120**	**36,125**	**38,776**	**36,478**

Note: Consumption is listed by class per CCF (hundred cubic feet) of water



Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
CVWD - State Water Project	0.06000	0.08000	0.08000	0.08000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000
Desert Community College District	0.01995	0.01995	0.01995	0.01995	0.01995	0.02325	0.02087	0.02036	0.04030	0.03978
Coachella Valley Unified School District	0.07247	0.09332	0.07487	0.07968	0.14919	0.14919	0.13218	0.16601	0.17609	0.14954
Desert Sands Unified School District	0.08112	0.10036	0.11467	0.11156	0.10954	0.10984	0.10915	0.08599	0.07251	0.07418
Palm Springs Unified School District	0.12628	0.13224	0.10451	0.09351	0.12961	0.10160	0.08978	0.11802	0.11146	0.10603
San Gorgonio Memorial Healthcare District	0.10676	0.09914	0.10365	0.11572	0.11896	0.11296	0.08143	0.08357	0.09052	0.08692
Desert Water Agency	0.08000	0.08000	0.08000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000
Coachella Valley Water District ID No. 54	0.00650	0.00530	-	-	-	-	-	-	-	-
Coachella Valley Water District ID No. 55	0.00600	0.00600	-	-	-	-	-	-	-	-

<u>Source:</u> *California Municipal Statistics, Inc.*

Top Ten Domestic Water Customers
Current Year and Ten Years Ago

	Fiscal Year 2019					
	Customer Type	Annual Consumption (AF)	Percentage of Total All Domestic Customers		Annual Revenues	Percentage of Total All Domestic Customers
1	Community Association	129,798	0.36	$	206,955	0.36
2	Community Association	81,860	0.22		121,783	0.21
3	Community Association	73,119	0.20		104,648	0.18
4	Community Association	69,028	0.19		102,071	0.18
5	Community Association	36,935	0.10		77,425	0.14
6	Community Association	51,145	0.14		77,181	0.13
7	Community Association	55,043	0.15		75,409	0.13
8	Education	43,590	0.12		73,992	0.13
9	Community Association	23,314	0.06		70,060	0.12
10	Community Association	36,845	0.10		67,988	0.12
	Total Top Ten Domestic Customers	**600,677**	**1.64%**	**$**	**977,512**	**1.70%**
	Total All Domestic Customers	**36,478,106**		**$**	**57,277,442**	

	Fiscal Year 2010					
	Customer Type	Annual Consumption (AF)	Percentage of Total All Domestic Customers		Annual Revenues	Percentage of Total All Domestic Customers
1	Public Agency	115,056	0.24	$	281,993	0.48
2	Community Association	328,446	0.69		265,951	0.45
3	Community Association	274,846	0.58		252,595	0.43
4	Community Association	287,337	0.60		225,423	0.38
5	Community Association	248,748	0.52		219,491	0.37
6	Community Association	192,821	0.40		200,709	0.34
7	Community Association	192,279	0.40		188,610	0.32
8	Community Association	185,255	0.39		167,783	0.28
9	Community Association	185,408	0.39		166,064	0.28
10	Community Association	152,651	0.32		148,955	0.25
	Total Top Ten Domestic Customers	**2,162,847**	**4.53%**	**$**	**2,117,574**	**3.58%**
	Total All Domestic Customers	**47,697,578**		**$**	**59,203,215**	

Top Ten Sanitation Customers
Current Year and Ten Years Ago

	Fiscal Year 2019			
	Customer Type		Annual Revenues	Percentage of Total All Sanitation Customers
1	Resort	$	68,247	0.17
2	Resort		46,549	0.12
3	Resort		30,793	0.08
4	Resort		30,171	0.08
5	Resort		29,544	0.07
6	Resort		28,549	0.07
7	Resort		27,509	0.07
8	Resort		27,329	0.07
9	Education		25,874	0.06
10	Resort		24,508	0.06
	Total Top Ten Sanitation Customers	**$**	**339,073**	**0.85%**
	Total All Sanitation Customers	**$**	**39,869,858**	

	Fiscal Year 2010			
	Customer Type		Annual Revenues	Percentage of Total All Sanitation Customers
1	Community Association	$	381,962	2.06
2	Resort		175,869	0.95
3	Resort		140,582	0.76
4	Resort		123,837	0.67
5	Resort		120,991	0.65
6	Resort		116,834	0.63
7	Community Association		92,286	0.50
8	Resort		91,413	0.49
9	Resort		89,060	0.48
10	Resort		86,794	0.47
	Total Top Ten Sanitation Customers	**$**	**1,419,628**	**7.66%**
	Total All Sanitation Customers	**$**	**18,570,489**	

Top Ten Canal Customers
Current Year and Ten Years Ago

	Fiscal Year 2019				
	Customer Type	Annual Consumption (AF)	Percentage of Total All Canal Customers	Annual Revenues	Percentage of Total All Canal Customers
1	CVWD Recharge	36,916	11.40	$ 1,266,957	7.51
2	CVWD Recharge	14,040	4.34	481,846	2.85
3	Agriculture	2,908	0.90	99,796	0.59
4	Agriculture	2,783	0.86	95,513	0.57
5	Agriculture	2,673	0.83	91,724	0.54
6	Agriculture	2,323	0.72	79,739	0.47
7	Agriculture	2,187	0.68	75,068	0.45
8	Agriculture	1,761	0.54	60,448	0.36
9	Agriculture	1,691	0.52	58,025	0.34
10	Agriculture	1,615	0.50	55,423	0.33
	Total Top Ten Canal Customers	**68,897**	**21.29%**	**$ 2,364,539**	**14.01%**
	Total All Canal Customers	**323,850**		**$ 16,866,704**	

	Fiscal Year 2010				
	Customer Type	Annual Consumption (AF)	Percentage of Total All Canal Customers	Annual Revenues	Percentage of Total All Canal Customers
1	CVWD Recharge	33,324	11.25	$ 2,739,241	24.96
2	CVWD Recharge	2,990	1.01	245,737	2.24
3	CVWD Recharge	1,703	0.57	140,011	1.28
4	Agriculture	2,658	0.90	63,913	0.58
5	Agriculture	1,820	0.61	51,051	0.47
6	Agriculture	1,791	0.60	50,246	0.46
7	Agriculture	1,923	0.65	46,250	0.42
8	Agriculture	359	0.12	43,008	0.39
9	Agriculture	1,788	0.60	42,992	0.39
10	Agriculture	354	0.12	42,528	0.39
	Total Top Ten Canal Customers	**48,710**	**16.43%**	**$ 3,464,977**	**31.58%**
	Total All Canal Customers	**296,279**		**$ 10,976,456**	

Rate Summary
Last Ten Fiscal Years

Funds	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Domestic Water [1]	$ 1.03	$ 1.12	$ 1.12	$ 1.12	$ 1.12	$ 1.12	$ 1.12	$ 1.32	$ 1.32	$ 1.32
Sanitation [2]	22.50	24.50	24.50	24.50	24.50	24.50	24.50	24.50	24.62	24.62
Canal [3]	24.05	24.95	27.45	28.95	28.95	28.95	28.95	33.48	34.32	34.32
West Whitewater Replenishment [4]	102.45	102.45	107.57	107.57	110.26	110.26	112.00	128.80	143.80	143.80
East Whitewater Replenishment [4]	17.00	24.00	31.00	38.00	45.00	52.00	59.00	66.00	66.00	66.00
Mission Creek Replenishment [4]	87.56	89.75	98.73	98.73	98.73	98.73	112.00	123.20	135.52	135.52

Note: These rates represent the rates for the largest enterprise revenue sources of the District

[1] *Domestic water rates are the consumption charge for tier 2 per hundred cubic feet (CCF)*

[2] *Sanitation rates are the monthly ESU charge and account service fee for homeowners*

[3] *Canal rates are the consumption charges per acre-foot which is equal to 325,850 gallons*

[4] *Recharge rates are charged on a per acre-foot basis to all well owners who produce greater than 25 acre-feet per year*

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
($000s)

	Certificates of Participation	Contracts Payable	General Obligation Bonds	Other Long Term Debt	Total	Percentage of Personal Income	Debt per Capita
2010	4,025	472	8,225	-	12,722	0.020	37.25
2011	2,750	368	-	-	3,118	0.004	9.00
2012	1,410	288	-	-	1,698	0.002	4.83
2013	-	168	-	-	168	0.000	0.47
2014	-	96	-	-	96	0.000	0.26
2015	-	58	-	-	58	0.000	0.16
2016	-	34	-	-	34	0.000	0.09
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-

Note : Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Direct and Overlapping Debt

2018-19 Assessed Valuation: $63,700,378,093

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	6/30/2019	% Applicable [1]	District's Share of Debt 6/30/19
Imperial County Office of Education	$ 8,201,952	2.73%	$ 223,913
Desert Community College District	349,425,000	78.5	274,298,625
Imperial Community College District	104,461,219	0.263	274,733
Coachella Valley Unified School District	245,992,219	99.312	244,299,793
Desert Sands Unified School District	381,670,000	99.905	381,307,414
Palm Springs Unified School District	386,308,048	43.358	167,495,443
Other School Districts	26,342,268	Various	438,310
Healthcare Districts	115,910,000	Various	688,515
Coachella Valley Water District	**-**	**100**	**-**
Coachella Valley Water District, Assessment District No. 33	616,528	100	616,528
Coachella Valley Water District, Assessment District No. 67	135,000	100	135,000
Coachella Valley Water District, Assessment District No. 68	1,195,000	100	1,195,000
Coachella Valley Water District, Assessment District No. 70	4,180,000	100	4,180,000
Other 1915 Act Bonds (Estimate)	66,455,764	100	66,455,764
Community Facilities Districts	79,862,000	100	79,862,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			**$1,221,471,038**
OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	760,133,611	22.60	171,774,993
Riverside County Pension Obligation Bonds	243,850,000	22.598	55,105,223
Imperial County Certificates of Participation	6,520,000	2.73	177,996
Imperial County Pension Obligation Bonds	30,265,000	2.73	826,235
Coachella Valley Unified School District Certificates of Participation	37,670,000	99.312	37,410,830
Desert Sands Unified School District Certificates of Participation	37,000,000	99.905	36,964,850
Brawley Union High School District Certificates of Participation	4,500,000	0.143	6,435
City of Cathedral City General Fund Obligations	2,827,000	81.543	2,305,221
City of Coachella General Fund Obligations	11,270,000	99.937	11,262,900
City of Desert Hot Springs General Fund Obligations	21,230,000	2.304	489,139
City of Indio General Fund and Judgment Obligations	52,680,000	99.844	52,597,819
City of Palm Springs General Fund Obligations and Pension Obligation Bonds	122,475,685	0.856	1,048,391
Desert Recreation District Certificates of Participation	472,521	99.783	471,496
TOTAL GROSS GENERAL FUND DEBT			**$370,441,528**
Less: Riverside County self-supporting obligations			392,550
TOTAL NET GENERAL FUND DEBT			**$370,048,978**
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$1,129,749,433	Various	$940,446,311
TOTAL DIRECT DEBT			**-**
TOTAL GROSS OVERLAPPING DEBT			$2,532,358,877
TOTAL NET OVERLAPPING DEBT			$2,531,966,327
GROSS COMBINED TOTAL DEBT [2]			$2,532,358,877
NET COMBINED TOTAL DEBT			$2,531,966,327

[1] The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the district divided by the overlapping district's total taxable assessed value.

[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:	
Direct Debt	**0.00%**
Total Direct and Overlapping Tax and Assessment Debt	1.92%
Gross Combined Total Debt	3.98%
Net Combined Total Debt	3.97%

Ratios to Redevelopment Incremental Valuation ($27,978,480,902):	
Total Overlapping Tax Increment Debt	3.36%

Source: California Municipal Statistics, Inc.

Computation of Legal Debt Margin
Last Ten Fiscal Years
($000s)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total assessed value	$ 54,432,958	$ 51,138,094	$ 50,152,868	$ 48,714,783	$ 51,446,095	$ 54,254,424	$ 56,982,193	$ 59,083,482	$ 61,017,806	$ 63,700,378
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	13,608,240	12,784,524	12,538,217	12,178,696	12,861,524	13,563,606	14,245,548	14,770,871	15,254,452	15,925,095
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Legal debt limit	2,041,236	1,917,679	1,880,733	1,826,804	1,929,229	2,034,541	2,136,832	2,215,631	2,288,168	2,388,764
Outstanding bonds chargeable to the limit	8,225	-	-	-	-	-	-	-	-	-
Less: Amount reserved for debt	10,117	-	-	-	-	-	-	-	-	-
Net applicable to limit:	(1,892)	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 2,039,344	$ 1,917,679	$ 1,880,733	$ 1,826,804	$ 1,929,229	$ 2,034,541	$ 2,136,832	$ 2,215,631	$ 2,288,168	$ 2,388,764
Total debt applicable to the limit as a percentage of debt limit	(0.0009)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above, reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: California Municipal Statistics, Inc.

Demographic and Economic Statistics
Riverside County
Last Ten Calendar Years

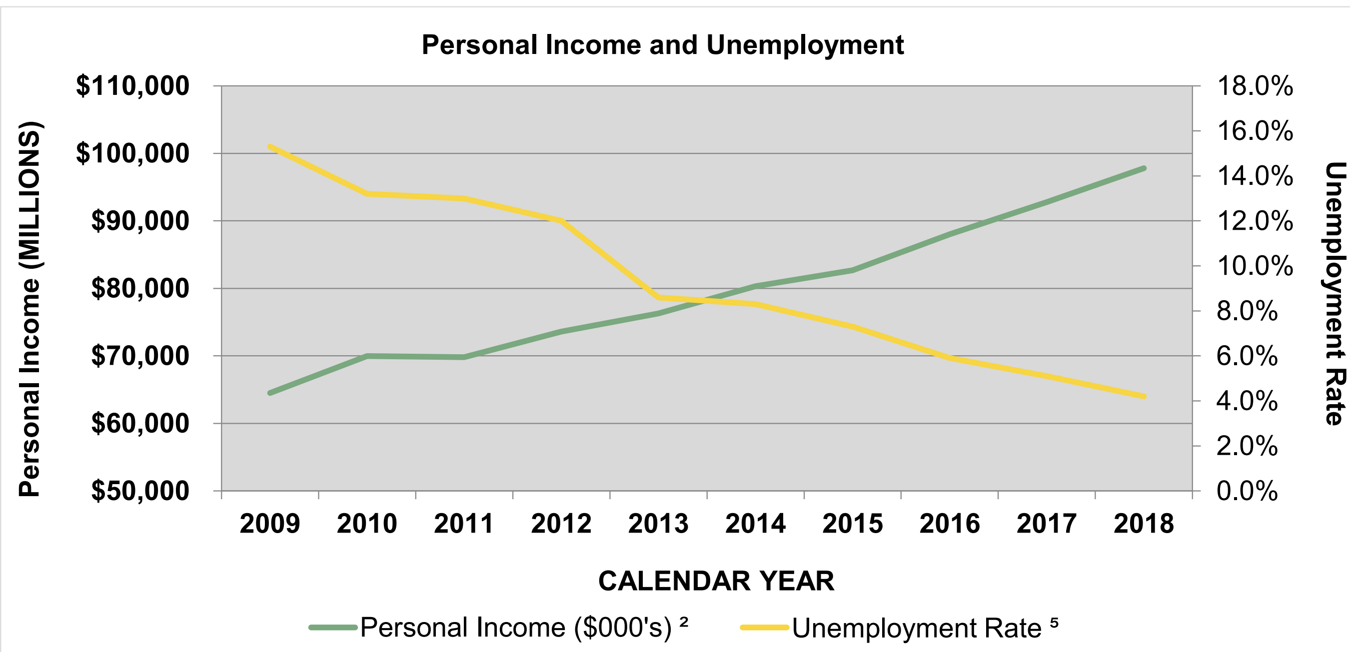
Calendar Year	Population [1]	Personal Income ($000's) [2]	Per Capita Personal Income [3]	Median House Value [4]	Unemployment Rate [5]
2009	2,139,535	$ 64,504	$ 30,148	$ 223,500	15.3%
2010	2,189,641	69,961	31,951	169,807	13.2%
2011	2,239,620	69,800	32,841	178,744	13.0%
2012	2,255,059	73,600	33,534	190,000	12.0%
2013	2,279,967	76,300	34,142	237,457	8.6%
2014	2,308,441	80,300	34,989	297,000	8.3%
2015	2,317,924	82,700	35,495	312,700	7.3%
2016	2,348,213	88,000	37,260	329,600	5.9%
2017	2,423,266	92,800	37,888	276,300	5.1%
2018	2,450,758	97,800	38,494	304,500	4.2%

<u>*Source:*</u>

1 & 4 - U.S. Census Bureau

2 & 3 - Riverside County Economic Forecast 2010-2016 History, 2017-2050 Forecast

5 - U.S. Department of Labor, Bureau of Labor Statistics



Demographic Statistics
Population of Major Cities in the Coachella Valley
Last Ten Calendar Years

Calendar Year	Cathedral City	Coachella	Desert Hot Springs	Indian Wells	Indio	La Quinta	Palm Desert	Palm Springs	Rancho Mirage	Total
2009 [1]	50,812	39,079	25,690	4,910	74,590	37,116	47,993	44,346	17,037	341,573
2010 [1]	51,200	40,704	25,938	4,958	76,036	37,467	48,445	44,552	17,218	346,518
2011 [2]	51,604	41,517	27,393	5,012	77,168	37,784	48,957	44,943	17,454	351,832
2012 [2]	52,485	42,426	27,973	5,103	79,185	38,100	48,924	45,326	17,583	357,105
2013 [2]	53,163	43,676	28,385	5,199	83,450	38,156	48,282	45,465	17,685	363,461
2014 [2]	53,480	44,614	28,605	5,265	84,655	38,720	48,494	45,818	17,783	367,434
2015 [2]	53,859	45,001	28,794	5,336	86,683	39,311	48,835	46,204	17,920	371,943
2016 [2]	54,040	45,135	28,885	5,375	87,382	40,176	50,154	46,866	18,093	376,106
2017 [2]	54,296	45,273	29,347	5,549	86,632	40,605	52,058	47,157	18,579	379,496
2018 [3]	54,902	45,839	28,885	5,440	91,240	41,535	53,185	48,375	18,336	387,737
Annual Growth Percent	1.12%	1.25%	-1.57%	-1.96%	5.32%	2.29%	2.16%	2.58%	-1.31%	2.17%

Source:

[1] *State of California, Department of Finance, Demographic Research Unit*

E-4 Population Estimates for Cities, Counties and the State, 2001-2010 with Census counts, Sacramento, CA

[2] *State of California, Department of Finance, Demographic Research Unit*

E-4 Population Estimates for Cities, Counties and the State, 2011-2017 with Census counts, Sacramento, CA

[3] *US Census Bureau Population Estimates 2018*

Principal Employers in the Coachella Valley
Current Year [1] and Nine Years Ago

	FY 2010			Current Year [1]		
Employer	Number of Employees	Rank	% of Total County Employment	Number of Employees	Rank	% of Total County Employment
County of Riverside	18,456	1	0.023	22,038	1	0.022
Eisenhower Medical Center	2,400	3	0.003	3,743	2	0.004
Desert Sands Unified School Dis	2,360	4	0.003	2,850	3	0.003
Palm Springs Unified School Dis	2,074	5	0.003	2,551	4	0.003
Aqua Caliente Band of Cahuilla I	2,800	2	0.004	2,371	5	0.002
JW Marriot Desert Springs Reso	2,000	6	0.003	2,304	6	0.002
Desert Regional Medical Center	1,750	9	0.002	2,200	7	0.002
Coachella Valley Unified School	1,767	8	0.002	1,885	8	0.002
La Quinta Resort and Club	1,210	10	0.002	1,437	9	0.001
Fantasy Springs Casino	1,085	11	0.001	1153	10	0.001
College of the Desert	1,000	12	0.001	925	11	0.001
Securitas-Security Service USA	700	14	0.001	700	12	0.001
Heckmann Corporation	1,811	7	0.002	-	-	-
Guthy Renker Corporation	825	13	0.001	-	-	-
Total	**40,238**		**0.051**	**44,157**		**0.043**

Note:
[1] *Data for most current year available*
Source:
County of Riverside Economic Development Agency; Annual Financal Reports for: City of Indio, City of Palm Springs, City of Palm Desert & City of La Quinta

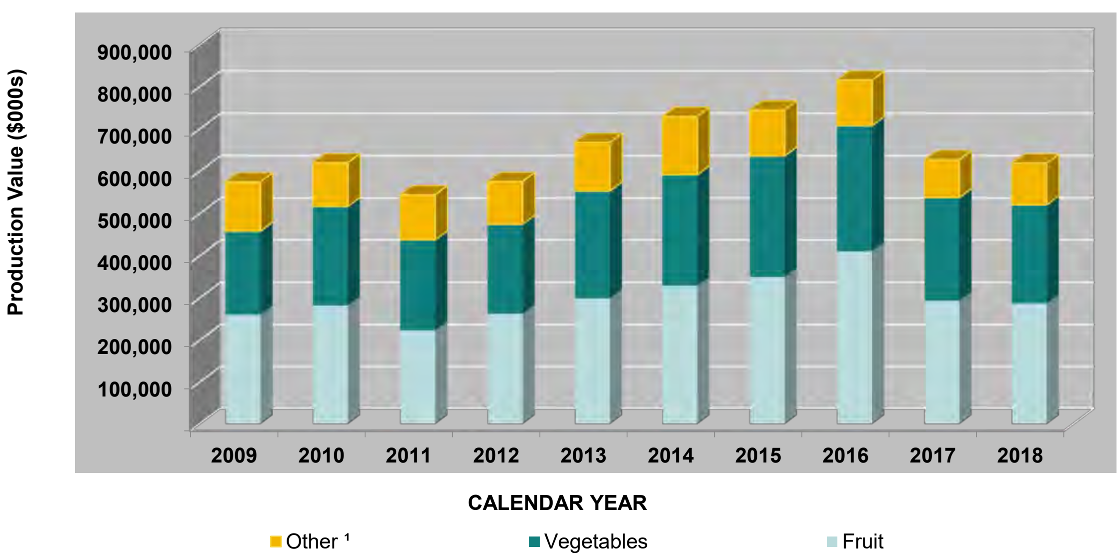
Coachella Valley Water District
Farm Production by Crop
Last Ten Calendar Years

Calendar Year	Fruit			Vegetables			Other [1]			Total	
	Production Value ($000s)	Acreage	Yield (Tons)	Production Value ($000s)	Acreage	Yield (Tons)	Production Value ($000s)	Acreage	Yield (Tons)	Total Value ($000s)	Total Acreage
2009	$ 261,559	25,485	216,236	$ 197,152	22,957	230,290	$ 116,724	10,552	540,739	$ 575,435	58,994
2010	283,039	25,548	176,119	234,346	26,024	452,412	103,534	11,026	603,614	620,919	62,598
2011	224,342	25,926	182,684	213,904	25,906	394,841	106,735	11,077	827,422	544,981	62,909
2012	263,806	23,657	199,417	211,400	27,165	412,258	101,071	12,615	1,128,039	576,277	63,437
2013	299,959	24,477	230,630	253,905	26,764	547,706	114,881	12,004	750,857	668,745	63,245
2014	329,914	24,367	214,602	262,618	26,510	659,768	137,955	12,104	789,976	730,487	62,981
2015	350,538	23,417	207,588	286,348	26,332	554,724	108,769	12,218	797,316	745,655	61,967
2016	411,173	27,735	401,712	297,473	27,145	522,248	107,537	12,601	790,993	816,183	67,481
2017	294,177	22,069	52,431	244,101	27,929	212,723	89,505	12,135	799,002	627,783	62,133
2018	287,747	21,702	108,436	233,342	24,466	805,164	98,499	11,983	802,366	98,499	92,856

Note:
[1] *Includes forage crops, cereal crops, nurseries, fish farms, golf courses, and turf farms.*

Source: Coachella Valley Water District Annual Review

Production Value by Crop



Operating Indicators by Function
Last Ten Calendar Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Domestic water										
Population served	283,529	286,192	286,240	303,846	304,701	318,217	318,217	290,000	290,000	290,000
Total well capacity (MGD)	253	244	249	245	240	240	231	234	232	236
Active meters	106,399	107,002	107,349	107,544	108,050	108,599	109,167	107,861	106,717	109,714
Average daily demand (MGD)	103	94	92	92	92	90	75	72	77	79
Total water delivered (AF)	114,911	105,001	102,805	103,429	103,552	101,302	83,869	80,835	86,303	87,959
Irrigation water										
Total irrigable acres	78,530	78,530	78,530	66,227	75,144	76,354	76,456	76,411	76,428	77,101
Active accounts	1,082	1,120	1,145	1,145	1,224	1,224	1,190	1,263	1,267	1,263
Total water delivered (AF)	269,243	251,249	265,270	278,398	274,399	334,638	327,010	342,507	333,160	338,094
Average daily demand (AF)	738	688	727	777	760	917	903	903	913	913
Wastewater collection										
Population served	267,260	266,823	260,700	264,316	270,686	272,357	272,982	248,404	256,173	252,803
Active accounts	100,853	100,688	91,673	90,344	92,774	93,797	93,969	94,532	94,269	96,206
Average daily flow (MGD)	17	17	18	18	17	17	17	16	17	17
Nonpotable water										
Active accounts	16	16	16	17	18	19	21	19	24	24
Recycled Water Delivered (AF)	5,959	7,510	7,848	8,170	9,092	9,624	9,505	9,120	8,157 [1]	10,129

<u>Notes:</u>

AF - Acre Feet

MGD - Million Gallons Per Day

N/A - Not Applicable

[1] *Fiscal 2017 Recycled Water Delivered is updated*

<u>Source:</u> Coachella Valley Water District Annual Review

Coachella Valley Water District
Full-time Equivalent Employees
by Department
Last Ten Fiscal Years (Actual)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration[1]	37	33	35	36	36	37	41	41	41.5	42.5
Engineering	57	65	66	69	44	44	42	45	47	47
Environmental[2]	-	-	-	-	24	25	27	25	29	28.5
Finance	36	25	27	25	26.5	26.5	28	27	26	28
Human Resources & Risk Management	11	11	11	8	9	9	9	10	10	10.5
Information Systems[3,4]	-	-	-	-	13	13	14	15	15	15
Operations[6]	130	142	142	146	150	150	153	158	174	177
Service[1]	93	87	91	94	79	82	84	83	84	84
Facilities and Maintenance	120	111	121	121	123	124	121	127	120	121
Total	**484**	**474**	**493**	**499**	**504.5**	**510.5**	**519**	**531**	**546.5**	**553.5**

Notes:

[1] *Conservation was established as a part of the Communication Department during FY 2014 - Previously included in Service - Now included in*

[2] *Environmental Services established as a separate department in FY 2014 - Previously included in Engineering.*

[3] *Information Systems established as a separate department in FY 2014 - Previously included in General Manager / Administration.*

[4] *Geographic Information Systems established as a part of Information Systems during FY 2014 - Previously included in Engineering.*

[5] *Trades and Support was renamed the Facilities and Maintenance Department in FY 2017*

[6] *Mechanical Division established as part of Operations FY 2018, previously in Facilities & Maintenance*

Capital Asset Statistics by Function
Last Ten Calendar Years

	Unit of Measure	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Domestic water											
Active wells		104	102	102	100	96	96	92	94	93	95
Distribution reservoirs		58	58	59	59	60	61	61	61	62	63
Storage capacity	MG	132	132	134	134	135	135	135	135	142	143
Distribution piping systems	Miles	1,978	1,978	1,986	1,986	1,993	1,996	1,993	1,993	2,004	2,015
Canal water											
Reservoirs		2	2	2	2	2	2	2	2	2	2
Storage capacity	AF	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301
Distribution system	Miles	485	485	485	485	485	485	485	435	485	485
Pumping plants		20	17	17	16	16	16	16	16	16	16
Length of canal	Miles	122	122	123	123	123	123	123	123	123	123
Agriculture drainage											
District open drains	Miles	21	21	21	21	21	21	21	21	21	21
District pipe drains	Miles	166	166	166	166	166	166	166	166	166	166
On farm drains	Miles	2,298	2,298	2,298	2,298	2,298	2,298	2,298	2,298	2,298	2,298
Stormwater protection											
Number of channels		16	16	16	16	16	16	16	16	16	16
Length of Whitewater River c	Miles	49	49	49	49	49	49	49	49	49	49
Length of all channels	Miles	134	134	134	134	134	134	134	134	134	134
Wastewater collection											
Reclamation plants		6	6	6	6	6	6	6	5	5	5
Total daily plant capacity	MGD	34	34	34	34	34	34	34	33	33	33
Collection piping system	Miles	1,079	1,083	1,086	1,088	1,095	1,129	1,129	1,129	1,129	1,243
Recycled water											
Plants producing recycled water		3	3	3	3	3	3	3	2	2	2
Total daily capacity	MGD	18	18	18	18	18	18	18	18	18	18
Distribution piping systems	Miles	15	15	16	27	27	30	30	30	31	31
Groundwater management											
Recharge facilities		4	4	4	4	4	3	3	3	3	4
Recharge from imported wat	AF	82,849	298,941	290,869	313,389	64,190	43,912	38,298	73,194	429,856	165,100

MGD - Million gallons per day

MG - Million gallons

AF - Acre-feet

Source: Coachella Valley Water District Annual Review

COACHELLA VALLEY WATER DISTRICT

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 (3) Amount	Percent	Tax Rate Per $100 Assessed Valuation Agency Rate	City of Palm Desert Typical Total Rate
2000	$19,381,992,367	$ 3,850,884.44	$ 93,321.20	2.42%	0.02080	1.18600
2001	22,090,496,422	4,401,077.67	120,299.67	2.73	0.02080	1.15890
2002	24,721,820,071	Not available			0.02080	1.14890
2003	27,873,986,912	5,600,253.56	148,149.68	2.65	0.02080	1.14890
2004	31,007,578,120	6,204,429.25	121,112.90	1.95	0.02080	1.14700
2005	34,689,838,224	7,010,229.60	165,232.40	2.36	0.02080	1.16345
2006	40,849,315,754	8,297,735.25	232,316.42	2.80	0.02080	1.14269
2007	49,369,258,966	10,081,434.09	455,568.32	4.52	0.02080	1.13248
2008	57,138,070,411	22,027,814.70	1,200,899.03	5.45	0.04000	1.13786
2009	59,452,782,695	22,833,708.14	1,343,206.18	5.88	0.04000	1.13985
2010	55,401,982,267	32,082,602.97	1,468,110.58	4.58	0.06000	1.16107
2011	52,031,861,265	39,999,488.67	1,241,962.32	3.10	0.08000	1.20031
2012	49,864,967,996	38,402,778.42	855,692.61	2.23	0.08000	1.21462
2013	49,462,284,058	38,275,020.93	687,383.14	1.80	0.08000	1.21151
2014	51,168,171,341	49,401,338.75	791,186.87	1.60	0.10000	1.22949
2015	53,975,107,674	52,398,688.57	720,706.93	1.38	0.10000	1.23309
2016	56,681,572,546	55,133,156.86	793,827.66	1.44	0.10000	1.23002
2017	58,765,758,045	57,235,443.25	709,989.58	1.24	0.10000	1.20635
2018	60,682,916,422	59,209,283.00	642,240.40	1.08	0.10000	1.21281
2019	63,700,378,093	62,350,839.24	1,106,535.17	1.77	0.10000	1.21396
2020	66,403,221,015	Not available until end of fiscal year			0.10000	1.21364

Direct and Overlapping Bonded Debt at December 31, 2019:

Total Gross Direct Debt	$0
Less: Self-supporting Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$1,245,250,289
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$1,245,250,289
Total Gross Overlapping General Fund Debt	$366,599,421
Less: Supported Debt	197,839
Total Net Overlapping General Fund Debt	$366,401,582
Total Gross Overlapping Tax Increment Debt	$892,863,345
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$892,863,345
Gross Direct and Overlapping Bonded Debt	$2,504,713,055
Net Direct and Overlapping Bonded Debt	$2,504,515,216

Ratios to Assessed Valuation at December 31, 2019:

Gross Direct Debt..0.00%
Net Direct Debt...0.00%
Gross Direct and Overlapping Tax and Assessment Debt.......................................1.88%
Net Direct and Overlapping Tax And Assessment Debt 1.88%
Gross Direct and Overlapping Bonded Debt...3.77%
Net Direct and Overlapping Bonded Debt 3.77%

(1) Assessed Valuations are based on 100% of cash value beginning in 1981-82, rather than 25% as in previous years. The assessed valuations include state-reimbursable exemptions and include redevelopment incremental valuations. Beginning in 1988-89, assessed valuations exclude unitary utility valuations.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Riverside County portion only