

GOLETA WATER DISTRICT

GOLETA, CALIFORNIA

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023





Mission

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

GOLETA WATER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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**GOLETA WATER DISTRICT
BOARD OF DIRECTORS
AS OF JUNE 30, 2023**

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Farfalla Borah	President	Elected	12/20 - 12/24
Lauren Hanson	Vice President	Elected	12/20 - 12/24
Tom Evans	Director	Elected	12/22 - 12/26
Bill Rosen	Director	Elected	12/20 - 12/24
Kathleen Werner	Director	Elected	12/22 - 12/26

David Matson, General Manager

KK Holland, Assistant to the General Manager

Laura McKenzie, Administrative Manager/CFO

Daniel Brooks, Engineering and Infrastructure Manager

Ryan Drake, Water Supply and Conservation Manager

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**GOLETA WATER DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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INTRODUCTORY SECTION

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November 16, 2023

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

The Annual Comprehensive Financial Report (ACFR) of the Goleta Water District (District) for the fiscal year (FY) ended June 30, 2023, provides the Board of Directors (the Board), customers, and the investment community with detailed information about the financial condition and operating results of the District. District staff worked collectively and followed guidelines set forth by the Governmental Accounting Standards Board to prepare this report. This ACFR is presented in conformity with generally accepted accounting principles (GAAP).

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

The objective of the independent audit was to provide reasonable assurance, and not absolute assurance, that the financial statements of the District were free of material misstatements. Brown Armstrong Accountancy Corporation, independent auditors, has issued an unmodified ("clean") opinion that the District's financial statements for the fiscal year ended June 30, 2023, are presented fairly in conformity with GAAP.

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

Overview

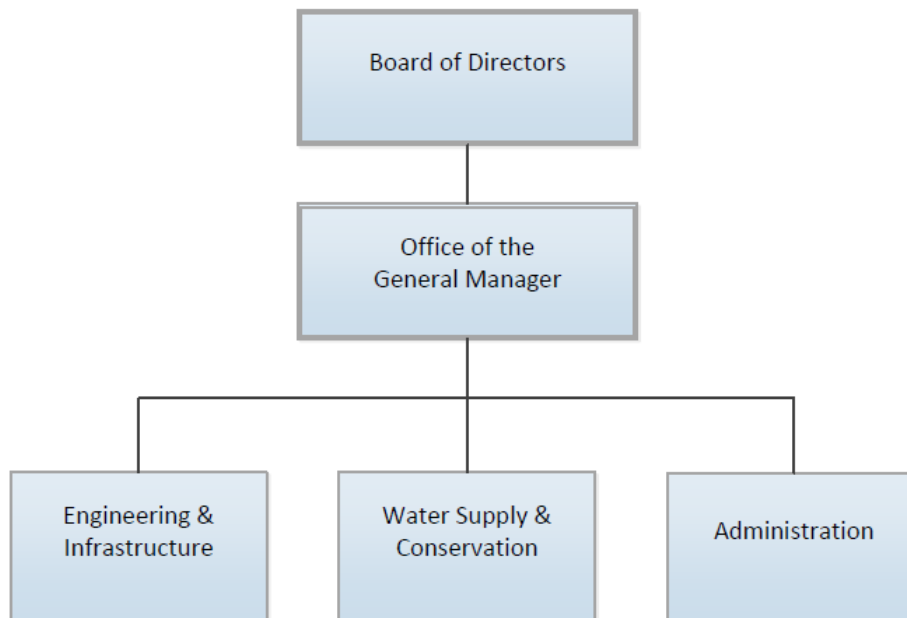
During FY 2022-23, the District continued to navigate through the extraordinary challenges presented by continued supply chain disruptions and historic inflation while simultaneously executing on the District's key 5-year financial and operational plans. These plans served as the foundation for the Cost of Service and Rate Design Study, which guided the District's Board to set rates sufficient to generate the revenue needed to cover anticipated expenditures through 2025.

With an evolving operational environment marked by significant improvements to water supply but balanced with higher energy and infrastructure costs, the District continued to manage expenses and meet its commitments, while simultaneously making key investments that increase the resiliency and sustainability of the District.

District Profile

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

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



Economic Conditions

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

The local economy has proven to be resilient and the area's unemployment rate has consistently been below that of Santa Barbara County (the County), State and National levels. While the City of Goleta's (Goleta) increased dramatically to 10.2% in June 2020 as a result of the global COVID-19 pandemic that triggered a statewide order to close non-essential service providers and institutions, it quickly recovered, the rate decreased to 5.9% by June of 2021, currently stands at 3.8% as of June 30, 2023.

Climate Conditions

The Goleta area has a mild climate, with high temperatures normally within ten degrees of 70° year-round and low temperatures that rarely fall below 40°. Annual rainfall typically averages 18 inches, though it varies from year to year. Such weather variability influences District revenues as conservation-minded customers are quick to reduce water use when cool and wet weather conditions occur. In FY 2022-23, Goleta experienced significant precipitation well above average with 30.5 inches, or 200% of normal, compared to 11.9 inches, or 60% of normal levels the previous year. A full Lake Cachuma combined with the District's diverse water supply portfolio of groundwater, State Water and recycled water means the Goleta Valley is well positioned for whatever the next few years bring.

Financial Planning

The District operates under an annual budget that is adopted by its Board in accordance with its established short and long term financial plans. Actual financial results are reviewed throughout the fiscal year to ensure the District's goals are met, and revenues and expenditures are balanced. Together, these foundational documents and oversight activities help ensure reliable and cost-effective service delivery for District customers, and support the financial achievements described in this ACFR. Some of the notable accomplishments for FY 2022-23 included:

- Final adoption of the District's five-year update to the Groundwater Management Plan.
- Injection of 814 AF of treated surface water into District groundwater wells for the first time since 2011, following the spill of Lake Cachuma.
- As part of the District's efforts to become a net zero energy user, completed designs for net zero solar power generation at multiple District sites and for large scale battery storage at the Corona Del Mar Water Treatment Plant (CDMWTP).
- Began relocation of 42-inch transmission main segment away from a landslide and eroded creek bank.
- Upgraded the District's Supervisory Control and Data Acquisition (SCADA) system and completed construction and installation of electrical radio communications equipment.
- Replaced 100 old poorly functioning fire hydrants, and repaired 194 aging fire hydrants to improve operating efficiency or prevent rust.
- Continued increase in customer enrollment for the District's online conservation and e-billing platform, WaterSmart, has resulted in over 50% of the District's customers paying bills and accessing water usage data electronically, which is one of the highest enrollment numbers among WaterSmart-driven customer service portals nationwide.

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

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

Respectfully submitted,



David Matson
General Manager



Laura McKenzie
Chief Financial Officer

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Goleta Water District
Goleta, California

Opinion

We have audited the accompanying financial statements of the Goleta Water District (the District), as of and for the fiscal year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior fiscal year's comparative information has been derived from the District's 2022 financial statements and, in our report dated November 18, 2022, we expressed an unmodified opinion on the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 management's discussion and analysis and 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 16, 2023

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**GOLETA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS)**

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

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

Summary Analysis

The net position, or the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities, measures the financial health of the District. Over time, increases or decreases in the District's net position also indicate the relative fiscal sustainability of the policy choices that govern administrative operations. It is important to keep these indicators in context with other non-financial factors such as changes in economic conditions, population growth, climate, zoning, or the regulatory environment. Since financial statements include a year-over-year comparison, this Management's Discussion and Analysis (MD&A) presents three fiscal years of financial information. Specific attention is placed on comparing fiscal year (FY) 2023 to FY 2022; however, analysis is provided comparing FY 2022 to FY 2021, when significant.

Overall, during FY 2023 and FY 2022, the District continued to navigate through the challenges associated with the continuing impacts from the global supply chain disruptions, and the current inflationary environment. Coupled with the result of these actions, the District was able to invest in a number of critical infrastructure projects outlined in the Infrastructure Improvement Plan (IIP).

Financial Highlights

- During FY 2023, the District's Net Position increased \$9,459,118 (19%) to \$59,439,952 from \$49,980,834, the Net Position at the end of FY 2022. Operating Revenues increased by \$120,000 (0%) and Operating Expenses decreased by \$3,743,074 (12%), which represented a significant improvement from the FY 2022 operational result. The Unrestricted Cash and Cash Equivalents increased by \$661,989 when compared to FY 2022, primarily as a result of lower operating expenses. The FY 2023 increase in Net Position was significantly aided by lower operating expenses and demonstrates the continued challenges the District overcomes to deliver quality water and maintain and enhance infrastructure at reasonable rates.

Financial Highlights (Continued)

- Water Consumption Sales decreased by \$890,776 (3%) in FY 2023 and increased by \$2,554,692 (9%) in FY 2022. The FY 2023 decrease in water consumption sales was the result of significant rainfall in the winter and early spring which reduced outdoor consumption. This reduction in usage was partially offset by a 9% increase in water rates, effective July 1, 2022. The FY 2022 increase in water consumption sales was the result of an 11% increase in water rates, effective July 1, 2021, offset by lower consumption in several customer classes, mainly in outdoor water usage, as customers responded to requests for conservation of water.
- Monthly Service Charges increased by \$863,399 (6%) in FY 2023 and increased by \$1,188,544 (9%) in FY 2022. The increase Monthly Service Charge revenue in FY 2023 and FY 2022 was primarily as a result of rate increases effective July 1, 2022 (9%) and July 1, 2021 (11%), respectively.
- Conveyance Charges increased by \$138,229 (59%) in FY 2023 as a result of the District selling 226.9 acre-feet of treated potable water to another local water agency.
- Other Charges and Services increased by \$9,148 (2%) in FY 2023 and decreased by \$77,975 (14%) in FY 2022. The increase in FY 2023 Other Charges and Services was primarily as a result of an increase in Customers Delinquent Charges partially offset by a decrease in Contract Revenues as there were fewer customer funded projects during FY 2023. The decrease in FY 2022 Other Charges and Services was primarily as a result of a \$101,135 decrease in Contract Revenues partially offset by an increase in Customer Delinquent Charges as the District resumed assessing late fees for customers who have past due balances.
- Interest and Investment Earnings increased by \$553,221 (704%) in FY 2023 and decreased \$50,617 (39%) in FY 2022. The increase in FY 2023 is as a result of higher investment rate of returns on funds held at the Local Agency Investment Fund (LAIF) combined with an increase in funds held at LAIF for FY 2023.
- Other Non-Operating Revenue decreased by \$9,984,687 (100%) as a result of the prior year (FY 2022) reflecting a one-time \$10,000,000 legal settlement.
- Operating Expenses, before Depreciation, decreased by \$3,743,074 (12%) in FY 2023 and decreased by \$1,758,916 (5%) in FY 2022. The decrease in FY 2023 operating expenses is primarily as a result of decreases in General and Administrative expenses of \$3,396,075 (69%) driven by a reduction in Legal Fees and Pension Expense and a decrease in Source of Supply costs of \$1,272,833 (8%) driven by lower fixed charges and no State Water deliveries in the second half of FY 2023. These decreases were partially offset by an increase in Transmission and Distribution expense primarily as a result of higher project related costs and higher utility costs. The decrease in FY 2022 operating expenses is primarily as a result of decreases in General and Administrative expenses of \$2,809,751 (36%) driven by a reduction in Other Post-Employment Benefits (OPEB) and a decrease in Transmission and Distribution costs of \$1,010,878 (17%) driven by lower project related costs. These decreases were partially offset by increases in Source of Supply costs of \$1,352,366 (9%) primarily as a result of higher Central Coast Water Authority (CCWA) Operating and Maintenance (O&M) costs as well as higher Water Treatment costs of \$649,023 (15%) as a result of higher chemical costs and contracted services.

Condensed Statement of Net Position – Analysis

	2023	2022	Current Year Increase/ (Decrease)	2021
Assets:				
Current assets	\$ 35,831,457	\$ 33,656,727	\$ 2,174,730	\$ 22,954,526
Non-current assets	7,378,024	3,684,977	3,693,047	3,680,473
Capital assets, net	95,141,781	93,189,503	1,952,278	92,654,781
Total Assets	138,351,262	130,531,207	7,820,055	119,289,780
Deferred Outflows of Resources:	8,907,577	4,449,050	4,458,527	9,083,885
Liabilities:				
Current liabilities	9,339,254	7,334,239	2,005,015	5,910,416
Non-current liabilities	74,873,111	68,065,585	6,807,526	87,790,916
Total Liabilities	84,212,365	75,399,824	8,812,541	93,701,332
Deferred Inflows of Resources:	3,606,522	9,599,599	(5,993,077)	335,854
Net Position:				
Net investment in capital assets	54,956,051	49,977,445	4,978,606	48,050,440
Restricted for debt service	3,157,981	3,081,544	76,437	3,065,572
Restricted cash and cash equivalents	305,809	389,671	(83,862)	481,513
Unrestricted	1,020,111	(3,467,826)	4,487,937	(17,261,046)
Total Net Position	\$ 59,439,952	\$ 49,980,834	\$ 9,459,118	\$ 34,336,479

- Current Assets increased during FY 2023 by \$2,174,730 (6%) primarily as a result of a \$661,989 increase in unrestricted cash, a \$658,929 increase in Prepaid Source of Supply, and a \$467,359 increase in inventory. Current Assets increased during FY 2022 by \$10,702,201 (47%) primarily as a result of a \$12,216,884 increase in unrestricted cash partially offset by a \$2,204,428 decrease in Prepaid Source of Supply. The increase in Unrestricted Cash is the result of the District receiving \$10,000,000 for a one-time legal settlement.
- Non-Current Assets increased by \$3,693,047 (100%) as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements* (SBITAs). Implementation of GASB Statement No. 96 created a subscription asset and liability equal to the amount of future subscription payments.
- Net Capital Assets increased \$1,952,278 (2%) during FY 2023 as a result of capital asset spending which was partially offset by depreciation and dispositions and increased \$534,722 (1%) during FY 2022 as a result of capital asset spending which was partially offset by depreciation and dispositions.
- Deferred Outflows of Resources increased \$4,458,527 (100%) during FY 2023 primarily as a result of an increase of \$4,935,141 in deferred pension costs. Deferred Outflows of Resources decreased \$4,634,835 (51%) during FY 2022 primarily because of a decrease of \$4,091,236 in deferred OPEB costs and a decrease in deferred pension costs of \$386,324.
- Current Liabilities increased \$2,005,015 (27%) during FY 2023 primarily as a result of a \$980,807 increase in Accounts Payable and Accrued Expenses and a \$647,237 subscription liability recorded in connection with the implementation of GASB Statement No. 96. Current Liabilities increased \$1,423,823 (24%) during FY 2022 primarily as a result of a \$1,635,000 increase in current portion of debt service payments and a \$289,991 increase in Accounts Payable and Accrued Expenses partially offset by a decrease in accrued wages and related of \$436,666.

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

- Non-Current Liabilities increased during FY 2023 by \$6,807,526 (10%) as a result of increases in the Net Pension Liability of \$9,770,926 and \$3,017,487 in subscription liability associated with the implementation of GASB Statement No. 96, which were partially offset by decreases in the long-term outstanding debt of \$3,299,548 and OPEB of \$2,576,127. Non-Current Liabilities decreased during FY 2022 by \$19,725,331 (22%) as a result of decreases in OPEB of \$9,249,172, the Net Pension Liability of \$7,211,745, and long-term outstanding debt of \$3,184,558.
- Deferred Inflows of Resources decreased \$5,993,077 (62%) during FY 2023 as a result of a decrease in Deferred Pension Costs. Deferred Inflows of Resources increased \$9,263,745 (2,758%) during FY 2022 as a result of an increase in Deferred Pension Costs.
- During FY 2023, Unrestricted Net Position increased by \$4,487,937 (129%) when compared to the end of FY 2022 as a result of continued strong operating results.

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

	2023	2022	Current Year Increase/ (Decrease)	2021
Revenues:				
Operating revenues	\$ 45,331,400	\$ 45,211,400	\$ 120,000	\$ 41,523,586
Non-operating revenues	681,167	10,112,633	(9,431,466)	162,259
Total revenues	46,012,567	55,324,033	(9,311,466)	41,685,845
Expenses:				
Operating expenses	28,629,270	32,372,344	(3,743,074)	34,131,260
Depreciation and amortization	5,950,162	5,466,107	484,055	5,606,851
Non-operating expenses	2,204,057	2,356,364	(152,307)	2,251,822
Total expenses	36,783,489	40,194,815	(3,411,326)	41,989,933
Net income (loss) before capital contributions	9,229,078	15,129,218	(5,900,140)	(304,088)
Capital contributions	230,040	515,137	(285,097)	340,944
Increase in net position	9,459,118	15,644,355	(6,185,237)	36,856
Net position, beginning of year	49,980,834	34,336,479	15,644,355	34,299,623
Net position, end of year	\$ 59,439,952	\$ 49,980,834	\$ 9,459,118	\$ 34,336,479

FY 2023 vs. FY 2022

- District Operating Revenues in FY 2023 increased \$120,000 (0%) with a \$890,776 decrease in Water Consumption Sales, a \$863,399 increase in Monthly Service Charges, and a \$138,229 increase in Conveyance Charges.
 - The \$890,776 (3%) decrease in Water Consumption Sales in FY 2023 was as a result of significant rainfall in the winter and early spring which lead to lower demand in outdoor water use. Consumption decreased in almost all customer classes. The reduction in demand was partially offset by a 9% rate increase that went into effect July 1, 2022.
 - Monthly Service Charges increased by \$863,399 (6%) in FY 2023 primarily as a result of an 9% rate increase effective July 1, 2022. The rate increase was partially offset by a decrease in demand.

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

- District Non-Operating Revenues decreased \$9,431,466 (100%) in FY 2023 primarily as a result of the one-time \$10,000,000 payment received in the prior year as a result of a legal settlement. District Non-Operating Revenues increased \$9,950,374 (6,132%) in FY 2022 primarily as a result of a one-time \$10,000,000 legal settlement.
- District Operating Expenses, excluding depreciation, decreased \$3,743,074 (12%) in FY 2023 when compared to FY 2022 primarily as a result of the following:
 - Source of Supply costs were lower in FY 2023 by \$1,272,833 (8%). Source of Supply costs includes amounts paid to the CCWA, Cachuma Operation and Maintenance Board (COMB), Cachuma Conservation Release Board (CCRB), and the Goleta Sanitary District (GSD) for recycled water, as well as costs for well operations, maintenance, and projects. The Source of Supply decrease was a result of lower CCWA fixed charges and no State Water deliveries in the second half of the fiscal year.
 - General and Administrative costs decreased \$3,396,075 (69%) over FY 2022 primarily as a result of a decrease in pension expense of \$5,556,494 and a decrease in legal fees of \$2,371,372 offset by higher OPEB costs of \$4,951,967.

These decreases were partially offset by increases in:

- Transmission and Distribution costs increased \$1,010,252 (21%) over FY 2022 primarily as a result of an increase in labor costs of \$376,470, an increase in utility costs of \$378,140, and an increase in related equipment charges of \$185,259 partially offset by decreased project related expenses of \$154,985.
- District Capital Contributions in FY 2023 decreased \$285,097 (55%) as a result of a decrease in customer/developer projects.

FY 2022 vs. FY 2021

- District Operating Revenues in FY 2022 increased \$3,687,814 (9%) with a \$2,554,692 increase in Water Consumption Sales and a \$1,188,544 increase in Monthly Service Charges.
 - The \$2,554,692 (9%) increase in Water Consumption Sales in FY 2022 was as a result of an 11% rate increase that went into effect July 1, 2021, partially offset by a 3% decrease in water usage compared to FY 2021. Consumption decreased in almost all customer classes. The first half of the year saw a mild summer and significant rainfall in December which lead to lower demand in outdoor water use through December 2021; however, the winter and spring were exceptionally dry and the District began emphasizing water conservation among its customers.
 - Monthly Service Charges increased by \$1,188,544 (9%) in FY 2022 primarily as a result of an 11% rate increase effective July 1, 2021.
- District Non-Operating Revenues increased \$9,950,374 (6,132%) in FY 2022 primarily as a result of a one-time \$10,000,000 legal settlement. District Non-Operating Revenues decreased \$207,490 (56%) in FY 2021 as a result of reduction in investment returns and the average amount invested during the fiscal year.
- District Operating Expenses, excluding depreciation, decreased \$1,758,916 (5%) in FY 2022 when compared to FY 2021 primarily as a result of the following:
 - Transmission and Distribution costs decreased \$1,010,878 (17%) over FY 2021 primarily as a result of lower payroll costs of \$892,946, lower project labor of \$96,953, and related equipment charges of \$239,839 partially offset by increased contract service expenses of \$299,199.

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

- General and Administrative costs decreased \$2,809,751 (36%) over FY 2021 primarily as a result of lower payroll costs of \$5,443,091 including lower OPEB costs of \$6,142,463 offset by higher legal fees of \$947,774 and higher pension expense of \$1,425,680.

These decreases were partially offset by increases in:

- Source of Supply costs were higher in FY 2022 by \$1,352,366 (9%). Source of Supply costs includes amounts paid to the CCWA, COMB, CCRB, and GSD for recycled water, as well as costs for well operations, maintenance, and projects. The Source of Supply increase was a result of higher quarterly CCWA assessments and higher professional fees for well operations and maintenance of \$432,560 offset by lower entitlement and special assessment charges from COMB combined with refunds of unexpended funds from CCRB of \$104,163 and COMB of \$353,615 for FY 2021.
- Water Treatment costs increased in FY 2022 by \$649,023 (15%) primarily as a result of higher costs in chemicals and water quality testing and compliance cost of \$331,335 and higher costs in contracted services and subcontracted services of \$541,252. These amounts were offset by lower professional fees related to projects of \$87,393, lower O&M purchases of \$92,498, and lower payroll and related expenses of \$55,114.
- District Capital Contributions in FY 2022 increased \$174,193 (51%) as a result of an increase in customer/developer projects and assets dedicated to the District.

Condensed Statement of Revenues – Analysis

	2023	2022	Current Year Increase/ (Decrease)	2021
Operating revenues:				
Water consumption sales	\$ 29,780,962	\$ 30,671,738	\$ (890,776)	\$ 28,117,046
Monthly service charges	14,692,416	13,829,017	863,399	12,640,473
Conveyance charges	371,819	233,590	138,229	211,037
Other charges and services	486,203	477,055	9,148	555,030
Total operating revenues	45,331,400	45,211,400	120,000	41,523,586
Non-operating revenues:				
Interest and investment earnings	631,779	78,558	553,221	129,175
Other non-operating revenues, net	49,388	10,034,075	(9,984,687)	33,084
Total non-operating revenues	681,167	10,112,633	(9,431,466)	162,259
Total revenues	\$ 46,012,567	\$ 55,324,033	\$ (9,311,466)	\$ 41,685,845

Condensed Statement of Expenses – Analysis

	2023	2022	Current Year Increase/ (Decrease)	2021
Operating expenses:				
Source of supply	\$ 14,457,712	\$ 15,730,545	\$ (1,272,833)	\$ 14,378,179
Water treatment	5,455,467	4,977,210	478,257	4,328,187
Transmission and distribution	5,778,787	4,768,535	1,010,252	5,779,413
Customer accounts	1,416,347	1,979,022	(562,675)	1,918,698
General and administrative	1,520,957	4,917,032	(3,396,075)	7,726,783
Total operating expenses	28,629,270	32,372,344	(3,743,074)	34,131,260
Depreciation and amortization expense	5,950,162	5,466,107	484,055	5,606,851
Non-operating expenses:				
Interest expense - long-term debt	2,122,710	2,142,704	(19,994)	2,208,534
Loss on disposition of capital assets	75,631	207,944	(132,313)	6,957
Amortization expense	5,716	5,716	-	36,331
Total non-operating expenses	2,204,057	2,356,364	(152,307)	2,251,822
Total expenses	\$ 36,783,489	\$ 40,194,815	\$ (3,411,326)	\$ 41,989,933

Condensed Capital Assets – Analysis

	Balance 2022	Additions	Transfer/ Deletions	Balance 2023
Capital Assets:				
Non-depreciable assets	\$ 11,192,764	\$ 13,937,566	\$ (10,809,520)	\$ 14,320,810
Depreciable assets	185,578,753	4,307,072	(604,163)	189,281,662
Accumulated depreciation	(103,582,014)	(5,407,209)	528,532	(108,460,691)
Total capital assets, net	\$ 93,189,503	\$ 12,837,429	\$ (10,885,151)	\$ 95,141,781
	Balance 2021	Additions	Transfer/ Deletions	Balance 2022
Capital Assets:				
Non-depreciable assets	\$ 7,779,034	\$ 13,212,670	\$ (9,798,940)	\$ 11,192,764
Depreciable assets	183,185,483	2,795,043	(401,773)	185,578,753
Accumulated depreciation	(98,309,736)	(5,638,181)	365,903	(103,582,014)
Total capital assets, net	\$ 92,654,781	\$ 10,369,532	\$ (9,834,810)	\$ 93,189,503

Capital Assets – Analysis

At June 30, 2023 and 2022, the District's capital assets, net of accumulated depreciation, totaled \$95,141,781 and \$93,189,503, respectively, increasing from \$92,654,781 at June 30, 2021. Capital asset investments include: non-depreciable assets (land, land improvements, and construction-in-process projects) and depreciable assets (water treatment plant and equipment, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, and vehicles). Throughout FY 2023 and FY 2022, the District continued to fund capital improvements to the District's wells; existing production and distribution systems; recycled water system; as well as other property, plant, and equipment.

Capital Assets – Analysis (Continued)

Some of the larger capital additions during the two-year period included upgrades to treatment distribution facilities, radio system upgrades, SCADA improvements and upgrades, alternative energy sources, facility improvements, and completing several developer/customer initiated development projects.

Debt Analysis

	Balance 2022	Adjustments/ Additions	Principal Payments/ Deletions	Balance 2023
Debt:				
Certificates of participation, net	\$ 43,490,052	\$ -	\$ (3,139,548)	\$ 40,350,504
	Balance 2021	Adjustments/ Additions	Principal Payments/ Deletions	Balance 2022
Debt:				
Certificates of participation, net	\$ 45,039,610	\$ -	\$ (1,549,558)	\$ 43,490,052

During FY 2023 and FY 2022, net long-term debt decreased by \$3,139,548 and \$1,549,558 as a result of scheduled principal repayments of \$3,015,000 and \$1,380,000, respectively, and the amortization of the related debt costs (see Note 9 – Certificates of Participation for additional detail).

Conditions Affecting Current Financial Position

Management has noted certain items as potential issues that may affect its current financial position in the footnotes to the financial statements (see Note 15 - Commitments and Contingencies for additional detail).

Notes to the Basic Financial Statements

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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**GOLETA WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS)**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,102,146	\$ 18,440,157
Restricted - cash and cash equivalents	305,809	389,671
Accrued interest receivable	202,869	46,808
Accounts receivable - water sales and services, net	6,274,839	6,094,129
Accounts receivable - other	296,854	64,488
Water-in-storage inventory	908,715	1,010,926
Materials and supplies inventory	1,520,314	1,052,955
Prepaid source of supply costs	7,004,205	6,345,276
Prepaid expenses and other deposits	215,706	212,317
Total Current Assets	35,831,457	33,656,727
NON-CURRENT ASSETS		
Restricted - investments	3,735,040	3,671,165
Subscription assets, net	3,634,887	-
Prepaid bond insurance premiums, net	8,097	13,812
Capital assets - not depreciable	14,320,810	11,192,764
Capital assets - depreciable, net	80,820,971	81,996,739
Total Non-Current Assets	102,519,805	96,874,480
Total Assets	138,351,262	130,531,207
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	164,774	277,995
Deferred pension cost	8,231,728	3,296,587
Deferred other post-employment benefits (OPEB)	511,075	874,468
Total Deferred Outflows of Resources	8,907,577	4,449,050
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	3,301,403	2,320,596
Accrued wages and related payables	319,685	207,515
Customer advances and deposits	862,255	724,787
Accrued interest payable on subscription liability	4,623	-
Accrued interest payable on certificates of participation	577,058	589,621
Long-term liabilities - due within one year:		
Compensated absences	451,993	476,720
Subscription liability	647,237	-
Certificates of participation	3,175,000	3,015,000
Total Current Liabilities	9,339,254	7,334,239
NON-CURRENT LIABILITIES		
Long-term liabilities - due in more than one year:		
Compensated absences	1,296,609	1,401,821
Subscription liability	3,017,487	-
Net OPEB liability	13,159,977	15,736,104
Net pension liability	20,223,534	10,452,608
Certificates of participation	37,175,504	40,475,052
Total Non-Current Liabilities	74,873,111	68,065,585
Total Liabilities	84,212,365	75,399,824
DEFERRED INFLOWS OF RESOURCES		
Deferred pension cost	1,645,646	9,599,599
Deferred OPEB	1,960,876	-
Total Deferred Inflows of Resources	3,606,522	9,599,599
NET POSITION		
Net investment in capital assets	54,956,051	49,977,445
Restricted for debt service	3,157,981	3,081,544
Restricted cash and cash equivalents	305,809	389,671
Unrestricted	1,020,111	(3,467,826)
Total Net Position	\$ 59,439,952	\$ 49,980,834

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS)**

	2023	2022
OPERATING REVENUES		
Water consumption sales	\$ 29,780,962	\$ 30,671,738
Monthly service charges	14,692,416	13,829,017
Conveyance charges	371,819	233,590
Other charges and services	486,203	477,055
Total Operating Revenues	<u>45,331,400</u>	<u>45,211,400</u>
OPERATING EXPENSES		
Source of supply	14,457,712	15,730,545
Water treatment	5,455,467	4,977,210
Transmission and distribution	5,778,787	4,768,535
Customer accounts	1,416,347	1,979,022
General and administrative	1,520,957	4,917,032
Total Operating Expenses	<u>28,629,270</u>	<u>32,372,344</u>
Operating income before depreciation and amortization	16,702,130	12,839,056
Depreciation and amortization expense	<u>(5,950,162)</u>	<u>(5,466,107)</u>
Net Operating Income	<u>10,751,968</u>	<u>7,372,949</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest and investment earnings	631,779	78,558
Interest expense - certificates of participation	(2,122,710)	(2,142,704)
Amortization expense	(5,716)	(5,716)
Loss on disposition of capital assets, net	(75,631)	(207,944)
Other non-operating revenues, net	49,388	10,034,075
Total Non-Operating Revenue (Expense), Net	<u>(1,522,890)</u>	<u>7,756,269</u>
Net Income Before Capital Contributions	<u>9,229,078</u>	<u>15,129,218</u>
CAPITAL CONTRIBUTIONS		
State capital grant	31,001	173,980
Capital contributions	199,039	341,157
Total Capital Contributions	<u>230,040</u>	<u>515,137</u>
INCREASE IN NET POSITION	9,459,118	15,644,355
NET POSITION, BEGINNING OF YEAR	<u>49,980,834</u>	<u>34,336,479</u>
NET POSITION, END OF YEAR	<u><u>\$ 59,439,952</u></u>	<u><u>\$ 49,980,834</u></u>

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers for water sales and services	\$ 45,254,832	\$ 44,924,231
Cash paid to employees for salaries and wages	(16,965,693)	(11,091,959)
Cash paid to vendors and suppliers for materials and services	(15,048,645)	(12,398,062)
Net Cash Provided by Operating Activities	<u>13,240,494</u>	<u>21,434,210</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(7,435,117)	(5,974,485)
Proceeds from capital grants	31,001	173,980
Subscriptions assets, net	(604,231)	-
Principal paid on certificates of participation	(3,015,000)	(1,380,000)
Interest paid on certificates of participation	(2,050,863)	(2,160,737)
Net Cash Used in Capital and Related Financing Activities	<u>(13,074,210)</u>	<u>(9,341,242)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(63,875)	(10,220)
Interest and investment earnings	475,717	42,294
Net Cash Provided by Investing Activities	<u>411,842</u>	<u>32,074</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	578,127	12,125,042
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>18,829,828</u>	<u>6,704,786</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 19,407,955</u></u>	<u><u>\$ 18,829,828</u></u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 19,102,146	\$ 18,440,157
Restricted cash and cash equivalents	<u>305,809</u>	<u>389,671</u>
Total Cash and Cash Equivalents	<u><u>\$ 19,407,955</u></u>	<u><u>\$ 18,829,828</u></u>

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS)**

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	<u>\$ 10,751,968</u>	<u>\$ 7,372,949</u>
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	5,950,162	5,466,107
Other non-operating revenue	49,388	10,034,075
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable - water sales and services, net	(180,710)	(357,775)
Accounts receivable - other	(232,366)	(2,884)
Water-in-storage inventory	102,211	(105,795)
Materials and supplies inventory	(467,359)	(281,502)
Prepaid source of supply costs	(658,929)	2,204,428
Prepaid expenses and other deposits	(3,389)	2,634
Deferred outflows of resources - OPEB	2,324,269	4,091,236
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	980,807	289,991
Accrued wages and related payables	112,170	(436,666)
Customer advances and deposits	336,508	73,491
Compensated absences	(129,939)	(105,231)
Net OPEB liability	(2,576,127)	(9,249,172)
Net pension liability	(3,118,170)	2,438,324
Total Adjustments	<u>2,488,526</u>	<u>14,061,261</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 13,240,494</u></u>	<u><u>\$ 21,434,210</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Capital Contributions	<u><u>\$ -</u></u>	<u><u>\$ 106,868</u></u>
Disposition of Assets	<u><u>\$ (75,631)</u></u>	<u><u>\$ (207,944)</u></u>

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

Established on November 17, 1944, the Goleta Water District (the District) encompasses an area extending along the south coast of Santa Barbara County west from the Santa Barbara city limits to El Capitan. The District is governed by a five-member Board of Directors (the Board) who serve overlapping four-year terms. In 2022, the District transitioned from at-large elections, in which residents vote for multiple candidates, to district elections, in which voters elect a single board member to represent their specific district or area.

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

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

Basis of Accounting and Measurement Focus

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

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

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

Basic Financial Statements

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

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Net Position

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

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

New Accounting Statements

GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following GASB Statements have been evaluated and deemed to not be applicable to the District:

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 2022-23)

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 2022-23)

The following GASB statement was evaluated and deemed to be applicable to the District:

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This statement has been implemented and the effects of its adoption have been included in the District's financial statements.

Future GASB Statements

The following GASB Statements will be implemented in future financial statements.

GASB Statement No. 99 – *Omnibus 22*. The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 2023-24)

GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 2023-24)

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for periods beginning after December 15, 2023. (FY 2024-25)

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Assets, Liabilities, and Net Position

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

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

5. Federal and State Capital and Operating Grants

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

6. Water-in-Storage Inventory

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

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Assets, Liabilities, and Net Position (Continued)

6. Water-in-Storage Inventory (Continued)

The District also has a right to receive up to 7,450 acre-feet of water from the State Water Project through the Central Coast Water Authority. Any unused water that is not delivered through the Cachuma Project to directly serve District customers is stored in San Luis Reservoir as part of the State Water Project. The stored water is not subject to loss through evaporation but is subject to loss through spillage at San Luis Reservoir under certain specified conditions.

7. Materials and Supplies Inventory

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

8. Prepaid Expenses

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

9. Restricted Assets

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

10. Capital Assets

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

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

11. Prepaid Bond Insurance Premiums

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

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Assets, Liabilities, and Net Position (Continued)

12. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

13. Compensated Absences

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

14. Customer Advances and Deposits

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

15. Other Post-Employment Benefits (OPEB)

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

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

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Assets, Liabilities, and Net Position (Continued)

16. Subscription-Based Information Technology Arrangements (SBITAs)

The District has implemented GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. A right-to-use subscription asset is recognized when the subscription asset is placed in service. Correspondingly, a subscription liability, measured at the present value of subscription payments over the subscription term, is recognized at the same time. Prior to implementation, these contracts were recognized as an expense when incurred.

The District entered into certain subscription-based agreements to use vendor-provided information technology (IT). SBITAs result in an intangible right-to-use asset and a subscription obligation on the Statement of Net Position.

17. Water Sales

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

18. New Water Supply Charges

New water supply charge revenue was described in previous fiscal years as capacity charges. All new water service connections are subject to the new water supply charge, a one-time charge, currently \$45,361 per acre-foot for potable water. The purpose is to recover a portion of the costs associated with the additional cost to obtain new water supplies necessary to provide the additional service. The conditions letter issued by the District to the applicant pursuant to District Code Section 5.08.20 (F) includes the amount of the new water supply charge for the new service. The new water supply charge must be paid prior to issuance of a Can and Will Serve Letter or application of approval at the date of this reporting period. The formula for determining this charge, described in the District's Code at Appendix A (12), is based on the type of project and required service size. Project types include single-family, residential, multiple-family residential, landscape and recreation irrigation, agricultural irrigation, commercial, and other nonresidential users, and expanded service to existing structures or users. This charge varies for potable, non-potable, and recycled water service. In response to the drought, the Board passed a Resolution on September 9, 2014, which became effective on October 1, 2014, banning any new or additional service connections for potable water. The moratorium remains effective until the necessary conditions identified in the voter-approved SAFE Water Supplies Ordinance (SAFE) to lift the restrictions on new water entitlements are met.

19. Capital Contributions

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

20. Budgetary Policies

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

21. Reclassifications

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

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

	2023	2022
Cash and cash equivalents	\$ 19,102,146	\$ 18,440,157
Restricted - cash and cash equivalents	305,809	389,671
Restricted - investments	3,735,040	3,671,165
Total cash, cash equivalents, and investments	<u>\$ 23,142,995</u>	<u>\$ 22,500,993</u>

Cash, cash equivalents, and investments as of June 30 consist of the following:

	2023	2022
Cash on hand	\$ 1,000	\$ 1,000
Deposits with financial institutions	19,406,955	18,828,828
Investments	3,735,040	3,671,165
Total cash, cash equivalents, and investments	<u>\$ 23,142,995</u>	<u>\$ 22,500,993</u>

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

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

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

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

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**Investments Authorized by Debt Agreements**

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

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

Custodial Credit Risk

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

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District has deposits with various banks with various bank balances as of June 30, 2023 and 2022. Of the bank balances, up to \$250,000 per institution are federally insured. The remaining \$658,606 and \$1,054,497 on deposit in excess of the federally insured amount was collateralized with securities held by the pledging financial institutions agent at June 30, 2023 and 2022, respectively.

Fair Value of Investments

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

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

At June 30, 2023 and 2022, the District had no investments that are required to be disclosed in the three-tiered fair value hierarchy.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value are to changes in market interest rates. During FY 2023 and FY 2022, the District managed its liquidity needs by investing only in short-term securities. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Restricted investments at June 30, 2023, consisted of the following:

	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Held by Bond Trustee:					
California State Treasurer - LAIF	\$ 3,735,040	\$ 3,735,040	\$ -	\$ -	\$ -
Total	\$ 3,735,040	\$ 3,735,040	\$ -	\$ -	\$ -

Restricted investments at June 30, 2022, consisted of the following:

	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Held by Bond Trustee:					
California State Treasurer - LAIF	\$ 3,671,165	\$ 3,671,165	\$ -	\$ -	\$ -
Total	\$ 3,671,165	\$ 3,671,165	\$ -	\$ -	\$ -

Credit Risk

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

Credit ratings at June 30, 2023, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	S&P Rating		
				AAA	AA-	BB-
Held by Bond Trustee:						
California State Treasurer - LAIF	\$ 3,735,040	Not rated	\$ 3,735,040	\$ -	\$ -	\$ -
Total	\$ 3,735,040		\$ 3,735,040	\$ -	\$ -	\$ -

Credit ratings at June 30, 2022, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	S&P Rating		
				AAA	AA-	BB-
Held by Bond Trustee:						
California State Treasurer - LAIF	\$ 3,671,165	Not rated	\$ 3,671,165	\$ -	\$ -	\$ -
Total	\$ 3,671,165		\$ 3,671,165	\$ -	\$ -	\$ -

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

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

Issuer	Investment Type	Reported Amounts	
		2023	2022
Held by Bond Trustee:			
California State Treasurer - LAIF	LAIF	\$ 3,735,040	\$ 3,671,165

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

The balance at June 30 consists of the following:

	2023	2022
Accounts receivable - water sales and services	\$ 6,532,479	\$ 6,311,447
Allowance for uncollectable accounts	(257,640)	(217,318)
Accounts receivable - water sales and services, net	\$ 6,274,839	\$ 6,094,129

Customer bills are generated and mailed in cycles. As a result of the monthly billing cut-offs, accruals of \$829,508 and \$838,808 for FY 2023 and FY 2022, respectively, were recorded to accrue revenues for bills not recorded and mailed by the fiscal year-end. The bills related to these amounts were produced and mailed subsequent to the fiscal year-end.

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

NOTE 4 – PREPAID SOURCE OF SUPPLY COSTS

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

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

NOTE 4 – PREPAID SOURCE OF SUPPLY COSTS (Continued)

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

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

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

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

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 7,740,499
2025	8,482,090
2026	8,141,518
2027	8,470,419
2028	8,612,497
2029-2033	<u>45,793,461</u>
Total	<u><u>\$ 87,240,484</u></u>

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

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2022	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2023
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,262,265	\$ -	\$ -	\$ 2,262,265
Construction-in-process	8,930,499	13,937,566	(10,809,520)	12,058,545
Total capital assets, not being depreciated	11,192,764	13,937,566	(10,809,520)	14,320,810
Depreciable capital assets:				
Transmission and distribution system	83,072,208	2,439,430	(561,360)	84,950,278
Recycled water system	28,289,395	701,031	-	28,990,426
Water treatment plant/equipment	39,874,563	174,796	(24,767)	40,024,592
Wells	18,976,590	204,649	(18,036)	19,163,203
Pumping equipment	2,335,382	-	-	2,335,382
Structures and improvements	4,436,662	480,920	-	4,917,582
Other plant and equipment	6,323,097	306,246	-	6,629,343
Capitalized interest	2,270,856	-	-	2,270,856
Total depreciable capital assets	185,578,753	4,307,072	(604,163)	189,281,662
Accumulated depreciation:				
Transmission and distribution system	(42,953,240)	(1,859,317)	500,299	(44,312,258)
Recycled water system	(23,008,540)	(1,176,052)	-	(24,184,592)
Water treatment plant/equipment	(20,411,653)	(1,109,222)	12,907	(21,507,968)
Wells	(7,609,712)	(801,818)	15,326	(8,396,204)
Pumping equipment	(1,186,004)	(98,463)	-	(1,284,467)
Structures and improvements	(2,651,133)	(150,422)	-	(2,801,555)
Other plant and equipment	(5,210,291)	(166,498)	-	(5,376,789)
Capitalized interest	(551,441)	(45,417)	-	(596,858)
Total accumulated depreciation	(103,582,014)	(5,407,209)	528,532	(108,460,691)
Total depreciable capital assets, net	81,996,739	(1,100,137)	(75,631)	80,820,971
Total capital assets, net	\$ 93,189,503	\$ 12,837,429	\$ (10,885,151)	\$ 95,141,781

In FY 2023, major capital asset additions during the fiscal year included improvements to the District's transmission and distribution system, water treatment plant, recycled water system, and District offices. The majority of these additions were transferred out of construction-in-process upon completion of the various projects.

NOTE 5 – CAPITAL ASSETS (Continued)

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

	Balance July 1, 2021	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2022
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,262,265	\$ -	\$ -	\$ 2,262,265
Construction-in-process	5,516,769	13,212,670	(9,798,940)	8,930,499
Total capital assets, not being depreciated	7,779,034	13,212,670	(9,798,940)	11,192,764
Depreciable capital assets:				
Transmission and distribution system	81,192,858	2,276,617	(397,267)	83,072,208
Recycled water system	28,289,395	-	-	28,289,395
Water treatment plant/equipment	39,728,613	145,950	-	39,874,563
Wells	18,976,590	-	-	18,976,590
Pumping equipment	2,335,382	-	-	2,335,382
Structures and improvements	4,436,662	-	-	4,436,662
Other plant and equipment	5,955,127	372,476	(4,506)	6,323,097
Capitalized interest	2,270,856	-	-	2,270,856
Total depreciable capital assets	183,185,483	2,795,043	(401,773)	185,578,753
Accumulated depreciation:				
Transmission and distribution system	(41,166,080)	(1,976,483)	189,323	(42,953,240)
Recycled water system	(21,862,791)	(1,145,749)	-	(23,008,540)
Water treatment plant/equipment	(19,304,326)	(1,107,327)	-	(20,411,653)
Wells	(6,816,265)	(793,447)	-	(7,609,712)
Pumping equipment	(1,087,184)	(98,820)	-	(1,186,004)
Structures and improvements	(2,514,593)	(141,046)	4,506	(2,651,133)
Other plant and equipment	(5,052,473)	(157,818)	-	(5,210,291)
Capitalized interest	(506,024)	(45,417)	-	(551,441)
Total accumulated depreciation	(98,309,736)	(5,466,107)	193,829	(103,582,014)
Total depreciable capital assets, net	84,875,747	(2,671,064)	(207,944)	81,996,739
Total capital assets, net	\$ 92,654,781	\$ 10,541,606	\$ (10,006,884)	\$ 93,189,503

In FY 2022, major capital asset additions during the fiscal year included improvements to the District's transmission and distribution system and water treatment plant. The majority of these additions were transferred out of construction-in-process upon completion of the various projects.

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

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

	<u>2023</u>	<u>2022</u>
Corona Del Mar Plant Aeration System	\$ 4,436,752	\$ 4,149,617
80' Monopole at Corona Del Mar	1,823,134	819,165
CDMWTP Sludge Handling Improvements	1,399,223	312,319
Transmission Main Relocation Phase	771,400	195,034
SCADA Improvements / Upgrades	587,854	536,809
Design Services - 7 Wells	511,656	255,828
University Well Treatment Upgrade	267,648	-
Ekwil/Fowler Waterline Relocation	257,105	151,815
New Well #1	213,583	213,583
Hollister/217 Improvements	140,134	118,978
CDMWTP EV Charging Station	127,646	55,725
Inoperable Well Facilities Replacement	114,879	-
CDM Slide Gate Replacement	112,933	112,933
Goleta Self Storage	94,669	-
Stow Bridge Replacement	91,035	86,257
Pump and Motor Replc FY 21-22	82,809	82,010
Cortona Corner Apts (176)	71,901	71,738
Mariposa Assisted Living Project	66,250	66,250
CDMWTP Generator Tank Replacement	56,260	-
8501 Hollister Fireline & RW	55,105	54,211
Cathodic Protection Upgrades & Repairs	53,198	-
CDMWTP Security Improvements	50,956	-
Reservoir Solar-Battery Power	-	452,202
Ops Break Room Remodel	-	381,761
La Vista Pump Station	-	104,494
Debra Portable Connection	-	88,598
GVCH 2 Story MOB	-	50,181
Various Other Minor Projects	672,415	570,991
Total Construction-in-Process	<u>\$ 12,058,545</u>	<u>\$ 8,930,499</u>

NOTE 6 – PREPAID BOND INSURANCE PREMIUMS

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

The balance at June 30 consists of the following:

	<u>2023</u>	<u>2022</u>
Prepaid bond insurance premiums	\$ 13,812	\$ 19,528
Amortization expense	<u>(5,715)</u>	<u>(5,716)</u>
Prepaid bond insurance premiums, net	<u>\$ 8,097</u>	<u>\$ 13,812</u>

NOTE 7 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The changes in deferred outflows of resources balance for the fiscal year ended June 30, 2023, consisted of:

	Balance July 1, 2022	Additions/ Adjustments	Amortization/ Deletions	Balance June 30, 2023
Deferred charge from 2010 refunding	\$ 245,355	\$ -	\$ (101,527)	\$ 143,828
Deferred charge from 2014 refunding	32,640	-	(11,694)	20,946
Deferred pension - contributions	2,124,439	2,320,869	(2,124,439)	2,320,869
Deferred pension - differences between actual and expected experience	1,172,148	-	(1,038,027)	134,121
Deferred pension - proportionate share of investment return	-	3,704,414	-	3,704,414
Deferred pension - change in assumptions	-	2,072,324	-	2,072,324
Deferred OPEB - contribution post measurement date	529,259	511,075	(529,259)	511,075
Deferred OPEB - assumption changes	345,209	-	(345,209)	-
Deferred outflows of resources	<u>\$ 4,449,050</u>	<u>\$ 8,608,682</u>	<u>\$ (4,150,155)</u>	<u>\$ 8,907,577</u>

The changes in deferred inflows of resources balance for the fiscal year ended June 30, 2023, consisted of:

	Balance July 1, 2022	Additions/ Adjustments	Amortization/ Deletions	Balance June 30, 2023
Deferred pension - change in actual vs. proportional contributions	\$ 58,983	\$ 483,434	\$ -	\$ 542,417
Deferred pension - proportionate share of investment return	9,124,574	-	(9,124,574)	-
Deferred pension - adjustments due to differences in proportions	416,042	687,187	-	1,103,229
Deferred OPEB	-	1,960,876	-	1,960,876
Deferred inflows of resources	<u>\$ 9,599,599</u>	<u>\$ 3,131,497</u>	<u>\$ (9,124,574)</u>	<u>\$ 3,606,522</u>

NOTE 8 – COMPENSATED ABSENCES

Changes to compensated absences for FY 2023 were as follows:

Balance July 1, 2022	Earned	Taken	Balance June 30, 2023	Current Portion	Long-Term Portion
<u>\$ 1,878,541</u>	<u>\$ 1,121,866</u>	<u>\$ (1,251,805)</u>	<u>\$ 1,748,602</u>	<u>\$ 451,993</u>	<u>\$ 1,296,609</u>

Changes to compensated absences for FY 2022 were as follows:

Balance July 1, 2021	Earned	Taken	Balance June 30, 2022	Current Portion	Long-Term Portion
<u>\$ 1,983,772</u>	<u>\$ 1,205,502</u>	<u>\$ (1,310,733)</u>	<u>\$ 1,878,541</u>	<u>\$ 476,720</u>	<u>\$ 1,401,821</u>

NOTE 9 – CERTIFICATES OF PARTICIPATION (COPs)

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

	Balance July 1, 2022	Additions/ (Deletions)	Principal Payments/ Amortization	Balance June 30, 2023
COPs:				
2010A Certificates of Participation	\$ 33,915,000	\$ -	\$ -	\$ 33,915,000
2014A Certificates of Participation	9,530,000	-	(3,015,000)	6,515,000
Total COPs	43,445,000	-	(3,015,000)	40,430,000
Unamortized premium/discount, net	45,052	-	(124,548)	(79,496)
Total net COPs	43,490,052	-	(3,139,548)	40,350,504
Less current portion	(3,015,000)	(3,175,000)	3,015,000	(3,175,000)
Net COPs	<u>\$ 40,475,052</u>	<u>\$ (3,175,000)</u>	<u>\$ (124,548)</u>	<u>\$ 37,175,504</u>

2003 Refunding Certificates of Participation Payable

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

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

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

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

2010 Series A Certificates of Participation

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

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

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

NOTE 9 – CERTIFICATES OF PARTICIPATION (COPs) (Continued)**2010 Series A Certificates of Participation** (Continued)

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

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

Annual debt service payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ -	\$ 1,649,738	\$ 1,649,738
2025	-	1,649,738	1,649,738
2026	2,400,000	1,598,738	3,998,738
2027	2,515,000	1,484,862	3,999,862
2028	2,635,000	1,362,700	3,997,700
2029-2033	15,240,000	4,731,156	19,971,156
2034-2036	11,125,000	852,375	11,977,375
Total	33,915,000	\$ 13,329,307	\$ 47,244,307
Less current portion	-		
Total long-term 2010 Series A COPs	\$ 33,915,000		

2014 Series A Certificates of Participation

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

The advanced refund resulted in an economic loss of approximately \$199,495 and a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$40,865. The difference, reported in the accompanying financial statements as Deferred Outflows of Resources, is being charged to interest through the fiscal year ended June 30, 2025, using the straight-line method. Interest is payable semi-annually on June 1st and December 1st of each fiscal year commencing June 1, 2014, with interest rates ranging from 2.00% to 5.00%. Principal payments commenced on December 1, 2014, and continue through December 1, 2024. The revenue COPs are secured by a pledge of District revenues.

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

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

NOTE 9 – CERTIFICATES OF PARTICIPATION (COPs) (Continued)**2014 Series A Certificates of Participation** (Continued)

Annual debt service payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,175,000	\$ 246,375	\$ 3,421,375
2025	3,340,000	83,500	3,423,500
Total	6,515,000	\$ 329,875	\$ 6,844,875
Less: current portion 2014 Series A COPs	(3,175,000)		
Total long-term 2014 Series A COPs	<u>\$ 3,340,000</u>		

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Plan Description and Eligibility

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

Benefits Provided

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

Employees Covered By Benefits

At the OPEB liability measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Active employees	56
Inactive employees receiving benefits	63
	<u>119</u>

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

Funding Policy

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

Net OPEB Liability

At June 30, 2023, the District reported a net OPEB liability of \$13,159,977. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, and based on the following actuarial methods and assumptions:

Valuation date	June 30, 2021
Actuarial cost method	Entry age
Inflation rate	2.50% per year (same as used for pension)
Investment return/discount rate	3.54%, net of expenses
Healthcare cost trend rate	4.00% per year
Payroll increase	2.75% per year. Since benefits do not depend on salary (as they do for pension), using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error.
Fiduciary Net Position (FNP)	Not applicable as the District's OPEB Plan does not have any assets or investments.
Mortality rates	2017 CalPERS active mortality for Miscellaneous and Schools employees.
Retirement rates	2017 CalPERS retirement rate tables for miscellaneous employees.
Costs for retiree coverage	Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 38.3% of non-Medicare medical premium. Liabilities for active participants are based on the first year costs which are based on participant type and hire date. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**Changes in the OPEB Liability**

The table below shows the changes in the total OPEB liability, the OPEB Plan fiduciary net position (i.e., fair value of the OPEB Plan assets, which is not applicable to the District as the District's OPEB Plan has no assets), and the net OPEB liability during the measurement period ended June 30, 2022.

	Increase (Decrease)		
	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022 (Measurement date June 30, 2021)	\$ 15,736,104	\$ -	\$ 15,736,104
Changes recognized for the measurement period:			
Service cost	399,296	-	399,296
Interest on total OPEB liability	337,474	-	337,474
Employee contributions as benefit payments	-	655,552	(655,552)
Actual benefit payments from employer	(655,552)	(655,552)	-
Expected minus actual benefit payments	31,604	-	31,604
Expected balance at June 30, 2023	15,848,926	-	15,848,926
Experience (gains)/losses	-	-	-
Changes in assumptions	(2,688,949)	-	(2,688,949)
Changes in benefit terms	-	-	-
Net change	(2,688,949)	-	(2,688,949)
Actual balance at June 30, 2023 (Measurement date June 30, 2022)	<u>\$ 13,159,977</u>	<u>\$ -</u>	<u>\$ 13,159,977</u>

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
Net OPEB liability	\$ 15,067,563	\$ 13,159,977	\$ 11,819,081

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease 3.00%	Healthcare Trend Rate 4.00%	1% Increase 5.00%
Net OPEB liability	\$ 11,366,782	\$ 13,159,977	\$ 15,258,666

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources**

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$385,510. 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, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions/experience (gains)/losses	\$ -	\$ 1,960,876
District contributions subsequent to the measurement date	<u>511,075</u>	<u>-</u>
Total deferred outflows and inflows of resources	<u><u>\$ 511,075</u></u>	<u><u>\$ 1,960,876</u></u>

The \$511,075 reported as deferred outflows of resources related to contributions made subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2024. Amounts reported as deferred outflows and inflows of resources related to changes in assumptions will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (351,260)
2025	(351,259)
2026	(340,707)
2027	(676,070)
2028	(241,580)
2029-2030	<u>-</u>
Total	<u><u>\$ (1,960,876)</u></u>

NOTE 11 – DEFERRED COMPENSATION PLAN

The District offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of \$22,500 during 2023 (calendar year) and \$20,500 during 2022 (calendar year) to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

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

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous (all other) Employee Pension Plan (Plan), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees or their beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

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

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

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

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

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

For the fiscal year ended June 30, 2023, the District's contributions recognized as part of pension expense for the Plan were \$2,320,869.

As of June 30, 2023, the District reported its proportionate share of the net pension liability of \$20,223,534.

Net Pension Liability

The District's net pension liability is measured as the proportionate share of the total CalPERS net pension liability. The net pension liability is measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2023 and 2022, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2022	0.55048%
Proportion - June 30, 2023	0.43220%
Change - Increase/(Decrease)	-0.11828%

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2023, the District recognized a pension benefit of \$(3,118,168). Pension expense (benefit) 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, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,320,869	\$ -
Differences between expected and actual experience	134,121	-
Changes in assumptions	2,072,324	-
Change in employer's proportion	-	1,103,229
Difference between the employer's contributions and proportionate share of contributions	-	542,417
Differences between projected and actual earnings on plan investments	<u>3,704,414</u>	<u>-</u>
Total deferred outflows and inflows of resources	<u>\$ 8,231,728</u>	<u>\$ 1,645,646</u>

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**
(Continued)

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

The \$2,320,869 is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 871,426
2025	719,752
2026	408,287
2027	<u>2,265,748</u>
Total	<u>\$ 4,265,213</u>

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract cost-of-living adjustment or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

The underlying mortality assumptions used in the June 30, 2021 valuation were developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, refer to the CalPERS 2017 Experience Study report. All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 1997 to 2015. Further details of the Experience Study report can be found on the CalPERS website.

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

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

Asset Class	Assumed Asset Allocation	Real Return ⁽¹⁾⁽²⁾
Global Equity - Cap-Weighted	30%	4.54%
Global Equity - Non-Cap-Weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-Backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100.00%	

⁽¹⁾ An expected inflation of 2.3% was used for this period.

⁽²⁾ Figures are based on the CalPERS 2021 Asset Liability Management Study

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
District's proportionate share of the net pension liability	\$ 30,270,425	\$ 20,223,534	\$ 11,957,436

Pension Plan Fiduciary Net Position

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

NOTE 13 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

Effective July 1, 2022, the District has adopted GASB Statement No. 96 (GASB 96) entitled, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for SBITAs which are defined as a contract that conveys control of the right to use another party's information technology software for a period of time in an exchange or exchange-like transaction. Accordingly, a right-to-use subscription asset is recognized when the subscription asset is placed in service. Correspondingly, a subscription liability, measured at the present value of subscription payments over the subscription term, is recognized at the same time. The following table represent the subscription liabilities through 2028 which includes renewal options ranging from two to five years.

Qualifying software includes enterprise-wide software for accounting, engineering, infrastructure and administrative functions.

There were no variable payments based on performance, nor termination penalties expensed for fiscal year ended June 30, 2023.

The following is a summary of the carrying values of intangible right-to-use assets held under SBITAs at June 30, 2023:

	Gross Amount	Less: Accumulated Amortization	Net Assets Held Under Subscription Obligations at June 30, 2023	Outstanding Balance per Subscription Schedules at June 30, 2023
SBITAs	\$ 4,177,840	\$ (542,953)	\$ 3,634,887	\$ 3,664,724

NOTE 13 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)
(Continued)

Below is the future commitments related to the outstanding subscription obligations at June 30, 2023:

Year Ending June 30,	Principal	Interest
2024	\$ 647,237	\$ 85,512
2025	599,990	70,738
2026	604,399	55,594
2027	619,658	40,338
2028	549,197	24,920
Thereafter	644,242	13,038
Total Minimum Subscription Payments	<u>\$ 3,664,724</u>	<u>\$ 290,140</u>

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the ACWA/JPIA, an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2023 and 2022, the District participated in the liability and property programs and worker's compensation program of the ACWA/JPIA as follows:

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

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

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

Property Loss Coverage: Provides replacement value of real and personal property owned by the District in the event of a covered loss. Boiler and machinery coverage is included and provides coverage for mechanical, electrical and pressure equipment. Licensed vehicles, mobile equipment and watercraft are repaired or replaced on an actual cash value basis. The ACWA/JPIA pools for the first \$10 million, and purchases excess coverage up to \$500 million. The District is responsible for various deductibles depending on the type of property or equipment

Workers' Compensation Insurance: Up to California statutory limits for all work-related injuries and illnesses covered by California law. The ACWA/JPIA pools for the first \$2 million and purchases excess coverage for California Statutory Limits with a \$4 million program aggregate limit for Employer's Liability coverage.

Cyber Liability Coverage: Provides coverage from financial losses resulting from data breaches and other cyber events. Includes both first-party and third-party coverage, up to \$2 million per member with a \$5 million policy aggregate limit, subject to retention of \$75,000 to \$100,000 (based on reported Total Insurable Values).

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Goleta West Conduit Project

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

The Cachuma Lake Project – Seismic Safety of Bradbury Dam

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

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

The District's future obligations are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 94,847
2025	94,847
2026	94,847
2027	94,847
2028	35,082
Thereafter	841,969
Total	<u><u>\$ 1,256,439</u></u>

The Cachuma Lake Project – Seismic Safety of Lauro Dam

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)**The Cachuma Lake Project – Seismic Safety of Lauro Dam** (Continued)

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

The District's future obligations are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 19,161
2025	19,161
2026	19,161
2027	19,161
2028	19,161
Thereafter	219,361
Total	<u>\$ 315,166</u>

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from advances for construction. At June 30, 2023, the District held \$232,210 related to such agreements.

Goleta Sanitary District Recycled Water Facility

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

Litigation

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

NOTE 16 – SUBSEQUENT EVENTS

On August 30, 2023, the District began the process of issuing its 2023 Refunding Revenue Bonds to refinance the 2010 and 2014A COPs. The preliminary stages for refinancing both COPs were approved by the District's Board of Directors on November 14, 2023.

Subsequent events have been evaluated through November 16, 2023, which is the date the financial statements were issued.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**GOLETA WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**COST-SHARING DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2023
LAST 10 FISCAL YEARS***

	2023	2022	2021	2020	2019
District's proportion of the net pension liability	0.43220%	0.55048%	0.41878%	0.41957%	0.42190%
District's proportionate share of the net pension liability	\$ 20,223,534	\$ 10,452,608	\$ 17,664,353	\$ 16,801,573	\$ 15,900,230
District's covered payroll	\$ 9,395,253	\$ 8,788,922	\$ 8,697,815	\$ 8,732,764	\$ 8,493,625
District's proportionate share of the net pension liability as a percentage of covered payroll	215%	118.93%	203.09%	192.40%	187.20%
Pension plan's fiduciary net position	\$ 16,770,671,399	\$ 18,065,791,524	\$ 14,702,361,183	\$ 13,979,687,268	\$ 13,122,440,092
Pension plan's total pension liability	\$ 21,449,898,398	\$ 19,964,594,105	\$ 18,920,437,526	\$ 17,984,188,264	\$ 16,891,153,209
Plan fiduciary net position as a percentage of the total pension liability	78.19%	90.49%	77.71%	77.73%	77.69%
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
	2018	2017	2016	2015	
District's proportion of the net pension liability	0.41942%	0.42369%	0.42369%	0.44542%	
District's proportionate share of the net pension liability	\$ 16,533,639	\$ 14,718,384	\$ 11,021,977	\$ 10,119,961	
District's covered payroll	\$ 8,052,226	\$ 7,478,078	\$ 6,435,748	\$ 5,917,488	
District's proportionate share of the net pension liability as a percentage of covered payroll	205.33%	196.82%	171.26%	171.02%	
Pension plan's fiduciary net position	\$ 12,074,499,781	\$ 10,923,476,287	\$ 10,896,036,068	\$ 10,639,461,174	
Pension plan's total pension liability	\$ 16,016,547,402	\$ 14,397,353,530	\$ 13,639,503,084	\$ 13,110,948,452	
Plan fiduciary net position as a percentage of the total pension liability	75.39%	75.87%	79.89%	81.15%	
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	

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

Notes to Schedule:

Benefit changes: There have been no benefit changes.

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

**GOLETA WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**COST SHARING DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2023
LAST 10 FISCAL YEARS***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (actuarially determined)	\$ 1,778,451	\$ 2,065,455	\$ 2,247,867	\$ 2,519,278	\$ 2,297,709
Contributions in relation to the actuarially determined contributions	<u>2,320,869</u>	<u>2,124,439</u>	<u>2,039,965</u>	<u>2,275,723</u>	<u>2,043,572</u>
Contribution deficiency (excess)	<u>\$ (542,418)</u>	<u>\$ (58,984)</u>	<u>\$ 207,902</u>	<u>\$ 243,555</u>	<u>\$ 254,137</u>
Covered payroll	\$ 9,395,253	\$ 8,788,922	\$ 8,697,815	\$ 8,732,764	\$ 8,493,625
Contributions as a percentage of covered payroll	24.70%	24.17%	23.45%	26.06%	24.06%
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contribution (actuarially determined)	\$ 2,044,877	\$ 2,077,972	\$ 1,584,725	\$ 1,319,331	
Contributions in relation to the actuarially determined contributions	<u>1,849,717</u>	<u>1,658,945</u>	<u>2,050,356</u>	<u>1,319,331</u>	
Contribution deficiency (excess)	<u>\$ 195,160</u>	<u>\$ 419,027</u>	<u>\$ (465,631)</u>	<u>\$ -</u>	
Covered payroll	\$ 8,052,226	\$ 7,478,078	\$ 6,435,748	\$ 5,917,488	
Contributions as a percentage of covered payroll	22.97%	22.18%	31.86%	22.30%	
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	

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

**GOLETA WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS
AS OF JUNE 30, 2023
LAST 10 FISCAL YEARS***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net OPEB liability						
Service cost	\$ 399,296	\$ 58,362	\$ 47,598	\$ 59,865	\$ 60,594	\$ 58,972
Interest cost	337,474	543,638	679,508	691,039	719,079	556,250
Differences between expected and actual experience	-	-	(26,300)	(85,229)	-	-
Experience (gains)/losses	31,604	(1,026,634)	-	110,255	-	-
Changes of assumptions	(2,688,949)	(2,916,902)	5,159,410	952,718	(957,060)	-
Changes in benefit terms	-	(5,300,350)	-	-	-	-
Benefit payments	<u>(655,552)</u>	<u>(607,286)</u>	<u>(557,627)</u>	<u>(487,744)</u>	<u>(547,350)</u>	<u>(426,531)</u>
Total change in net OPEB liability	(2,576,127)	(9,249,172)	5,302,589	1,240,904	(724,737)	188,691
Net OPEB liability - beginning	<u>15,736,104</u>	<u>24,985,276</u>	<u>19,682,687</u>	<u>18,441,783</u>	<u>19,166,520</u>	<u>18,977,829</u>
Net OPEB liability - ending	<u><u>\$ 13,159,977</u></u>	<u><u>\$ 15,736,104</u></u>	<u><u>\$ 24,985,276</u></u>	<u><u>\$ 19,682,687</u></u>	<u><u>\$ 18,441,783</u></u>	<u><u>\$ 19,166,520</u></u>
Covered payroll	\$ 9,395,253	\$ 8,788,922	\$ 8,697,815	\$ 8,732,764	\$ 8,493,625	\$ 8,052,226
District's net OPEB liability as a percentage of covered payroll	140.07%	179.04%	287.26%	225.39%	217.12%	238.03%
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017

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

STATISTICAL INFORMATION SECTION

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**GOLETA WATER DISTRICT
STATISTICAL INFORMATION SECTION
UNAUDITED**

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

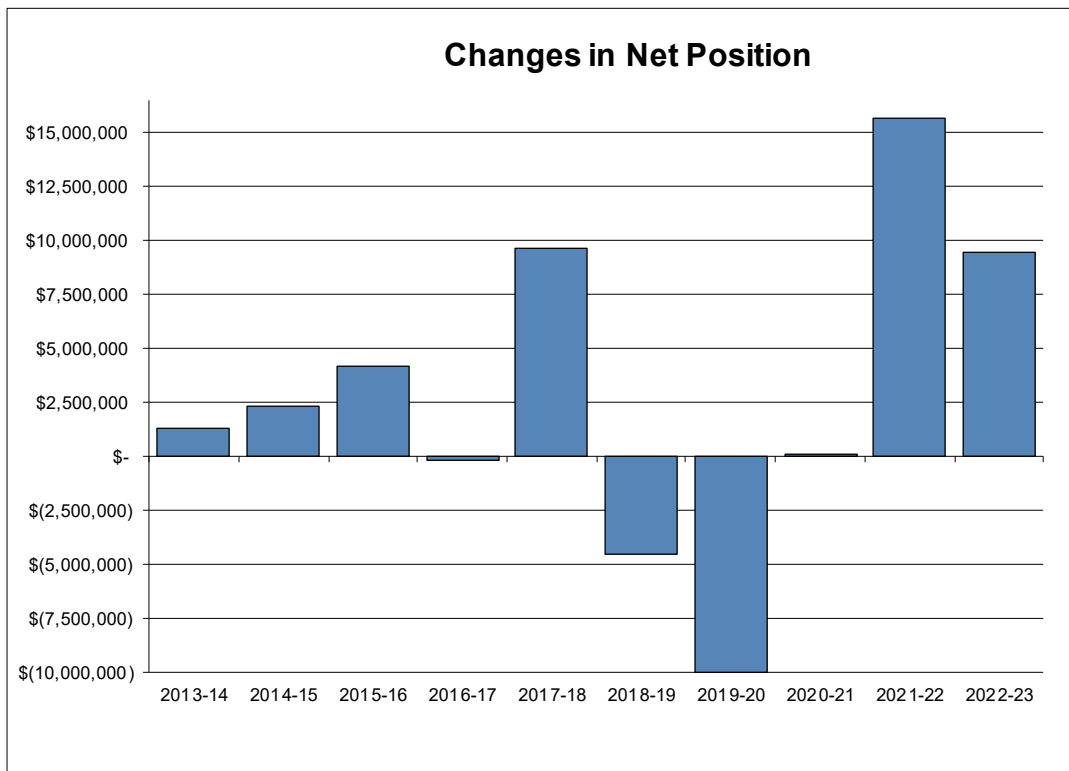
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	<u>Page</u>
Financial Trends Provides historical context to help the reader understand how District financial performance has changed over time.	52-56
Revenue Capacity Helps the reader assess the District's most significant sources of revenue.	57-60
Debt Capacity Informs the reader regarding the affordability of District debt and its ability to assume additional debt in the future.	61-62
Demographic Information Offers indicators to help the reader understand the community environment within which the District operates.	63
Operating Information Contains staffing levels and infrastructure data to help the reader understand how the District provides its services.	64

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

Schedule 1

Description	2013-14 ⁽¹⁾	2014-15	2015-16 ⁽²⁾	2016-17 ⁽²⁾	2017-18
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 33,868,570	\$ 29,884,003	\$ 38,876,872	\$ 37,807,585	\$ 43,161,166
Operating expenses (see Schedule 3)	(26,209,042)	(25,897,182)	(29,820,487)	(33,407,576)	(27,750,020)
Depreciation and amortization	(4,387,462)	(4,154,508)	(4,384,529)	(4,834,866)	(5,335,807)
Operating income (loss)	3,272,066	(167,687)	4,671,856	(434,857)	10,075,339
Net non-operating revenue (expense) (see Schedule 4)	(2,208,005)	406,165	(1,717,348)	(1,995,151)	(2,277,626)
Net income (loss) before capital contributions	1,064,061	238,478	2,954,508	(2,430,008)	7,797,713
Capital contributions	304,512	2,151,549	1,201,564	2,254,452	1,875,086
Changes in net position	\$ 1,368,573	\$ 2,390,027	\$ 4,156,072	\$ (175,556)	\$ 9,672,799
Net position by component:					
Net investment in capital assets	\$ 30,052,804	\$ 34,662,860	\$ 41,777,503	\$ 46,966,900	\$ 50,072,219
Restricted	10,007,211	6,783,476	3,932,081	4,285,911	3,940,207
Unrestricted	5,457,758	6,461,464	(6,508,364)	(12,227,147)	(5,313,963)
Total net position	\$ 45,517,773	\$ 47,907,800	\$ 39,201,220	\$ 39,025,664	\$ 48,698,463



Notes:

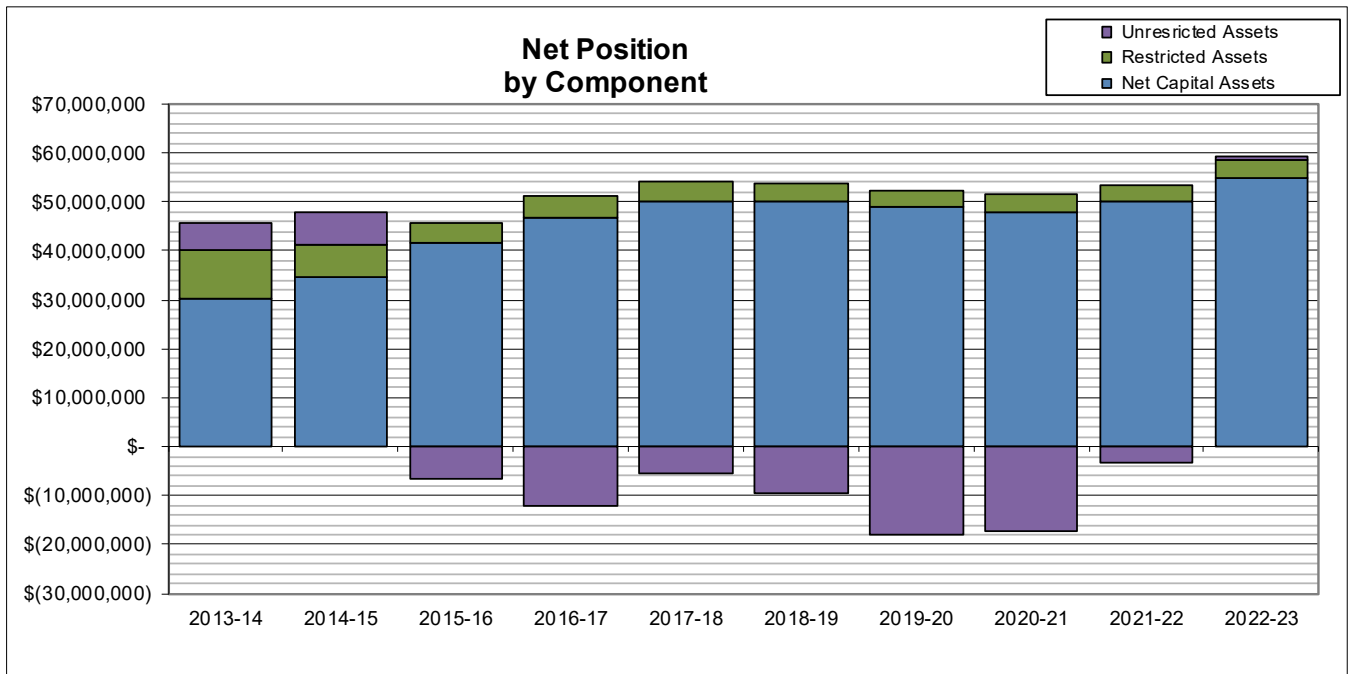
- (1) The District implemented GASB Statements No. 68 and No. 71 and, as a result, there was a prior period adjustment to establish the Net Pension Liability of \$10,948,888 that was reflected in fiscal 2012-13 since it is included in the Management's Discussion and Analysis section.
- (2) The District implemented GASB Statement No. 75 and, as a result, there was a prior period adjustment made to establish the net OPEB liability which resulted in a decrease in unrestricted net position of \$12,862,652.

Source: Goleta Water District Audited Financial Statements.

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

**Schedule 1
(Continued)**

Description	2018-19	2019-20	2020-21	2021-22	2022-23 ⁽³⁾
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 39,853,124	\$ 33,050,742	\$ 41,523,586	\$ 45,211,400	\$ 45,331,400
Operating expenses (see Schedule 3)	(38,045,673)	(36,082,209)	(34,131,260)	(32,372,344)	(28,629,270)
Depreciation and amortization	(5,354,910)	(5,517,320)	(5,606,851)	(5,466,107)	(5,950,162)
Operating income (loss)	(3,547,459)	(8,548,787)	1,785,475	7,372,949	10,751,968
Net non-operating revenue (expense) (see Schedule 4)	(1,788,286)	(1,979,240)	(2,089,563)	7,756,269	(1,522,890)
Net income (loss) before capital contributions	(5,335,745)	(10,528,027)	(304,088)	15,129,218	9,229,078
Capital contributions	869,045	595,887	340,944	515,137	230,040
Changes in net position	\$ (4,466,700)	\$ (9,932,140)	\$ 36,856	\$ 15,644,355	\$ 9,459,118
Net position by component:					
Net investment in capital assets	\$ 50,275,281	\$ 48,880,470	\$ 48,050,440	\$ 49,977,445	\$ 54,956,051
Restricted	3,645,252	3,514,050	3,547,085	3,471,215	3,463,790
Unrestricted	(9,688,770)	(18,094,897)	(17,261,046)	(3,467,826)	1,020,111
Total net position	\$ 44,231,763	\$ 34,299,623	\$ 34,336,479	\$ 49,980,834	\$ 59,439,952



Notes:

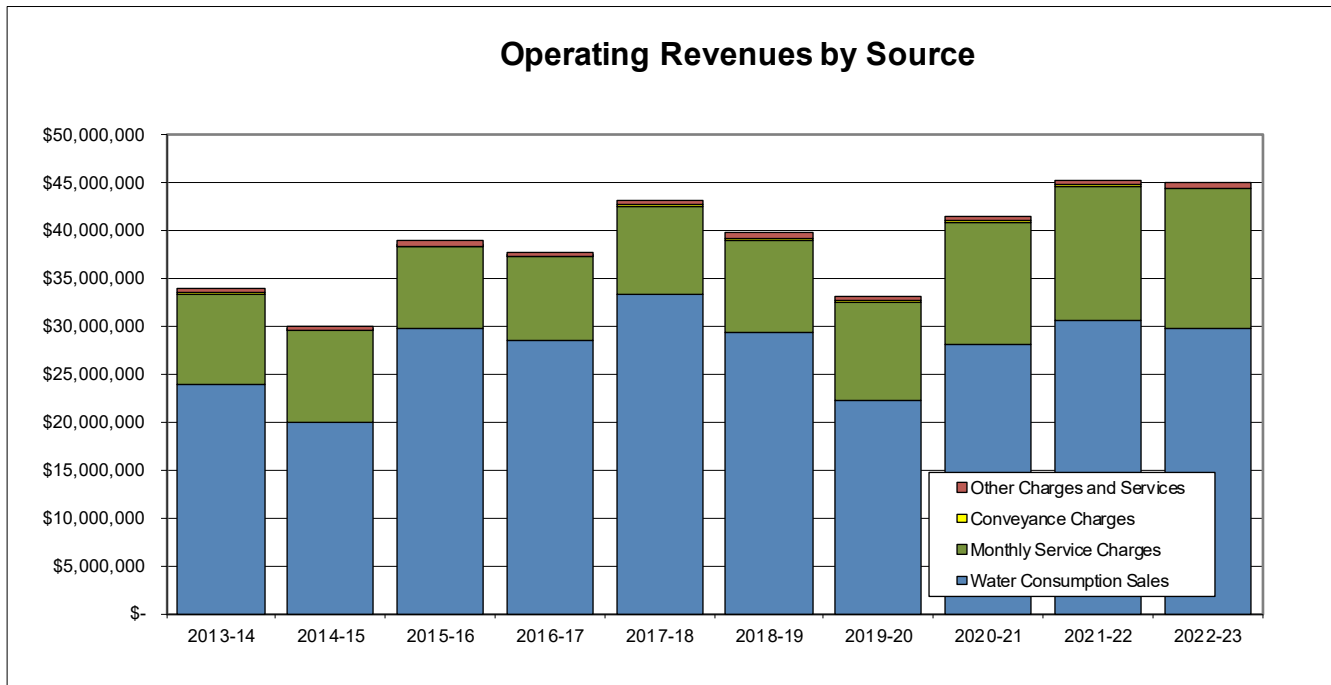
- (1) The District implemented GASB Statements No. 68 and No. 71 and, as a result, there was a prior period adjustment to establish the Net Pension Liability of \$10,948,888 that was reflected in fiscal 2012-13 since it is included in the Management's Discussion and Analysis section.
- (2) The District implemented GASB Statement No. 75 and, as a result, there was a prior period adjustment made to establish the net OPEB liability which resulted in a decrease in unrestricted net position of \$12,862,652.
- (3) The District implemented GASB Statement No. 96 in fiscal year 2022-23 and recognizes amortization expense on the subscription assets. The amortization expense is combined with depreciation expense on the Statement of Revenues, Expenses, and Changes in Net Position.

Source: Goleta Water District Audited Financial Statements.

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

Schedule 2

Fiscal Year	Water Consumption Sales	Monthly Service Charges	Conveyance Charges	Other Charges and Services	Total Operating Revenues
2013-14	\$ 24,005,806	\$ 9,411,946	\$ 147,635	\$ 303,184	\$ 33,868,571
2014-15	19,988,107	9,508,993	83,018	303,885	29,884,003
2015-16	29,771,141	8,523,948	122,860	458,923	38,876,872
2016-17	28,532,348	8,734,422	124,603	416,212	37,807,585
2017-18	33,222,142	9,387,900	157,057	394,067	43,161,166
2018-19	29,319,501	9,677,951	173,218	682,454	39,853,124
2019-20	22,205,407	10,286,970	186,717	371,648	33,050,742
2020-21	28,117,046	12,640,473	211,037	555,030	41,523,586
2021-22	30,671,738	13,829,017	233,590	477,055	45,211,400
2022-23	29,780,962	14,692,416	371,819	486,203	45,331,400

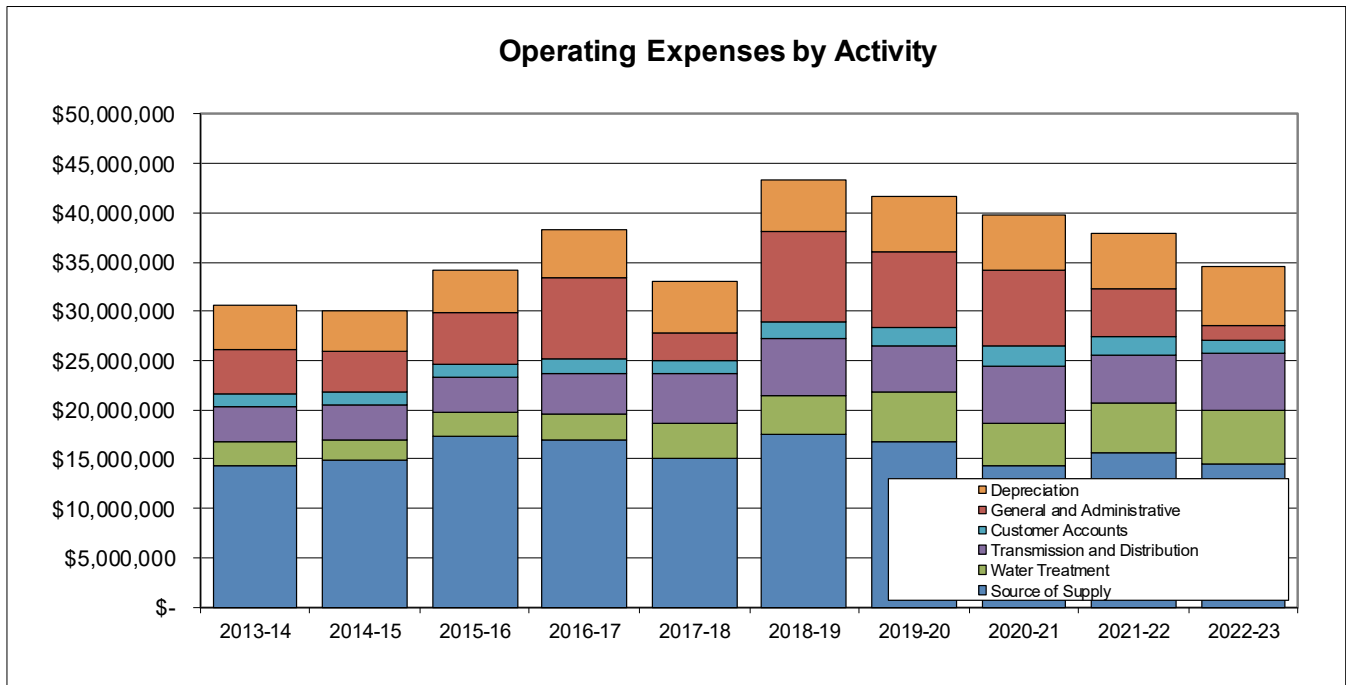


Source: Goleta Water District Audited Financial Statements.

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

Schedule 3

Fiscal Year	Source of Supply	Water Treatment	Transmission and Distribution	Customer Accounts	General and Administrative	Depreciation	Total Operating Expenses
2013-14	\$ 14,304,469	\$ 2,371,480	\$ 3,614,773	\$ 1,262,580	\$ 4,655,740	\$ 4,387,462	\$ 30,596,504
2014-15	14,926,709	1,978,887	3,567,788	1,343,012	4,080,786	4,154,508	30,051,690
2015-16	17,389,791	2,384,031	3,458,880	1,446,817	5,140,968	4,384,529	34,205,016
2016-17	16,972,892	2,666,658	4,057,736	1,456,875	8,253,415	4,834,866	38,242,442
2017-18	15,082,392	3,609,222	4,906,795	1,489,748	2,661,863	5,335,807	33,085,827
2018-19	17,521,268	4,014,138	5,655,316	1,647,575	9,207,376	5,354,910	43,400,583
2019-20	16,784,789	5,048,687	4,577,766	1,991,457	7,679,510	5,517,320	41,599,529
2020-21	14,378,179	4,328,187	5,779,413	1,918,698	7,726,783	5,606,851	39,738,111
2021-22	15,730,545	4,977,210	4,768,535	1,979,022	4,917,032	5,466,107	37,838,451
2022-23	14,457,712	5,455,467	5,778,787	1,416,347	1,520,957	5,950,162	34,579,432

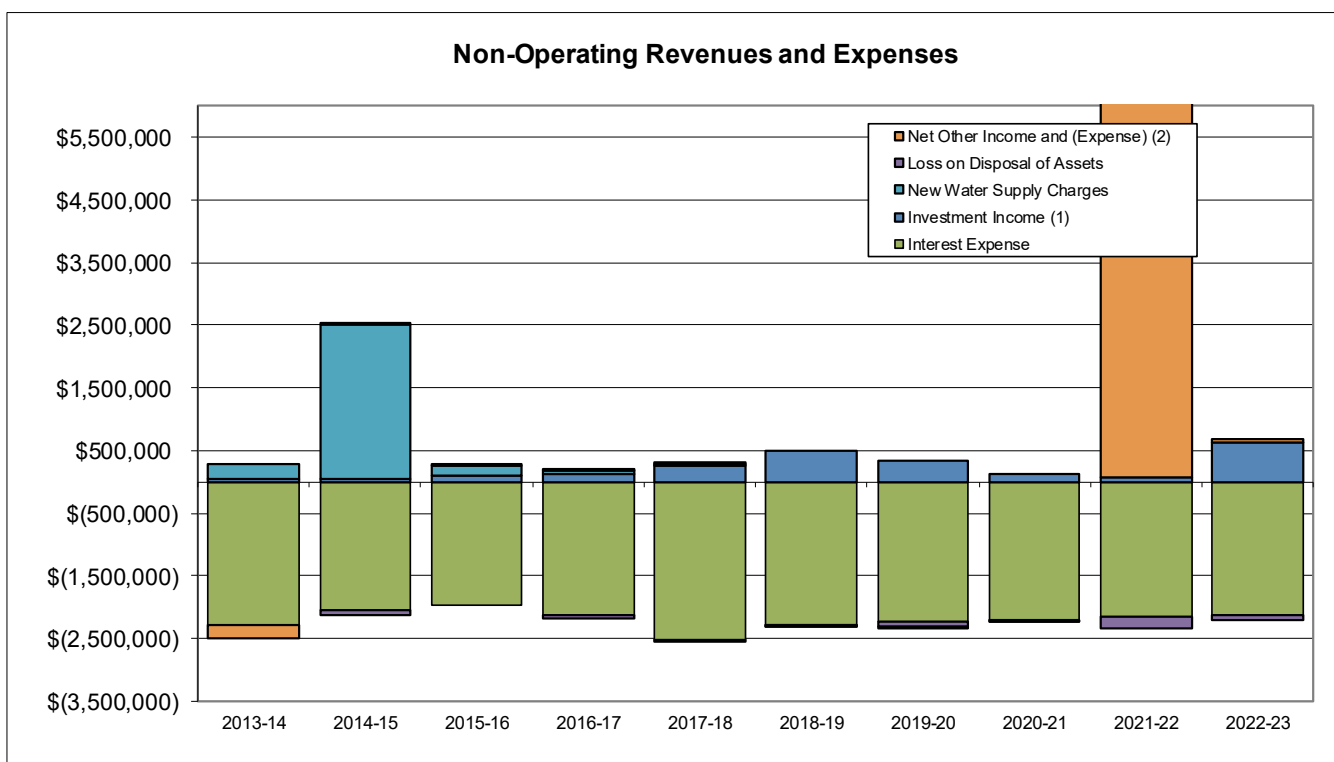


Source: Goleta Water District Audited Financial Statements.

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

Schedule 4

Fiscal Year	Investment Income ⁽¹⁾	New Water Supply Charges	Loss on Disposal of Assets	Interest Expense	Net Other Income and (Expense) ⁽²⁾	Net Non-Operating Revenues (Expenses)
2013-14	\$ 44,002	\$ 240,509	\$ -	\$ (2,295,542)	\$ (196,974)	\$ (2,208,005)
2014-15	58,322	2,439,835	(71,706)	(2,053,755)	33,469	406,165
2015-16	105,392	150,681	-	(1,978,264)	4,843	(1,717,348)
2016-17	129,423	38,268	(38,801)	(2,129,278)	5,237	(1,995,151)
2017-18	266,697	5,467	(35,996)	(2,523,564)	9,770	(2,277,626)
2018-19	501,990	-	(7,975)	(2,280,268)	(2,033)	(1,788,286)
2019-20	337,631	-	(77,432)	(2,235,226)	(4,213)	(1,979,240)
2020-21	129,175	-	(6,957)	(2,208,534)	(3,247)	(2,089,563)
2021-22	78,558	-	(207,944)	(2,142,704)	10,028,359	7,756,269
2022-23	631,779	-	(75,631)	(2,122,710)	43,672	(1,522,890)



Notes:

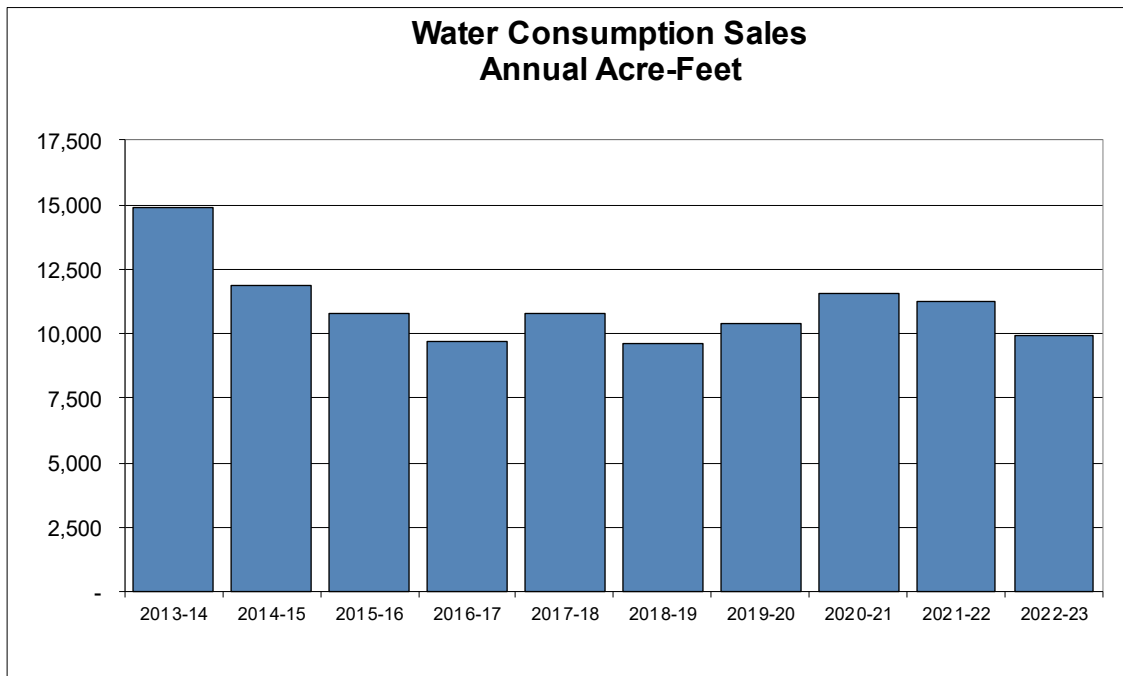
- ⁽¹⁾ Includes interest income and realized and unrealized gains and losses on investments.
⁽²⁾ In FY 2021-2022, a water rights litigation settled in the District's favor in the amount of \$10 million.

Source: Goleta Water District Audited Financial Statements.

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

Schedule 5

Fiscal Year	Water Consumption Sales (Acre-Feet)
2013-14	14,884
2014-15	11,883
2015-16	10,773
2016-17	9,659
2017-18	10,799
2018-19	9,631
2019-20	10,432
2020-21	11,549
2021-22	11,216
2022-23	9,900



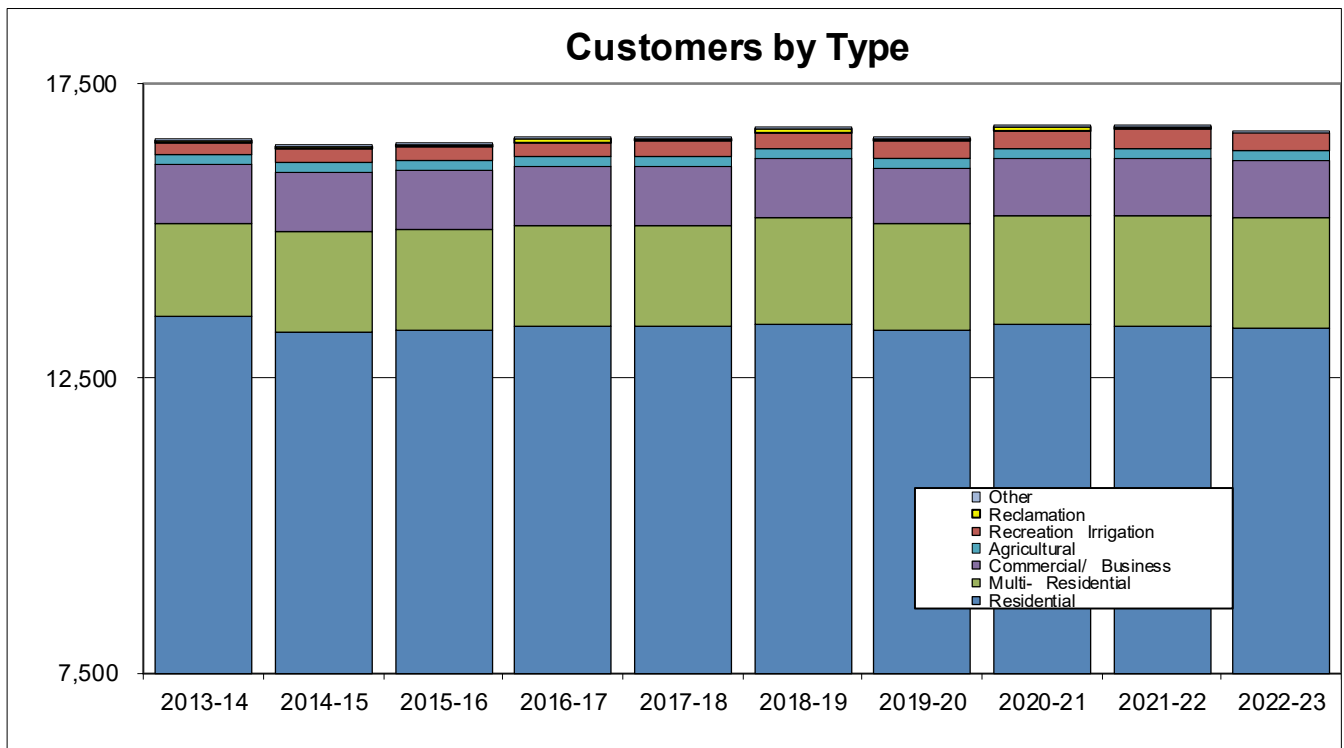
Note: See Schedule 2 "Operating Revenues by Source" for information regarding water sales.

Source: Goleta Water District Annual Continuing Disclosure Report.

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

Schedule 6

Fiscal Year	Residential	Multi-Residential	Commercial/Business	Agricultural	Recreation Irrigation	Reclamation	Other	Total
2013-14	13,537	1,587	993	167	222	35	1	16,542
2014-15	13,284	1,694	1,018	159	237	42	7	16,441
2015-16	13,300	1,710	1,014	163	240	42	5	16,474
2016-17	13,368	1,723	995	166	257	47	5	16,561
2017-18	13,368	1,734	987	165	276	43	5	16,578
2018-19	13,408	1,825	992	165	288	42	5	16,725
2019-20	13,312	1,807	948	165	287	46	5	16,570
2020-21	13,423	1,824	992	165	298	50	5	16,757
2021-22	13,377	1,876	988	165	307	50	5	16,768
2022-23	13,358	1,875	955	165	304	45	5	16,707



Source: Goleta Water District.

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

Schedule 7

Charges⁽¹⁾	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Meter Size										
5/8" & 3/4" ⁽²⁾										
Ultra low flow ⁽²⁾	\$ 12.70	\$ 13.08	\$ 14.14	\$ 14.57	\$ 15.16	\$ 15.77	\$ 16.41	\$ 22.12	\$ 24.56	\$ 26.78
Low flow ⁽²⁾	25.40	26.16	29.20	30.08	31.29	32.55	33.86	39.76	44.14	48.12
All other ⁽²⁾	38.10	39.24	44.40	45.74	47.57	49.48	51.46	56.41	62.62	68.26
1"	63.52	65.42	68.16	70.21	73.02	75.95	78.99	89.72	99.59	108.56
1 1/2"	127.00	130.81	127.57	131.40	136.66	142.13	147.82	172.98	192.01	209.30
2"	203.23	209.33	198.85	204.82	213.02	221.55	230.42	272.90	302.92	330.19
3"	381.05	392.48	424.58	437.32	454.82	473.02	491.95	589.30	654.13	713.01
4"	635.09	654.14	757.23	779.95	811.15	843.60	877.35	1,055.57	1,171.69	1,277.15
6"	1,270.16	1,308.26	1,672.04	1,722.21	1,791.10	1,862.75	1,937.26	2,337.83	2,595.00	2,828.55
8"	2,032.28	2,093.24	2,860.09	2,945.90	3,063.74	3,186.29	3,313.75	4,003.10	4,443.45	4,843.37
10"	4,827.40	4,972.22	4,523.38	4,659.09	4,845.46	5,039.28	5,240.86	6,334.47	7,031.27	7,664.09
Fire Line Charge	-	-	9.44	9.73	10.12	10.53	10.96	8.04	8.92	9.73
Water Usage Charges (per HCF)⁽¹⁾										
User Type										
Single Family										
Residential Ultra Low Flow (0-6 HCF)	\$ -	\$ -	\$ 4.52	\$ 4.66	\$ 4.85	\$ 5.05	\$ 5.26	\$ 5.79	\$ 6.43	\$ 7.01
Single Family										
Residential Low Flow ⁽⁵⁾ (7-12 HCF)	-	-	5.57	5.74	5.97	6.21	6.46	7.81	8.67	9.46
Single Family										
Residential Low Flow (Greater than 12 HCF)	-	-	6.12	6.31	6.57	6.84	7.12	9.96	11.06	12.06
Urban Conservation	4.90	5.04	-	-	-	-	-	-	-	-
Urban ⁽³⁾	5.12	5.27	5.25	5.41	5.63	5.86	6.10	7.17	7.96	8.68
Urban Agriculture	1.38	1.42	1.80	1.86	1.94	2.02	2.11	2.35	2.61	2.85
Goleta West Conduit										
Agriculture	1.26	1.30	1.35	1.40	1.46	1.52	1.59	1.91	2.13	2.33
Recreation Irrigation	3.70	3.81	5.25	5.41	5.63	5.86	6.10	7.60	8.44	9.20
Reclaimed	2.96	3.05	3.26	3.36	3.50	3.64	3.79	3.87	4.30	4.69
Temporary ⁽⁶⁾	-	-	-	-	-	-	-	8.43	9.36	10.21
Drought Surcharges Per HCF⁽⁴⁾										
Stage 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stage 2	-	-	1.57	1.62	1.68	1.75	-	-	-	-
Stage 3	-	-	2.60	2.68	2.79	2.90	-	-	-	-
Stage 4	-	-	3.92	4.04	4.20	4.37	-	-	-	-
Stage 5	-	-	5.73	5.90	6.14	6.39	-	-	-	-

Notes:

- (1) Rates as of July 1 of each fiscal year.
- (2) Effective July 1, 2007, monthly service charges converted to a tiered structure. 5/8" & 3/4" Meters are based on average 12-month water use. Ultra-low flow (4 or less HCF), Low flow (greater than 4 but less than 8 HCF), and All other 5/8" & 3/4" meter rates (greater than 8 HCF) through June 30, 2015. Monthly service charge tier structure changed July 1, 2015. Based on individual monthly use, the new tiers are: Ultra low flow (6 or less HCF), Low flow (greater than 6 but less than 17 HCF), and All other 5/8" & 3/4" meter rates (greater than 16 HCF).
- (3) Urban Agricultural customers are charged at Urban rate unless usage exceeds 11 HCF per dwelling for any given month.
- (4) Drought Surcharges apply uniformly to all customers except for use of recycled water which is subject to Recycled Water Rates. On May 1, 2019, the District eliminated the Drought Surcharge concurrent with the Board's declaration to lower the Water Shortage Emergency from a Stage III to a Stage I.
- (5) Effective July 1, 2020, the commodity charge tier structure changed. The ultra-low flow remained unchanged, while the low flow tier narrowed from 7-17 HCFs, to 7-12 HCFs and regular consumption is now 12 HCFs and greater. This tier structure will remain in effect until June 30, 2025.
- (6) Effective July 1, 2020, the District created a separate rate for temporary meters. Temporary meters were previously charged at the Urban rate.

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

**GOLETA WATER DISTRICT
TEN LARGEST WATER USERS
CURRENT FISCAL YEAR VERSUS FISCAL YEAR 2013-14
UNAUDITED**

Schedule 8

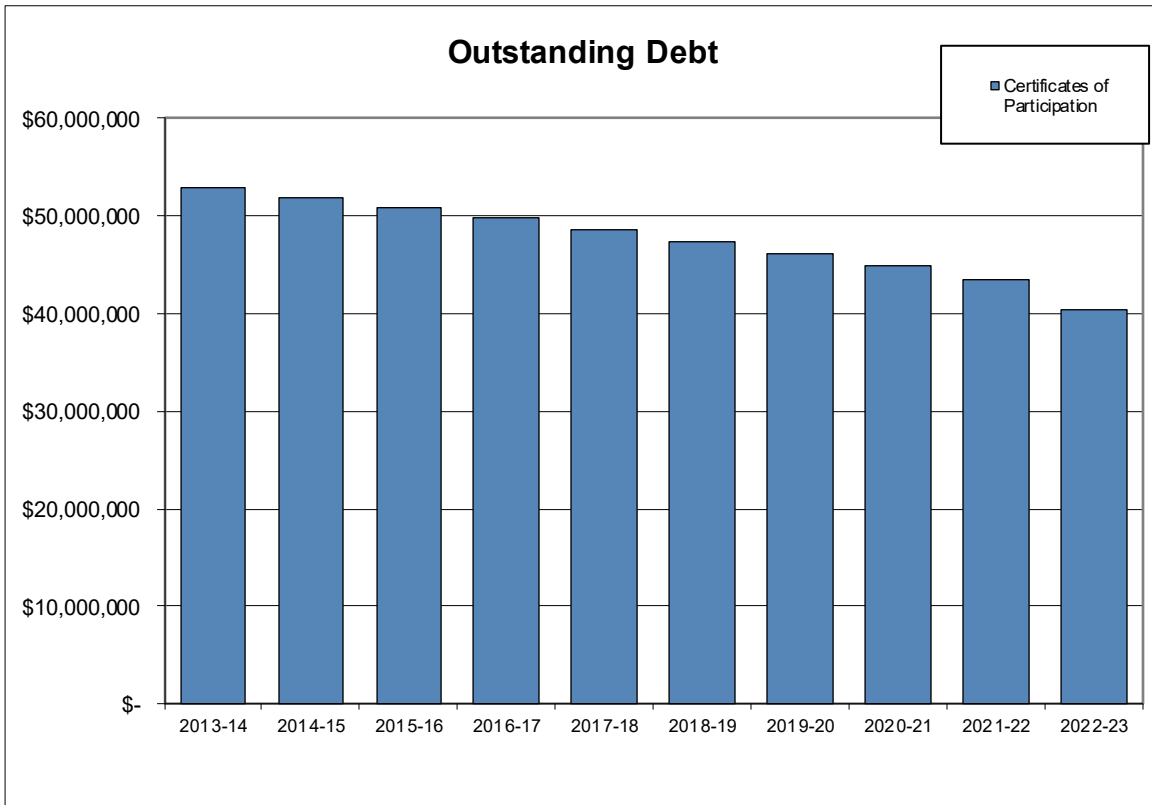
FY 2022-23			FY 2013-14		
Name	Water Consumption Sales (Acre-Feet)	Percentage of Total Water Purchased	Name	Water Consumption Sales (Acre-Feet)	Percentage of Total Water Purchased
Public institution	844	8.53%	Public institution	991	6.66%
Private grower	411	4.15%	Private grower	771	5.18%
Public institution	317	3.20%	Private business	322	2.16%
Private business	238	2.40%	Private business	304	2.04%
Private business	164	1.66%	Private grower	284	1.91%
Private grower	136	1.37%	Private grower	255	1.71%
Private business	120	1.21%	Private grower	241	1.62%
Public institution	118	1.19%	Public institution	209	1.40%
Private grower	111	1.12%	Private grower	165	1.11%
Private grower	104	1.05%	Private grower	146	0.98%
Total attributable to ten largest water users:	<u>2,563</u>	<u>25.89%</u>		<u>3,688</u>	<u>24.78%</u>
Total water consumption sales (acre-feet)	<u>9,900</u>	<u>100.00%</u>		<u>14,884</u>	<u>100.00%</u>

Source: Goleta Water District.

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

Schedule 9

Fiscal Year	Certificates of Participation	Total		
		Debt	Per Capita	As a Share of Personal Income
2013-14	\$ 52,965,000	\$ 52,965,000	\$ 1,754	0.068%
2014-15	51,920,000	51,920,000	1,688	0.071%
2015-16	50,855,000	50,855,000	1,628	0.071%
2016-17	49,750,000	49,750,000	1,566	0.070%
2017-18	48,600,000	48,600,000	1,521	0.078%
2018-19	47,400,000	47,400,000	1,447	0.083%
2019-20	46,140,000	46,140,000	1,432	0.087%
2020-21	44,825,000	44,825,000	1,386	0.081%
2021-22	43,445,000	43,445,000	1,333	0.083%
2022-23	40,430,000	40,430,000	1,246	0.000%



Source: Goleta Water District Audited Financial Statements

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

Schedule 10

Fiscal Year	Operating Revenues	Operating Expenses⁽¹⁾	Net Available Revenues	Debt Service			Coverage Ratio
				Principal⁽²⁾	Interest	Total	
2013-14	\$ 33,868,570	\$ (26,209,042)	\$ 7,659,528	\$ 995,000	\$ 2,432,866	\$ 3,427,866	2.23
2014-15	29,884,003	(25,897,182)	3,986,821	1,045,000	2,516,588	3,561,588	1.12
2015-16	38,876,872	(29,820,487)	9,056,385	1,065,000	2,490,163	3,555,163	2.55
2016-17	37,807,585	(33,407,576)	4,400,009	1,105,000	2,452,089	3,557,089	1.24
2017-18	43,161,166	(27,750,020)	15,411,146	1,150,000	2,628,651	3,778,651	4.08
2018-19	39,853,124	(38,045,673)	1,807,451	1,200,000	2,353,988	3,553,988	0.51
2019-20	33,050,742	(36,082,209)	(3,031,467)	1,260,000	2,292,488	3,552,488	-0.85
2020-21	41,523,586	(34,131,260)	(7,392,326)	1,315,000	2,232,003	3,547,003	2.08
2021-22	45,211,400	(32,372,344)	12,839,056	1,380,000	2,160,737	3,540,737	3.63
2022-23	45,331,400	(28,629,270)	16,702,130	3,015,000	2,050,863	5,065,863	3.30

Notes:

⁽¹⁾ Excludes depreciation expense.

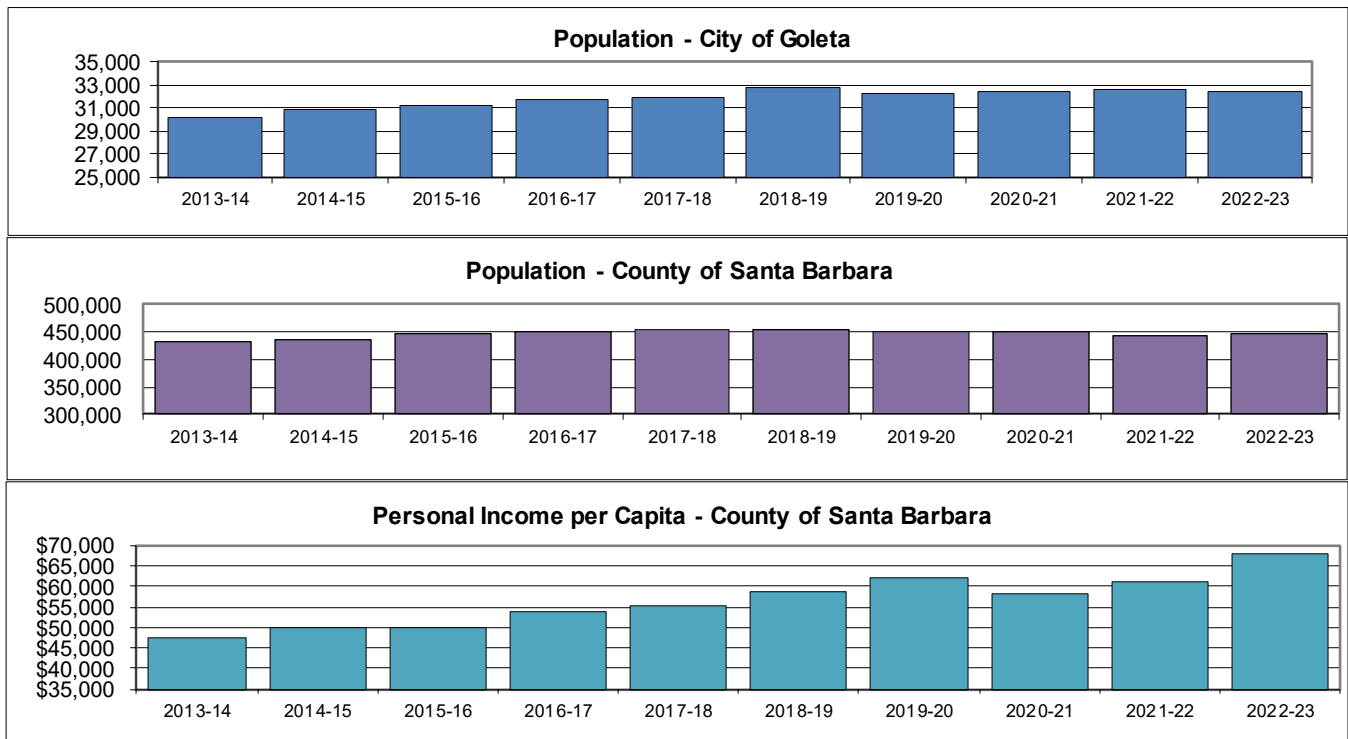
⁽²⁾ Excludes payments associated with refinancing.

Source: Goleta Water District Audited Financial Statements.

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

Schedule 11

Fiscal Year	City of Goleta ⁽¹⁾	County of Santa Barbara ⁽³⁾			
	Population ⁽²⁾	Unemployment Rate	Population ⁽²⁾	Personal Income (\$ billions)	Personal Income per Capita
2013-14	30,202	(4) 5.40%	433,000	(4) 20.6	\$ 47,600
2014-15	30,765	4.70%	435,697	21.7	49,700
2015-16	31,235	4.90%	446,717	22.3	49,900
2016-17	31,760	4.30%	450,663	24.2	53,700
2017-18	31,949	3.90%	453,467	25.0	55,100
2018-19	32,759	3.50%	454,593	26.6	58,600
2019-20	32,223	11.60%	451,840	28.0	62,000
2020-21	32,339	(4) 6.60%	(5) 450,511	(4) 26.1	58,000 (5)
2021-22	32,591	(4) 3.50%	(5) 441,172	(4) 26.9	61,000 (5)
2022-23	32,442	(4) 4.50%	(5) 445,164	(4) 30.3	68,000 (5)



Notes:

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

Sources: County of Santa Barbara, State of California, Annual Comprehensive Financial Report

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

Schedule 12

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

Division	Fiscal Year									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
General Management	3	3	3	3	3	3	3	3	3	4
Operations Management	2	2	2	2	2	2	2	2	3	3
Water Treatment	10	11	10	12	11	12	13	12	12	15
Distribution	14	16	17	16	16	14	16	13	13	14
Water Supply	8	9	9	10	10	9	10	7	8	7
Warehouse	1	1	1	1	1	1	1	1	1	1
Meter Services	5	5	5	5	5	5	5	6	6	6
Engineering Services	5	5	5	5	5	5	5	5	5	5
Customer Service	1	2	2	2	2	1	2	2	2	2
Accounting and Finance	8	8	8	8	8	8	8	8	8	9
Human Resources/Payroll	2	2	2	2	2	2	1	1	1	1
	<u>59</u>	<u>64</u>	<u>64</u>	<u>66</u>	<u>65</u>	<u>62</u>	<u>66</u>	<u>60</u>	<u>62</u>	<u>67</u>

Other Operating and Capacity Indicators

Fiscal Year	District Area (Square Miles)	Miles of Water Mains	Number of Wells	Number of Fire Hydrants	System Capacity (MGD)
2013-14	45	270	9	1,474	29
2014-15	45	270	9	1,480	29
2015-16	45	271	9	1,502	29
2016-17	45	271	9	1,505	29
2017-18	45	272	10	1,520	29
2018-19	45	272	11	1,520	29
2019-20	45	272	11	1,525	29
2020-21	45	272	11	1,525	29
2021-22	45	272	11	1,525	29
2022-23	45	272	8	1,522	29

Source: Goleta Water District - Administrative Services and Operations Departments.

LIST OF ACRONYMS AND ABBREVIATIONS

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LIST OF ACRONYMS AND ABBREVIATIONS

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



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