



GOLETA WATER DISTRICT

GOLETA, CALIFORNIA

Comprehensive Annual Financial Report

For the Years Ended June 30, 2013 and 2012





Mission

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

Comprehensive Annual Financial Report

For the Fiscal Years Ended

June 30, 2013 and 2012

GOLETA WATER DISTRICT

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Goleta, California 93110-1999

(805) 964-6761

www.goletawater.com

Prepared by:
Administration Department

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Board of Directors as of June 30, 2013

Name	Title	Elected/ Appointed	Current Term
Bill Rosen	President	Elected	12/12 - 12/16
Lauren Hanson	Vice President	Elected	12/12 - 12/16
Bert Bertrando	Director	Elected	12/10 - 12/14
Jack Cunningham	Director	Elected	12/10 - 12/14
Richard Merrifield	Director	Elected	12/12 - 12/16

John McInnes, General Manager

David Matson, Assistant General Manager

Chris Rich, Administrative Manager/CFO

Tom Bunosky, Operations Manager

Kirsten McLaughlin, Water Supply and Conservation Manager

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**Goleta Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2013 and 2012**

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February 18, 2014

The Honorable Board of Directors and Customers of Goleta Water District

The Comprehensive Annual Financial Report (CAFR) of the Goleta Water District (District) for the fiscal year (FY) ending June 30, 2013 provides the Board of Directors, customers, and the investment community with detailed information about the financial condition and operating results of the District. Based upon a comprehensive set of internal control practices and procedures in place, the District management team believes that these financial statements are free of material misstatements.

Throughout FY 2012-13, the District continued to enhance internal control practices by strengthening existing accounting systems; establishing additional management procedures; and improving, instituting, and documenting comprehensive organizational policies. Additional financial control improvements are planned in 2014, including continued upgrades to the District accounting, purchasing, and inventory software systems.

The District financial statements have been audited by the Santa Barbara County Auditor-Controller's Internal Audit Division, selected by the Board of Directors (Board). Their audit report contains an unmodified ("clean") opinion, which is included in the financial section of this CAFR. Management Discussion and Analysis (MD&A) immediately follows the auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments, and should be read in conjunction with, this transmittal letter.

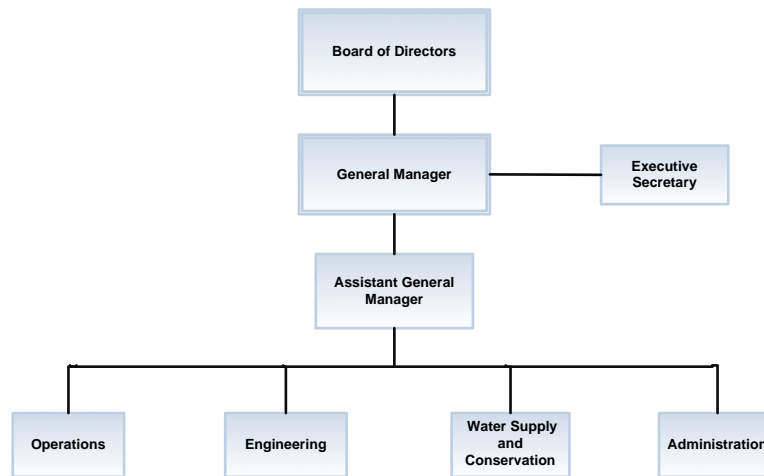
Overview

During FY 2012-13 the District strengthened its financial condition through continued implementation of the Board-adopted 5-year Financial Plan. The revenue environment has remained stable and is supported by rate adjustments needed to address the costs of providing ongoing water service to District customers. In addition to a Board-adopted rate increase, relatively dry weather resulted in an increase in water consumption by thirteen percent compared to last year, enhancing District revenues. At the same time, the District continued to manage costs and meet its commitment to build a cash reserve, while simultaneously investing in critical capital to increase the sustainability of District operations.

District Profile

Established on November 17, 1944, the Goleta Water District encompasses an area extending along the south coast of Santa Barbara County west from the Santa Barbara city limits to El Capitan. The District, which spans approximately 29,000 acres (45 square miles), is bound on the south by the ocean and on the north by the foothills of the Santa Ynez Mountains. The District provides water service to approximately 87,000 people through 270 miles of pipeline via 16,700 individual customer accounts. The District manages a complex set of treatment and distribution systems, along with a water supply portfolio that includes Lake Cachuma, an adjudicated ground water basin, recycled water, and the State Water Project.

The District operates under the general direction of an elected five-member Board, who serve four-year terms. Elections for two or three directors are held every two years. The Board employs a General Manager to oversee 60 employees. Staffing is organized into four departments including operations, engineering, water supply and conservation, and administration.



Economic Conditions

The local economy in the Goleta area is stable and diverse, where large employers include the University of California Santa Barbara (UCSB) and regional health providers. The District’s service area is also home to an advanced industrial sector where approximately 80 research and aerospace firms specialize in electronics, telecommunications, medical research, national security and remote sensing manufacturing. The agricultural sector is another significant water user, with local production focusing primarily on lemons and avocados.

The Goleta economy showed continued signs of improvement during FY 2012-13, evidenced by better employment figures and retail/office vacancy rates, along with the addition of new service accounts resulting from the completion of development projects and property improvements. Overall revenue is influenced by these economic conditions, particularly since the District receives no taxes and collects the majority of its operating revenue through user charges. Consistent with continued improvements in the local economy, three consecutive years of declining water use reversed in FY 2011-12. This trend continued through FY 2012-13 as revenue from water sales was nineteen percent higher compared to the prior year.

Climate Conditions

Goleta has a mild climate, with high temperatures normally within ten degrees of 70° year-round and low temperatures that rarely fall below 40°. Annual rainfall typically averages 17 inches, though it varies from year to year. Such weather variability influences District revenue as conservation-minded customers are quick to reduce water use when cool and wet weather conditions occur. In FY 2012-13, Goleta precipitation levels were below typical weather patterns, with a cumulative rainfall of 10.7 inches, or 58% of normal levels, driving up seasonal revenues that are very sensitive to rainfall. In addition, the National Oceanic and Atmospheric Administration in its recent *State of the Climate* report described 2012 as one of the warmest years on record. This combination of dry and warm weather resulted in increased revenues for the District, which were coupled with active cost controls to produce positive financial results detailed in this CAFR.

Financial Planning

The District Board adopts an annual Budget, establishing a short-term spending plan to achieve the financial goals described in the 2011 Cost of Service study and the 5-year Financial Plan. Actual financial results are reviewed throughout the year to ensure the District's goals are met, and revenues and expenditures are balanced. Together, these foundational documents and oversight activities help to ensure reliable and cost-effective service delivery for District customers, and support the financial achievements described in this CAFR. Examples of such achievements for FY 2012-13 include building unrestricted cash reserves to respond to unplanned events, improving the District debt service coverage ratio to bolster the District's credit rating, and completing or initiating District-wide policy initiatives and projects. Three notable areas of focus included:

- Successful completion of capital projects identified in the Board of Director's adopted Infrastructure Improvement Plan. This includes the installation of a revenue and renewable energy-producing hydroelectric turbine, installation of variable frequency drive pumps to enhance the reliability and operational efficiency of the recycled water system, and the physical rehabilitation of the San Ricardo Well, a critical groundwater facility that will be placed in service during FY 2013-14.
- Commencement of an Asset Management Program to catalogue, analyze, and prioritize infrastructure needs throughout the District.
- Completion of a comprehensive process design study to enhance the efficiency and long-term reliability of one of the District's most significant assets, the Corona Del Mar Water Treatment Plant.

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

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

Respectfully submitted,



John McInnes
General Manager



David Matson
Assistant General Manager



Chris Rich
Chief Financial Officer

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Goleta Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012.

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Goleta Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive style.

Executive Director/CEO

County of Santa Barbara

Robert W. Geis, C.P.A.
Auditor-Controller

Theo Fallati, C.P.A.
Assistant Auditor-Controller



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Office of the Auditor-Controller

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Goleta Water District
Goleta, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Goleta Water District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Goleta Water District, as of June 30, 2013, and the respective changes in its financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Comparative Financial Statements and Prior Period Adjustment

The 2012 prior period comparative financial statements were audited by a predecessor auditor, whose report dated October 16, 2012, expressed an unmodified opinion on those basic financial statements, before restatement. As part of our audit of the 2013 financial statements, we also audited the adjustments described in Note 15 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of Goleta Water District other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9–18 and the schedule of funding progress for the District's Other Post Employment Benefits on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014 on our consideration of Goleta Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goleta Water District's internal control over financial reporting and compliance.



Heather Fletcher, CPA
Audit Manager
Santa Barbara, California
February 18, 2014

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Goleta Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2013 and 2012

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

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

Summary Analysis

District net position, or the difference between assets and liabilities, measures the financial health of the organization. Over time, increases or decreases in District net position also indicate the relative fiscal sustainability of the policy choices that govern administrative operations. It is important to keep these indicators in context with other non-financial factors such as changes in economic conditions, population growth, climate, zoning, or the regulatory environment. Since financial statements include a year-over-year comparison, this MD&A presents 3 years of financial information. Specific attention is placed on comparing FY 2013 to FY 2012; however analysis is provided comparing FY 2012 to FY 2011 when significant.

Overall during FY 2013 and FY 2012, the District continued making significant progress towards establishing financial stability. Expenditures were managed to ensure the cash flow goals established in its 5-year financial plan were achieved. As a result of these actions, operating revenue increased and the District was able to invest in a number of critical infrastructure projects outlined in the Infrastructure Improvement Plan (IIP). Unrestricted cash as of June 30, 2013 was \$6,440,725 compared to \$3,895,203 as of June 30, 2012, and \$2,679,758 as of June 30, 2011. Additional details of financial highlights are outlined below.

Goleta Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2013 and 2012

Financial Highlights

- During FY 2013, District net position increased \$4,066,706 (7.86%) to \$55,791,656; up from \$51,724,950 at the end of FY 2012. Operating revenues increased by \$4,339,389, operating expenses increased by \$1,380,088, and the District increased unrestricted and restricted cash and cash equivalents by \$814,033 when compared to FY 2012. The FY 2013 increase in net position is a significant indicator of improved financial stability when compared to FY 2012, when District net position declined \$144,548 (0.3%) from \$51,869,498. FY 2012 operating revenue increased by \$4,161,146 when compared to FY 2011, but was offset by decreased non-operating revenue of \$1,969,289 and increased operating expenses of \$1,943,728. Further details are noted below and in the text of this document.
- Water sales increased by \$3,503,246, (18.8%) and \$2,995,321 (19.1%) in FY 2013 and FY 2012, largely as a result of an 11% and 16% rate increase effective on July 1, 2012 and July 1, 2011.
- New Water Supply Charge Revenue increased by \$656,936 (359.2%) in FY 2013 as compared to FY 2012. This contrast significantly with FY 2012, when New Water Supply Charge Revenue decreased by \$1,886,465 (91.2%) as compared to FY 2011. In FY 2013, the development community responded to improved economic conditions by purchasing water for new water service ahead of new rates and charges effective July 1, 2013. In FY 2012 developers approached new projects with economic caution and did not purchase significant new service.
- As of June 30, 2013 and 2012 operating expenses excluding depreciation and amortization, increased \$1,380,088 (6.6%) and \$1,943,728 (10.2%), respectively. Specific increases included water supply costs associated with capital improvements made by the surface water provider, costs of critical repairs and maintenance made to District water systems, and additional costs to comply with new Federal water treatment regulations.

Goleta Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2013 and 2012

Condensed Statement of Net Position - Analysis:

	2013	2012*	Current Year Increase/ (Decrease)	2011*
Assets:				
Current assets	\$ 23,365,324	\$ 19,690,817	\$ 3,674,507	\$ 19,282,671
Non-current assets	7,695,289	7,775,875	(80,586)	7,844,788
Capital assets, net	85,263,731	84,312,085	951,646	85,104,080
Total assets	<u>\$ 116,324,344</u>	<u>\$ 111,778,777</u>	<u>\$ 4,545,567</u>	<u>\$ 112,231,539</u>
Liabilities:				
Current liabilities	\$ 5,010,512	\$ 4,107,887	\$ 902,625	\$ 4,153,974
Non-current liabilities	55,522,176	55,945,940	(423,764)	56,208,067
Total liabilities	<u>60,532,688</u>	<u>60,053,827</u>	<u>478,861</u>	<u>60,362,041</u>
Net position:				
Net investment in capital assets	33,353,273	31,638,304	1,714,969	31,738,373
Restricted for debt service	6,295,982	6,291,947	4,035	6,299,412
Restricted for construction projects	2,742,036	4,473,525	(1,731,489)	5,280,684
Unrestricted	13,400,365	9,321,174	4,079,191	8,551,029
Total net position	<u>55,791,656</u>	<u>51,724,950</u>	<u>4,066,706</u>	<u>51,869,498</u>
Total liabilities and net position	<u>\$ 116,324,344</u>	<u>\$ 111,778,777</u>	<u>\$ 4,545,567</u>	<u>\$ 112,231,539</u>

*restated

- Current assets increased during FY 2013 by \$3,674,507 (18.7%) due to an \$814,033 increase in restricted and unrestricted cash and cash equivalents; a \$2,246,503 increase in "Accounts Receivable – Water Sales and Services, Net" and a \$982,478 increase in prepaid expenses to Central Coast Water Authority (CCWA). In addition to higher rates and increased consumption, the increase in accounts receivable is due to issues associated with the conversion to a new billing service provider in December 2012. Since that time, some customers have experienced a delay in receiving normal cycle bills or are missing at least one bill for water services provided during FY 2012-13, resulting in increased receivables due to the District at June 30, 2013 (see Note 3 for further information).
- Non-current assets include deferred charges, net, deferred water supply renegotiation costs, amortization of debt issuance costs, Cachuma reorganization costs, a note receivable paid off during FY 2013 and restricted investments which, combined, decreased by \$80,586 during FY 2013.
- Net capital assets at June 30, 2013 were \$85,263,731 which represents an increase of \$951,646 (1.13%) when compared to net capital assets of \$84,312,085 at June 30, 2012. The increase was composed of \$5,243,358 in net asset additions, net of \$4,291,712 of current year depreciation. In FY 2013, several significant water production, treatment and distribution system-related assets were recognized.

Goleta Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2013 and 2012

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

- Current liabilities increased during FY 2013 by \$902,625 (22.0%) primarily as a result of a \$537,376 increase in accounts payable and accrued expenses; a \$200,146 increase in accrued wages and related payables and a \$118,343 increase in customer advances and deposits.
- Non-current liabilities decreased during FY 2013 by \$423,764 due primarily to \$763,323 in principal payments, amortization of debt costs and debt issuance costs of \$208,617 reclassified as of FYE 2012 and 2011 to match FYE 2013 presentation, offset by a \$47,824 increase in long-term compensated absences and a \$326,735 increase in unfunded post-employment benefits.
- During FY 2013, the District increased unrestricted net position by \$4,079,192, a 43.8% improvement when compared to the end of FY 2012 (See Note 10 for further information).

Goleta Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2013 and 2012

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

	<u>2013</u>	<u>2012*</u>	<u>Current Year Increase/ (Decrease)</u>	<u>2011*</u>
Revenues:				
Operating revenues	\$ 31,475,922	\$ 27,136,533	\$ 4,339,389	\$ 22,975,387
Non-operating revenues	933,771	290,094	643,677	2,259,383
Total revenues	<u>32,409,693</u>	<u>27,426,627</u>	<u>4,983,066</u>	<u>25,234,770</u>
Expenses:				
Operating expenses	22,431,761	21,051,673	1,380,088	19,107,945
Depreciation	4,291,712	4,230,480	61,232	4,640,497
Non-operating expenses	2,668,992	2,637,517	31,475	2,741,049
Total expenses	<u>29,392,465</u>	<u>27,919,670</u>	<u>1,472,795</u>	<u>26,489,491</u>
Net income (loss) before capital contributions	3,017,228	(493,043)	3,510,271	(1,254,721)
Capital contributions	<u>1,049,478</u>	<u>348,495</u>	<u>700,983</u>	<u>287,293</u>
Change in net position	4,066,706	(144,548)	4,211,254	(967,428)
Net position, beginning of year	<u>51,724,950</u>	<u>51,869,498</u>	<u>(144,548)</u>	<u>52,836,926</u>
Net position, end of year	<u>\$ 55,791,656</u>	<u>\$ 51,724,950</u>	<u>\$ 4,066,706</u>	<u>\$ 51,869,498</u>

*restated

- District total operating revenues in FY 2013 and FY 2012 were \$31,475,922 and \$27,136,533, an increase \$4,339,389 (16.0%) and \$4,161,146 (18.1%), respectively, compared to prior fiscal year, due to scheduled water and monthly service charge rate increases effective July 1, 2012 (11%) and July 1, 2011 (16%). Water consumption also increased modestly in 2013 as customers responded to persistent dry weather patterns and improvement in the local economy.
- District operating expenses excluding depreciation increased \$1,380,088 (6.6%) and \$1,943,728 (10.2%) in FY 2013 and FY 2012, reflecting the continuation of previously-delayed system maintenance. Other contributors to the increase include cost assessments by water providers for system reliability, changes to water treatment practices in order to meet new regulatory standards, and the filling of vacant positions to complete key District initiatives.

Goleta Water District
Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2013 and 2012

Revenues – Analysis:

	<u>2013</u>	<u>2012</u>	<u>Current Year Increase/ (Decrease)</u>	<u>2011</u>
Operating revenues:				
Water consumption sales	\$ 22,171,254	\$ 18,668,008	\$ 3,503,246	\$ 15,672,687
Monthly meter service charges	8,906,789	7,998,014	908,775	6,987,420
Conveyance charges	133,961	193,749	(59,788)	49,225
Other charges and services	263,918	276,762	(12,844)	266,055
Total operating revenues	<u>31,475,922</u>	<u>27,136,533</u>	<u>4,339,389</u>	<u>22,975,387</u>
Non-operating revenues:				
Interest and investment earnings	61,671	71,525	(9,854)	67,164
New water supply charge	839,841	182,905	656,936	2,069,370
Other non-operating revenues, net	32,259	35,664	(3,405)	122,849
Total non-operating revenues	<u>933,771</u>	<u>290,094</u>	<u>643,677</u>	<u>2,259,383</u>
Total revenues	<u>\$ 32,409,693</u>	<u>\$ 27,426,627</u>	<u>\$ 4,983,066</u>	<u>\$ 25,234,770</u>

- In FY 2013, total operating revenue increased \$4,339,389 (16.0%), as water consumption sales increased by \$3,503,246 (18.8%) and monthly meter service charges by \$908,775 (11.4%). The District adopted an 11% rate increase effective July 1, 2012. The District also experienced a 13.4% increase in water consumption when compared with FY 2012 levels resulting from the combination of continuing dry warm weather and improvement in the local economy. When comparing FY 2012 and FY 2011, the total operating revenue increased \$4,161,146 primarily due to a 16% rate increase adopted on July 1, 2011.
- FY 2013 non-operating revenue increased when compared to FY 2012 by \$643,677 (221.9%) as a specific project developer completed applications in 2013 to secure their water rights for new water service at lower existing rates. When comparing FY 2012 to FY 2011 total non-operating revenue decreased \$1,969,289 primarily due to a reduction in New Water Supply charges as large one-time purchases of water do not repeat.

Goleta Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2013 and 2012

Expenses – Analysis:

	<u>2013</u>	<u>2012*</u>	<u>Current Year Increase/ (Decrease)</u>	<u>2011*</u>
Operating expenses:				
Source of supply	\$ 12,048,975	\$ 11,699,420	\$ 349,555	\$ 9,968,271
Water treatment	2,527,904	2,426,226	101,678	2,190,570
Transmission and distribution	2,941,150	2,489,968	451,182	2,280,486
Customer accounts	1,053,854	935,180	118,674	846,299
General and administrative	3,859,878	3,500,879	358,999	3,822,319
Depreciation	4,291,712	4,230,480	61,232	4,640,497
Total operating expenses	<u>26,723,473</u>	<u>25,282,153</u>	<u>1,441,320</u>	<u>23,748,442</u>
Non-operating expenses:				
Interest expense - long-term debt	2,562,624	2,582,323	(19,699)	2,683,811
Loss on disposition of capital assets, net	44,927	-	44,927	-
Amortization expense	61,441	55,194	6,247	57,238
Total non-operating expenses	<u>2,668,992</u>	<u>2,637,517</u>	<u>31,475</u>	<u>2,741,049</u>
Total expenses	<u>\$ 29,392,465</u>	<u>\$ 27,919,670</u>	<u>\$ 1,472,795</u>	<u>\$ 26,489,491</u>

*restated

In 2013, total operating expenses increased by \$1,441,320 (5.7%) as compared to 2012.

- Source of Supply costs are largely fixed and include amounts paid to Cachuma Operations and Maintenance Board (COMB); Cachuma Conservation Release Board (CCRB); Goleta Sanitary District (GSD) for recycled water; well operations and maintenance project costs, and the Central Coast Water Authority (CCWA). The \$349,555 increase included \$350,795 increased COMB operations and maintenance costs and entitlement costs; \$235,991 increased CCRB fees related to a water right project; \$272,170 increased well operations and maintenance and \$149,491 increased water conservation programs expense. These increases were partially offset by lower CCWA costs of \$619,891 FY 2013 due to credits identified by CCWA.
- Water treatment costs increased \$101,678 (4.2%) and included \$36,062 increased cost for additional chemicals, filtering and water quality testing in response to regulatory changes and increased water consumption; \$94,947 increased cost related to completed projects, \$87,312 increased cost of materials and a \$121,336 decrease in labor.
- Transmission and distribution costs increased \$451,182 (18.1%) as a result of increased water system-related repair and maintenance activities.
- Customer accounts increased by \$118,674 (12.7%) due to facility and organization changes.
- General and administration costs increased by \$358,999 (10.3%) resulting from an increase in labor including benefits offset by decreases in other costs in FY 2013.

Goleta Water District
Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2013 and 2012

Expenses – Analysis: (continued)

- Depreciation costs increased by \$61,232 (1.4%) reflecting ongoing depreciation.

In 2012, total operating expenses increased by \$1,533,711 (6.5%) as compared to 2011 primarily due to increased source of supply cost.

Capital Assets – Analysis:

	<u>Balance</u> <u>2012*</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2013</u>
Capital assets:				
Capital assets, not being depreciated	\$ 6,245,801	\$ 5,324,338	\$ (2,914,883)	\$ 8,655,256
Depreciable capital assets	142,535,063	2,855,775	(124,017)	145,266,821
Accumulated depreciation	<u>(64,468,779)</u>	<u>(4,291,712)</u>	<u>102,145</u>	<u>(68,658,346)</u>
Total capital assets, net	<u>\$ 84,312,085</u>	<u>\$ 3,888,401</u>	<u>\$ (2,936,755)</u>	<u>\$ 85,263,731</u>
	<u>Balance</u> <u>2011*</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2012*</u>
Capital assets:				
Capital Assets, not being depreciated	\$ 3,739,651	\$ 4,222,523	\$ (1,716,373)	\$ 6,245,801
Depreciable capital assets	141,602,728	939,425	(7,090)	142,535,063
Accumulated depreciation	<u>(60,238,299)</u>	<u>(4,230,480)</u>	<u>-</u>	<u>(64,468,779)</u>
Total capital assets, net	<u>\$ 85,104,080</u>	<u>\$ 931,468</u>	<u>\$ (1,723,463)</u>	<u>\$ 84,312,085</u>

* restated

At June 30, 2013 and June 30, 2012, District capital investment, net of accumulated depreciation, totaled \$85,263,731 and \$84,312,085, respectively, increasing from \$85,104,080 at June 30, 2011. Investments include: land, land rights, water treatment plant, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-process. Throughout FY 2013 and FY 2012, the District continued to fund capital improvements to the existing distribution system as well as other property plant and equipment. Specific projects included the water treatment plant basin, San Ricardo well rehabilitation and the improvements at the Corona Del Mar Treatment plant. In addition, the District restated the value of capital interest for FY 2011 and FY 2012. (See Note 5 – Capital Assets for additional detail).

Goleta Water District
Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2013 and 2012

Debt – Analysis:

	<u>Balance</u> <u>2012</u>	<u>Principal</u> <u>Payments</u>	<u>Amortized</u> <u>Costs</u>	<u>Balance</u> <u>2013</u>
Debt:				
Certificates of participation, net	\$ 52,673,781	\$ (960,000)	\$ 207,807	\$ 51,910,458
Total debt	<u>\$ 52,673,781</u>	<u>\$ (960,000)</u>	<u>\$ 207,807</u>	<u>\$ 51,910,458</u>

	<u>Balance</u> <u>2011</u>	<u>Principal</u> <u>Payments</u>	<u>Amortized</u> <u>Costs</u>	<u>Balance</u> <u>2012</u>
Debt:				
Certificates of participation, net	\$ 53,365,708	\$ (925,000)	\$ 233,073	\$ 52,673,781
Total debt	<u>\$ 53,365,708</u>	<u>\$ (925,000)</u>	<u>\$ 233,073</u>	<u>\$ 52,673,781</u>

- During FY 2013 and FY 2012, net long-term debt decreased by \$960,000 and \$925,000, respectively, due to scheduled principal payments. Amortized costs of \$207,807 and \$233,073 in FY 2013 and FY 2012 included specific financing costs associated with exiting certain agreements and issuing new debt. Debt issuance costs of \$208,617 were reclassified as of FYE 2012 and 2011 to match FYE 2013 presentation.
- On August 26, 2010, the District restructured its debt and issued \$33,915,000 in 2010 Certificates of Participation. Funds were used to pay off \$7,875,425 of loans, refund \$14,310,000 of Certificates of Participation issued in 2003; and to raise \$5,000,000 needed to invest in the water supply system.
- To defease the outstanding \$14,310,000 of 2003 Certificates of Participation, the transaction to restructure the debt required the District to irrevocably place sufficient assets in a trust. This created \$1,564,630 of unamortized defeasance costs, or the difference between the State and Local Government Series (SLGS) securities acquired by the Trustee to pay off the debt and the net carrying value of the original debt itself (see Note 8: Long-Term Debt for additional detail).

Goleta Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2013 and 2012

Conditions Affecting Current Financial Position

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

Notes to the Basic Financial Statements

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

Requests for Information

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

**Goleta Water District
Statement of Net Position
June 30,**

ASSETS	2013	2012*
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,440,725	\$ 3,895,203
Restricted – cash and cash equivalents	2,742,036	4,473,525
Accrued interest receivable	4,208	8,748
Accounts receivable – water sales and services, net	5,626,582	3,380,079
Accounts receivable – other	77,910	307,962
Note receivable – current	-	3,554
Water-in-storage inventory	242,643	422,649
Materials and supplies inventory	341,228	295,305
Prepaid source of supply costs	7,708,127	6,725,649
Prepaid expenses and other deposits	181,865	178,143
Total Current Assets	23,365,324	19,690,817
NON-CURRENT ASSETS:		
Restricted – investments	6,924,022	6,923,187
Note receivable – non-current	-	20,658
Deferred water supply renegotiation costs, net	244,927	275,543
Deferred charges, net	526,340	556,487
Capital assets, not being depreciated	8,655,256	6,245,801
Depreciable capital assets, net	76,608,475	78,066,284
Total Non-Current Assets	92,959,020	92,087,960
TOTAL ASSETS	\$ 116,324,344	\$ 111,778,777

* restated

See accompanying notes to the basic financial statements

**Goleta Water District
Statement of Net Position
June 30,**

LIABILITIES AND NET POSITION

	2013	2012*
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,367,439	\$ 830,063
Accrued wages and related payables	200,348	202
Customer advances and deposits	1,571,114	1,452,771
Accrued interest payable on certificates-of-participation	628,040	631,240
Long-term liabilities – due within one year:		
Compensated absences	248,571	233,611
Certificates-of-participation payable	995,000	960,000
Total Current Liabilities	5,010,512	4,107,887
NON-CURRENT LIABILITIES:		
Long-term liabilities – due in more than one year:		
Compensated absences	689,942	642,118
Post employment benefits payable	3,916,776	3,590,041
Certificates-of-participation payable	50,915,458	51,713,781
Total Non-Current Liabilities	55,522,176	55,945,940
Total Liabilities	60,532,688	60,053,827
NET POSITION:		
Net investment in capital assets	33,353,273	31,638,304
Restricted for debt service	6,295,982	6,291,947
Restricted cash and cash equivalents	2,742,036	4,473,525
Unrestricted	13,400,365	9,321,174
Total Net Position	55,791,656	51,724,950
TOTAL LIABILITIES AND NET POSITION	\$ 116,324,344	\$ 111,778,777

* restated

See accompanying notes to the basic financial statements

Goleta Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30,

	2013	2012*
OPERATING REVENUES:		
Water consumption sales	\$ 22,171,254	\$ 18,668,008
Monthly service charges	8,906,789	7,998,014
Conveyance charges	133,961	193,749
Other charges and services	263,918	276,762
	<hr/>	<hr/>
Total operating revenues	31,475,922	27,136,533
	<hr/>	<hr/>
OPERATING EXPENSES:		
Source of supply	12,048,975	11,699,420
Water treatment	2,527,904	2,426,226
Transmission and distribution	2,941,150	2,489,968
Customer accounts	1,053,854	935,180
General and administrative	3,859,878	3,500,879
	<hr/>	<hr/>
Total operating expenses	22,431,761	21,051,673
	<hr/>	<hr/>
Operating income before depreciation	9,044,161	6,084,860
Depreciation expense	(4,291,712)	(4,230,480)
	<hr/>	<hr/>
Net operating income	4,752,449	1,854,380
	<hr/>	<hr/>
NON-OPERATING REVENUE (EXPENSE):		
Interest and investment earnings	61,671	71,525
New water supply charges	839,841	182,905
Interest expense – long-term debt	(2,562,624)	(2,582,323)
Amortization expense	(61,441)	(55,194)
Loss on sale/disposition of capital assets, net	(44,927)	-
Other non-operating revenues, net	32,259	35,664
	<hr/>	<hr/>
Total non-operating (loss), net	(1,735,221)	(2,347,423)
	<hr/>	<hr/>
Net income (loss) before capital contributions	3,017,228	(493,043)
	<hr/>	<hr/>
CAPITAL CONTRIBUTIONS:		
State capital grant	278,885	121,118
Capital contributions	770,593	227,377
	<hr/>	<hr/>
Capital contributions	1,049,478	348,495
	<hr/>	<hr/>
Increase (Decrease) in net position	4,066,706	(144,548)
Net Position, Beginning of Year, as restated	51,724,950	51,869,498
	<hr/>	<hr/>
Net Position, End of Year	\$ 55,791,656	\$ 51,724,950
	<hr/> <hr/>	<hr/> <hr/>

* restated

See accompanying notes to the basic financial statements

**Goleta Water District
Statement of Cash Flows
For the Years Ended June 30,**

	2013	2012*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers for water sales and services	\$ 29,577,814	\$ 26,329,946
Cash paid to employees for salaries and wages	(8,836,521)	(8,001,813)
Cash paid to vendors and suppliers for materials and services	(13,264,523)	(11,813,957)
Net Cash Provided by Operating Activities	7,476,770	6,514,176
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(5,243,358)	(3,438,484)
Proceeds from capital grants	278,885	121,118
Proceeds from new water supply charges	839,841	182,905
Proceeds from capital contributions	770,593	227,377
Principal paid on long-term debt	(960,000)	(925,000)
Interest paid on long-term debt	(2,369,145)	(2,351,948)
Proceeds from the sale/disposition of capital assets	(44,927)	-
Net Cash Used in Capital and Related Financing Activities	(6,728,111)	(6,184,032)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(837)	10,163
Interest and investment earnings	66,211	67,979
Net Cash Provided by Investing Activities	65,374	78,142
Net Increase in Cash and Cash Equivalents	814,033	408,286
Cash and Cash Equivalents, Beginning of Year	8,368,728	7,960,442
Cash and Cash Equivalents, End of Year	\$ 9,182,761	\$ 8,368,728
Reconciliation of cash and cash equivalents to statement of net financial position:		
Cash and cash equivalents	\$ 6,440,725	\$ 3,895,203
Restricted assets – cash and cash equivalents	2,742,036	4,473,525
Total Cash and Cash Equivalents	\$ 9,182,761	\$ 8,368,728

* restated

See accompanying notes to the basic financial statements

Goleta Water District
Statement of Cash Flows, continued
For the Years Ended June 30,

	2013	2012*
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 4,752,449	\$ 1,854,380
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,353,153	4,285,674
Other non-operating expenses	(4,970)	(16,165)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable – water sales and services, net	(2,246,503)	(613,128)
Accounts receivable – other	230,052	(58,583)
Water-in-storage inventory	180,006	125,987
Materials and supplies inventory	(45,923)	(112,828)
Prepaid Central Coast Water Authority source of supply costs	(982,478)	680,000
Prepaid expenses and other deposits	(4,400)	(17,572)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	537,376	51,167
Accrued wages and related payables	200,146	(47,051)
Customer advances and deposits	118,343	(134,877)
Compensated absences	62,784	183,503
Post employment retirement benefits	326,735	333,669
Total adjustments	2,724,321	4,659,796
Net Cash Provided by Operating Activities	\$ 7,476,770	\$ 6,514,176
 <u>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES:</u>	2013	2012
Capital contributions	\$ 476,015	\$ 14,439
Disposition of Asset	\$ (44,927)	\$ -

* restated

See accompanying notes to the basic financial statements

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 1: Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

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

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

The Goleta Water District Financing Corporation (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 reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding.

Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 1: Reporting Entity and Summary of Significant Accounting Policies - continued

Financial Reporting

The District's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the GASB applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for financial statements for periods beginning after December 15, 2011. The District implemented this new pronouncement in the current year. The effect of the implementation of this statement to the District is limited to renaming of *Net Assets* to *Net Position*.

Assets, Liabilities and Net Position

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 1: Reporting Entity and Summary of Significant Accounting Policies - continued

Assets, Liabilities and Net Position - continued

3. Investments and Investment Policy

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

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

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

5. Federal and State Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

6. Water-In-Storage Inventory

On October 1 of each year, 9,322 acre-feet of water is allocated to the District as a result of District participation in the Cachuma Lake Project. If all of the allocation is not used in the current year, it is stored in the Cachuma Lake Project for use the following year. In addition, an amount of unused water carried over from prior years, if available, is also stored in the facility. The District has its own facilities for storing water in which stored water carries no cost. This stored water is subject to loss through evaporation, natural disasters, dam ruptures, excess rainfall and dam spillage at the various facilities. The losses are not covered by insurance.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 1: Reporting Entity and Summary of Significant Accounting Policies - continued

Assets, Liabilities and Net Position - continued

7. Materials and Supplies Inventory

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

8. Prepaid Expenses

Certain payments to vendors reflect costs or deposits 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 reserve funds and construction funds set aside from Certificates of Participation proceeds are restricted for future debt service payments and construction projects. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

10. Capital Assets

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

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 1: Reporting Entity and Summary of Significant Accounting Policies - continued

Assets, Liabilities and Net Position – continued

11. Deferred Water Supply Renegotiation Costs

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

12. Deferred Charges

Deferred charges are from bond issuance costs that will be amortized using the straight-line method over the remaining life of the respective debt service.

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 terminated.

14. Construction Advances and Deposits

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

15. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.

Restricted Components of Net Position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Components of Net Position – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 1: Reporting Entity and Summary of Significant Accounting Policies - continued

Assets, Liabilities and Net Position – continued

16. Water Sales

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

17. New Water Supply Charges

New water supply charge revenue is also described in previous years as capacity charges. The purpose is to recover a portion of the costs that developed additional new water supplies necessary to provide such additional service. 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 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 approval at the date of this reporting period. The formula for determining this charge, described in the District's Code at Appendix A (12), is based on the type of project and required service size. Project types include single-family residential, multiple-family residential, landscape and recreation irrigation, agricultural irrigation, commercial and other nonresidential uses and expanded service to existing structures or uses. This charge varies for potable, non-potable, and recycled water service.

18. Capital Contributions

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

19. Budgetary Policies

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

20. Reclassifications

Certain prior year balances have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position. The District reclassified \$229,179 of debt issuance costs and \$20,559 of associated accumulated amortization as of June 30, 2012 from certificates-of-participation payable to deferred charges in order to conform to the current year presentation. The reclassification had no effect on prior year reported net position.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 1: Reporting Entity and Summary of Significant Accounting Policies - continued

Assets, Liabilities and Net Position – continued

21. Future Government Accounting Standards Board (GASB) Statements

GASB Statements Nos. 65-70 listed below will be implemented in future financial statements:

Statement No. 65	<i>Items Previously Reported as Assets and Liabilities</i>	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
Statement No. 66	<i>Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62</i>	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
Statement No. 67	<i>Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25</i>	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013.
Statement No. 68	<i>Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27</i>	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.
Statement No.69	<i>Accounting and Financial Reporting for Government Combinations and Disposals of Government Operations</i>	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013.
Statement No.70	<i>Accounting and Financial Reporting for Non-exchange Financial Guarantees</i>	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013.
Statement No.71	<i>Pension Transition for Contributions Made after the Measurement Date of a Government's beginning net pension</i>	The provisions of this Statement are effective simultaneously with the provisions of Statement 68.

The implementation of GASB Statement No. 65 in fiscal year 2013-14 will require a prior period adjustment to net position to recognize \$556,487 of unamortized deferred charges related to previous debt issuances in the periods the charges were incurred.

The implementation of GASB Statement No. 68 in fiscal year 2014-15 will require a prior period adjustment to net position to recognize the District's actuarially determined net pension liability. This amount has not been determined as of the audit opinion date.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 1: Reporting Entity and Summary of Significant Accounting Policies - continued

Assets, Liabilities and Net Position – continued

22. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 60	<i>Accounting and Financial Reporting for Service Concession Arrangements</i>	Improves financial reporting by addressing issues related to service concession arrangements.
Statement No. 61	<i>The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34</i>	Clarifies the reporting of equity interest in legally separate organizations and requires the primary government to report its equity interest in a component unit as an asset.
Statement No. 62	<i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i>	Improves financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.
Statement No. 63	<i>Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27</i>	Provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

Note 2: Cash and Investments

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

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 6,440,725	\$ 3,895,203
<i>Restricted – cash and cash equivalents</i>	2,742,036	4,473,525
Restricted – investments	<u>6,924,022</u>	<u>6,923,187</u>
Total Cash and Investments	<u>\$ 16,106,783</u>	<u>\$ 15,291,915</u>

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

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 1,100	\$ 500
Deposits with financial institutions	9,181,661	8,368,228
Investments	<u>6,924,022</u>	<u>6,923,187</u>
Total Cash and Investments	<u>\$ 16,106,783</u>	<u>\$ 15,291,915</u>

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 2: Cash and Investments – continued

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

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 Funds	N/A	20%	None
Santa Barbara County Pooled Investment Fund	N/A	None	None
State of California's Local Agency Investment Fund (LAIF)	N/A	None	None
Local Government Investment pools (Joint Power Authority Pools)	N/A	None	None

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

Investments Authorized by Debt Agreements

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

Authorized Investment Type	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
Local Agency Investment Funds	None	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	None	None	None

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 2: Cash and Investments – continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District has deposits with various banks with various bank balances as of June 30, 2013 and 2012, respectively. Of the bank balances, up to \$250,000 in 2013 and 2012 are federally insured. At June 30, 2013, the District held \$663,985 of uncollateralized cash at a financial institution in excess of the FDIC limit.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 2: Cash 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 of its fair value are to changes in market interest rates. During FY 2013 and FY 2012, the District managed its liquidity needs by investing only in short-term securities. Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity date.

Investments at June 30, 2013, 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
Certificates-of-deposit	\$ 8,003	\$ 8,003	\$ -	\$ -	\$ -
Held by bond trustee:					
California State Treasurer – LAIF	6,915,900	6,915,900	-	-	-
Dreyfus Treasury and Agency Cash Management	119	119	-	-	-
Total	\$ 6,924,022	\$ 6,924,022	\$ -	\$ -	\$ -

Investments at June 30, 2012, 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
Certificates-of-deposit	\$ 24,376	\$ 24,376	\$ -	\$ -	\$ -
Held by bond trustee:					
California State Treasurer – LAIF	6,898,191	6,898,191	-	-	-
Dreyfus Treasury and Agency Cash Management	620	620	-	-	-
Total	\$ 6,923,187	\$ 6,923,187	\$ -	\$ -	\$ -

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 2: Cash and Investments – continued

Credit Risk

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

Credit ratings at June 30, 2013, consisted of the following:

Investment Type	Amount	Min Legal Rating	Exempt from Disclosure	S&P Ratings		
				AAA	AA-	BB-
Certificates-of-deposit Fund	\$ 8,003	N/A	\$ 8,003	\$ -	\$ -	\$ -
Held by bond trustee:						
California State Treasurer - LAIF	6,915,900	N/A	6,915,900	-	-	-
Dreyfus Treasury and Agency Cash Management	119	AAA	-	119	-	-
Total	\$ 6,924,022		\$ 6,923,903	\$ 119	\$ -	\$ -

Credit ratings at June 30, 2012, consisted of the following:

Investment Type	Amount	Min Legal Rating	Exempt from Disclosure	S&P Ratings		
				AAA	AA-	BB-
Certificates-of-deposit Fund	\$ 24,376	N/A	\$ 24,376	\$ -	\$ -	\$ -
Held by bond trustee:						
California State Treasurer - LAIF	6,898,191	N/A	6,898,191	-	-	-
Dreyfus Treasury and Agency Cash Management	620	AAA	-	620	-	-
Total	\$ 6,923,187		\$ 6,922,567	\$ 620	\$ -	\$ -

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 2: Cash and Investments – continued

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code 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 Amount	
		2013	2012
Held by bond trustee:			
California State Treasurer -LAIF	LAIF	\$ 6,915,900	\$ 6,898,191
Dreyfus Treasury and Agency	U.S. Treasury Obligations	\$ 119	\$ 620

Note 3: Accounts Receivable - Water Sales and Services, Net

The balance at June 30, consists of the following:

	2013	2012
Accounts receivable - water sales and services	\$ 5,750,452	\$ 3,405,586
Allowance for uncollectible accounts	(123,870)	(25,507)
Accounts Receivable - Water Sales, Net	\$ 5,626,582	\$ 3,380,079

The June 30, 2013 accounts receivable amount represents a balance that is above a normal operating balance. This unusually high balance results directly from issues associated with the conversion to a new billing service provider during this fiscal year. As a result, the District experienced billing delays and other issues with the conversion. The delays added new components to the accounts receivable balance outside of normal operations including the following:

- An amount of \$2,276,421 related to late billings. These billings should have occurred during the fiscal year, but were not made timely due to the system conversion. This amount was billed subsequent to fiscal year end.
- An amount of \$568,324 related to estimated billings that were not completed. These billings should have occurred during the fiscal year, but were not made due to the system conversion. This amount was not billed subsequent to year end, nor was it billed at the audit opinion date.

The District extends credits 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. The District has provided a \$90,757 allowance for uncollectible accounts for late billings and estimated billings.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 4: Prepaid Central Coast Water Authority Source of Supply Costs

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

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

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

CCWA is composed of eight voting members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board 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.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 4: Prepaid Central Coast Water Authority Source of Supply Costs – continued

Per CCWA, the District's estimated payments for State Water infrastructure for the next five fiscal years and thereafter are summarized below:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 7,493,081
2015	7,534,285
2016	7,720,796
2017	7,819,922
2018	7,874,855
Thereafter	<u>89,517,247</u>
Total	<u>\$ 127,960,186</u>

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 5: Capital Assets

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

	<u>Balance 2012*</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2013</u>
Capital Assets, not being depreciated:				
Land and land rights	\$ 549,325	\$ -	\$ -	\$ 549,325
Construction-in-process	<u>5,696,476</u>	<u>5,324,338</u>	<u>(2,914,883)</u>	<u>8,105,931</u>
Total Capital Assets, not being depreciated	<u>6,245,801</u>	<u>5,324,338</u>	<u>(2,914,883)</u>	<u>8,655,256</u>
Depreciable Capital Assets:				
Transmission and distribution system	54,488,944	2,056,855	(31,330)	56,514,469
Recycled water system	24,423,837	11,869	-	24,435,706
Water treatment plant/equipment	40,259,756	30,876	(8,084)	40,282,548
Wells	8,483,906	17,427	(17,168)	8,484,165
Pumping equipment	2,673,191	19,150	-	2,692,341
Structures and improvements	3,206,589	-	-	3,206,589
Other plant and equipment	7,436,853	408,463	(67,435)	7,777,881
Capitalized interest	<u>1,561,987</u>	<u>311,135</u>	<u>-</u>	<u>1,873,122</u>
Total Depreciable Capital Assets	142,535,063	2,855,775	(124,017)	145,266,821
Accumulated Depreciation:				
Transmission and distribution system	(25,418,063)	(1,235,405)	9,114	(26,644,354)
Recycled water system	(14,076,667)	(809,953)	-	(14,886,620)
Water treatment plant/equipment	(12,372,285)	(1,103,895)	8,084	(13,468,096)
Wells	(3,296,620)	(267,173)	17,512	(3,546,281)
Pumping equipment	(1,737,155)	(59,634)	-	(1,796,789)
Structures and improvements	(1,379,257)	(121,680)	-	(1,500,937)
Other plant and equipment	(6,069,848)	(662,732)	67,435	(6,665,145)
Capitalized interest	<u>(118,884)</u>	<u>(31,240)</u>	<u>-</u>	<u>(150,124)</u>
Total Accumulated Depreciation	<u>(64,468,779)</u>	<u>(4,291,712)</u>	<u>102,145</u>	<u>(68,658,346)</u>
Total Depreciable Capital Assets, Net	<u>78,066,284</u>	<u>(1,435,937)</u>	<u>(21,872)</u>	<u>76,608,475</u>
Total Capital Assets, Net	<u>\$ 84,312,085</u>	<u>\$ 3,888,401</u>	<u>\$ (2,936,755)</u>	<u>\$ 85,263,731</u>

*Restated

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 5: Capital Assets – continued

In 2013, major capital asset additions during the year included various projects and upgrades to District transmission and distribution systems, meters and service connections, other plant equipment and related capital interest. A portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

Restated changes in capital assets for the prior year were as follows:

	<u>Balance 2011*</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2012*</u>
Capital Assets, not being depreciated:				
Land and land rights	\$ 237,161	\$ 312,164	\$ -	\$ 549,325
Construction-in-process	3,502,490	3,910,359	(1,716,373)	5,696,476
	<u>3,739,651</u>	<u>4,222,523</u>	<u>(1,716,373)</u>	<u>6,245,801</u>
 Total Capital Assets, not being depreciated				
	<u>3,739,651</u>	<u>4,222,523</u>	<u>(1,716,373)</u>	<u>6,245,801</u>
 Depreciable Capital Assets:				
Transmission and distribution system	53,789,546	706,488	(7,090)	54,488,944
Recycled water system	24,416,747	7,090	-	24,423,837
Water treatment plant/equipment	40,259,756	-	-	40,259,756
Wells	8,483,906	-	-	8,483,906
Pumping equipment	2,673,191	-	-	2,673,191
Structures and improvements	3,206,589	-	-	3,206,589
Other plant and equipment	7,259,917	176,936	-	7,436,853
Capitalized interest	1,513,076	48,911	-	1,561,987
	<u>141,602,728</u>	<u>939,425</u>	<u>(7,090)</u>	<u>142,535,063</u>
 Total Depreciable Capital Assets				
	<u>141,602,728</u>	<u>939,425</u>	<u>(7,090)</u>	<u>142,535,063</u>
 Accumulated depreciation:				
Transmission and distribution system	(24,229,445)	(1,188,618)	-	(25,418,063)
Recycled water system	(13,267,369)	(809,298)	-	(14,076,667)
Water treatment plant/equipment	(11,268,895)	(1,103,390)	-	(12,372,285)
Wells	(3,026,648)	(269,972)	-	(3,296,620)
Pumping equipment	(1,678,043)	(59,112)	-	(1,737,155)
Structures and improvements	(1,284,703)	(94,554)	-	(1,379,257)
Other plant and equipment	(5,394,574)	(675,274)	-	(6,069,848)
Capitalized interest	(88,622)	(30,262)	-	(118,884)
	<u>(60,238,299)</u>	<u>(4,230,480)</u>	<u>-</u>	<u>(64,468,779)</u>
 Total Accumulated Depreciation				
	<u>(60,238,299)</u>	<u>(4,230,480)</u>	<u>-</u>	<u>(64,468,779)</u>
 Total Depreciable Capital Assets, Net				
	<u>81,364,429</u>	<u>(3,291,055)</u>	<u>(7,090)</u>	<u>78,066,284</u>
 Total Capital Assets, Net				
	<u>\$ 85,104,080</u>	<u>\$ 931,468</u>	<u>\$ (1,723,463)</u>	<u>\$ 84,312,085</u>

* Restated

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 5: Capital Assets – continued

In 2012, major capital asset additions during the year included a land purchase, various projects and upgrades to District transmission and distribution systems, other plant equipment purchases and related capitalized interest. A portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

Construction-In-Process

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

The balance at June 30, consists of the following projects:

	<u>2013</u>	<u>2012</u>
Residences at Sandpiper	\$ 119,076	\$ 12,340
USBR Title Transfer	115,430	15,796
GWD/CSB Interconnect project	150,612	150,338
San Ricardo well rehabilitation	2,619,378	705,039
Recycled Water Booster Pumps	630,050	64,437
Corona Del Mar – Sludge Bed Construction	1,091,609	1,091,609
Arc Flash Protection	135,892	123,506
Van Horne Generator Replacement & Study	267,336	49,064
Corona Del Mar – Process Study	228,221	690
Groundwater basin modeling	-	291,860
Cathedral Oaks Hwy 101 overcrossing	-	400,349
Water line replacements	-	208,355
Capitalized Interest	445,893	517,572
Various other minor projects <\$100,000	2,302,434	2,065,521
	<u>8,105,931</u>	<u>5,696,476</u>
Construction-in-Process	\$ 8,105,931	\$ 5,696,476

Note 6: Deferred Charges

The deferred charges balance relates to the issuance costs of the 2010 Certificates of Participation and 2003 Certificates of Participation. The deferred charges are being amortized over a 20 year or 25 year period, consistent with the terms of the related Certificates of Participation. The deferred charges net balances are as follows.

The balance at June 30, consists of the following:

	<u>2013</u>	<u>2012</u>
Deferred charges	\$ 777,366	\$ 777,366
Accumulated amortization	(251,026)	(220,879)
	<u>526,340</u>	<u>556,487</u>
Deferred Charges, Net	\$ 526,340	\$ 556,487

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 7: Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off and are accrued as earned to the extent it is probable that benefits will result in termination payments. The District's liability for compensated absences is determined annually. Changes to compensated absences for 2013, were as follows:

<u>Balance 2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2013</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$ 875,729	\$ 633,567	\$ (570,783)	\$ 938,513	\$ 248,571	\$ 689,942

Changes to compensated absences for 2012, were as follows:

<u>Balance 2011</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2012</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$ 692,226	\$ 712,655	\$ (529,152)	\$ 875,729	\$ 233,611	\$ 642,118

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 8: Long-Term Debt Included in Non-Current Liabilities

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

	Balance 2012	Additions/ (Deletions)	Principal Payments/ Amortization	Balance 2013
Debt:				
2003 Certificates of participation series	\$ 21,105,000	\$ -	\$ (960,000)	\$ 20,145,000
2010A Certificates of participation series	33,915,000	-	-	33,915,000
Total Debt	\$ 55,020,000	\$ -	\$ (960,000)	\$ 54,060,000
Unamortized loss on 1993 defeasement	(18,993)	-	18,993	-
Unamortized premium on 2003 COPs	199,102	-	(26,271)	172,831
Unamortized loss on 2003 Refunding	(79,162)	-	6,375	(72,787)
Unamortized defeasance of 2003 COP	(1,363,332)	-	109,799	(1,253,533)
Unamortized interest rate swap premium	(608,851)	-	62,446	(546,405)
Unamortized original issue discount on 2010 COPs	(474,983)	-	25,335	(449,648)
Total Net Debt	\$ 52,673,781	\$ -	\$ (763,323)	\$ 51,910,458
Less Current Portion	(960,000)	(995,000)	960,000	(995,000)
Net Long-Term Debt	\$ 51,713,781	\$ (995,000)	\$ 196,677	\$ 50,915,458

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 8: Long-Term Debt - continued

2003 Refunding Certificates of Participation Payable

Certificates of participation in the amount of \$47,000,000 were executed on October 16, 2003. The funds were used to refund the District's current outstanding Certificates of Participation captioned 1993 Goleta Water District Refunding Revenue Certificates of Participation and to finance certain improvements to the District's water supply, treatment and distribution systems. In conjunction with the issuance of the \$33,915,000 Series A Revenue Certificates of Participation and in accordance with the District's refunding plan, \$15,874,630 was deposited with an escrow agent to provide for payment when due of all principal and interest with respect to the 2003 Refunded Certificates. The advance refunding resulted in 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 a deduction from bonds payable, is being charged to operations through the fiscal year ended June 30, 2025 using the straight line method. For financial reporting purposes, the refunded portion of the debt has been considered defeased and removed as a liability from these financial statements. As of June 30, 2013 there was \$11,345,000 of defeased 2003 Certificates of Participation outstanding payable from escrow funds. (See 2010A Series Revenue Certificates of Participation below).

The \$20,145,000 balance is to be repaid over the remaining twelve year term with principal payments payable on December 1st of each year. Interest is payable semi-annually on June 1st and December 1st of each year with interest rates ranging from 4.0% to 5.25%. The revenue Certificates of Participation are secured by a pledge of District revenues.

Following are the three capital improvement projects financed from the certificates of participation 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.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 8: Long-Term Debt – continued

Annual debt service payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 995,000	\$ 917,628	\$ 1,912,628
2015	1,035,000	877,028	1,912,028
2016	1,075,000	834,828	1,909,828
2017	1,120,000	790,366	1,910,366
2018	1,165,000	743,379	1,908,379
2019-2023	8,220,000	2,805,701	11,025,701
2024-2025	6,535,000	314,094	6,849,094
Total	20,145,000	\$ 7,283,024	\$ 27,428,024
Less current portion	(995,000)		
Total Non-Current	\$ 19,150,000		

2010 Series A Certificates of Participation Payable

August 26, 2010, the District issued the \$33,915,000 2010 Series A Revenue Certificates of Participation to (i) refund a portion of the 2003 Revenue Certificates of Participation; (ii) to refund outstanding bank loans and related financing costs; (iii) to refund outstanding amounts under a loan contract with the State Water Resources Control Board; (iv) to fund \$5,000,000 of improvements to the water system; (v) to fund a reserve; and (vi) to pay related costs of execution and delivery of the 2010A Series Certificates of Participations. The advanced refunding increased total debt service payments by approximately \$17,827,603 and resulted in an economic loss of approximately \$1,706,930.

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 8: Long-Term Debt – continued

2010 Series A Certificates of Participation Payable – continued

The capital improvement projects intended to be financed from \$5,000,000 of the certificates of participation proceeds include:

- Cathedral Oaks Highway 101 overcrossing;
- Old Town Goleta waterline replacement;
- Santa Barbara County El Embarcadero system improvements;
- San Antonio well purchase;
- Anita Wellhead treatment plant;
- Relocation of the Goleta Beach Recycled waterline; and
- Recycled Water Booster Pump Controls Rebuild
- Other plant and infrastructure replacements.

Annual debt service payments are as follows:

Fiscal Year(s)	Principal	Interest	Total
2014	\$ -	\$ 1,649,738	\$ 1,649,738
2015	-	1,649,738	1,649,738
2016	-	1,649,738	1,649,738
2017	-	1,649,738	1,649,738
2018	-	1,649,738	1,649,738
2019-2023	-	8,248,688	8,248,688
2024-2028	7,550,000	7,745,775	15,295,775
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	\$ 29,826,684	\$ 63,741,684
Less current portion	-		
Total Non-Current	\$ 33,915,000		

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 9: Other Post Employment Benefits Payable (OPEB)

In addition to the pension benefits described in Note 12, the District provides other-post employment benefits.

Plan Description - Eligibility

The District administers its post employment benefits plan (Plan), a single-employer defined benefit plan. The following requirements must be satisfied in order to be eligible for lifetime post employment medical benefits: (1) Attainment of age 50, 5 years of consecutive full-time service, and (2) Retirement from CalPERS and from the District (the District must be the last employer prior to retirement).

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

	2013	2012	2011
Active plan members	59	59	55
Retirees and beneficiaries receiving Benefits	47	46	45
	106	105	100
Total Plan Membership	106	105	100

Plan Description – Benefits

The District offers post employment health care, dental care and vision care benefits to retired employees who satisfy the eligibility rules. Retirees may enroll in any plan available through the Goleta Water District and Association of California Water Agencies Joint Powers Insurance Authority, but are not eligible to change plans. The benefit provisions and the contribution requirements of Plan members and the District are established and may be amended by the Board of Directors and the Service Employees International Union Local 620 (SEIU).

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 11.5% of the annual covered payroll.

The District contributes a fixed amount for health care benefits (ranging from 55% to 100% of the premium); a fixed amount for dental care (ranging from 38% to 100% of the premium); and 100% of the premium for vision. The District funds the plan on a pay-as-you-go basis and records a liability for the difference between pay-as-you-go and the actuarially determined ARC cost.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 9: Other Post Employment Benefits Payable (OPEB) - continued

Annual OPEB Cost and Net OPEB Obligation

The balance at June 30, consists of the following:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 675,588	\$ 675,588	\$ 675,588
Interest on net OPEB obligation	179,502	162,819	143,949
Adjustment to annual required contribution	(167,424)	(151,863)	(134,263)
Total Annual OPEB Expense	<u>687,666</u>	<u>686,544</u>	<u>685,274</u>
Change in net OPEB payable obligation:			
Age adjusted contributions made	(360,931)	(352,875)	(307,873)
Total Change in Net OPEB Payable Obligation	<u>326,735</u>	<u>333,669</u>	<u>377,401</u>
OPEB Payable - Beginning of Year	<u>3,590,041</u>	<u>3,256,372</u>	<u>2,878,971</u>
OPEB Payable – Fiscal Year End	<u>\$ 3,916,776</u>	<u>\$ 3,590,041</u>	<u>\$ 3,256,372</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2013	\$ 687,666	\$ 360,931	52.5%	\$ 3,916,776
2012	\$ 686,544	\$ 352,875	51.4%	\$ 3,590,041
2011	\$ 685,274	\$ 307,873	44.9%	\$ 3,256,372

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 9: Other Post Employment Benefits Payable (OPEB) - continued

Funded Status and Funding Progress of the Plan

Using the most recent actuarial valuation dated July 1, 2011, the following is the funded status of the Plan:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Plan Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll
7/01/2011	\$ 8,151,680	\$ -	\$ 8,151,680	0.00%	\$ 5,104,324	159.70%

Actuarial Methods and Assumptions

In Fiscal Year 2011, the District retained a professional actuary to independently assess the District OPEB liability. The actuarial methods and assumptions were updated, including techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The required supplemental schedule of funding progress immediately following the notes presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

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

Based on the number of plan participants, GASB Statement 45 requires the District to examine the existing liability for retiree benefits as well as future annual expected premium costs triennially. The District's Actuarial Study of Retiree Health Liabilities was last prepared on September 26, 2011 as of July 1, 2011 and a revaluation is not required until July 1, 2014 unless a major plan change is likely to cause a material change in accrual costs and/or liabilities.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 9: Other Post Employment Benefits Payable (OPEB) - continued

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

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	28 years as of the valuation date
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increase	3.00%
Inflation - discount rate	3.00%
Individual salary growth	3.00%
Trend	4.00%

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 10: Net Position

Calculation of net position as of June 30, is as follows:

	2013	2012*
Net Investment in Capital Assets:		
Capital assets, not being depreciated	\$ 8,655,256	\$ 6,245,801
Depreciable capital assets	76,608,475	78,066,284
Current:		
Certificates-of-participation payables	(995,000)	(960,000)
Non-Current:		
Certificates-of-participation payables, net	(50,915,458)	(51,713,781)
	33,353,273	31,638,304
Components of Restricted Net Position:		
Restricted - cash and cash equivalents	2,742,036	4,473,525
Restricted – investments	6,924,022	6,923,187
Accrued interest payable - COPs	(628,040)	(631,240)
	9,038,018	10,765,472
Components of Unrestricted Net Position:		
Non-spendable net position:		
Water-in-storage inventory	242,643	422,649
Materials and supplies inventory	341,228	295,305
Prepaid Central Coast Water Authority Costs	7,708,127	6,725,649
Prepaid expenses and other deposits	181,865	178,143
Deferred water supply renegotiation costs, net	244,927	275,543
Deferred charges, net	526,340	556,487
	9,245,130	8,453,776
Spendable Net Position is Designated as Follows:		
Undesignated net position reserve	4,155,235	867,398
	4,155,235	867,398
Total Unrestricted Net Position	13,400,365	9,321,174
Total Net Position	\$ 55,791,656	\$ 51,724,950

*Restated

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 11: Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Actual employee contributions for FY 2013 and 2012 were \$209,333 and \$190,778, respectively. Market value of all plan assets held in trust by the District's three deferred compensation plans at June 30, 2013 and 2012 amounted to \$3,165,641 and \$2,693,284, respectively.

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

Note 12: Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

On August 9, 2011, as a result of negotiations with SEIU, a two-tiered retirement program was introduced similar to programs instituted by other agencies participating in the CalPERS. On January 1, 2013, the State of California implemented legislation setting a new maximum benefit, a lower-cost pension formula with requirements to work longer in order to reach full retirement age and a cap on the amount used to calculate a pension for new members hired on or after January 1, 2013, creating a three-tier retirement program for the District.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 12: Defined Benefit Pension Plan - continued

- All employees hired prior to January 1, 2012 are members of the CalPERS 2.7% at 55 Risk Pool Retirement Plan for which the contribution rate is 8% of their annual covered salaries;
- Employees hired during calendar year 2012 or employees hired on or after January 1, 2013 that have been in the CalPERS systems are members of the CalPERS 2.0% at 55 Risk Pool Retirement Plan for which the contribution rate is 7% of their annual;
- Employees hired on or after January 1, 2013 that have not been in the CalPERS system are members of the CalPERS 2.0% at 62 Risk Pool Retirement Plan for which the contribution rate is 6.25% of their annual covered salaries;
- Currently, the District makes a portion of contributions required of District employees on their behalf and for their account. Employees in all plans currently contribute 1% of their annual covered salaries to their accounts;
- Effective July 1, 2014, the District will no longer be permitted to make a portion of contributions required by District employees in the CalPERS 2% at 62 Risk Pool Retirement Plan employees on their behalf and for their account. Effective January 1, 2018, all other employees may be required to pay up to 50% of the normal costs of their pension benefit; up to 8% of the contribution rate.
- The District is required to contribute any actuarially determined remaining amounts necessary to fund the benefits for its members.
- At the time the District joined the existing risk pool, CalPERS created a Risk Pool side fund to account for the difference between the funded status of the pool and the funded status of the District's plan. As of June 30, 2013 and June 30, 2012, the estimated side fund liability was \$2,423,529 and \$2,635,565 respectively.

The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2013, 2012 and 2011, as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2013, 2012 and 2011, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	APC Percentage of Payroll
2011	\$ 1,402,961	100%	-	19.293%
2012	\$ 1,526,755	100%	-	29.159%
2013	\$ 1,692,754	100%	-	27.405%

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 13: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (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, 2013, the District participated in the liability and property programs and Worker's Compensation Program of the ACWA/JPIA as follows:

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

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

Employee dishonesty coverage up to \$100,000 per occurrence includes public employee dishonesty, forgery or alteration and computer fraud coverage; and

Excess Crime Coverage for up to \$1,000,000 per occurrence.

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

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

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

After a sustained period of low claims by the District, ACWA JPIA refunded approximately \$57,000 in March 2013 as part of a rate stabilization program that is designed to calibrate premiums versus claims for each pooled insurance program. Settled claims have not exceeded any of the coverage amounts in any of the last two fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2013 and 2012. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2013 and 2012.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 14: Commitments and Contingencies

Goleta West Conduit Project

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

The Cachuma Lake Project - Seismic Safety of Bradbury Dam

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

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

<u>Fiscal Year</u>		<u>Amount</u>
2014	\$	59,765
2015		59,765
2016		94,847
2017		94,847
2018		94,847
Thereafter		<u>1,635,826</u>
Total	\$	<u><u>2,039,897</u></u>

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 14: Commitments and Contingencies – continued

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.

Grant Awards

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

Goleta Sanitary District Recycled Water Facility

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

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.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 15: Prior Period Adjustment

The District recorded prior period adjustments in the current fiscal year in order to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005/2006 through 2012/2013. These adjustments were made to conform to the Financial Accounting Standards Board standards previously adopted by the District that were codified into GASB Statement number 62.

The financial statements for the year ended June 30, 2012, have been retroactively restated for this correction and the portion of the adjustment applicable to the year ended June 30, 2011, and prior years in the amount of \$1,701,034 has been treated as a retroactive restatement of the June 30, 2011 net position balance. The details of this restatement are as follows:

Net position at June 30, 2011, as previously reported	\$ 50,168,464
Prior period adjustment for capitalized interest	1,789,656
Prior period adjustment for depreciation of capitalized interest	<u>(88,622)</u>
Net position at June 30, 2011, as restated	<u>\$ 51,869,498</u>

For the year ended June 30, 2012 this change had the effect of increasing net position by \$259,641, as compared to the amounts previously reported. The details of this restatement are as follows:

Net position at June 30, 2011, as restated	\$ 51,869,498
Change in net position, as previously reported for June 30, 2012	(404,189)
Prior period adjustment for capitalized interest	289,903
Prior period adjustment for depreciation of capitalized interest	<u>(30,262)</u>
Net position at June 30, 2012, as restated	<u>\$ 51,724,950</u>

The effect on the June 30, 2012 Statement of Net Position was as follows:

Increase in capital assets not being depreciated	\$ 517,572
Increase in net depreciable capital assets	<u>1,443,103</u>
Total increase in net position (net investment in capital assets)	<u>\$ 1,960,675</u>

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2013 and 2012

Note 16: Subsequent Events

Refunding Revenue Certificates of Participation, Series 2014A

Refunding revenue certificates of participation in the amount of \$19,050,000 were executed on January 22, 2014 to (i) refund \$19,150,000 of the 2003 Revenue Certificates of Participation; (ii) to finance improvement of \$5,545,010 to the District's water system; (iii) to purchase a municipal bond insurance policy to guarantee payment of principal and interest; and (iv) to pay related costs of execution and delivery of the 2014A Series Certificates of Participations. Additional sources of funds included a \$3,522,219 District contribution and a \$2,603,225 original issue premium.

Interest will be payable semi-annually on June 1 and December 1 of each year while principal payments are made on December 1 of each year. The final payment is due December 1, 2024, with interest rates ranging from 2.00% to 5.00%. The revenue certificates of participation will be secured by a pledge of District revenues.

Drought

On January 17, 2014, the State of California declared a state-wide drought emergency and the Governor has asked for voluntary reduction in water consumption. Shortly thereafter, on January 21, 2014, the County of Santa Barbara Board of Supervisors declared a local drought emergency.

While the State and County Drought Declarations underscore the impact current dry conditions are having throughout California, the District is not currently experiencing a water shortage. The District has made extensive and ongoing investments to ensure the long-term reliability of water supply. While some water districts across the State have already begun implementing significant drought responses, the District's long-term planning and investments in a diverse water supply coupled with the District conservation programming and outreach has positioned the District well for providing ongoing reliable water service to our customers.

Required Supplementary Information

Goleta Water District
 Required Supplementary Information (Unaudited)
 For the Fiscal Years Ended June 30, 2013 and 2012

Schedule of Funding Status – Other Post-Employment Benefits Obligation

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Plan Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll
7/01/2011	\$ 8,151,680	\$ -	\$ 8,151,680	0.00%	\$ 5,104,324	159.70%
6/30/2010	\$ 16,079,140	\$ -	\$ 16,079,140	0.00%	\$ 5,051,116	318.33%
6/30/2009	\$ 15,530,050	\$ -	\$ 15,530,050	0.00%	\$ 4,623,141	335.92%

Funding Progress is presented for the years(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or more often if there are significant changes to the plan. The next schedule actuarial review and analysis of the post-employment benefits liability and funding status will be performed based on the year ending June 30, 2014.

**Goleta Water District
Statistical Section
Unaudited**

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

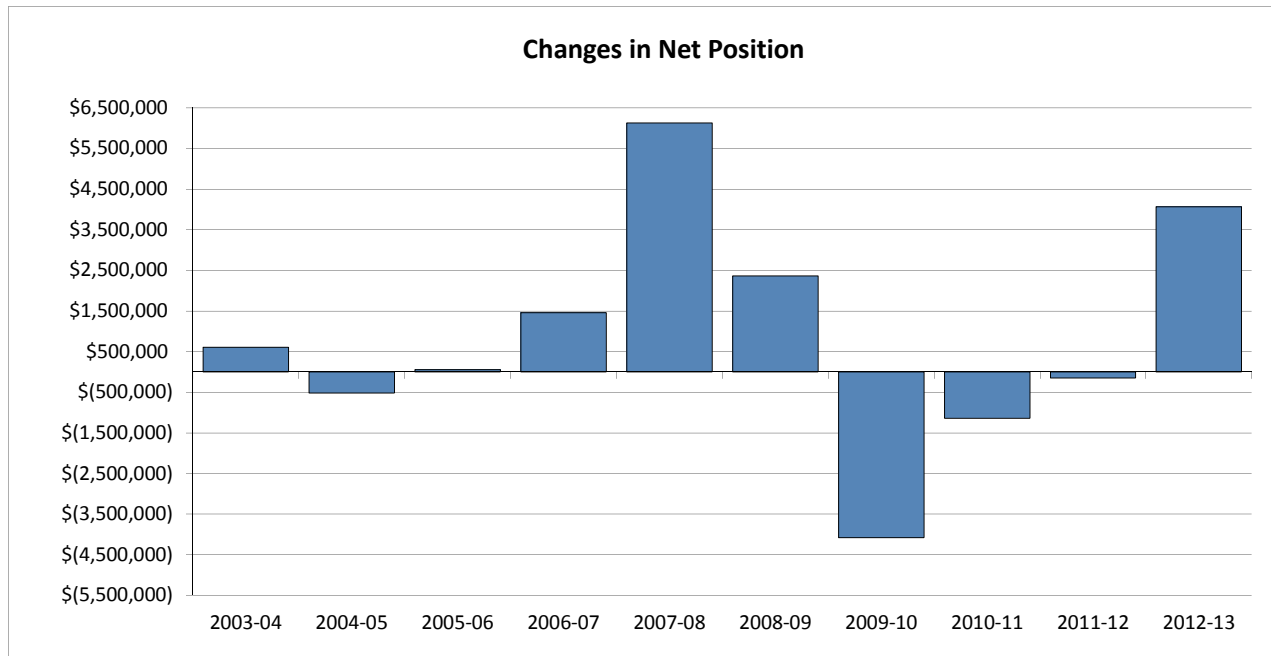
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Financial Trends	62-66
Provides historical context to help the reader understand how District financial performance has changed over time.	
Revenue Capacity	67-70
Helps the reader assess the District's most significant own-source revenue, water sales.	
Debt Capacity	71-72
Informs the reader regarding the affordability of District debt and its ability to assume additional debt in the future.	
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Offers indicators to help the reader understand the community environment within which the District operates.	
Operating Information	74
Contains staffing levels and infrastructure data to help the reader understand how the District provides its services.	

**Goleta Water District
Changes in Net Position by Component
Previous Ten Fiscal Years
Unaudited**

Schedule 1

Description	2003-04	2004-05	2005-06	2006-07	2007-08 ⁽²⁾
Changes in net position:					
Operating revenues (see schedule 2)	\$ 20,712,149	\$ 19,028,366	\$ 19,820,429	\$ 23,275,841	\$ 26,147,078
Operating expenses (see schedule 3)	(19,627,514)	(18,143,671)	(18,477,813)	(19,099,548)	(20,806,256)
Depreciation and amortization	(2,860,413)	(2,845,015)	(3,052,138)	(3,148,347)	(1,620,145)
Operating income	(1,775,778)	(1,960,320)	(1,709,522)	1,027,946	3,720,677
Net non-operating revenue(expense) (see schedule 4)	(1,472,899)	(346,585)	307,975	(392,509)	3,541,627
Net income before capital contributions	(3,248,677)	(2,306,905)	(1,401,547)	635,437	7,262,304
Capital contributions	3,856,288	1,788,501	1,457,127	822,157	875,732
Changes in net position	\$ 607,611	\$ (518,404)	\$ 55,580	\$ 1,457,594	\$ 8,138,036
Net position by component:					
Net investment in capital assets ⁽¹⁾	\$ 12,160,238	\$ 18,876,833	\$ 29,061,204	\$ 35,613,775	\$ 41,625,111
Restricted	23,082,724	19,599,556	10,625,609	6,419,910	3,459,351
Unrestricted	8,650,998	4,899,167	3,744,323	2,855,045	7,942,304
Total net position	\$ 43,893,960	\$ 43,375,556	\$ 43,431,136	\$ 44,888,730	\$ 53,026,766

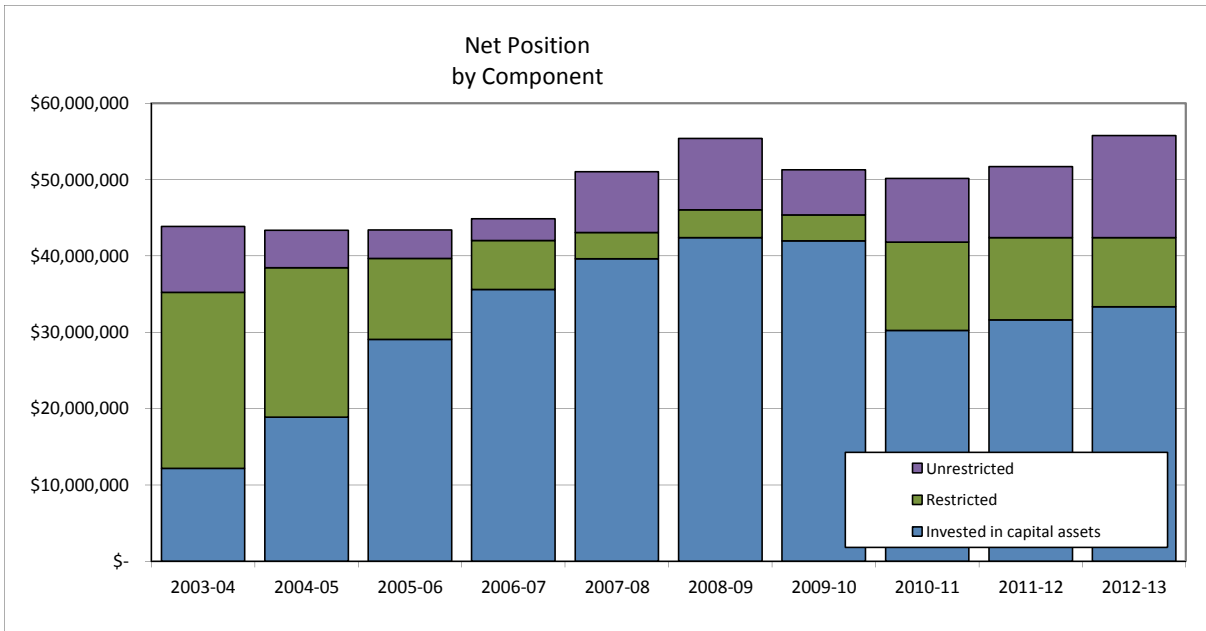


Source: Goleta Water District Audited Financial Statements

**Goleta Water District
Changes in Net Position by Component
Previous Ten Fiscal Years
Unaudited**

**Schedule 1
(continued)**

Description	2008-09 ⁽²⁾	2009-10 ⁽²⁾	2010-11 ⁽²⁾⁽³⁾	2011-12 ⁽²⁾	2012-13
Changes in net position:					
Operating revenues (see schedule 2)	\$ 25,245,709	\$ 23,875,390	\$ 22,975,387	\$ 27,136,533	\$ 31,475,922
Operating expenses (see schedule 3)	(22,717,232)	(22,829,750)	(19,107,945)	(21,051,673)	(22,431,761)
Depreciation	(3,951,664)	(4,639,138)	(4,640,497)	(4,230,480)	(4,291,712)
Operating income	(1,423,187)	(3,593,498)	(773,055)	1,854,380	4,752,449
Net non-operating revenue(expense) (see schedule 4)	3,510,204	(1,734,390)	(481,665)	(2,347,423)	(1,735,221)
Net income before capital contributions	2,087,017	(5,327,888)	(1,254,720)	(493,043)	3,017,228
Capital contributions	277,963	1,246,321	287,292	348,495	1,049,478
Changes in net position	<u>\$ 2,364,980</u>	<u>\$ (4,081,567)</u>	<u>\$ (967,428)</u>	<u>\$ (144,548)</u>	<u>\$ 4,066,706</u>
Net position by component:					
Net investment in capital assets ⁽¹⁾	\$ 42,404,294	\$ 41,984,446	\$ 31,738,373	\$ 31,638,304	\$ 33,353,273
Restricted	3,670,054	3,389,233	11,580,096	10,765,472	9,038,018
Unrestricted	9,317,398	5,936,500	8,551,029	9,321,174	13,400,365
Total net position	<u>\$ 55,391,746</u>	<u>\$ 51,310,179</u>	<u>\$ 51,869,498</u>	<u>\$ 51,724,950</u>	<u>\$ 55,791,656</u>



Note: (1) Net of related debt

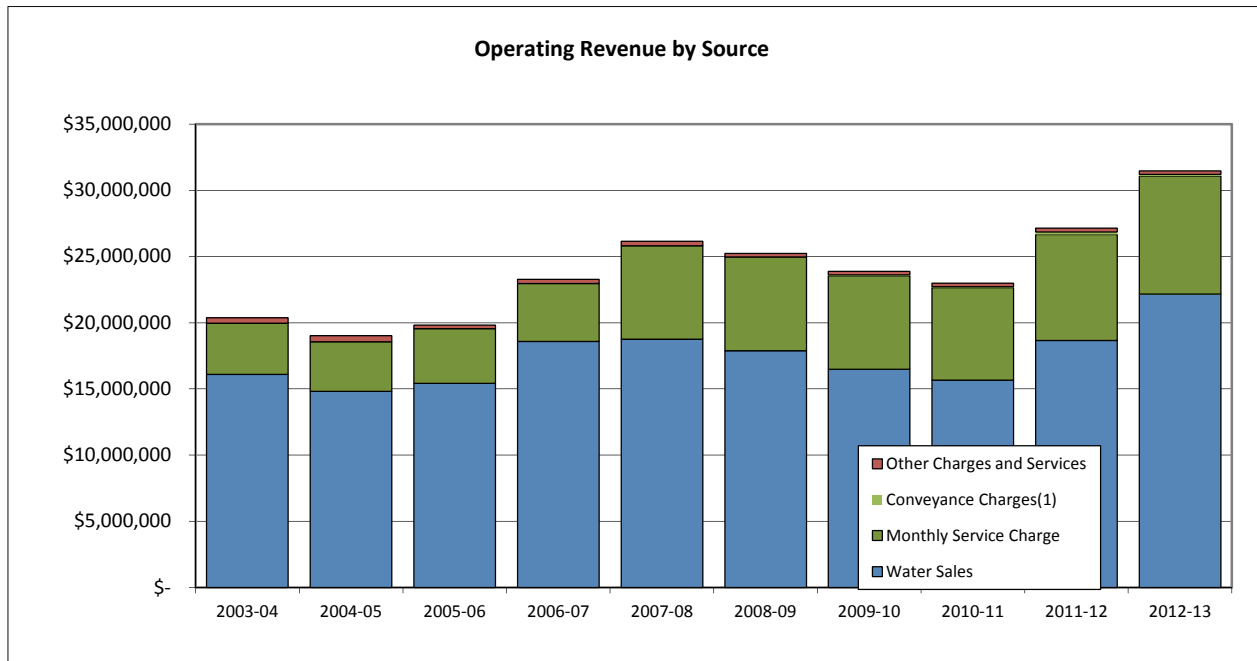
(2) Restated

(3) In fiscal year 2012-13, the District recorded a prior adjustment to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005-06 through 2012-13. This schedule has not been revised to reflect the restated amounts for fiscal years 2005-06 through 2009-10. Instead, the cumulative effect of the restatement on net position for these years of \$1,526,747 is included in the FY 2010-11 net position balance.

**Goleta Water District
Operating Revenue by Source
Previous Ten Fiscal Years
Unaudited**

Schedule 2

Fiscal Year	Water Sales	Monthly Charge	Conveyance Charges⁽¹⁾	Other Charges and Services	Total Revenue
2003-04	\$ 16,105,305	\$ 3,861,755	\$ -	\$ 417,938	\$ 20,384,998
2004-05	14,809,298	3,755,733	-	463,335	19,028,366
2005-06	15,425,971	4,117,481	-	276,977	19,820,429
2006-07	18,582,563	4,380,462	-	312,816	23,275,841
2007-08	18,750,446	7,073,409	-	323,223	26,147,078
2008-09	17,891,753	7,086,522	-	267,434	25,245,709
2009-10	16,493,699	7,052,721	60,951	268,019	23,875,390
2010-11	15,672,687	6,987,420	49,225	266,055	22,975,387
2011-12	18,668,008	7,998,014	193,749	276,762	27,136,533
2012-13	22,171,254	8,906,789	133,961	263,918	31,475,922



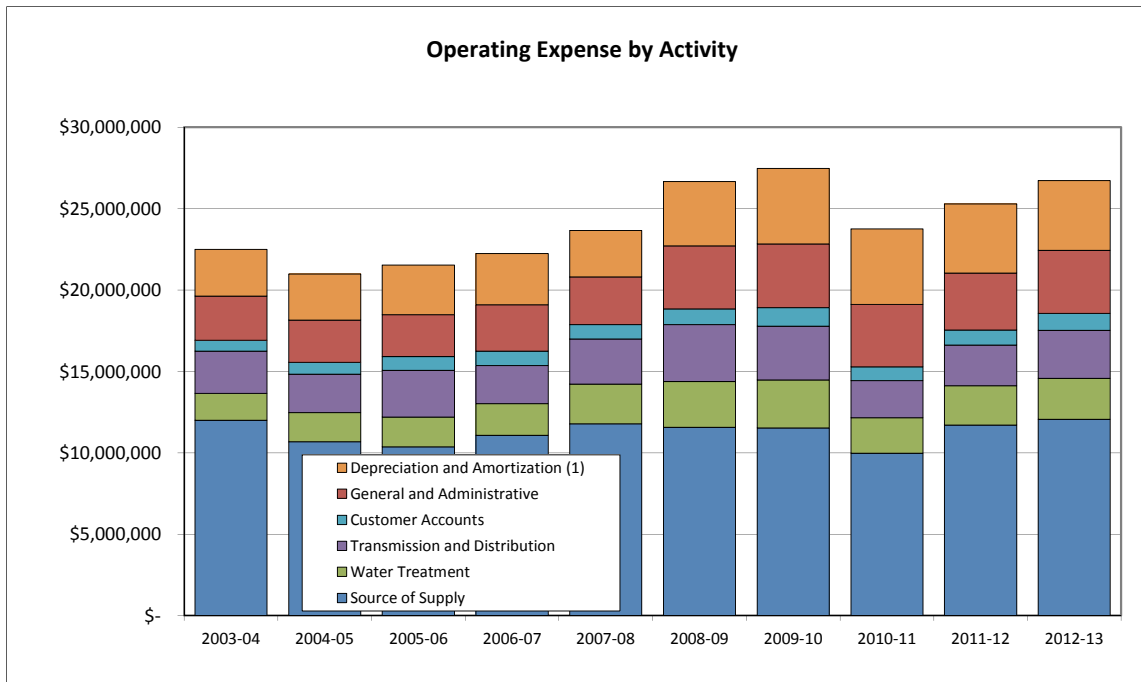
Note: (1) Conveyance Charges were classified as Water consumption revenue in FYs 2004-2009.

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 and Amortization (1)	Total Operating Expenses
2003-04	\$ 11,990,871	\$ 1,662,522	\$ 2,593,119	\$ 661,467	\$ 2,719,535	\$ 2,860,413	\$ 22,487,927
2004-05	10,686,375	1,781,205	2,359,677	736,126	2,580,288	2,845,015	20,988,686
2005-06	10,364,501	1,836,761	2,860,188	857,214	2,559,149	3,052,138	21,529,951
2006-07	11,069,528	1,946,499	2,339,804	882,476	2,861,241	3,148,347	22,247,895
2007-08	11,777,844	2,437,979	2,773,177	891,142	2,926,114	2,845,876	23,652,132
2008-09	11,556,246	2,824,069	3,486,767	973,101	3,877,049	3,951,664	26,668,896
2009-10	11,522,500	2,958,871	3,293,092	1,146,336	3,908,951	4,639,138	27,468,888
2010-11	9,968,271	2,190,570	2,280,486	846,299	3,822,319	4,640,497	23,748,442
2011-12	11,699,420	2,426,226	2,489,968	935,180	3,500,879	4,230,480	25,282,153
2012-13	12,048,975	2,527,904	2,941,150	1,053,854	3,859,878	4,291,712	26,723,473



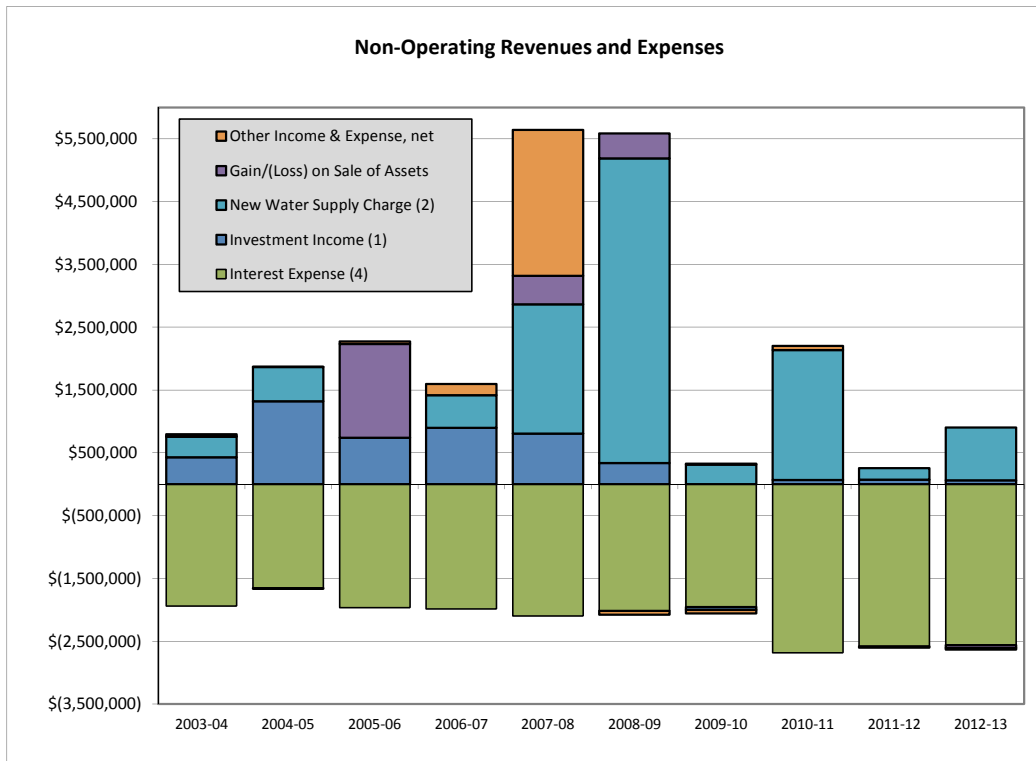
Note: (1) Fiscal year 2012-13, the District recorded a prior adjustment to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005-06 through 2012-13. Additional depreciation expense of \$58,360 recorded for fiscal years 2005-06 through 2009-10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

Source: Goleta Water District Audited Financial Statements

**Goleta Water District
Non-Operating Revenues and Expenses
Previous Ten Fiscal Years
Unaudited**

Schedule 4

Fiscal Year	Investment Income ⁽¹⁾	New Water Supply Charge ⁽²⁾	Gain/(Loss) on Sale of Assets	Interest Expense ⁽⁴⁾	Other Income & Expense, net	Net Non-operating Revenues/(Expenses)
2003-04	\$ 428,648	\$ 327,151	\$ 8,432	\$ (1,939,412)	\$ 29,433	\$ (1,145,748)
2004-05	1,319,565	544,117	(9,612)	(1,657,837)	1,299	197,532
2005-06	736,719	-	1,496,104	(1,966,097)	41,249	307,975
2006-07	898,501	515,955	-	(1,985,205)	178,240	(392,509)
2007-08	803,891	2,058,188	456,725	(2,098,927)	2,321,750 ⁽³⁾	3,541,627
2008-09	338,908	4,846,624	402,230	(2,017,803)	(59,755)	3,510,204
2009-10	(43,888)	310,949	12,929	(1,958,678)	(55,702)	(1,734,390)
2010-11	67,164	2,069,370	-	(2,683,811)	65,611	(481,666)
2011-12	71,525	182,905	-	(2,582,323)	(19,530)	(2,347,423)
2012-13	61,671	839,841	(44,927)	(2,562,624)	(29,182)	(1,735,221)



Notes:

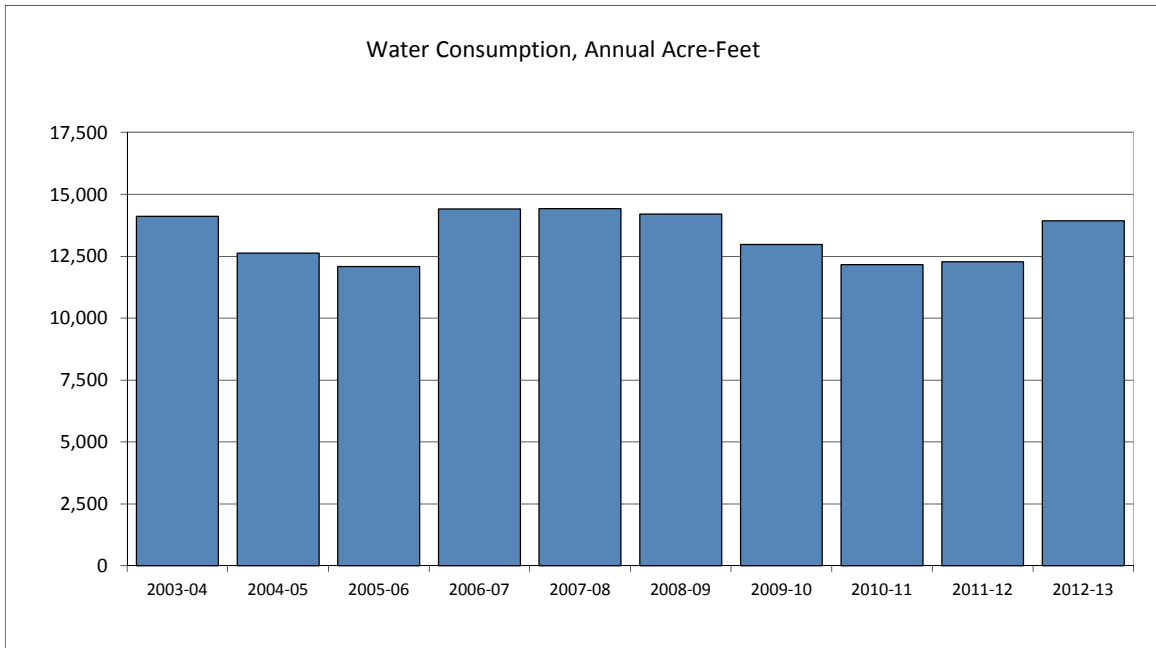
- (1) Includes interest income and realized and unrealized gains and losses on investments.
- (2) In FY 2004 System Development Fees (New Water Supply Charges) were classified as Operating Revenue and in FY 2005 as Capital Contribution in the Goleta Water District Audited Financial Statements.
- (3) Includes one-time accrual reversal of \$2,184,000 for post employments benefits.
In fiscal year 2012-13, the District recorded a prior adjustment to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005-06 through 2012-13. Interest incurred of \$1,585,409 that was previously reported as expense during fiscal years 2005-06 through 2009-10 and was capitalized as a result of the restatement is not reduced from the interest expense amounts presented in this schedule.
- (4)

Source: Goleta Water District Audited Financial Statements

**Goleta Water District
Revenue Base
Previous Ten Fiscal Years
Unaudited**

Schedule 5

Fiscal Year	Water Sales (acre feet)
2003-04	14,104
2004-05	12,619
2005-06	12,077
2006-07	14,406
2007-08	14,415
2008-09	14,198
2009-10	12,971
2010-11	12,161
2011-12	12,275
2012-13	13,923



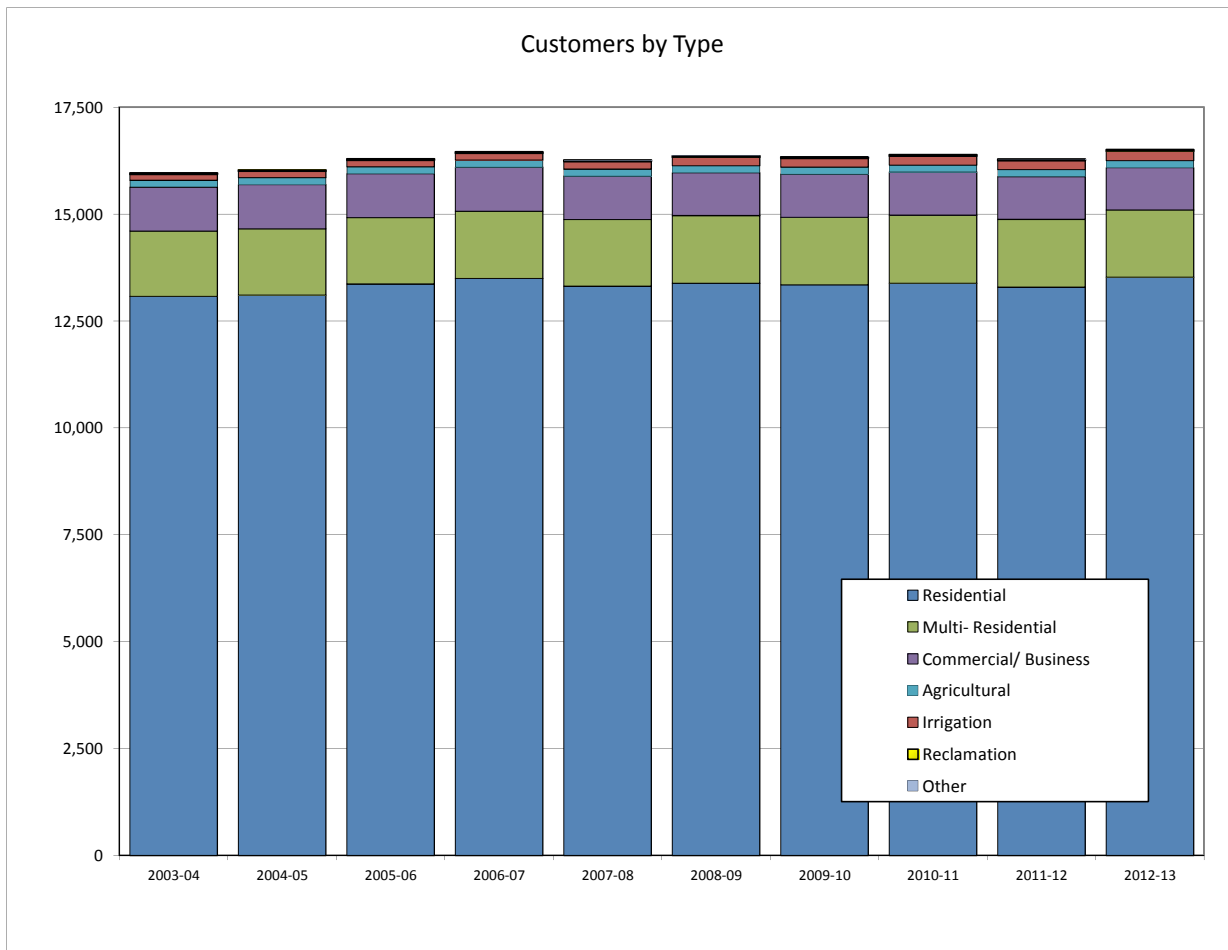
Note: See Schedule 2 "Revenue by Source" for information regarding water sales.

Sources: Central Coast Water Authority Statistics and Goleta Water District Annual Continuing Disclosure Annual 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
2003-04	13,078	1,530	1,026	158	143	30	-	15,965
2004-05	13,109	1,550	1,034	162	153	31	-	16,039
2005-06	13,369	1,551	1,026	164	154	32	-	16,296
2006-07	13,497	1,574	1,028	168	162	30	-	16,459
2007-08	13,317	1,558	1,016	164	180	32	8	16,275
2008-09	13,386	1,582	1,002	165	199	32	7	16,373
2009-10	13,348	1,579	1,010	165	205	32	7	16,346
2010-11	13,386	1,591	1,009	164	212	32	7	16,401
2011-12	13,294	1,587	997	165	213	32	7	16,295
2012-13	13,528	1,572	989	165	221	36	7	16,518



Sources: Goleta Water District

**Goleta Water District
Revenue Rates
Previous Ten Fiscal Years
Unaudited**

Schedule 7

	Fiscal Year									
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Monthly Service Charges ⁽¹⁾										
<u>Meter Size</u>										
5/8" & 3/4" ⁽²⁾	\$ 16.40	\$ 16.40	\$ 17.71	\$ 18.42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ultra low flow ⁽²⁾	-	-	-	-	9.21	9.21	9.21	9.21	10.68	11.87
Low flow ⁽²⁾	-	-	-	-	18.42	18.42	18.42	18.42	21.37	23.74
All other ⁽²⁾	-	-	-	-	27.63	27.63	27.63	27.63	32.05	35.61
1"	22.22	22.22	24.00	24.96	46.06	46.06	46.06	46.06	53.43	59.36
1 1/2"	36.40	36.40	39.31	40.88	92.10	92.10	92.10	92.10	106.84	118.69
2"	51.72	51.72	55.86	58.09	147.38	147.38	147.38	147.38	170.96	189.94
3"	86.40	86.40	93.31	97.04	276.33	276.33	276.33	276.33	320.54	356.12
4"	131.38	131.38	141.89	144.57	460.55	460.55	460.55	460.55	534.24	593.54
6"	239.70	239.70	258.88	269.23	921.09	921.09	921.09	921.09	1,068.46	1,187.06
8"	353.02	353.02	381.26	396.51	1,473.76	1,473.76	1,473.76	1,473.76	1,709.56	1,899.32
10"	466.34	466.34	503.65	523.79	3,500.72	3,500.72	3,500.72	3,500.72	4,060.84	4,511.59
Water Usage Charges (per HCF) ⁽¹⁾										
<u>User Type</u>										
Urban										
Conservation ⁽²⁾	\$ 3.29	\$ 3.29	\$ 3.55	\$ 3.55	\$ 3.55	\$ 3.55	\$ 3.55	\$ 3.55	\$ 4.12	\$ 4.58
Urban ⁽³⁾	3.29	3.29	3.55	3.71	3.71	3.71	3.71	3.71	4.30	4.78
Urban Agriculture										
Goleta West Conduit Agriculture	0.95	0.95	1.00	1.00	1.00	1.00	1.00	1.00	1.06	1.18
Recreation										
Irrigation	2.38	2.38	2.57	2.68	2.68	2.68	2.68	2.68	3.11	3.45
Reclaimed	2.01	2.01	2.17	2.17	2.17	2.17	2.17	2.17	2.49	2.76

Notes:

(1) Rates as of June 30 of each fiscal year.

(2) Monthly service charges converted to a tiered structure effective July 1, 2007. 5/8" & 3/4" Meters are based on average 12 month water use. Ultra low flow (4 or less HCF), Low flow (greater than 4 but less than 8 HCF), and All other 5/8" & 3/4" meter rates (greater than 8 HCF).

(3) Residential agricultural customers are charged at Urban rate unless usage exceeds 11 HCF per dwelling for any given month.

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

**Goleta Water District
Ten Largest Water Users
Current Fiscal Year versus Fiscal Year 2003-04
Unaudited**

Schedule 8

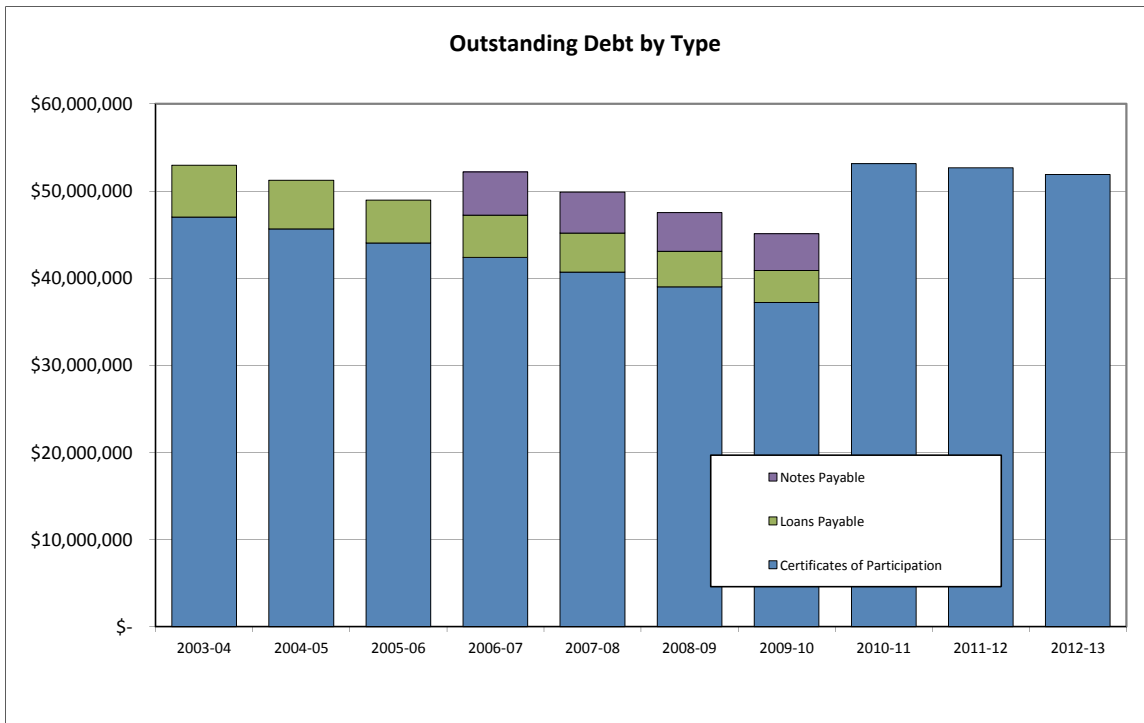
FY 2012-13			FY 2003-04		
Name	Water Sales (Acre Feet)	Percentage of Total Water Purchased	Name	Water Sales (Acre Feet)	Percentage of Total Water Purchased
Univ of Calif at Santa Barbara	934	6.71%	Univ of Calif at Santa Barbara	820	5.81%
Cavaletto Ranches, LLC	721	5.18%	Glen Annie Golf Club	363	2.57%
County of Santa Barbara	271	1.95%	Sandpiper Golf Course	305	2.16%
Sandpiper Golf Course	270	1.94%	Cavaletto Ranches, LLC	270	1.91%
Glen Annie Golf Club	253	1.82%	County of Santa Barbara	203	1.44%
Rancho Tres Canadas	237	1.70%	Roy Butera	194	1.38%
Wallover Inc	193	1.39%	Ag-Land Service	183	1.30%
Roy Butera	175	1.26%	Bacara Resort Services, Inc.	170	1.21%
Santa Barbara Municipal Airoport	132	0.95%	Rancho Tres Canadas	242	1.72%
Ag-Land Service	132	0.95%	Por La Mar Nursery	144	1.02%
Total attributable to ten largest water users:	<u>3,318</u>	<u>23.84%</u>		<u>2,894</u>	<u>20.52%</u>
Total water consumed (acre feet)	<u>13,923</u>	<u>100.00%</u>		<u>14,104</u>	<u>100.00%</u>

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

**Goleta Water District
Ratio of Outstanding Debt by Type
Previous Ten Fiscal Years
Unaudited**

Schedule 9

Fiscal Year	Notes Payable	Certificates of Participation	Loans Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2003-04	\$ -	\$ 47,000,000	\$ 5,948,994	\$ 52,948,994	\$ 1,721	0.051%
2004-05	-	45,655,000	5,596,077	51,251,077	1,671	0.054%
2005-06	-	44,040,000	4,922,476	48,962,476	1,594	0.060%
2006-07	4,941,625	42,395,000	4,860,321	52,196,946	1,730	0.063%
2007-08	4,705,415	40,715,000	4,476,921	49,897,336	1,663	0.064%
2008-09	4,457,920	39,005,000	4,082,786	47,545,706	1,560	0.059%
2009-10	4,197,810	37,225,000	3,677,615	45,100,425	1,450	0.060%
2010-11	-	53,157,091	-	53,157,091	1,770	0.063%
2011-12	-	52,673,781	-	52,673,781	1,764	0.064%
2012-13	-	51,910,458	-	51,910,458	1,733	0.064%



Source: Goleta Water District Audited Financial Statements

**Goleta Water District
Pledged-Revenue Coverage
Previous Ten Fiscal Years
Unaudited**

Schedule 10

Fiscal Year	Operating	Operating	Net Available		Debt Service		Coverage Ratio
	Revenues	Expenses ⁽¹⁾	Revenues	Principal ⁽²⁾	Interest	Total	
2003-04	\$ 20,712,149	\$ (19,627,514)	\$ 1,084,635	\$ 343,305	\$ 1,939,412	\$ 2,282,717	0.48
2004-05	19,028,366	(18,143,671)	884,695	1,697,917	1,657,837	3,355,754	0.26
2005-06	19,820,429	(18,477,813)	1,342,616	1,977,799	1,966,097	3,943,896	0.34
2006-07	23,275,841	(19,099,548)	4,176,293	2,076,332	1,985,205	4,061,537	1.03
2007-08	26,147,078	(20,806,256)	5,340,822	2,299,610	2,109,143	4,408,753	1.21
2008-09	25,245,709	(22,717,232)	3,828,348	2,351,630	2,031,131	4,382,761	0.88
2009-10	23,833,852	(22,829,750)	2,583,202	2,445,281	1,970,974	4,416,255	0.59
2010-11	22,959,057	(19,107,945)	3,851,112	885,000	1,933,861	2,818,861	1.52
2011-12	27,136,533	(21,051,673)	6,084,860	925,000	2,351,948	3,276,948	1.86
2012-13	31,475,922	(22,431,761)	9,044,161	960,000	2,369,145	3,329,145	2.72

Notes: (1) Excludes depreciation expense.

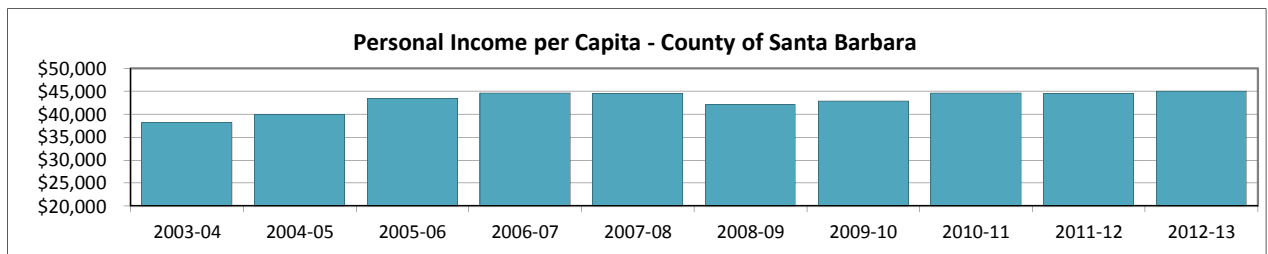
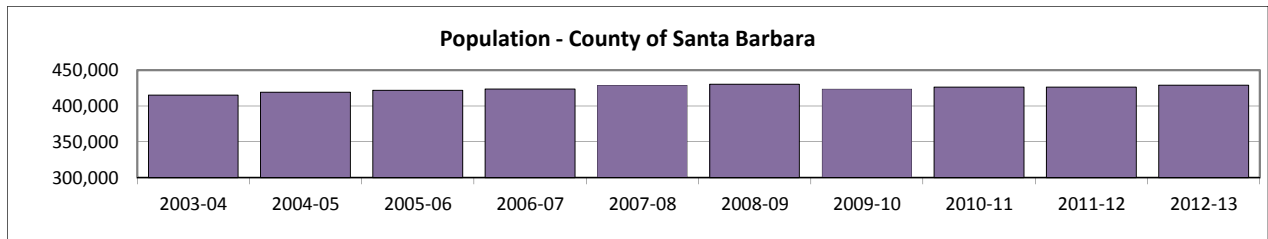
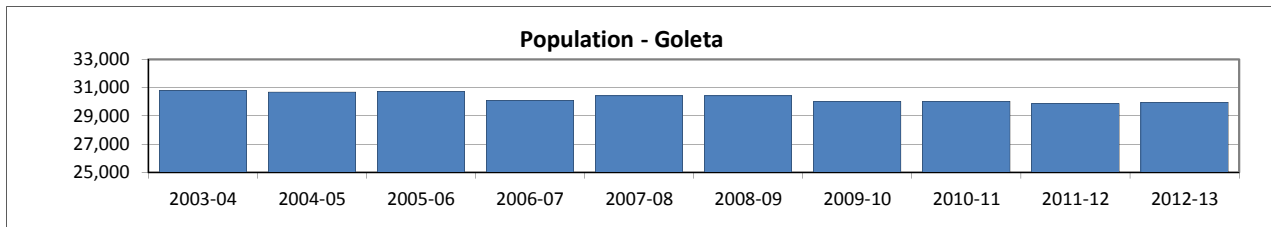
(2) Excludes payments associated with refinancing.

Source: Goleta Water District Audited Financial Statements

**Goleta Water District
Demographics and Economics Statistics
Previous Ten Fiscal Years
Unaudited**

Schedule 11

Fiscal Year	Goleta ⁽¹⁾	County of Santa Barbara ⁽³⁾			
	Population ⁽²⁾	Unemployment Rate	Population ⁽²⁾	Personal Income (\$ billions)	Personal Income per Capita
2003-04	30,773	3.40%	415,000	\$ 15.8	38,100
2004-05	30,679	4.00%	419,000	16.7	39,900
2005-06	30,721	3.50%	422,000	18.3	43,400
2006-07	30,096	3.80%	423,540	18.9	44,600
2007-08	30,400	5.20%	428,655	19.1	44,500
2008-09	30,404	8.20%	430,333	18.1	42,000
2009-10	30,001	8.80%	423,740	18.6	42,900
2010-11	30,032	8.90%	426,189	19.0	44,600
2011-12	29,863	7.90%	426,351	19.0	44,500
2012-13	29,962	⁽⁴⁾ 6.30%	429,200	⁽⁴⁾ 19.3	45,000



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

Sources: California Department of Finance and California Labor Market Info

**Goleta Water District
Operating and Capacity Indicators
Previous Ten Fiscal Years
Unaudited**

Schedule 12

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

Department	Fiscal Year									
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General Management	3	3	3	3	4	2	3	3	3	3
Operations Management	2	2	2	2	2	2	2	2	2	2
Water Treatment	14	13	13	12	14	10	10	10	12	11
Distribution	16	16	14	9	9	16	16	14	16	14
Water Quality	0	0	0	1	2	2	2	2	6	8
Warehouse	1	1	1	1	1	1	1	1	1	1
Meter Services	7	7	7	5	5	5	5	5	5	5
Engineering Services	11	11	11	11	12	11	10	7	4	4
Customer Service	2	2	2	3	3	3	2	1	1	1
Accounting and Finance	4	4	3	3	3	4	5	4	7	8
Payroll	1	1	1	1	1	1	1	1	1	1
Human Resources	1	1	1	1	1	1	1	1	1	1
	<u>62</u>	<u>61</u>	<u>58</u>	<u>52</u>	<u>57</u>	<u>58</u>	<u>58</u>	<u>51</u>	<u>59</u>	<u>59</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)
2003-04	45	264	9	1,392	29
2004-05	45	264	9	1,393	29
2005-06	45	265	9	1,402	29
2006-07	45	265	9	1,410	29
2007-08	45	266	9	1,422	29
2008-09	45	266	9	1,437	29
2009-10	45	270	9	1,448	29
2010-11	45	270	9	1,455	29
2011-12	45	270	9	1,468	29
2012-13	45	270	9	1,466	29

Sources: Goleta Water District - Administrative Services and Engineering Departments

List of Acronyms and Abbreviations

ACWA	Association of California Water Agencies
AFY	Acre Feet per Year
APC	Annual Pension Cost
ARC	Annual Required Contribution
ASR	Aquifer Storage and Recovery
CAFR	Comprehensive Annual Financial Report
CalPERS	California Public Employees' Retirement System
CCRB	Cachuma Conservation and Release Board
CCWA	Central Coast Water Authority
CIP	Capital Improvement Projects
COMB	Cachuma Operation and Maintenance Board
COP	Certificates of Participation
CPA	Cachuma Project Authority
CSDA	California Special Districts Association
CUWCC	California Urban Water Conservation Council
DWR	Department of Water Resources
EPA	Environmental Protection Agency
FASB	Financial Accounting Standards Board
FTE	Full time equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GIS	Geographic Information System
GSD	Goleta Sanitary District
GWC	Goleta West Conduit
GWD	Goleta Water District
HCF	Hundred Cubic Feet
IBNR	Incurred But Not Reported
IIP	Infrastructure Improvement Plan
JPIA	Joint Powers 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