

CENTRAL COAST WATER AUTHORITY



A California Joint Powers Authority
Annual Comprehensive Financial Report
Fiscal Years Ended June 30, 2023 and 2022



Central Coast Water Authority
A California Joint Powers Authority

Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2023 and 2022



Prepared by Dessi Mladenova

Cover photo by Joe Parent

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INTRODUCTORY SECTION





Eric Friedman
Chairman

Jeff Clay
Vice Chairman

Ray Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

December 15, 2023

Members of the Board
Central Coast Water Authority

State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2023. The Annual Comprehensive Financial Report (“ACFR”) of the Central Coast Water Authority for the fiscal year (“FY”) ended June 30, 2023 is submitted as prepared by the Authority’s Finance and Administration Departments. The report is published to provide to our project participants, the Authority Board, and the investment community detailed information about the financial condition and operating results of the Authority as measured by the financial activity of the Authority.

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

The Authority requires that its financial statements be audited by a Certified Public Accountant selected by the Authority’s Board of Directors, and Glenn Burdette, Certified Public Accountants, have issued an unmodified (“clean”) opinion on Central Coast Water Authority’s financial statements for the year ended June 30, 2023. The independent auditor’s report is located at the front of the financial section of this report.

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

PROFILE OF THE AUTHORITY

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

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

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

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

Facilities

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

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

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

LOCAL ECONOMY

Santa Barbara County is dominated by three principal economic activities: tourism, Vandenberg Space Force Base, and education, and is characterized by three geographically diverse regions. The Santa Barbara Project Participants are located in all three different geographic areas of Santa Barbara County:

North County (City of Santa Maria, City of Guadalupe, Golden State Water Company and Vandenberg Space Force Base); the Santa Ynez Valley (City of Buellton and Santa Ynez River Water Conservation District, Improvement District No. 1, which includes within its boundaries the City of Solvang); and the South Coast (City of Santa Barbara, Goleta Water District, Montecito Water District, Carpinteria Valley Water District, La Cumbre Mutual Water Company, Raytheon Systems Company and Morehart Land Company).

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

LONG-TERM FINANCIAL PLANNING

To assist our project participants, the Authority prepares a Ten-Year Financial plan to provide pro forma projections of the Authority’s expenditures and includes projections for both the Authority and the Department of Water Resources portions of the budget. The Department of Water Resources provides projections for each of these years for both the fixed and variable costs, and the Authority expenses are generally projected with a 5% inflation factor to all operating expenses.

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

RELEVANT FINANCIAL POLICIES AND CONTROLS

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

Capital Improvement Projects and Carryover

The Capital Improvements Projects (“CIP”) is a component of the non-operating expenses section of the budget. Certain capital expenditures included in the Fiscal year 2022/23 budget were not expended due to timing and scheduling.

When appropriate, capital improvements will be paid through current revenue sources rather than financing capital projects over a period of time. In September 2022 the Board approved \$1,222,751 in carryover funds to Fiscal Year 2022/23 to be used for capital projects not completed in Fiscal Year 2021/22. Also approved by the Board was \$1,441,662 of carryover funds for capital projects funded for Fiscal Year 2022/23 and carried over into Fiscal Year 2023/24 for completion.

Investment Policy

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

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

Section XV of the CCWA Investment Policy states the "...investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends." The Authority reviews the Investment Policy and relevant Government Code Sections annually to ensure the policy is up to date and in compliance with the Government Code. There were found to be no significant changes in Government Code Section 53630-53686 during Fiscal Years' 2021/22 and 2022/23 which required modification of the policy.

Debt Management Policy

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

Accounting System

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

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

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

MAJOR INITIATIVES FOR THE FISCAL YEAR

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

Water Banking Opportunities and Surplus Water Transfer Program

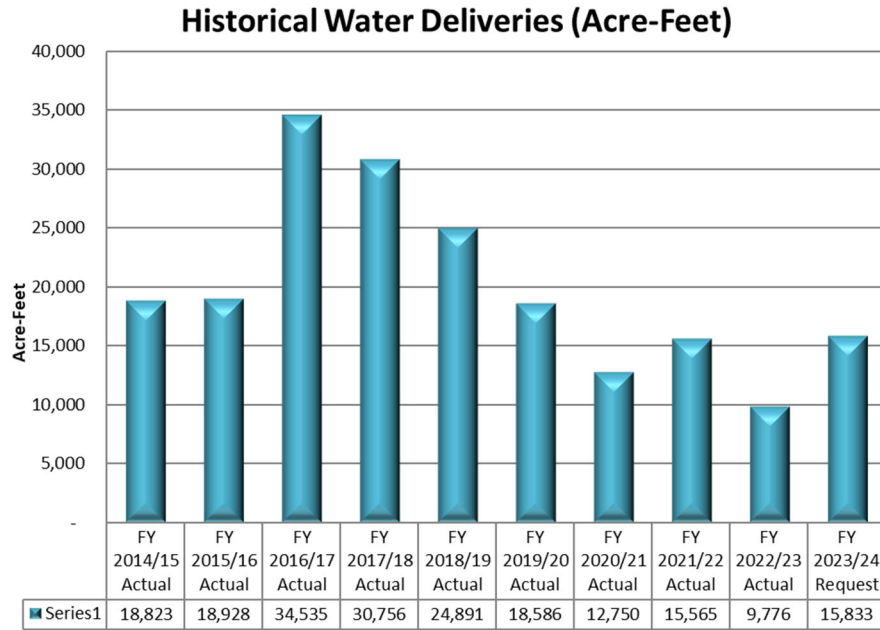
In light of the historic wet year and 100% allocation of State Water Project (SWP) supplies in water year 2022-23, many CCWA participants have surplus water supplies and wish to transfer or exchange some or all of their State Water Project allocation. CCWA has developed a Surplus water transfer program to assist those agencies who wish to participate in this program. In an effort to save carryover water at risk of spill, CCWA has also negotiated and entered into a short-term exchange water banking agreement with IRWD on behalf of one member agency.

Succession Planning

Majority of CCWA staff including top management are approaching retirement eligibility. To avoid the loss of institutional knowledge once these key seasoned employees retire, CCWA has added two new positions to its organizational structure: an operations manager and a WTP operator trainee. The Board approved CCWA retain the services of a recruiter to assist in the executive talent search for an Operations manager. Both positions are critical as they will ensure that operations continue seamlessly without impact to water quality.

Warren Act Contract with United States Bureau of Reclamation

CCWA will begin negotiations with USBR on a long-term Warren Act contract. CCWA entered into a temporary, two-year term contract on June 22, 2022. This was done to ensure the annual introduction, storage and conveyance of up to 13,750 AF of water acquired thru the SWP into Cachuma Project facilities for delivery to CCWA’s South Coast Participants. The current contract expires on September 30, 2024.



THE FUTURE

Water Delivery Projections

For calendar years 2023 and 2024, Santa Barbara and San Luis Obispo County project participants have requested State water deliveries of 11,772 acre-feet and 14,860 acre-feet respectively.

Surplus of water

Unlike the prior three calendar years, the initial allocation of water available for calendar year 2023 is one hundred percent. While this historic allocation percentage may change in 2024, the unprecedented

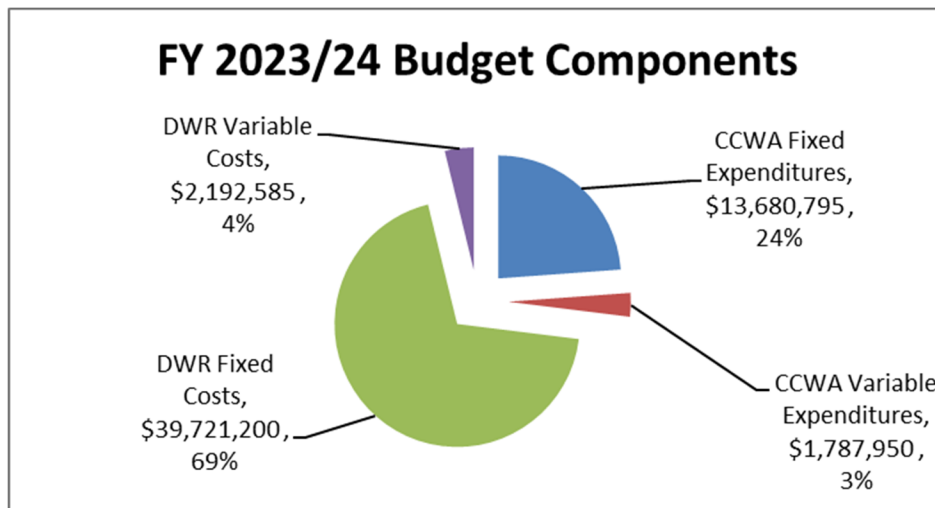
surplus of carryover water means that finding banking opportunities will be critical in case of spill especially in light of the fact that CCWA may have another wet year and the other State Water Project Contractors are increasingly unlikely to be able to buy excess supplies from CCWA.

Department of Water Resources (“DWR”) Activities and Related Costs

During FY 2023/24, CCWA staff will continue to work through the State Water Contractor (“SWC”) board and committees that interact with the DWR which impact CCWA and the California water agencies as a whole. There are many significant issues on which DWR and the SWC are working which have water supply, operational, and fiscal impacts on CCWA. Some of these activities could potentially have a significant fiscal impact to CCWA in the current and future years. Therefore, staff will place a high priority on working through the various available venues to minimize the fiscal impacts to CCWA and ensure that we continue to meet our goal of providing reliable, high quality supplemental water.

Fiscal Year 2023/24 Budget Summary

The FY 2023/24 budget calls for total project participant payments of \$56.4 million compared to the FY 2022/23 budget of \$51.1 million, a \$5.3 million increase. These amounts include \$1 million in CCWA credits for FY 2023/24. The following graph shows the breakout of the various cost components in the CCWA FY 2023/24 budget:



AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Coast Water Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the twenty-fifth year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable program requirements.


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

The authority also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated April 27, 2023. This was the twenty-seventh consecutive year the Authority has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the Authority's budget document had to be judged proficient as a policy document, financial plan, an operations guide, and a communications device.

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

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

Respectfully submitted,



Ray A. Stokes
Executive Director

Introductory Section

June 30, 2023

Central Coast Water Authority Board of Directors

Eric Friedman, Chairman
John Sanchez
Michael Cordero
Ken Coates
Jeff Clay

Farfalla Borah
Megan Lizalde
Shirley Johnson

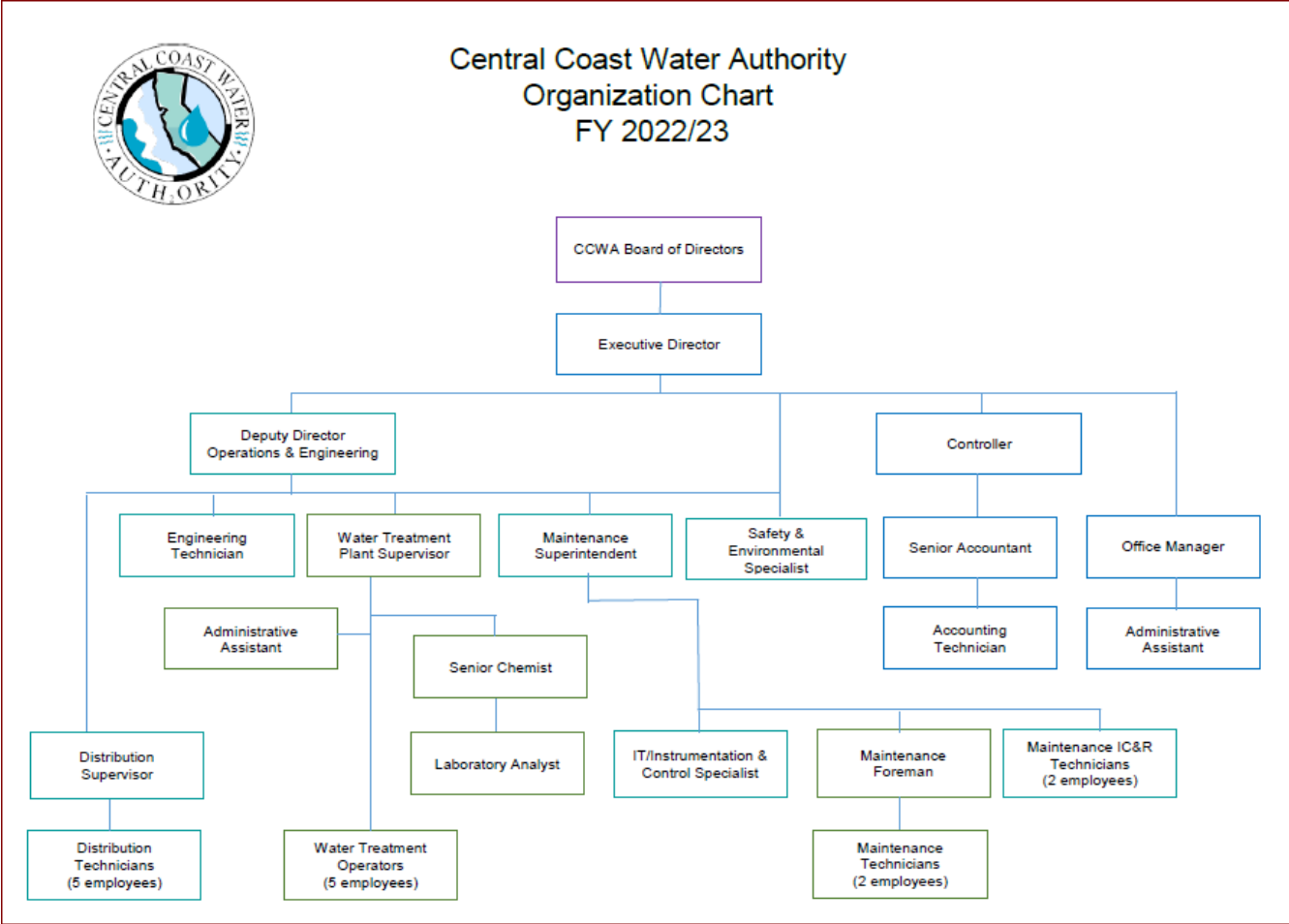
City of Santa Barbara
City of Buellton
City of Santa Maria
Montecito Water District
Santa Ynez River Water Conservation District,
Improvement District #1
Goleta Water District
City of Guadalupe
Carpinteria Valley Water District

Authority Staff

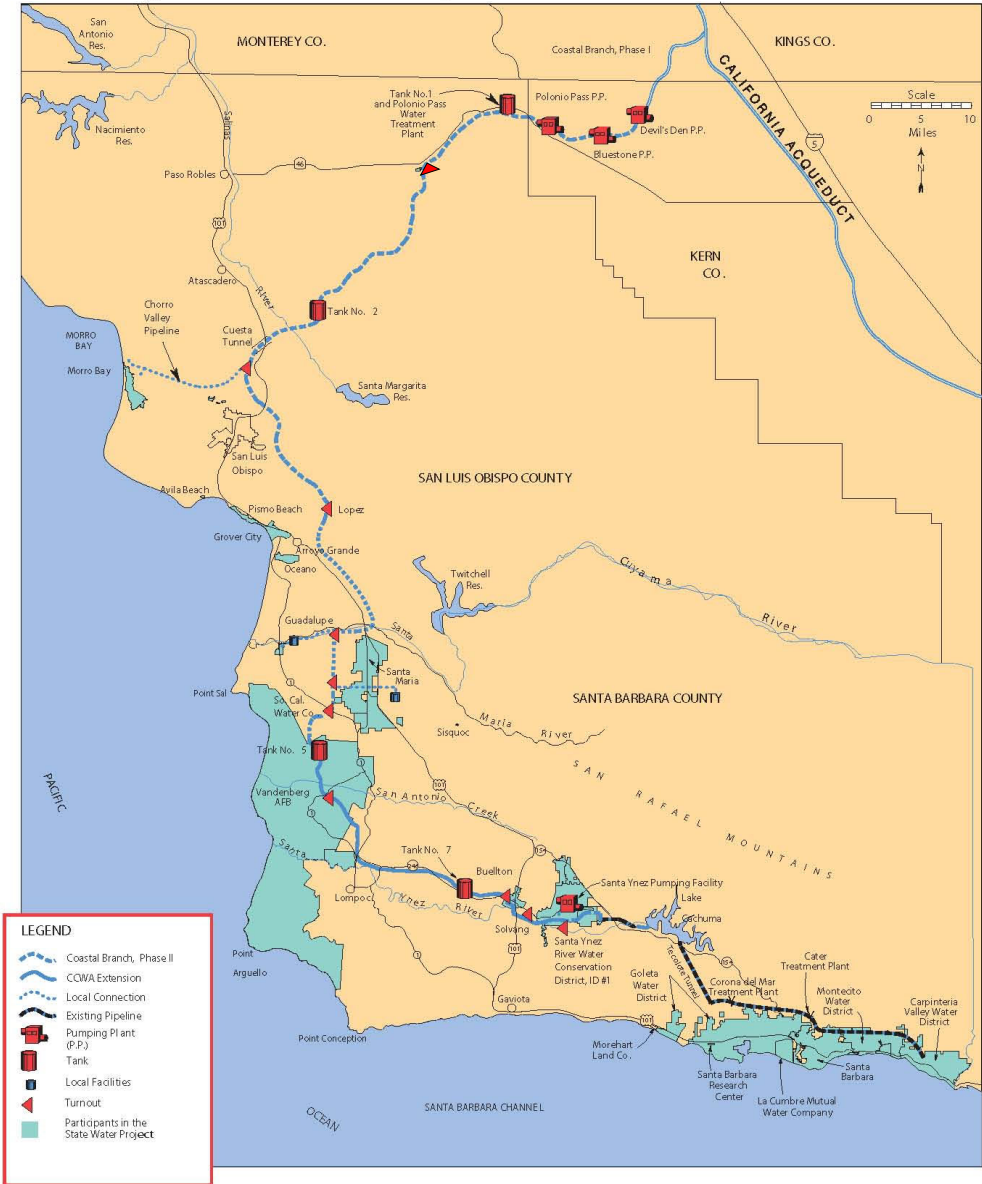
Ray Stokes
John Brady

Executive Director
Deputy Director Operations /Engineering

Introductory Section



Project Map





Government Finance Officers Association

Certificate of
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Presented to

**Central Coast Water Authority
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





Independent Auditors' Report

Board of Directors and Members of the
Central Coast Water Authority
Buellton, California

Opinion

We have audited the accompanying financial statements of the business-type activities of Central Coast Water Authority (the Authority), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Central Coast Water Authority, as of June 30, 2023 and 2022, and the changes in its net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Paso Robles, CA 93446

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2222 South Broadway, Ste. A

Santa Maria, CA 93454

**Board of Directors and Members of the
Central Coast Water Authority
Page 2**

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

**Board of Directors and Members of the
Central Coast Water Authority
Page 3**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Pension Plan Contributions, Schedule of Employer OPEB Contributions, and the Schedule of Changes in Net OPEB Liability, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a basic part of the 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

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

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

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 15, 2023

Management's Discussion and Analysis

**Fiscal Year Ended
June 30, 2023**

This section presents management's analysis of the Authority's financial condition and activities for the fiscal year ended June 30, 2023. This information should be read in conjunction with the financial statements and the additional information that we have included in our letter of transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Summary of Organization and Business

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

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

Management's Discussion and Analysis

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

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

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

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

CCWA Committees

There are currently two Central Coast Water Authority committees. They are the Operating and Personnel Committees.

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

The Personnel Committee is composed of CCWA Board members appointed by the CCWA Board Chairman. The Committee reviews and recommends actions to the Authority Board of Directors with regard to personnel related matters.

Management's Discussion and Analysis

Santa Barbara County Project Participants

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

San Luis Obispo County Water Purchasers

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

FINANCIAL HIGHLIGHTS

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

Condensed Balance Sheet

	June 30, 2023	June 30, 2022	June 30, 2021	2022-23 Change	2021-22 Change
Current Assets	\$ 74,318,564	\$ 75,063,806	\$ 78,027,347	\$ (745,242)	\$ (2,963,541)
Non-Current Restricted Assets	6,623,805	6,467,524	14,790,638	156,281	(8,323,114)
Capital Assets	87,298,062	88,327,445	90,153,116	(1,029,383)	(1,825,671)
Other Assets	-	-	2,117	-	(2,117)
Total Assets	\$ 168,240,431	\$ 169,858,775	\$ 182,973,218	\$ (1,618,344)	\$ (13,114,443)
Revenue Bond Deferred Amount	\$ -	\$ -	\$ 35,027	\$ -	\$ (35,027)
Pension Plan Deferred Amount	2,624,074	1,063,319	1,132,520	1,560,755	(69,201)
OPEB Plan Deferred Amount	610,769	713,055	36,785	(102,286)	676,270
Total Deferred Outflows of Resources	\$ 3,234,843	\$ 1,776,374	\$ 1,204,332	\$ 1,458,469	\$ 572,042
Total Assets and Deferred Outflows of Resources	\$ 171,475,274	\$ 171,635,149	\$ 184,177,549	\$ (159,875)	\$ (12,542,401)
Current Liabilities	\$ 61,856,441	\$ 62,940,024	\$ 85,157,786	\$ (1,083,583)	\$ (22,217,762)
Non-current Liabilities	22,022,815	18,828,648	18,851,671	3,194,167	(23,023)
Total Liabilities	\$ 83,879,256	\$ 81,768,672	\$ 104,009,457	\$ 2,110,584	\$ (22,240,785)
Revenue Bond Deferred Amount	\$ -	\$ -	\$ 18,215	\$ -	\$ (18,215)
Pension Plan Deferred Amount	226,507	1,452,602	69,695	(1,226,095)	1,382,907
OPEB Deferred Amount	116,111	217,291	165,725	(101,180)	51,566
Total Deferred Inflows of Resources	\$ 342,618	\$ 1,669,893	\$ 253,635	\$ (1,327,275)	\$ 1,416,258
Net investment in capital assets	\$ 87,298,062	\$ 88,327,445	\$ 80,060,233	\$ (1,029,383)	\$ 8,267,212
Restricted	-	-	10,378,495	-	(10,378,495)
Unrestricted	(44,662)	(130,861)	(10,524,271)	86,199	10,393,410
Total Net Position	\$ 87,253,400	\$ 88,196,584	\$ 79,914,457	\$ (943,184)	\$ 8,282,127
Total Liabilities and Net Position	\$ 171,475,274	\$ 171,635,149	\$ 184,177,550	\$ (159,875)	\$ (12,542,400)

Management's Discussion and Analysis

BALANCE SHEET ANALYSIS

June 30, 2023 Comparison to June 30, 2022

- Total assets as of June 30, 2023 are \$168 million, or \$1.6 million less than the amount on June 30, 2022. This is primarily due to a \$1.3 million decrease in cash and investments held for payment to DWR.
- Capital and other assets are \$1 million lower than the prior year amount due to depreciation of the Authority's capital assets.
- Current liabilities are \$1.1 million less than the prior year. This is largely due to a \$3.4 million decrease in deposits for supplemental water purchases and a \$2.4 million increase in project participant deposits and unearned revenue.

June 30, 2022 Comparison to June 30, 2021

- Total assets as of June 30, 2022 are \$170 million, or \$13.1 million less than the amount on June 30, 2021. This is due to a \$10.4 million decrease in cash and investments held for debt service payments and a \$3.7 million decrease in cash and investments held for payment to DWR.
- Capital and other assets are \$1.8 million lower than the prior year amount due to depreciation of the Authority's capital assets.
- Current liabilities are \$22.2 million less than the prior year. This is largely due to a \$10 million decrease in debt due within 1 year related to the annual Bond principal payment, \$10.2 million decrease in project participant deposits and unearned revenue and \$3.7 million decrease in deposits held for payment to DWR . This is partially offset by a \$1.9 million increase in deposits for supplemental water purchases related to the reacquisition of Suspended Table A water (see Note 1 for more information on Suspended Table A water).

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

Management's Discussion and Analysis

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2023	June 30, 2022	June 30, 2021	2022-23 Change	2021-22 Change
Operating Revenues	\$ 12,080,458	\$ 20,205,148	\$ 20,030,436	\$ (8,124,690)	\$ 174,712
Operating Expenses excluding depreciation and amortization	(10,577,687)	(9,345,554)	(9,941,535)	(1,232,133)	595,981
Depreciation and Amortization	(2,496,375)	(2,451,231)	(2,123,816)	(45,144)	(327,415)
Operating Income	(993,604)	8,408,363	7,965,085	(9,401,967)	443,278
Non-operating Revenues	1,175,177	206,054	278,253	969,123	(72,199)
Non-operating Expenses	(1,124,756)	(332,290)	(980,089)	(792,466)	647,799
Change in Net Position	(943,184)	8,282,127	7,263,249	(9,225,310)	1,018,878
Net position at beginning of year	88,196,584	79,914,457	72,651,208	8,282,126	7,263,249
Net position at end of year	\$ 87,253,400	\$ 88,196,584	\$ 79,914,457	\$ (943,184)	\$ 8,282,126

June 30, 2023 Comparison to June 30, 2022

Operating revenues for the period ending June 30, 2023 are about \$8 million lower than the prior year amount, primarily due to decreased operating costs related to decreases in debt service payments.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments, or as deposits to the DWR Reserve Fund (See Note 1, item M for further information on the DWR Reserve Fund). For FY 2022/23, this credit totaled \$0.1 million for the fixed component of the O&M assessments, as compared to the FY 2021/22 credit of \$0.8 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about \$1.2 million higher than the prior year amount due to:

1. Decrease in utilities of \$0.4 million for lower electrical and chemical costs.
2. Increase in professional service expenses of \$0.3 million for increased legal/litigation costs.
3. Increase in personnel expenses of \$1.5 million, decrease in unexpended operating reimbursements of \$0.8 million, increase in supplies and equipment of 0.1 million and increase of \$0.5 in other expenses.

Non-operating revenues are higher by about \$0.9 million due to the increase of interest income from higher interest rates. Non-operating expenses increased by the same amount for interest paid to project participants.

Management's Discussion and Analysis

June 30, 2022 Comparison to June 30, 2021

Operating revenues for the period ending June 30, 2022 are about \$0.2 million higher than the prior year amount, primarily due to increased operating costs related to increases in professional services and utilities.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments, or as deposits to the DWR Reserve Fund (See Note 1, item M for further information on the DWR Reserve Fund). For FY 2021/22, this credit totaled \$0.8 million for the fixed component of the O&M assessments, as compared to the FY 2020/21 credit of \$1.2 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

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

1. Increase in utilities of \$0.4 million for higher electrical and chemical costs.
2. Increase in professional service expenses of \$0.3 million for increased legal/litigation costs.
3. Increase in supplies and equipment of \$ 0.25 million
4. Decrease in personnel expenses of \$ 1 million, decrease in unexpended operating reimbursements of \$0.4 and decrease in other expenses of 0.2 million

Non-operating revenues are lower by about \$0.07 million due to the decrease of interest income from lower interest rates.

Non-operating expenses are \$0.65 million lower due to reduced interest expense of the Series 2016A bond.

Management's Discussion and Analysis

Capital Assets

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

	June 30, 2023	June 30, 2022	June 30, 2021	2022-23 Change	2021-22 Change
Land	\$ 3,178,700	\$ 3,178,700	\$ 3,178,700	\$ -	\$ -
Furniture fixtures and equipment	871,224	871,224	862,125	0	9,099
Lab, transportation, plant and pipeline equipment	31,846,614	31,020,946	30,884,450	825,668	136,496
Buildings and structures	49,238,993	48,985,248	48,946,358	253,745	38,890
Underground pipeline	59,925,077	59,925,077	59,925,077	0	-
Land improvement	62,266	62,266	62,266	0	-
Construction in progress	1,020,098	1,034,593	515,648	(14,495)	518,945
Total property, plant and equipment	146,142,972	145,078,054	144,374,624	1,064,918	703,430
Accumulated depreciation	(58,844,910)	(56,750,609)	(54,221,508)	(2,094,301)	(2,529,101)
Net property, plant and equipment	\$ 87,298,062	\$ 88,327,445	\$ 90,153,116	\$ (1,029,383)	\$ (1,825,671)

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

Management's Discussion and Analysis

Debt Administration

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

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

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

At June 30, 2023, the Authority had no outstanding 2016A revenue bonds.

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

FINANCIAL STATEMENTS



STATEMENT OF NET POSITION

ASSETS	June 30, 2023	June 30, 2022
Current Assets		
Unrestricted Current Assets		
Cash and investments (Note 2)	\$ 28,414,383	\$ 29,713,296
Interest receivable	145,564	35,168
Accounts Receivable	27,663	-
Prepaid Expenses	225,855	90,517
Inventory	223,555	154,688
Total Unrestricted Current Assets	<u>29,037,020</u>	<u>29,993,669</u>
Restricted Current Assets		
Cash and investments held for payment to DWR	<u>45,281,544</u>	<u>45,070,137</u>
Total Current Assets	<u>74,318,564</u>	<u>75,063,806</u>
Non-Current Assets		
Restricted Assets		
Cash and investments for DWR Reserve (Note 1)	5,947,872	5,912,421
Cash and investments for Escrow Deposits	520,938	514,284
Interest receivable	154,995	40,819
Total Restricted Non-Current Assets	<u>6,623,805</u>	<u>6,467,524</u>
Capital Assets (Note 3)		
Capital assets, net of accumulated depreciation	84,119,362	85,148,745
Land, not depreciated	<u>3,178,700</u>	<u>3,178,700</u>
Total Capital Assets	<u>87,298,062</u>	<u>88,327,445</u>
Total Non-Current Assets	<u>93,921,867</u>	<u>94,794,969</u>
Total Assets	<u>168,240,431</u>	<u>169,858,775</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension plan (Note 6)	2,624,074	1,063,319
Deferred amount from OPEB (Note 7)	<u>610,769</u>	<u>713,055</u>
Total Deferred Outflows of Resources	<u>3,234,843</u>	<u>1,776,374</u>

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

Continued

STATEMENT OF NET POSITION

LIABILITIES AND NET POSITION	June 30, 2023	June 30, 2022
Current Liabilities		
Accounts payable	\$ 195,431	\$ 578,083
Deposits for payment to DWR	45,436,539	45,111,262
Deposits for supplemental water purchases	396,148	3,839,796
Other liabilities	181,713	171,782
Compensated absences payable	247,417	255,668
Project participant deposits and unearned revenue	<u>15,399,193</u>	<u>12,983,433</u>
Total Current Liabilities	<u>61,856,441</u>	<u>62,940,024</u>
Non-Current Liabilities		
OPEB liability (Note 7)	1,322,432	1,302,894
Rate coverage reserve fund (Note 1)	9,495,379	9,495,379
DWR reserve fund (Note 1)	5,947,872	5,912,421
Escrow Deposits	513,000	513,000
Net pension liability (Note 6)	<u>4,744,132</u>	<u>1,604,954</u>
Total Non-Current Liabilities	<u>22,022,815</u>	<u>18,828,648</u>
Total Liabilities	<u>83,879,256</u>	<u>81,768,672</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from pension plan (Note 6)	226,507	1,452,602
Deferred amount from OPEB (Note 7)	<u>116,111</u>	<u>217,291</u>
Total Deferred Inflows of Resources	<u>342,618</u>	<u>1,669,893</u>
Net Position		
Net investment in capital assets	87,298,062	88,327,445
Unrestricted	<u>(44,662)</u>	<u>(130,861)</u>
Total Net Position	<u>\$ 87,253,400</u>	<u>\$ 88,196,584</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	For the fiscal year ended	
	June 30, 2023	June 30, 2022
Operating Revenues		
Operating reimbursements from project participants	\$ 11,984,799	\$ 20,032,136
Other revenues	<u>95,659</u>	<u>173,012</u>
Total Operating Revenues	<u>12,080,458</u>	<u>20,205,148</u>
Operating Expenses		
Personnel expenses	5,854,490	4,306,535
Office expenses	18,989	17,973
General and administrative	200,877	186,865
Professional services	1,452,038	1,154,068
Supplies and equipment	1,045,186	970,342
Monitoring expenses	100,565	97,097
Repairs and maintenance	271,511	296,986
Utilities	538,033	892,269
Unexpended operating reimbursements (Note 1)	(60,206)	718,282
Depreciation and amortization	2,496,375	2,451,231
Other expenses	<u>1,156,204</u>	<u>705,139</u>
Total Operating Expenses	<u>13,074,062</u>	<u>11,796,786</u>
Operating Income	<u>(993,604)</u>	<u>8,408,363</u>
Non-Operating Revenues		
Interest income	1,124,756	206,054
Gain on disposal of capital assets	<u>50,421</u>	<u>-</u>
Total Non-Operating Revenues	<u>1,175,177</u>	<u>206,054</u>
Non-Operating Expenses		
Interest expenses	-	126,186
Interest income paid to project participants	1,124,756	206,054
Loss on disposal of assets	<u>-</u>	<u>49</u>
Total Non-Operating Expenses	<u>1,124,756</u>	<u>332,290</u>
Increase (decrease) in net position	<u>(943,184)</u>	<u>8,282,127</u>
Change in Net Position	<u>(943,184)</u>	<u>8,282,127</u>
Net position, at beginning of year	<u>88,196,584</u>	<u>79,914,457</u>
Net position, at end of year	<u>\$ 87,253,400</u>	<u>\$ 88,196,584</u>

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

STATEMENT OF CASH FLOWS

	For the fiscal year ended	
	June 30, 2023	June 30, 2022
Cash Flows From Operating Activities		
Cash received from project participants and other operating activities	\$ 14,122,309	\$ 12,184,603
Cash payments to employees	(3,522,015)	(3,452,794)
Cash payments to suppliers	<u>(8,074,029)</u>	<u>(7,413,642)</u>
Net cash provided by operating activities	<u>2,526,265</u>	<u>1,318,167</u>
Cash Flows from Investing Activities		
Interest and dividends on investments	<u>900,184</u>	<u>164,875</u>
Net cash provided by investing activities	<u>900,184</u>	<u>164,875</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(1,472,257)	(706,175)
Interest paid on long-term debt	-	(252,375)
Principal payments on long-term debt		(10,095,000)
Proceeds received from sale of capital assets	<u>55,687</u>	<u>-</u>
Net cash (used) for capital and related financing activities	<u>(1,416,570)</u>	<u>(11,053,549)</u>
Cash Flows from Non-Capital Financing Activities		
Proceeds received for DWR and Warren Act charges	48,236,641	42,568,454
Payments of DWR and Warren Act charges	(47,911,365)	(46,234,208)
Proceeds received for supplemental water purchases	625,000	3,918,765
Payments for supplemental water purchases	<u>(4,005,555)</u>	<u>(1,975,097)</u>
Net cash provided (used) by non-capital financing activities	<u>(3,055,279)</u>	<u>(1,722,086)</u>
Net increase (decrease) in cash and cash equivalents	(1,045,400)	(11,292,593)
Cash and cash equivalents, beginning of year	<u>81,210,138</u>	<u>92,502,731</u>
Unrestricted cash and investments	28,414,383	29,713,296
Restricted cash and investments other	520,938	514,284
Restricted cash and investments held for payment to DWR	45,281,544	45,070,137
Restricted cash and investments - DWR Reserve	5,947,872	5,912,421
Restricted cash and investments for debt service payments	-	-
Cash and cash equivalents, end of year	<u>\$ 80,164,737</u>	<u>\$ 81,210,138</u>
Cash Flows From Operating Activities		
Operating Income (Note 11)	\$ (993,604)	\$ 8,408,363
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,496,375	2,451,231
Unexpended operating reimbursements payable to project participants	1,291,005	(10,438,287)
Operating revenues paid from credits and unearned revenue (Note 11)	(27,642)	2,012,596
Increase (decrease) on other assets and liabilities	(230,188)	59,628
Increase (decrease) in other post-employment liability and deferred items	20,644	(155,211)
Increase (decrease) in net pension liability and deferred items	352,328	(977,736)
Increase (decrease) in accounts payable	<u>(382,652)</u>	<u>(42,417)</u>
Net cash provided by operating activities	<u>\$ 2,526,265</u>	<u>\$ 1,318,167</u>

STATEMENT OF CASH FLOWS

Supplemental Disclosures of Cash Flow Information

For the fiscal year ended
June 30, 2023 June 30, 2022

Schedule of Non-Cash Capital and Related Financing Activities

The Authority completed the construction of certain assets and transferred them from construction in progress to property, plant and equipment.

<u>\$ 1,486,751</u>	<u>\$ 187,179</u>
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The Authority disposed of certain property, plant and equipment which were determined to no longer be usable. The aggregate original purchase cost of the assets was disposed.

<u>\$ 402,073</u>	<u>\$ 2,694</u>
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Difference between cost and fair value of investments held by the Authority at the end of the fiscal year.

<u>\$ 1,003,602</u>	<u>\$ 945,107</u>
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Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

The Authority Participants are located in three different geographic areas of Santa Barbara County: North County (Guadalupe, Santa Maria, Golden State Water Company and Vandenberg SFB); the Santa Ynez Valley (Buellton and SYRWCD, ID#1); and the South Coast (Carpinteria, Goleta, La Cumbre Mutual Water Company, Montecito, Morehart Land Company, Santa Barbara and Raytheon Systems Company, formerly Santa Barbara Research Center).

Historically, the North County has been an agricultural area but has seen significant urban development in the last

twenty-seven years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future.

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

Facilities Constructed by the Authority

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

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

Contractual Relationships

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

Notes to Financial Statements

contract to reduce its Table A amount to 45,486 acre-feet per year, thereby leaving 12,214 set aside, or “suspended” as it was determined this amount was in excess of the needs of the various Santa Barbara County water purveyors. DWR agreed to suspend this water and agreed that the County could reacquire the water at a future date.

CCWA has requested, and DWR has agreed to allow CCWA, through the County, to reacquire the 12,214 acre-feet of suspended contract allotment. CCWA is currently pursuing this option with the County of Santa Barbara.

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

The Water Supply Agreements

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

In accordance with the provisions of each Water Supply Agreement, the Authority fixes charges for each Project Participant to produce revenues from the Project equal to the amounts anticipated to be needed by the Authority to meet the costs of the Authority to deliver to each Project Participant its pro rata share of water from the Project as set

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

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

B. Basis of Accounting

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

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

This report has been prepared in conformance with Generally Accepted Accounting Principles (“GAAP”) as promulgated by the Governmental Accounting Standards Board (“GASB”).

C. Investments

Notes to Financial Statements

The Authority has developed an investment policy that exceeds the minimum requirements established by the State of California. The Authority believes that it has adhered to established policies for all investment activities. As of June 30, 2023, the investment portfolio has a weighted average maturity of 0 days and a yield to maturity of 3.38%

The Authority reports investments with a maturity at the time of purchase of less than one year at amortized cost. Investments with a maturity greater than one year at the time of purchase are reported at fair value. As of June 30, 2023 all investments are reported at amortized cost.

D. Capital Assets

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

Furniture fixtures and equipment	5-10 years
Equipment	10-50 years
Buildings and structures	30-50 years
Underground pipeline	75 years
Land Improvements	15 years

E. Inventories

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

F. Deferred Outflows and Inflows of Resources

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

future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. See Note 4 for a detailed listing of the deferred outflows and inflows of resources the Authority has recognized.

G. Deposits

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

H. Operating Reimbursements from Project Participants

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

I. Unexpended Operating Assessments

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

J. Operating and Non-Operating Revenues and Expenses

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

Notes to Financial Statements

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

K. Long-Term Accounts Receivable

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

L. Rate Coverage Reserve Fund

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

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

The following table shows a summary of project participant deposits in the rate coverage reserve fund as of June 30, 2023.

Project Participant	June 30, 2023
City of Buellton	\$ 276,937
Carpinteria Valley Water District	866,296
City of Guadalupe	192,460
La Cumbre Mutual Water Company	406,092
Montecito Water District	1,505,279
City of Santa Maria	5,205,764
Shandon (SLO County)	15,828
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	636,883
Santa Ynez WCD, ID #1	<u>464,430</u>
Total	<u>\$9,569,970</u>

M. Department of Water Resources (DWR) Reserve Fund

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

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

The following table shows a summary of project participant deposits in the DWR reserve fund as of June 30, 2023.

Project Participant	June 30, 2023
City of Buellton	\$ 149,705
City of Guadalupe	142,452
La Cumbre Mutual Water Company	190,458
Morehart Land Company	50,442
City of Santa Barbara	478,366
Raytheon	12,454
City of Santa Maria	4,249,826
Golden State Water Company	102,738
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	388,461
Santa Ynez WCD, ID #1	<u>182,968</u>
Total	<u>\$5,947,872</u>

N. Self-Funded Dental/Vision Insurance Plan

The Authority maintains a self-insured plan for dental and vision coverage offered to employees. Under the provisions of the plan, each full-time employee was provided \$3,738 this fiscal year to pay dental and vision expenses for the employee and their qualified dependents.

The following table shows a summary of the claims liability and claims paid for the plan years ended June 30, 2023 and 2022

	2023	2022
Maximum claims liability	106,213	102,172
Actual claims paid	(57,480)	(66,569)

Notes to Financial Statements

O. Use of Estimates

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

P. New and Future Accounting Pronouncements

In FY 2021/22 or 2022/23 the GASB Pronouncements listed below were implemented.

GASB 99 – The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. Implementation of this statement did not have a material impact on the authority's financial statements.

GASB 98 – The Annual Comprehensive Financial Report, effective for fiscal years ending after December 15, 2021. The statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Implementation of this statement did not have a material impact on the authority's financial statements.

GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for certain requirements for fiscal years beginning after June 15, 2021. Requirements as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would

perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this Statement did not have a material impact on the authority's financial statements.

GASB 96 – Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Implementation of this Statement did not have a material impact on the Authority's financial statements.

GASB 95 – Postponement of the Effective dates of certain authoritative guidance. The provision of this statement are effective for years beginning after June 15, 2022.

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for periods beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Implementation of this statement did not have a material impact on the authority's financial statements.

GASB 93 – Replacement of Interbank Offered Rates, effective for periods beginning after June 15, 2021, postponed to December 15, 2022 by GASB Statement No. 95. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of this statement did not have a material impact on the authority's financial statements.

GASB 92 – Omnibus 2020, effective for periods beginning after June 15, 2021, postponed to December 15, 2022 by GASB Statement No. 95. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been

Notes to Financial Statements

identified during implementation and application of certain GASB Statements. Implementation of this statement did not have a material impact on the authority's financial statements.

GASB 91 – Conduit Debt Obligations, effective for periods beginning after December 15, 2021, postponed to December 15, 2022 by GASB Statement No. 95. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Implementation of this statement did not have a material impact on the authority's financial statements.

GASB 87 – Leases, effective for periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Implementation of this statement did not have a material impact on the Authority's financial statements.

Future GASB Pronouncements which may affect the Authority's financial statements:

GASB 101 –Compensated Absences, effective for fiscal years ending after December 15, 2023. The statement requires liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. Management has not yet determined the impact of this statement on its financial statements

GASB 100 –Accounting Changes and Error Corrections - An amendment of GASB Statement No.62, effective for fiscal years beginning after June 15, 2023. The statement defines accounting changes as changes in accounting principles, accounting estimates. The statement addresses corrections of errors in previously issued financial statements. Management has not yet determined the impact of this statement on its financial statements.

GASB 99 – Omnibus 2022, effective for fiscal years beginning after June 15, 2023, effective for certain statement requirements for fiscal years beginning after June 15, 2022 and requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. The Statement enhances

comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Management has not yet determined the impact of this statement on its financial statements

Q. Net Pension Liability

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

R. Other Post Employment Benefit (“OPEB”) Liability

In measuring the net OPEB liability, deferred outflows and inflows of resources related to the OPEB benefit and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been prepared in accordance with GASB Statement No. 75. The valuation for the fiscal year 2022/23 was actuarially prepared and was based on the Authorities Plan provisions, participant data, and asset information provided by the Authority. As permitted under GASB 75, the total OPEB liability has been calculated using the June 30, 2021 actuarial valuation.

S. Fair Value Measurements

The Authority's investments are carried at fair value and its fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority used valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. For fiscal year June 30, 2023 and 2022 the application

Notes to Financial Statements

of valuation techniques applied to the Authority's financial statements has been consistent.

T. Net Position

GASB Statement No. 34, amended by GASB Statement No. 63, adds the concept of net position, which is measured on the full accrual basis. Net position is the Authority's excess of all of the Authority's assets over all its liabilities. Net position is divided into three categories and are described as follows:

Net Investment in Capital Assets: Describes the portion of the net position which is represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance those assets.

Restricted Net Position: Describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include debt service requirements.

Unrestricted Net Position: Describes the portion of net position which is not restricted to use.

U. Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Note 2: Cash and Investments

A. Pooling

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

B. Demand Deposits

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

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

As of June 30, 2023, the reported amount of the Authority's demand deposits was \$7,327,044 and the bank balance was \$7,421,828. The difference of \$94,784 was principally due to checks which had not yet cleared the bank.

As of June 30, 2022, the reported amount of the Authority's demand deposits was \$1,637,627 and the bank balance was \$1,828,504. The difference of \$190,877 was principally due to checks which had not yet cleared the bank.

C. Cash and Investments

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

Notes to Financial Statements

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

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in an active market;

Level 2: Investments reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active; and,

Level 3: Investments reflect prices based upon unobservable sources.

The fair value of pooled investments is determined annually and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. LAIF invests in Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall within the top three ratings of a nationally recognized rating service. The State LAIF pool credit quality is unrated and not subject to the fair value hierarchy.

At June 30, 2023, the carrying value of the Authority's position in LAIF was \$66,150,472 and the fair value was \$65,146,870, with an overall average maturity of 0 days.

At June 30, 2022, the carrying value of the Authority's position in LAIF was \$73,408,694 and the fair value was \$72,463,588, with an overall average maturity of 0 days.

The Authority did not hold any U.S. Treasury Notes as of June 30, 2023 or June 30, 2022.

Credit Risk and Concentration of Credit Risk

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

Custodial Credit Risk

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

Interest Rate Risk

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

Notes to Financial Statements

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023:

	Beg Balance June 30, 2022	Additions/ Transfers	Deletions/ Transfers	End Balance June 30, 2023
Capital Assets, not depreciated				
Land	\$ 3,178,700	\$ -	\$ -	\$ 3,178,700
Construction-in-process	1,034,593	1,472,257	(1,486,752)	1,020,098
Total Capital Assets, not depreciated	4,213,293	1,472,257	(1,486,752)	4,198,798
Depreciable Assets:				
Furniture fixtures and equipment	871,226		-	871,226
Lab Equipment	368,898			368,898
Transportation Equipment	903,364	308,025	(198,997)	1,012,392
Plant Equipment	17,254,484	866,283	(208,342)	17,912,425
Pipeline Equipment	12,494,201	58,699		12,552,900
Buildings and structures	48,985,248	253,742		49,238,990
Underground pipeline	59,925,077			59,925,077
Land improvement	62,266			62,266
Total depreciable assets	140,864,765	1,486,749	(407,339)	141,944,174
Accumulated Depreciation:				
Furniture fixtures and equipment	(658,894)	(62,878)	-	(721,772)
Lab Equipment	(275,310)	(17,748)		(293,058)
Transportation Equipment	(868,285)	(26,530)	198,997	(695,818)
Plant Equipment	(8,678,970)	(424,722)	203,076	(8,900,615)
Pipeline Equipment	(8,798,298)	(425,988)		(9,224,286)
Buildings and structures	(17,628,662)	(730,290)		(18,358,952)
Underground pipeline	(19,833,542)	(804,067)		(20,637,609)
Land Improvement	(8,648)	(4,151)		(12,799)
Total Accumulated Depreciation	(56,750,613)	(2,496,375)	402,073	(58,844,910)
Total Depreciable Capital Assets, net	84,114,152	(1,009,626)	(5,267)	83,099,264
Total Capital Assets, net	\$ 88,327,445	\$ 462,631	\$ (1,492,019)	\$ 87,298,062

Notes to Financial Statements

Capital asset activity for the fiscal year ended June 30, 2022 :

	Beg Balance June 30, 2021	Additions/ Transfers	Deletions/ Transfers	End Balance June 30, 2022
Capital Assets, not depreciated				
Land	\$ 3,178,700	\$ -	\$ -	\$ 3,178,700
Construction-in-process	515,648	706,125	(187,179)	1,034,593
Total Capital Assets, not depreciated	3,694,348	706,125	(187,179)	4,213,293
Depreciable Assets:				
Furniture fixtures and equipment	862,126	11,793	(2,694)	871,226
Lab Equipment	336,522	32,376		368,898
Transportation Equipment	903,364			903,364
Plant Equipment	17,254,484			17,254,484
Pipeline Equipment	12,390,081	104,120		12,494,201
Buildings and structures	48,946,358	38,890		48,985,248
Underground pipeline	59,925,077			59,925,077
Land improvement	62,266			62,266
Total depreciable assets	140,680,278	187,179	(2,694)	140,864,765
Accumulated Depreciation:				
Furniture fixtures and equipment	(572,103)	(89,485)	2,694	(658,894)
Lab Equipment	(261,802)	(13,508)		(275,310)
Transportation Equipment	(813,287)	(54,998)		(868,285)
Plant Equipment	(8,251,337)	(427,633)		(8,678,970)
Pipeline Equipment	(8,384,720)	(413,581)		(8,798,302)
Buildings and structures	(16,904,291)	(724,371)		(17,628,662)
Underground pipeline	(19,029,475)	(804,067)		(19,833,542)
Land Improvement	(4,497)	(4,151)		(8,648)
Total Accumulated Depreciation	(54,221,512)	(2,531,795)	2,694	(56,750,613)
Total Depreciable Capital Assets, net	86,458,766	(2,344,616)	-	84,114,152
Total Capital Assets, net	\$ 90,153,116	\$ (1,638,491)	\$ (187,179)	\$ 88,327,445

Notes to Financial Statements

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

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

The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2023.

	<u>Deferred Outflows of Resources</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt Accumulated Amortization	\$ 13,195,235 <u>(13,195,235)</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	\$ -
Pension-related adjustments	2,624,074
OPEB-related adjustments	<u>610,769</u>
Total Deferred Outflows of Resources, Net	<u>\$ 3,234,843</u>
	<u>Deferred Inflows of Resources</u>
Pension-related adjustments	226,507
OPEB-related adjustments	<u>116,111</u>
Total Deferred inflows of Resources	<u>\$ 342,618</u>

The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2022.

	<u>Deferred Outflows of Resources</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt Accumulated Amortization	\$ 13,195,235 <u>(13,195,235)</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	\$ -
Pension-related adjustments	1,063,319
OPEB-related adjustments	<u>713,055</u>
Total Deferred Outflows of Resources, Net	<u>\$ 1,776,374</u>
	<u>Deferred Inflows of Resources</u>
Pension-related adjustments	1,452,602
OPEB-related adjustments	<u>217,291</u>
Total Deferred inflows of Resources	<u>\$ 1,669,893</u>

Note 5: Long-Term Debt

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

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

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

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

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of \$45,470,000, which refunded the outstanding \$59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued for the purpose of reducing the Authority's total debt service payments over the subsequent 5 years by \$5.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5.4 million. The Authority also

Notes to Financial Statements

realized the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016. Aggregate savings between the 2006A and 2016A Bond debt service at the time of the refunding is shown below:

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

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

As of June 30, 2023 there is no outstanding debt.

Notes to Financial Statements

The long-term liability activity for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
OPEB Liability	1,302,894	(149,950)	169,488	1,322,432
Rate Coverage Reserve Fund	9,495,379	-	-	9,495,379
DWR Reserve Fund	5,912,421	35,451	-	5,947,872
Escrow Deposits	513,000	-	-	513,000
Net Pension Liability	1,604,954	-	-	1,604,954
Total Non-Current Liabilities	<u>\$ 18,828,648</u>	<u>\$ (114,499)</u>	<u>\$ 169,488</u>	<u>\$ 18,883,637</u>

Note: There are no current portions of the long-term debt.

The long-term liability activity for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Revenue Bonds:				
Series 2016A Revenue Bonds	\$ 10,095,000		\$ (10,095,000)	\$ -
Premium on issuance of 2016 Series A	99,443	-	(99,443)	-
Total	10,194,443	-	(10,194,443)	-
Less: Current Portion	(10,095,000)	-	10,095,000	-
Total Bonds Payable, net	99,443	-	(99,443)	-
OPEB Liability	833,401	(280,453)	749,946	1,302,894
Rate Coverage Reserve Fund	9,495,379			9,495,379
DWR Reserve Fund	3,875,650	2,736,759	(699,988)	5,912,421
Escrow Deposits	513,000			513,000
Net Pension Liability	4,034,798	(2,429,844)		1,604,954
Total Non-Current Liabilities	<u>\$ 18,851,671</u>	<u>\$ 26,462</u>	<u>\$ (49,485)</u>	<u>\$ 18,828,648</u>

Notes to Financial Statements

Note 6: Pension Plan

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

A. General Information about the Pension Plans

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

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

The rate plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Authority Plan	
	Classic Member*	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.100% to 2.500%	1.000% to 2.500%
Required employee contribution rates	7.0%	7.25%
Required employer contribution rates	11.61%	7.76%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Authority's required contribution for the unfunded liability was \$349,255 in fiscal year 2022/23. The Authority's required contribution for the unfunded liability was \$300,268 in fiscal year 2021/22.

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

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

Notes to Financial Statements

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

The Authority's contributions to the Plan for the year ended June 30, 2023 were \$836,310.

The Authority's contributions to the Plan for the year ended June 30, 2022 were \$762,353.

Pension Expense for Fiscal Year		
	2022/23	2021/22
Total pension expense (income) for fiscal year	\$ 1,188,638	\$ (215,383)

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

As of June 30, 2023, the Authority reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

Proportionate Share of Net Pension Liability/(Asset)

	Fiscal Year Ending	
	June 30, 2023	June 30, 2022
Total	\$ 4,744,132	\$ 1,604,954

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

Proportionate Share of Net Pension Liability

	Percentage Share of Plan		Change: Increase (Decrease)
	6/30/2023	6/30/2022	
Measurement Date	6/30/2022	6/30/2021	
Percentage of Plan (PERF C) NPL	0.04107%	0.02968%	0.01139%

Notes to Financial Statements

For the year ending June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 179,978	\$ -
Net differences between projected and actual earnings on plan investments	-	(1,401,040)
Change in employer's proportion	120,988	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(51,562)
Pension contributions subsequent to measurement date	762,353	-
Total	<u>\$ 1,063,319</u>	<u>\$ (1,452,602)</u>

For the year ending June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,271	\$ (63,809)
Changes of assumptions	486,135	-
Net differences between projected and actual earnings on plan investments	868,999	-
Change in employer's proportion	337,359	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(162,698)
Pension contributions subsequent to measurement date	836,310	-
Total	<u>\$ 2,624,074</u>	<u>\$ (226,507)</u>

\$836,310 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/Inflows of Resources
2024	\$ 438,157
2025	380,015
2026	211,576
2027	531,509
Thereafter	-
	<u>\$ 1,561,257</u>

Notes to Financial Statements

Actuarial Assumptions - For the measurement period ending June 30, 2022, the total pension liabilities were determined from the June 30, 2021 actuarial valuation date. The June 30, 2023 total pension liabilities were based on the following actuarial methods and assumptions:

	Plan
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Discount Rate	6.90%
Inflation	2.30%
Projected salary Increase	(1)
Investment Rate of Return	6.90% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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

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

(3) Derived using CalPERS' Membership Data for all Funds. The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website

All other actuarial assumptions used in the June 30, 2021 valuation (found in the CalPERS Annual Comprehensive Financial Report for June 30, 2022 here:

<https://www.calpers.ca.gov/docs/forms-publications/acfr-2022.pdf>

were based on the results of the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. The Experience Study report may be accessed on the CalPERS website at <http://www.calpers.ca.gov> under Forms and Publications.

Change in Assumptions – In 2018, demographic assumptions and the inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. The Experience Study report may be accessed on the CalPERS website at <http://www.calpers.ca.gov> under Forms and Publications.

Discount Rate In Fiscal Year 2022-23 the discount rate changed from 7.15% in fiscal year 2021-22 to 6.9%. In Fiscal Year 2016-17, the financial reporting discount rate used by CalPERS was reduced from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board of Administration approved lowering the funding discount rate used from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuation. The discount rate used in the actuarial valuation reflects the long-term expected rate of return for the plan. Lowering the discount rate means the Authority will see increases in both normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions. In addition, active members hired after January 1, 2013, under the PEPR may also see their contributions rates rise.

To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, the amortization and smoothing methods adopted by the CalPERS Board in 2013 were used. CalPERS conducted cash flow projections to determine if assets would run out under the assumed discount rate. CalPERS refers to these projections as “crossover tests”. Based on crossover testing of the plan, the tests revealed the assets would not run out. Therefore the 6.9% long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term

Notes to Financial Statements

market return expectations as well as the expected pension fund (“PERF”) cash flows. Using historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate.

Asset Class ^(a)	Assumed Target Allocation	Real Return Years 1–10 ^(b)
Global Equity -cap-weighted	30.0%	4.45%
Global Equity-non-cap weighted	12.0%	3.84%
Treasury	5.00%	0.27%
Private Equity	13.0%	7.28%
Real Assets	15.0%	3.21%
Mortgage backed securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Leverage	-5.0%	-0.59%
Total	100.00%	

^(a) In the System’s Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.30% used for this period.

Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate – The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’s proportionate share of the net pension

liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Sensitivity of Net Pension Liability as of 6/30/23

	Discount Rate – 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous			
Plan’s Net Pension Liability/(Asset)	\$7,886,855	\$4,744,132	\$2,158,450

Sensitivity of Net Pension Liability as of 6/30/22

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous			
Plan’s Net Pension Liability/(Asset)	\$4,367,159	\$1,604,954	\$(678,521)

Pension Plan Fiduciary Net Position – Detail information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

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Note 7: Post-Employment Benefits Other Than Pensions

A. General Information about OPEB

The Authority provides other post-employment benefits (“OPEB”), to qualified employees who retire within 120 days of separation from employment with the Authority, and are eligible to receive medical services under a plan offered through the California Public Employees’ Medical and Hospital Care Act (“PEMHCA”) at the time of retirement. The CalPERS PEMHCA Plan is a cost sharing single-employer defined benefit healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by CalPERS. Copies of the CalPERS annual financial report can be found online at www.calpers.ca.gov.

Plan Description - Eligibility: For full time employees retired prior to September 22, 2016, or retiring with less than 10 years of service with the Authority, the benefit will be the minimum contribution as required by PEMCHA. Vesting will be applied to an enhanced retiree benefit that is provided for employees retired after September 22, 2016, who are at least 62 years of age at retirement and have at least 10 years of service with the Authority. This vesting schedule ranges from 50% to 80% of the retiree premium only and is based on years of CCWA service. The enhanced contribution requirements are established and may be amended by the Board of Directors. Plan information is summarized in the table below:

Plan Information	
	Fiscal Year End June 30, 2023
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Non-employer contributing entities	No
Covered Participants as of June 30, 2022 Measurement Date	
In-actives currently receiving benefits	6
In-actives entitled to but not yet receiving benefits	5
Active Employees	30
Total	41

Applicable Dates and Periods

	Fiscal Year End June 30, 2023
Measurement date (MD)	June 30, 2022
Measurement period	July 1, 2021 to June 30, 2022
Actuarial Valuation Date	June 30, 2021

Actuarial Assumptions - For the measurement period ending June 30, 2022, the total OPEB liabilities were determined from the June 30, 2021 actuarial valuation date. For the measurement period ended June 30, 2022, the total OPEB liabilities were determined by rolling forward the June 30, 2021 total OPEB liability from the June 30, 2021 actuarial valuation date. The June 30, 2023 total OPEB liability was based on the following actuarial methods and assumptions:

Significant Actuarial Assumptions used for Total OPEB Liability

June 30, 2022	
Actuarial Assumption	Measurement Date
Actuarial Valuation Date	June 30, 2021
Contribution Policy	Authority Contributes full ADC
Discount Rate and Long Term Expected Rate of Return on Assets	5.75% at June 30, 2022 5.75% at June 30, 2021 Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.50% annually
Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study*
Mortality Improvement	Mortality projected fully generational with scale MP-2021 Aggregate – 2.75% annually
Salary Increases	Merit – CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare-6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser)-5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser)-4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076
PEMHCA Minimum Increases	4% annually
Cap Increases	Medical Trend 45% elect single coverage
Active Employee/Spouse Participation at Retirement	35% elect dual coverage (spouses pay full premium, no Authority cash subsidy except for survivors)

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Medical Plan at Retirement	Remain in their current plan upon retirement
Changes of Assumptions	None
Changes of benefit terms	None

*The CalPERS Experience Study reports may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Funding Policy: PEMHCA determines the amount contributed by the Authority toward retiree health insurance. In January 2023, the minimum required contribution the Authority pays toward the cost of retiree health insurance increased from \$149 per month to \$151 per month. The balance of the retiree premium, averaging approximately \$361 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. Beginning in calendar year 2009, the contribution amount increases by the change in the annual consumer price index. During the 2022-23 fiscal year, \$23,503 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis. During the 2021-22 fiscal year \$14,605 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis.

Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2023, is shown below:

	Net OPEB Liability	
	Fiscal Year Ending	
	6/30/2022	6/30/2023
	Measurement Date 6/30/2021	Measurement Date 6/30/2022
Total OPEB Liability	\$ 1,984,821	\$ 2,175,348
Fiduciary Net Position	681,927	852,916
Net OPEB Liability	\$ 1,302,894	\$ 1,322,432
Funded Status	34.4%	39.2%

Annual OPEB Cost: For fiscal year ended June 30, 2023, the Authority recorded the OPEB expense as indicated below. This cost is comprised by calculating service cost, interest on the Total OPEB Liability, projected earnings on investments, and any return of assets:

OPEB Expense for Fiscal Year 2022/23	
Measurement Period 2021/22	
OPEB Expense	\$ 216,128

OPEB Expense for Fiscal Year 2021/22	
Measurement Period 2020/21	
OPEB Expense	\$ 148,068

Deferred Outflows/Inflows	Balances at June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$105,933	\$ 124,917
Changes of assumptions	303,843	16,001
Net differences between projected and actual earnings on plan investments*	-	76,373
Employer contributions made subsequent to the measurement date**	303,279	-
Total	\$ 713,055	\$ 217,291

* Deferred Inflows and Outflows combined for footnote disclosure

** Contributions to trust of \$303,279 comprising of \$14,485 in cash benefits, \$8,222 in implied subsidy benefits, \$119 admin expense and additional \$ 280,453 paid by the Authority.

Deferred Outflows/Inflows	Balances at June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$90,355	\$ 102,610
Changes of assumptions	259,017	13,501
Net differences between projected and actual earnings on plan investments*	65,913	-
Employer contributions made subsequent to the measurement date**	195,484	-
Total	\$ 610,769	\$ 116,111

* Deferred Inflows and Outflows combined for footnote disclosure

** Contributions to trust of \$195,484 comprising of \$23,322 in cash benefits, \$22,031 in implied subsidy benefits, \$ 181 in admin expense and additional \$149,950 paid by the Authority.

Notes to Financial Statements

\$195,484 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ 48,342
2025	48,183
2026	45,215
2027	66,561
2028	44,198
Thereafter	46,675
	<u>\$ 299,174</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Changes in Net OPEB Liability during the fiscal year are shown below:

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/22 (6/30/21 measurement date)	\$ 1,984,821	\$ 681,927	\$1,302,894
Changes for the year:			
Service Cost	94,336	-	94,336
Interest	118,898	-	118,898
Benefit changes	-	-	-
Actual vs. expected exp.	-	-	-
Assumption changes	-	-	-
Contributions—employer *	-	303,279	(303,279)
Contributions—employee	-	-	-
Net investment income**	-	(108,705)	108,705
Benefit payments	(22,707)	(22,707)	-

Administrative Exp.	-	(878)	878
Net Changes	190,527	170,989	19,538
Balance at 6/30/23 (6/30/22 measurement date)	\$2,175,348	\$852,916	\$1,322,432

*Contributions to trust of \$195,484 comprising of \$23,322 in cash benefits \$22,031 in implied subsidy benefits, \$181 in admin expense and additional \$149,950 paid by the Authority.
** Adjusted for rounding issues

Changes in Net OPEB Liability during fiscal year 2021/22 are shown below:

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/21 (6/30/20 measurement date)	\$ 1,374,044	\$ 540,643	\$833,401
Changes for the year:			
Service Cost	74,239	-	74,239
Interest	93,434	-	93,434
Benefit changes	-	-	-
Actual vs. expected exp.	121,511	-	121,511
Assumption changes	343,274	-	343,274
Contributions—employer *	-	21,761	(21,761)
Contributions—employee	-	-	-
Net investment income**	-	141,867	(141,867)
Benefit payments	(21,681)	(21,681)	-
Administrative Exp.	-	(663)	663
Net Changes	610,777	141,284	469,493
Balance at 6/30/22 (6/30/21 measurement date)	\$1,984,821	\$681,927	\$1,302,894

*Contributions to trust of \$303,279 comprising of \$14,485 cash benefits, \$8,222 in implied subsidy benefits, \$ 119 in admin. expense and additional \$280,453 paid by the Authority.
** Adjusted for rounding issues

Sensitivity of the Net OPEB Liability to Changes in the Interest Rate and Healthcare Trend Rate— The following presents the Authority's net OPEB liability for the Plan, illustrating sensitivity based on changes in the discount rate and changes in the Healthcare Trend Rate:

Changes in the Discount Rate

	1% Decrease (4.75%)	Current Rate (5.75%)	1% Increase (6.75%)
Net OPEB Liability	\$1,658,154	\$ 1,322,432	\$ 1,047,891

Notes to Financial Statements

Changes in the Healthcare Trend Rate

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 987,599	\$ 1,322,432	\$ 1,744,521

Expected Long-Term Rate of Return

Asset Class Component	Portfolio Weight *	ICMA-RC	Expected Real Rate of Return
US Short Duration Govt/Credit		6.20%	0.24%
US Aggregate Bonds		17.30%	0.78%
TIPS		3.20%	-0.08%
US High Yield Bonds		4.70%	3.00%
US Large Cap		49.70%	3.87%
US Mid Cap		4.70%	3.92%
US Small Cap		1.30%	4.55%
Int'l Equity – Developed		7.00%	4.49%
Int'l Equity – Emerging Markets		5.90%	5.25%

Assumed Long-Term Rate of Inflation 2.50%

Expected Long-Term Net Rate of Return** 5.75%

* For VT II Model Portfolio Moderate Fund

** Rounded

of water. That agreement was an unbalanced 2:1 exchange requiring return of 5,000 AF, with no obligation to pay transportation charges. As of June 2023, a total of 3,000 AF has been returned, leaving a balance of 2,000 to be returned. Actual timing of the return is not known at this time, however all water in the 2016 AVEK exchange must be returned no later than December 31, 2026.

The Authority entered into a water exchange agreement (SWPAO# 20-004) in March 2020 with the Mojave Water Agency (“MWA”) on behalf of certain project participants for a total of up to 1,000 acre-feet (“AF”) of water at the cost of \$320 per AF plus administrative costs. Only one participant took part in the agreement for a total of 400 AF of water. This exchange was an unbalanced 4:1 exchange requiring return of 100 AF, with the participant responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to MWA, and are estimated to be \$250 per AF. As of June 30, 2023, 80 AF of water was taken, incurring a liability of 20 AF to be returned. Estimated transportation costs for that water are \$5,000. The additional 100 AF of exchange has been completed. Actual timing of the return is not known at this time, however all water in this exchange must be returned by December 31, 2028.

The Authority is involved in various legal proceedings, lawsuits and claims of a nature considered normal for its activities. It is the Authority's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. For the period ending June 30, 2023 and June 30, 2022, the Authority estimates no liability for claims or judgments. During 2023, the Authority was made aware of potential claims over disputed costs. Management disagrees with the potential claims and is unable to determine the nature, potential magnitude or potential timing of any loss contingency.

All of the accounts receivable recorded by the Authority are payable by its local participants and the DWR under the agreements more fully described in Note 1.

Note 9: Joint Powers Insurance Authority

The Authority participates in the liability, property and fidelity bond insurance program organized by the Association of California Water Agencies Joint Powers Insurance Authority (“ACWA - JPIA”). ACWA - JPIA is a joint powers insurance authority created to provide a self-

Note 8: Commitments and Uncertainties

The Authority entered into a water exchange agreement (SWPAO# 15-005) with Antelope Valley-East Kern Water Agency (“AVEK”) in 2015 on behalf of certain project participants for a total of 9,600 acre-feet (AF) of water. This exchange was an even 1:1 exchange with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to AVEK, and are estimated to be \$250 per AF. As of June 2023, 7,100 AF had been returned, leaving a balance of 2,500 AF to be returned in the future. Estimated transportation costs for that water are \$625,000. Actual costs and timing of the return are not known at this time, however all water in this exchange must be returned by December 31, 2025.

The Authority entered into an additional exchange agreement (SWPAO# 16-017) with AVEK in 2016 on behalf of certain project participants to allow for delivery of 10,000 AF

Notes to Financial Statements

insurance program to water agencies in the State of California.

ACWA-JPIA provides liability, property, workers' compensation, fidelity, boiler and machinery insurance for approximately 300 water agencies for losses in excess of the members' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. ACWA - JPIA is governed by a board composed of members from participating members. The board controls the operations of ACWA - JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board.

Each member shares surpluses and deficiencies proportionately to its participation in ACWA - JPIA. The Authority has not incurred any settlements which exceeded insurance coverage for the past three fiscal years.

Note 10: Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code

Section 457. Under the terms of this plan, in calendar year 2023 and 2022 these limits were one hundred percent of salary or \$22,500 per year in 2023 and \$20,500 in 2022, whichever is less. Additionally, employees over the age of 50 are permitted to defer up to an additional \$6,500 per year for those years in which they did not fully contribute the annual maximum prior to age 50.

Note 11: Subsequent Events

Events subsequent to June 30, 2023, have been evaluated through December 15, 2023, which is the date the financial statements were available to be issued. Other than the potential claims discussed in Note 8, management did not identify any additional subsequent events for the year ending June 30, 2023 that required disclosure.

Required Supplementary Information

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NINE YEAR REVIEW ¹
As of June 30, 2023

	Fiscal Year End								
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	06/30/2017	06/30/2017	06/30/2015	06/30/2014
Authority's Proportion of the Net Pension Liability	0.041070%	0.029680%	0.037080%	0.036550%	0.036260%	0.037875%	0.038348%	0.037178%	0.040196%
Authority's Proportionate Share of the Net Pension Liability	\$4,744,132	\$1,604,954	\$4,034,798	\$3,745,005	\$3,494,467	\$3,756,159	\$3,318,324	\$2,551,875	\$2,501,206
Authority's covered Payroll	3,207,311	3,166,519	3,088,204	3,014,603	2,980,919	2,835,039	2,771,667	2,713,663	2,860,537
Authority's Proportionate Share of the net pension liability as percentage of covered payroll	147.92%	50.69%	130.65%	124.23%	117.23%	132.49%	119.72%	94.04%	87.44%
Plan's fiduciary net position as a percentage of the plan's total pension liability	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.28%

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in the future fiscal years until 10 years of data is presented.

SCHEDULE OF PENSION PLAN CONTRIBUTIONS - NINE YEAR REVIEW ¹
As of June 30, 2023

Miscellaneous Plan	2022-23 ¹	2021-22 ¹	2020-21 ¹	2019-20 ¹	2018-19 ¹	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹
Actuarial determined contributions (ADC)	\$ 711,310	\$ 637,353	\$ 597,313	\$ 533,106	\$ 481,354	\$ 444,625	\$ 423,429	\$ 395,321	\$ 392,033
Contributions in relation to the actuarially determined contribution ²	(836,310)	(762,353)	(722,313)	(658,106)	(606,354)	(569,625)	(548,429)	(395,321)	(392,033)
Contribution deficiency (excess)	\$ (125,000)	\$ (125,000)	\$ (125,000)	\$ (125,000)	\$ (125,000)	\$ (125,000)	\$ (125,000)	\$ -	\$ -
Authority's covered payroll ^{3,4}	\$ 3,318,144	\$ 3,207,311	\$ 3,166,519	\$ 3,088,204	\$ 3,014,603	\$ 2,980,919	\$ 2,835,039	\$ 2,771,667	\$ 2,713,663
Contributions as a percentage of covered payroll ³	25.20%	23.77%	22.81%	21.31%	20.11%	19.11%	19.34%	14.26%	14.45%

¹ This is a 10-year schedule. Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the

³ Covered Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total covered earnings, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculated the required payroll-related ratios.

⁴ Fiscal Payroll from prior year was assumed to increase by the 3.5% payroll growth assumption

Required Supplementary Information

Actuarially Determined Contribution Assumption – Pension

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing
Remaining Amortization Periods	Differs by employer rate plan but not more than 28 years
Asset valuation method	Market values of asset
Inflation	2.50%
Salary Increases	Varies by category, entry age, and service
Discount Rate **	7.00% (net of investment and administrative expenses)
Mortality	Derived using CalPERS Membership Date for all Funds. The post-retirement mortality rates include 15 years of projected on-going improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries

* From the CalPERS reports (Appendix A):

<https://www.calpers.ca.gov/docs/forms-publications/actuarial-valuation-section2-miscellaneous-2020.pdf>

<https://www.calpers.ca.gov/docs/forms-publications/actuarial-valuation-section2-safety-2020.pdf>

** Please note, the discount rate used for Actuarially Determined Contributions is different from the one used for Total Pension Liability (page 6).

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS - SIX YEAR REVIEW ¹

As of June 30, 2023

	2022-23 ¹	2021-22 ¹	2020-21 ¹	2019-20 ¹	2018-19 ¹	2017-18 ¹
Actuarial determined contributions (ADC)	\$ 208,716	\$ 149,950	\$ 145,414	\$ 156,800	\$ 152,227	\$ 147,785
Contributions in relation to the actuarially determined contribution ²	(195,484)	(303,279)	(21,761)	(164,391)	(59,449)	(53,122)
Contribution deficiency (surplus)	\$ 13,232	\$ (153,329)	\$ 123,653	\$ (7,591)	\$ 92,778	\$ 94,663
Authority's covered payroll ³	\$ 3,609,104	\$ 3,495,032	\$ 3,452,453	\$ 3,335,171	\$ 3,224,398	\$ 3,273,043
Contributions as a percentage of covered payroll	5.4%	8.7%	0.6%	4.9%	1.8%	1.6%

¹ This is a 10-year schedule. Information in this schedule is not available prior to 2017/18. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

² Actual Fiscal Year contribution

³ For the 12 month period ending on June 30 (fiscal year end)

Required Supplementary Information

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - SIX YEAR REVIEW ¹
AND RELATED RATIOS
As of June 30, 2023

	2022/23 Measurement Period 2021/22	2021/22 Measurement Period 2020/21	2020/21 Measurement Period 2019/20	2019/20 Measurement Period 2018/19	2018/19 Measurement Period 2017/18	2017/18 Measurement Period 2016/17
Changes in Total OPEB Liability						
Service Cost	\$ 94,336	\$ 74,239	\$ 73,120	\$ 81,735	\$ 79,354	\$ 77,043
Interest	118,898	93,434	85,512	87,696	77,709	68,416
Actual vs. Expected Experience		121,511		(191,838)	-	-
Assumption Changes		343,274	(21,001)	7,029	-	-
Benefit Payments	(22,707)	(21,681)	(12,085)	(7,124)	(4,464)	(5,123)
Changes of benefit terms	-	-	-	-	-	-
Net Changes	\$ 190,527	\$ 610,777	\$ 125,546	\$ (22,502)	\$ 152,599	\$ 140,336
Total OPEB Liability (beginning of year)	1,984,821	1,374,044	1,248,498	1,271,000	1,118,401	978,065
Total OPEB Liability (end of year)	2,175,348	1,984,821	1,374,044	1,248,498	1,271,000	1,118,401
Changes in Plan Fiduciary Net Position						
Contributions - employer	\$ 303,279	\$ 21,761	\$ 164,391	\$ 59,449	\$ 53,122	\$ 43,201
Contributions - employee	-	-	-	-	-	-
Net Investment income	(108,705)	141,867	15,262	20,816	17,801	24,237
Benefit payments	(22,707)	(21,681)	(12,085)	(7,124)	(4,464)	(5,123)
Administrative Expenses	(878)	(663)	(516)	(323)	(256)	(122)
Other Changes	-	-	-	-	-	-
Net Changes	170,989	141,284	167,052	72,818	66,203	62,193
Plan Fiduciary Net Position (beginning of year)	681,927	540,643	373,591	300,773	234,570	172,377
Plan Fiduciary Net Position (end of year)	\$ 852,916	\$ 681,927	\$ 540,643	\$ 373,591	\$ 300,773	\$ 234,570
Net OPEB Liability	\$ 1,322,432	\$ 1,302,894	\$ 833,401	\$ 874,907	\$ 970,227	\$ 883,831
Fiduciary Net Position as a percentage of Total OPEB Liability	39.2%	34.4%	39.3%	29.9%	23.7%	21.0%
Covered Payroll ²	3,495,032	3,452,453	3,335,171	3,224,398	3,273,043	3,194,536
Net OPEB Liability as a percentage of covered payroll	37.8%	37.7%	25.0%	27.1%	29.6%	27.7%

¹ This is a 10-year schedule. Information in this schedule is not available prior to 2017/18. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

² For the 12-month period ending on the Measurement Date

Methods & Assumptions for 2022/23 Actuarially Determined Contribution - OPEB

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age normal, Level % of pay
Amortization Method	Level % of pay
Amortization Period	15.1-year average period of 2022/23
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	5.75%
General Inflation	2.50%
Medical Trend	<u>Non-Medicare</u> -6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 <u>Medicare (Non-Kaiser)</u> -5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 <u>Medicare (Kaiser)</u> -4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Mortality	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

STATISTICAL SECTION



STATISTICAL SECTION NARRATIVE SUMMARY

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the annual comprehensive financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the activities performed by the Authority.

TABLE 1

General Governmental Revenues by Source

Fiscal Year	Operating Assessments ¹	Debt Service Assessments	Other Revenues	Non-Operating Revenue	Total Revenues
2012/13	\$ 7,504,558	\$ 10,758,676	\$ 125,443	\$ 139,554	\$ 18,528,231
2013/14	8,642,389	10,669,540	329,292	120,693	19,761,914
2014/15	9,100,035	10,620,321	146,713	118,755	19,985,824
2015/16	8,702,151	10,560,476	108,915	176,276	19,547,818
2016/17	9,667,165	10,857,086	307,089	328,130	21,159,470
2017/18	9,901,333	8,966,976	157,546	635,825	19,661,680
2018/19	9,997,429	9,286,980	158,036	1,281,897	20,724,342
2019/20	9,544,645	9,224,616	99,030	1,141,562	20,009,853
2020/21	10,891,111	8,908,132	231,193	278,253	20,308,689
2021/22	11,009,867	9,022,269	173,012	206,054	20,411,203
2022/23	11,984,799	-	95,659	1,175,177	13,255,634

Source: Central Coast Water Authority

¹ Operating Assessments exclude year-end credits for unexpended operating reimbursements.

Total Revenue Comparison

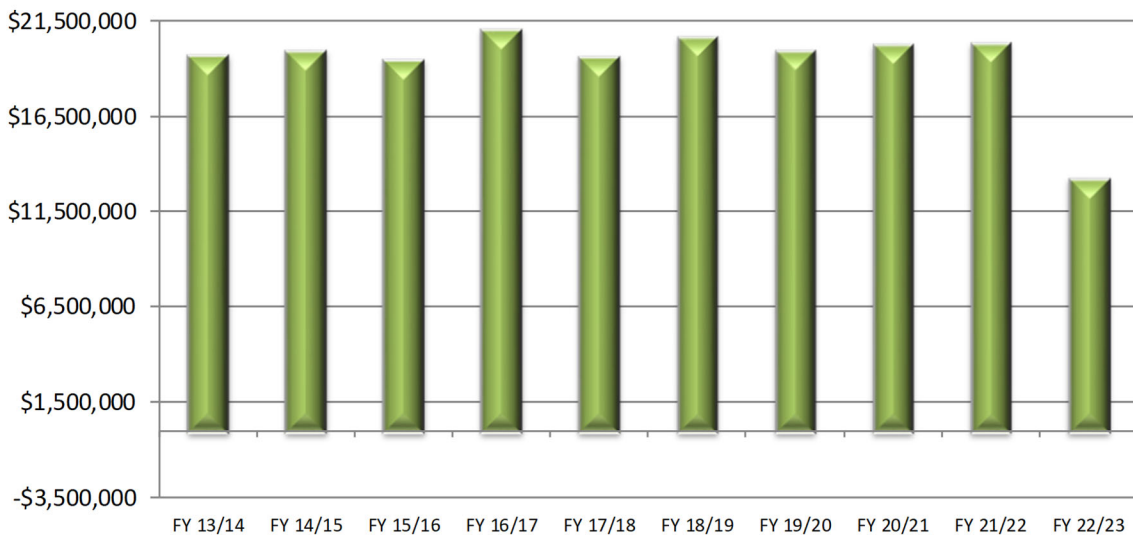


TABLE 2

General Governmental Expenses by Function

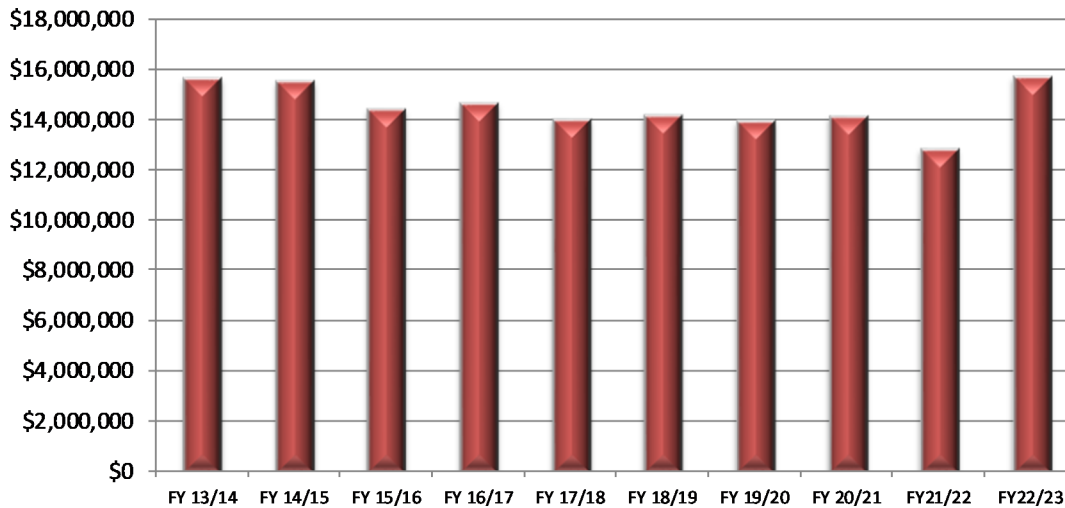
Fiscal Year	Operating Expenses ¹	Capital Improvements ²	Interest Expense	Interest paid to Participants ¹	Total Expenses
2013/14	\$ 10,937,701	\$ 749,170	\$ 3,805,662	\$ 120,693	\$ 15,613,226
2014/15	11,671,645	314,087	3,409,975	118,755	15,514,462
2015/16	10,633,214	629,440	2,994,662	176,276	14,433,592
2016/17	11,205,868	254,360	2,869,594	301,630	14,631,452
2017/18	10,591,135	811,276	1,978,000	635,927	14,016,338
2018/19	10,443,568	992,965	1,552,500	1,168,698	14,157,731
2019/20	10,654,396	1,072,316	1,100,000	1,141,562	13,968,274
2020/21	12,065,351	1,153,116	624,938	278,253	14,121,658
2021/22	11,796,786	706,125	126,186	206,054	12,835,151
2022/23	13,074,062	1,472,257	-	1,124,756	15,671,075

Source: Central Coast Water Authority

¹ Operating Expenses include year-end credits for unexpended operating reimbursements, and interest credits paid to project participants are shown on a separate line.

² Capital Improvements are excluded from Statement of Revenues and Expenses but included in this table as they are a pass through expense.

Total Expenditures Comparison



Statistical Section

TABLE 3

Change in Net Position and Net Position Components Last Ten Fiscal Years

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Net position, at beginning of year	\$ 32,843,775	\$ 37,640,493	\$ 39,694,735	\$ 45,427,613	\$ 51,605,680
Operating revenues	19,641,221	19,831,984	19,334,566	20,825,040	19,025,855
Operating Expenses					
Operating expenses	7,261,549	7,805,038	7,592,444	9,448,706	8,858,438
Depreciation and amortization	2,715,546	2,710,711	2,710,417	1,027,928	1,061,706
Unexpended operating reimbursements	960,606	1,155,896	330,353	729,234	670,991
Total operating expenses	10,937,701	11,671,645	10,633,214	11,205,868	10,591,135
Operating Income	8,703,520	8,160,339	8,701,352	9,619,172	8,434,720
Non-operating revenues					
Interest income and miscellaneous	120,693	153,840	213,252	334,430	635,825
Non-Operating Expenses					
Interest expense	3,805,662	3,409,975	2,994,662	2,869,594	1,978,000
Bond issuance expenses	-	-	-	576,155	-
Interest income to project participants	120,693	118,755	176,276	301,630	635,927
Other expenses	101,140	88,164	10,788	28,156	84,561
Total non-operating expenses	4,027,495	3,616,894	3,181,726	3,775,535	2,698,488
Increase in Net Position	4,796,718	4,697,285	5,732,878	6,178,067	6,372,057
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	(2,643,043)	-	-	-
Net position, at end of year	37,640,493	39,694,735	45,427,613	51,605,680	57,977,737
Net investment in capital assets	33,258,360	38,420,586	44,108,951	55,164,579	60,312,509
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,537,581	11,522,948	11,513,337	9,978,731	10,411,593
Unrestricted	(7,155,448)	(10,248,799)	(10,194,675)	(13,537,630)	(12,746,365)
Total Net Position	\$ 37,640,493	\$ 39,694,735	\$ 45,427,613	\$ 51,605,680	\$ 57,977,737

Continued

Statistical Section

TABLE 3 (continued)

Change in Net Position and Net Position Components Last Ten Fiscal Years

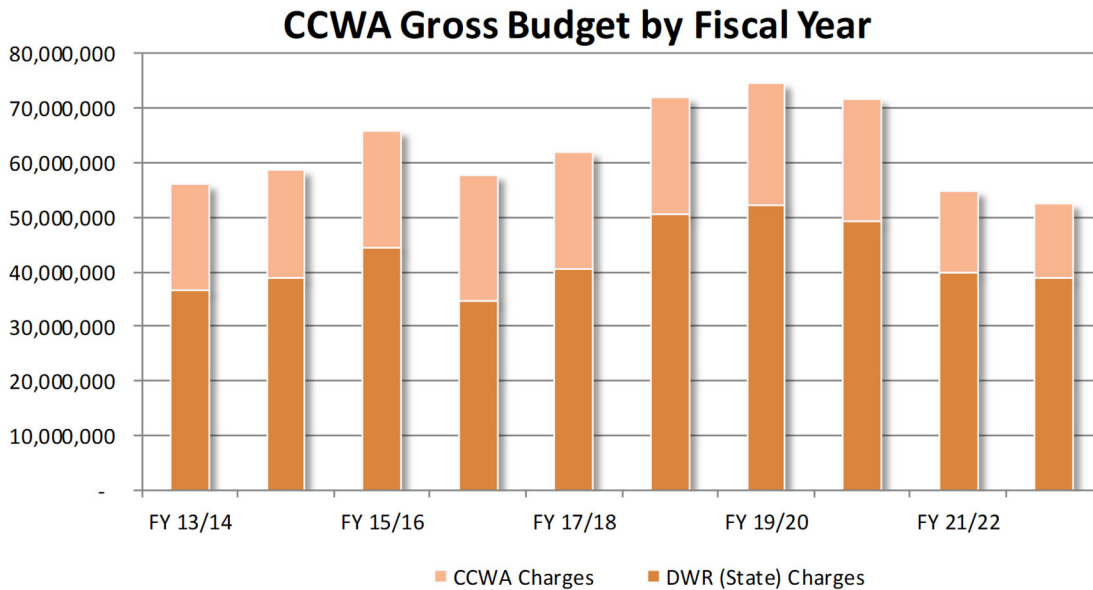
	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Net position, at beginning of year	\$ 57,977,737	\$ 65,537,313	\$ 72,651,208	\$ 79,914,457	\$ 88,196,584
Operating revenues	19,442,445	18,868,291	20,030,436	20,205,148	12,080,458
Operating Expenses					
Operating expenses	8,234,624	8,647,847	8,818,108	8,627,273	10,637,893
Depreciation and amortization	1,299,198	1,659,217	2,123,816	2,451,231	2,496,375
Unexpended operating reimbursements	909,746	347,332	1,123,428	718,282	(60,206)
Total operating expenses	10,443,568	10,654,396	12,065,352	11,796,786	13,074,062
Operating Income	8,998,877	8,213,895	7,965,084	8,408,362	(993,604)
Non-operating revenues					
Interest income and miscellaneous	1,281,897	1,141,562	278,253	206,054	1,175,177
Non-Operating Expenses					
Interest expense	1,552,500	1,100,000	624,938	126,186	-
Bond issuance expenses	-	-	-	-	-
Interest income to project participants	1,168,698	1,141,562	278,253	206,054	1,124,756
Other expenses	-	-	76,899	49	-
Total non-operating expenses	2,721,198	2,241,562	980,090	332,290	1,124,756
Increase in Net Position	7,559,576	7,113,895	7,263,249	8,282,127	(943,183)
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	-	-	-	-
Net position, at end of year	65,537,313	72,651,208	79,914,457	88,196,584	87,253,401
Net investment in capital assets	66,554,791	73,172,291	80,060,233	88,327,445	87,298,062
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	10,418,498	10,423,636	10,378,495	-	-
Unrestricted	(11,435,976)	(10,944,719)	(10,524,271)	(130,861)	(44,662)
Total Net Position	\$ 65,537,313	\$ 72,651,208	\$ 79,914,457	\$ 88,196,584	\$ 87,253,400

TABLE 4

Fiscal Year Gross Budget History (Excludes Credits)

Fiscal Year	CCWA Charges	DWR (State) Charges	Total	Increase (Decrease)	Percentage Change
FY 13/14	19,303,293	36,720,999	56,024,292	4,678,668	8%
FY 14/15	19,905,931	38,928,105	58,834,036	2,809,744	5%
FY 15/16	21,408,675	44,258,987	65,667,662	6,833,626	10%
FY 16/17	22,991,413	34,730,498	57,721,911	(7,945,751)	-14%
FY 17/18	21,280,493	40,494,796	61,775,289	4,053,378	7%
FY 18/19	21,485,218	50,494,069	71,979,287	10,203,998	14%
FY 19/20	22,618,490	52,066,151	74,684,641	2,705,355	4%
FY 20/21	22,317,186	49,225,756	71,542,942	(3,141,699)	-4%
FY 21/22	14,907,029	39,767,071	54,674,100	(16,868,842)	-24%
FY 22/23	13,609,630	39,002,187	52,611,817	(2,062,282)	-4%

Note: Excludes CCWA credits.



Statistical Section

TABLE 5

FY 2022/23 Total Payments by Project Participant

Project Participant	FY 2022/23 Operating Expenses ⁽¹⁾	FY 2022/23 DWR Costs	FY 2022/23 Warren Act Charges ⁽²⁾	FY 2022/23 CCWA Credits	FY 2022/23 Total Payments
Guadalupe	\$ 129,585	418,930	\$ -	\$ (20,705)	\$ 527,811
Santa Maria	3,923,878	14,710,459	-	(359,819)	18,274,518
Golden State Water Co.	124,550	505,540	-	(5,497)	624,594
Vandenberg SFB	1,595,514	4,441,683	-	(785,212)	5,251,985
Buellton	183,652	531,581	-	(18,387)	696,847
Santa Ynez (Solvang)	566,458	1,789,953	-	(35,718)	2,320,692
Santa Ynez	594,874	511,303	-	(2,461)	1,103,715
Goleta	1,824,743	5,824,597	431,362	(59,723)	8,020,978
Morehart Land	75,872	237,827	14,946	(4,131)	324,513
La Cumbre	298,746	1,094,146	17,991	(10,613)	1,400,270
Raytheon	13,659	46,009	-	(1,097)	58,571
Santa Barbara	1,104,816	3,697,131	208,969	(1)	5,010,916
Montecito	807,922	3,004,613	-	(40,504)	3,772,031
Carpinteria	668,776	2,188,415	91,614	0	2,948,805
Shandon	14,689	N/A	-	(3,057)	11,631
Chorro Valley	459,462	N/A	-	(64,348)	395,114
Lopez	457,553	N/A	-	(69,527)	388,026
TOTAL:	\$ 12,844,749	\$ 39,002,187	\$ 764,882	\$ (1,480,800)	\$ 51,131,018

(1) Adjusted for Santa Ynez Exchange Agreement Modifications and Regional WTP Treatment Allocation.

(2) Adjusted for Santa Ynez Exchange Agreement Modifications.

This schedule represents the budgeted amounts plus the increase or decrease in charges for certain participants due to changes in delivery requests which were not included in the original fiscal year 2022/23 budget.

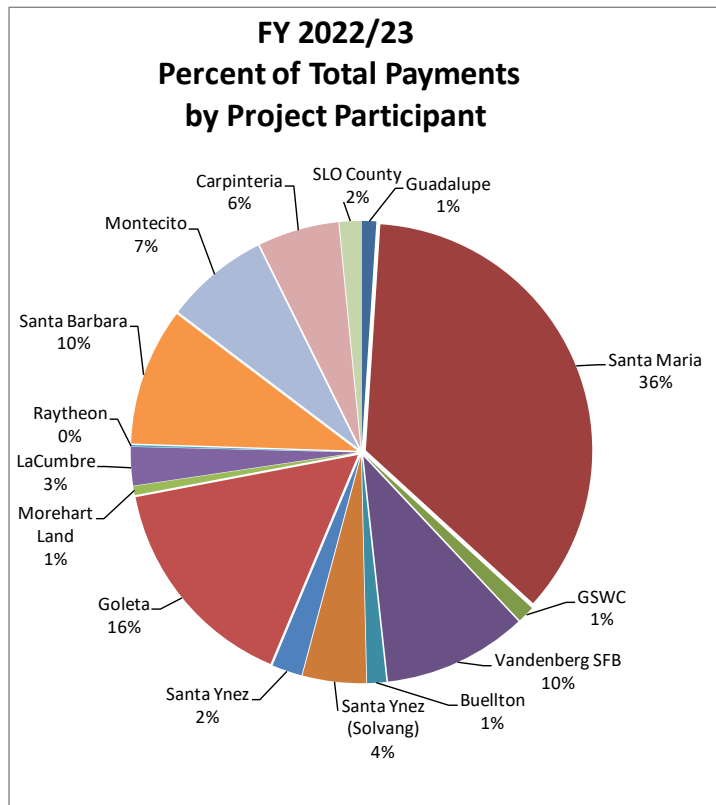


TABLE 6

Ratio of Outstanding Debt by Type For Total Bonded Debt to Total Expenses

Fiscal Year	Bond Issue	Principal	Interest ⁽¹⁾	Total Debt Service	Total Expenses	Ratio of Debt Service to Total Expenses
2012/13	2006 Bonds	7,335,000	4,247,463	11,582,463	14,677,356	78.91%
2013/14	2006 Bonds	7,625,000	3,900,975	11,525,975	15,613,226	73.82%
2014/15	2006 Bonds	8,010,000	3,510,100	11,520,100	15,514,462	74.25%
2015/16	2006 Bonds	8,405,000	3,099,725	11,504,725	14,433,592	79.71%
2016/17	06 & 16 Bonds	8,825,000	3,023,619	11,848,619	13,963,559	84.85%
2017/18	2016 Bonds	7,880,000	2,076,500	9,956,500	14,016,338	71.03%
2018/19	2016 Bonds	8,720,000	1,661,500	10,381,500	14,157,731	73.33%
2019/20	2016 Bonds	9,160,000	1,214,500	10,374,500	13,968,274	74.27%
2020/21	2016 Bonds	9,615,000	745,125	10,360,125	14,121,658	73.36%
2021/22	2016 Bonds	10,095,000	252,375	10,347,375	12,835,151	80.62%

(1) Represents actual cash payment without regard to payments from the capitalized interest fund.

Source: Central Coast Water Authority

Ratio of Debt Service to Total Expenses

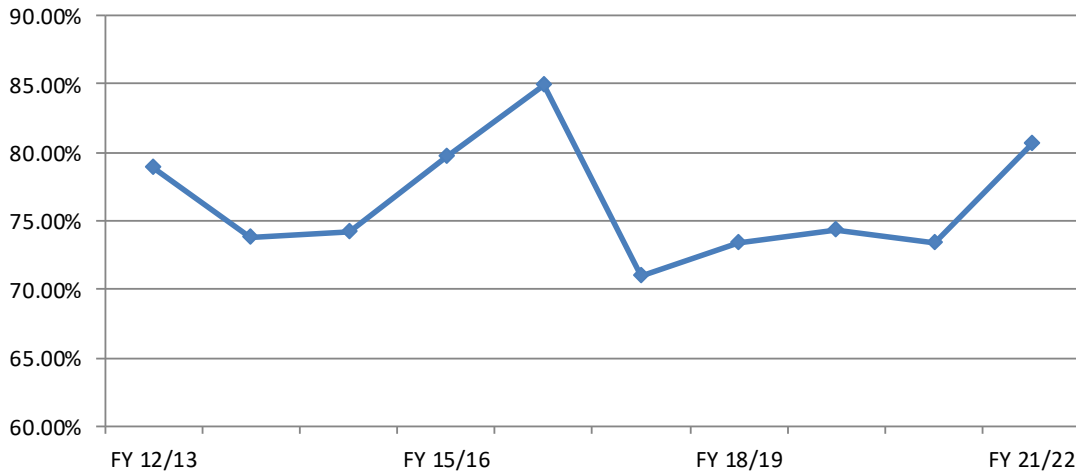


TABLE 7
Selected Demographic Information
Santa Barbara County

Santa Barbara County is located on the Pacific coast of the southern portion of the U.S. state of California, just west of Ventura County. The estimated total population of the County as of August 2020 was 451,840 according to the Santa Barbara County 2019/20 CAFR. The county seat is Santa Barbara and the largest city is Santa Maria.

For thousands of years, the area was home to the Chumash tribe of Native Americans, complex hunter-gathers who lived along the coast and in interior valleys leaving rock art in many locations including Painted Cave. European contact had devastating effects on the Chumash Indians, including a series of disease epidemics that drastically reduced Chumash population. The Chumash survived, however, and thousands of Chumash descendants still live in the Santa Barbara area or surrounding counties.

The County has a total area of 2,737 square miles and four of the Channel Islands – San Miguel Island, Anacapa Island, Santa Cruz Island and Santa Rosa Island – are in Santa Barbara County. They form the largest part of the Channel Islands National Park.

Santa Barbara County has a mountainous interior abutting a coastal plains area. The largest concentration of people is on this coastal plain, referred to as the south coast – the part of the county south of the Santa Ynez Mountains – which includes the cities of Santa Barbara, Goleta and Carpinteria, as well as the unincorporated areas of Hope Ranch, Mission Canyon, Montecito and Isla Vista. North of the mountains are the towns of Santa Ynez, Solvang, Buellton, Lompoc; the unincorporated towns of Los Olivos and Ballard; the unincorporated areas of Mission Hills and Vandenberg Village; and Vandenberg Space Force Base, where the Santa Ynez River flows out to the sea. North of the Santa Ynez Valley are the cities of Santa Maria and Guadalupe.

Santa Barbara County is home to a beautiful landscape and great climate for living, playing and working. The County is well known for its strong sense of community, prime agricultural land, award winning wineries, and attractive cultural and tourism opportunities. However, Santa Barbara County also touts its talented and highly skilled workforce and business sectors, from high tech to health care to design. Quality institutions like UC Santa Barbara and Vandenberg Airforce Base continue to attract high quality individuals to the County. It is these attributes that attract and retain businesses in the area.

TABLE 8
Miscellaneous Statistical Information

Form of government	Joint Powers Authority
Date of organization	August 1, 1991
Number of full-time equivalent positions	30.25
Polonio Pass Water Treatment Plant design capacity	43 million gallons per day
Authority pipeline (in miles)	42.5
Coastal Branch pipeline (in miles)	100.6
Number of water storage tanks	7
Number of turnouts	10

<u>Agency</u>	<u>Table A Amount (AFY)</u>
City of Buellton	578
Carpinteria Valley Water District	2,000
Goleta Water District	4,500
City of Guadalupe	550
La Cumbre Mutual Water Co.	1,000
Montecito Water District	3,000
Morehart Land Co.	200
City of Santa Barbara	3,000
Raytheon Systems Company	50
City of Santa Maria	16,200
Santa Ynez River W.C.D. #1	2,000
Southern California Water Co.	500
Vandenberg Space Force Base	5,500
Total Santa Barbara County *	39,078
Avila Beach C.S.D	100
Avila Valley Mutual Water Co., Inc.	20
California Mens Colony (State)	400
County of SLO C.S.A. No. 16 I.D. #1	100
County of SLO (Op. Center & Reg. Park)	425
City of Morro Bay	1,313
Oceano CSD	750
City of Pismo Beach	1,240
San Luis Coastal Unified School District	7
San Miguelito Mutual Water Co.	275
SLO Co. Comm. Coll. District (Cuesta College)	200
Total San Luis Obispo County	4,830
TOTAL TABLE A AMOUNT	43,908

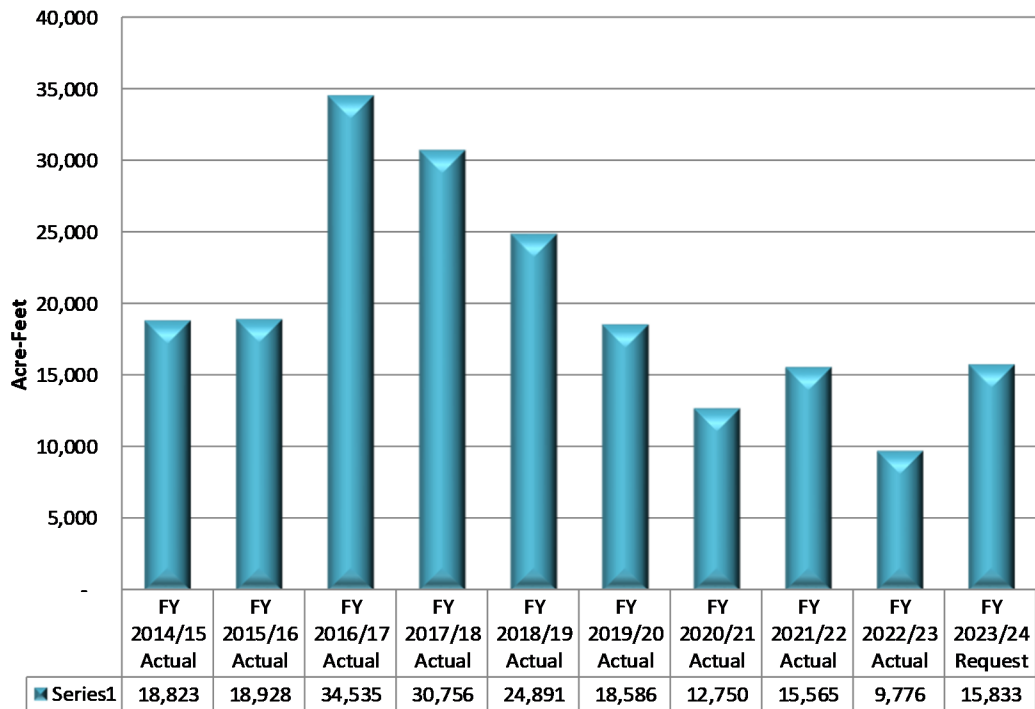
Note: * Excludes CCWA drought buffer of Table A amount of 3,908 AFY and Goleta Water District additional Table A amount of 2,500 AFY.

Statistical Section

TABLE 9
FY 2022/23 Actual State Water Deliveries (acre feet)

Project Participant	Total Deliveries	Exchange Agreement Deliveries	Table A Deliveries
Shandon Turnout (SLO County)	-	N/A	-
Lopez Turnout (SLO County)	1,074	N/A	1,074
Chorro Valley Turnout (SLO County)	1,955	N/A	1,955
City of Guadalupe	266	N/A	266
City of Santa Maria	2,643	N/A	2,643
Golden State Water Company	147	N/A	147
Vandenberg Space Force Base	616	N/A	616
City of Buellton	148	N/A	148
Santa Ynez ID #1 (City of Solvang)	481	N/A	481
Santa Ynez ID #1	978	(541)	437
Goleta Water District	1,064	195	1,259
Morehart Land Company	51	N/A	51
La Cumbre Mutual Water Company	253	N/A	253
Raytheon Systems Company	-	N/A	-
City of Santa Barbara	100	130	230
Montecito Water District	-	130	130
Carpinteria Valley Water District	-	86	86
TOTAL:	9,776	-	9,776

Historical Water Deliveries (Acre-Feet)

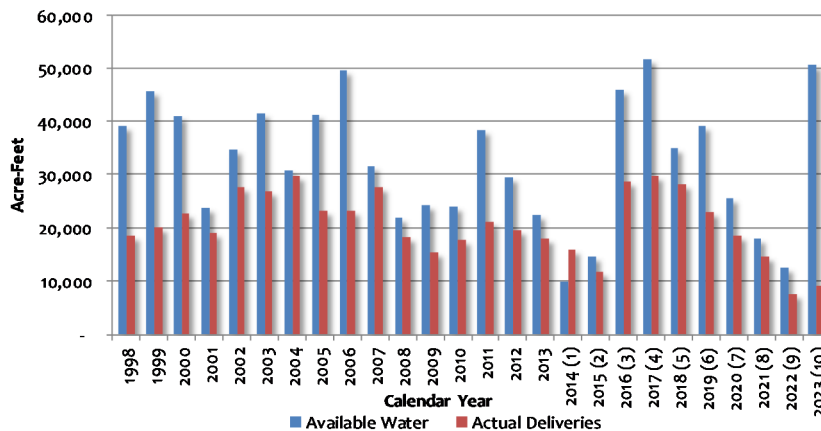


Statistical Section

TABLE 10
Historical Water Availability Compared to Actual Deliveries & Costs
Santa Barbara County Project Participants Only

Calendar Year	(Acre-Feet)		Total CCWA Actual Costs
	Available Water	Actual Deliveries	
1998	38,986	18,618	\$ 36,225,479
1999	45,486	20,137	24,898,645
2000	40,937	22,741	50,707,485
2001	23,734	18,945	39,445,139
2002	34,715	27,600	37,237,621
2003	41,476	26,970	43,929,781
2004	30,793	29,705	44,152,940
2005	41,092	23,343	43,750,040
2006	49,506	23,275	47,067,848
2007	31,516	27,740	45,660,843
2008	22,036	18,391	46,236,486
2009	24,162	15,452	48,521,830
2010	24,033	17,775	50,707,485
2011	38,389	21,050	51,876,819
2012	29,566	19,474	45,904,819
2013	22,430	18,018	54,450,977
2014 ⁽¹⁾	9,955	15,942	59,621,280
2015 ⁽²⁾	14,691	11,673	67,372,895
2016 ⁽³⁾	45,774	28,807	53,704,188
2017 ⁽⁴⁾	51,622	29,696	61,352,586
2018 ⁽⁵⁾	34,883	28,165	76,476,705
2019 ⁽⁶⁾	39,195	22,959	74,197,973
2020 ⁽⁷⁾	25,470	18,586	72,644,178
2021 ⁽⁸⁾	17,961	14,495	70,344,668
2022 ⁽⁹⁾	12,444	7,548	60,364,986
2023 ⁽¹⁰⁾	50,570	9,131	53,770,882
Total:	841,422	536,236	\$ 1,360,624,577
Avg. Cost per Acre-foot:	\$ 1,617	\$ 2,537	
Percent of Table A:	84.08%	53.59%	

- (1) 2014 amounts include CCWA Supplemental Water Purchase Program costs of \$4.2 million for 5,909 AF.
- (2) 2015 amounts include CCWA Supplemental Water Purchase Program costs of \$4.8 million for 9,600 AF.
- (3) 2016 amounts include CCWA Supplemental Water Purchase Program costs of \$2.9 million for 11,500 AF.
- (4) No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2017.
- (5) 2018 amounts include CCWA Supplemental Water Purchase Program costs of \$1.8 million for 5,633 AF.
- (6) No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2019.
- (7) No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2020.
- (8) 2021 amounts include CCWA Supplemental Water Purchase Program costs of \$1.9 million for 2,258 AF.
- (9) 2022 amounts include CCWA Supplemental Water Purchase Program costs of \$4.3 million for 2,656 AF.
- (10) Water deliveries are estimated and include CCWA Supplemental Water Purchase Program (SWPP) in 2023.



Statistical Section

TABLE 11

Schedule of Insurance Valued June 30, 2023

<u>Company</u>	<u>Policy Period</u>	<u>Insurance Type</u>	<u>Limits</u>	<u>Coverages</u>
Hartford Fire Insurance Company through Alliant Insurance Services	7-1-22 to 7-1-23	Excess Crime Coverage	\$ 7,000,000	Dishonesty, faithful performance, forgery, computer fraud, pension plans including ERISA
Lloyd's of London	7-1-22 to 7-1-23	Cyber Liability	\$ 2,000,000	Financial losses resulting from data breaches and other cyber events
ACWA Joint Powers Insurance Authority	7-1-22 to 7-1-23	Crime Coverage	\$ 100,000	Public employee theft, depositors forgery or alterations, computer and funds transfer fraud
ACWA Joint Powers Insurance Authority	7-1-22 to 7-1-23	Property Insurance	\$ 104,365,794	Buildings (\$39,961,123); Personal property (\$1,961,256); Fixed Equipment (\$54,008,695); Business Interruption (\$8,434,720)
ACWA Joint Powers Insurance Authority	7-1-22 to 10-1-23	General and Auto Liability	\$ 5,000,000	Liability JPIA pooled layer
Safety National Casualty Corporation	7-1-22 to 10-1-23	General and Auto Liability	\$ 5,000,000	Liability reinsurance policy
California Water Insurance Fund	7-1-22 to 10-1-23	General and Auto Liability	\$ 10,000,000	Liability reinsurance policy
Everest Reinsurance Company/ Continental Indemnity Company/ Upland Specialty Insurance Company (quota share)	7-1-22 to 10-1-23	General and Auto Liability	\$ 9,500,000	Liability reinsurance policy
Great American Insurance Company	7-1-22 to 10-1-23	General and Auto Liability	\$ 5,500,000	Liability reinsurance policy
Allied World National Assurance Co	7-1-22 to 10-1-23	General and Auto Liability	\$ 10,000,000	Liability excess policy
Hallmark Specialty Insurance Company	10-1-22 to 10-1-23	General and Auto Liability	\$ 5,000,000	Liability excess policy
General Security Indemnity Company of Arizona	10-1-22 to 10-1-23	General and Auto Liability	\$ 5,000,000	Liability excess policy

TABLE 12

Full-time Equivalent Employees by Position

Position Title	Number Authorized FY 2020/21	Number Authorized FY 2021/22	Number Authorized FY 2022/23	Change Over FY 2020/21	Change Over FY 2021/22
Executive Director	1.00	1.00	1.00	-	-
Deputy Director of Operations	1.00	1.00	1.00	-	-
Safety & Environmental Specialist	1.00	1.00	1.00	-	-
Controller	1.00	1.00	1.00	-	-
Senior Accountant	1.00	1.00	1.00	-	-
Deputy Controller	-	-	-	-	-
Office Manager	1.00	1.00	1.00	-	-
Accounting Technician	0.75	0.75	0.75	-	-
Administrative Assistant	1.50	1.50	1.50	-	-
WTP Supervisor	1.00	1.00	1.00	-	-
Distribution Supervisor	1.00	1.00	1.00	-	-
Maintenance Manager	1.00	1.00	1.00	-	-
Maintenance Foreman	1.00	1.00	1.00	-	-
Senior Chemist	1.00	1.00	1.00	-	-
Laboratory Analyst	1.00	1.00	1.00	-	-
IT/Instrumentation & Control Specialist	1.00	1.00	1.00	-	-
Engineering Technician	1.00	1.00	1.00	-	-
Maintenance Technician	2.00	2.00	2.00	-	-
Maintenance/IC&R Technician	2.00	2.00	2.00	-	-
WTP Operator	5.00	5.00	5.00	-	-
Distribution Technician	5.00	5.00	5.00	-	-
TOTAL:	30.25	30.25	30.25	-	-

TABLE 13
Santa Barbara County Largest Employers

Company or Organization	Jobs ⁽¹⁾	Percent of Total County Employment
County of Santa Barbara	4,307	1.93%
University of California, Santa Barbara	4,250	1.91%
Vandenberg Space Force Base	2,500	1.12%
Santa Maria-Bonita School District	2,010	0.90%
Chumash Casino Resort	2,000	0.90%
Mission Linen Supply	2,000	0.90%
Marian Regional Medical Center	1,486	0.67%
Allen Hancock College	1,400	0.63%
AppFolio	1,350	0.61%
Santa Barbara Unified School District	1,350	0.61%
Total ten largest	22,653	10.17%
Total all other	200,157	89.83%
Total companies or organizations	<u>222,810</u>	<u>100.00%</u>

⁽¹⁾ Source: County of Santa Barbara Budget FY 2023/24

TABLE 14

State Water Payment Coverage Calculations

Fiscal Year Ending June 30, 2022	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Adjusted Net Revenues	State Water Payments	Parity Debt Service	Coverage Ratio
City of Guadalupe	\$ 2,662,955	\$ 805,165	\$ 191,013	\$ 2,048,803	\$ 842,390	-	2.43
City of Santa Maria	60,453,787	14,009,209	5,166,640	51,611,218	17,747,813	-	2.91
City of Buellton	2,653,152	1,461,817	274,861	1,466,197	663,798	-	2.21
Santa Ynez ID #1, City of Solvang	5,209,467	1,893,365	632,101	3,948,203	2,963,189	-	1.33
Santa Ynez Water Conservation District, ID #1	13,731,170	6,103,217	460,943	8,088,896	2,931,004	-	2.76
Goleta Water District	55,324,033	25,838,670	-	29,485,363	6,533,674	-	4.51
La Cumbre Mutual Water Company ⁽¹⁾	7,758,837	3,935,155	400,354	4,224,036	2,017,258	-	2.09
City of Santa Barbara	66,197,473	35,810,413	-	30,387,060	4,159,048	\$ 14,284,724	1.65
Montecito Water District	24,041,261	16,543,966	1,493,966	8,991,261	3,827,219	-	2.35
Carpinteria Valley Water District	15,520,794	9,520,020	859,791	6,860,565	3,157,166	-	2.17

⁽¹⁾ La Cumbre Mutual Company uses a Calendar year for reporting purposes.