SANTA YNEZ RIVER WATER
CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
JUNE 30, 2018 AND 2017

FINANCIAL STATEMENTS

BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT NO. 1

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BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Santa Ynez River Water Conservation District,
Improvement District No. 1:

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Ynez River Water Conservation District, Improvement District No. 1 (the "District") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

1123 Chapala Street • Santa Barbara, CA 93101 • Tel: (805) 963-7811 • Fax: (805) 564-2103 • www.bpw.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Ynez River Water Conservation District, Improvement District No. 1, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of a Matter

As discussed in Note 17 to the basic financial statements, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during fiscal year ending June 30, 2018. The adoption of this standard required retrospective application resulting in a $1,297,800 decrease in net position as of July 1, 2017. Our opinion is not modified with respect to this matter. Because all of the information required to restate the prior year was not available at the time the financial statements were available to be issued, prior year values are not presented in a comparable manner.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 10, the California Public Employees' Retirement System - Schedule of Santa Ynez River Water Conservation District, Improvement District No. 1's Proportionate Share of the Net Pension Liability on page 40, California Public Employees' Retirement System - Schedule of Contributions on page 41, and Other Post-Employment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Schedule of Revenues and Expenses – Actual and Budget on page 43 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Bartlett, Pringle + Wolf, LLP

Santa Barbara, California
November 20, 2018

This section presents management's analysis of the Santa Ynez River Water Conservation District, Improvement District No. 1's ("The District's") financial condition and activities for the fiscal year ending June 30, 2018. This narrative overview and analysis should be read in conjunction with the accompanying financial statements.

Summary of Organization and Business

The District was formed on July 7, 1959 under the Water Conservation Law of 1931, Division 21, Section 74000 et seq. of the California Water Code (the "Act"), for the purposes of furnishing potable domestic and irrigation water within its boundaries. The District has operated continuously since 1959 and is located in the central portion of Santa Barbara County and includes the communities of Santa Ynez, Los Olivos, Ballard and the City of Solvang. Based on the U.S. Census Bureau, the population was modified to account for 2010 census data and updated to the year 2012, the District's population is approximately 6,737 (excluding the City of Solvang) and currently provides water to approximately 2,587 municipal and industrial customers and approximately 115 agricultural customers.

The District obtains its water supplies from the Cachuma Project/State Water exchange, direct diversions from the Cachuma Project, deliveries from the State Water Project, produces water from the Santa Ynez Uplands Groundwater Basin, and diverts water from the Santa Ynez River alluvium. The District's major activities include acquisition, construction, operation and maintenance of 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, deliver and sell water for beneficial uses to its domestic and agricultural accounts. The District has maintained a staff of sixteen full-time employees and two part-time employees to carry out this purpose in fiscal year 2017/2018.

The District is governed by a five-member Board of Trustees (the "Board"), the members of which are elected by the registered voters of the District to staggered four-year terms. Day-to-day management of the District is delegated to the General Manager.

Overview of Financial Statements

The District operates as an enterprise fund. The enterprise fund is accounted for on a flow of economic resources measurement basis. Under this measurement focus, all assets and liabilities associated with the operation of the District are included on the balance sheet. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net position.

Enterprise funds 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.

Overview of Financial Statements (Continued)

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide.

The District's basic financial statements include four components.

- Balance Sheet
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The balance sheet includes all the District's assets, deferred inflows of resources, liabilities, and deferred outflows of resources. The difference between total assets/deferred outflows of resources and total liabilities/deferred inflows of resources is reported as net position. Net position may be displayed in the following categories:

- Net investment in capital assets
- Restricted
- Unrestricted

The balance sheet provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by Generally Accepted Accounting Principles (GAAP) that are not otherwise present in the financial statements.

Overview of Financial Statements (Continued)

The District's budget is prepared on the accrual basis and includes the District's water systems. Prior to June 1 of each year, the General Manager of the District submits to the Board of Trustees a proposed budget for the fiscal year commencing the following July 1. The Board conducts public meetings to obtain comments from ratepayers. Subsequent to the public meetings, the Board approves the budget prior to July 1.

Financial Highlights

During the year ended June 30, 2018, the District's net position increased by a total of $953,813 (4.35%). The District's operating revenues increased by $1,614,846 (18.06%) and operating expenses increased by $243,280 (2.97%). Non-operating income decreased by $156,886 (-13.23%) and non-operating expenses decreased in the current year by $11,583 (-1.27%).

Balance Sheet

The following table represents a summary of the District's Balance Sheet with corresponding analysis regarding significant variances:

				2018-2017 Variance		2017-2016 Variance	
	2018	2017	2016	Dollars	Percent	Dollars	Percent
Assets:							
Current assets	$ 17,879,992	$ 15,138,409	$ 14,262,762	$ 2,741,583	18.11%	$ 875,647	6.14%
Noncurrent assets:							
Restricted assets	401,663	401,656	401,548	7	0.00%	108	0.03%
Capital assets, net	13,943,643	14,184,341	14,120,721	(240,698)	-1.70%	63,620	0.45%
Intangible assets, net	-	9,307	11,109	(9,307)	-100.00%	(1,802)	-16.22%
Total Assets	**$ 32,225,298**	**$ 29,733,713**	**$ 28,796,140**	**$ 2,491,585**	**8.38%**	**$ 937,573**	**3.26%**
Deferred Outflows of Resources:							
Deferred outflows	$ 779,587	$ 588,104	$ 228,335	$ 191,483	32.56%	$ 359,769	157.56%
Total Deferred Outflows of Resources	**$ 779,587**	**$ 588,104**	**$ 228,335**	**$ 191,483**	**32.56%**	**$ 359,769**	**157.56%**
Liabilities:							
Current liabilities	$ 4,187,844	$ 3,981,985	$ 3,934,018	$ 205,859	5.17%	$ 47,967	1.22%
Long term liabilities	5,403,656	4,323,447	3,989,893	1,080,209	24.98%	333,554	8.36%
Total Liabilities	**$ 9,591,500**	**$ 8,305,432**	**$ 7,923,911**	**$ 1,286,068**	**15.48%**	**$ 381,521**	**4.81%**
Deferred Inflows of Resources:							
Deferred inflows	$ 518,481	$ 75,294	$ 184,823	$ 443,187	588.61%	$ (109,529)	-59.26%
Total Deferred Inflows of Resources	**$ 518,481**	**$ 75,294**	**$ 184,823**	**$ 443,187**	**588.61%**	**$ (109,529)**	**-59.26%**
Net Position:							
Net investment in capital assets	$ 12,722,569	$ 12,710,608	$ 12,399,329	$ 11,961	0.09%	$ 311,279	2.51%
Restricted	401,663	401,656	401,548	7	0.00%	108	0.03%
Unrestricted, reserved	7,366,723	5,626,031	4,710,509	1,740,692	30.94%	915,522	19.44%
Unrestricted, unreserved	2,403,949	3,202,796	3,404,355	(798,847)	-24.94%	(201,559)	-5.92%
Total Net Position	**$ 22,894,904**	**$ 21,941,091**	**$ 20,915,741**	**$ 953,813**	**4.35%**	**$ 1,025,350**	**4.90%**

Analysis of Balance Sheet

Net position may serve as an indicator of a public governmental agency's financial status. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $22,894,904 as of June 30, 2018.

The largest portion of the District's total net position is its net investment in capital assets, in the amount of $12,722,569. This balance reflects the District's investment in capital assets (which includes land, buildings, infrastructure and construction in progress,) less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide water service to its customers; consequently, these assets are not available for future spending. It should be noted that the funding sources needed to repay any debt must be provided from other financial sources because the capital assets cannot be used to liquidate liabilities.

Capital assets net of accumulated depreciation decreased by $240,698 as discussed further in the capital assets section of this analysis and Note 4 to the financial statements. This decrease, offset with the decrease in outstanding capital related debt (Series 2004 A COMB Bonds) of $252,659 equates to the increase in total net position invested in capital assets of $11,961 as noted in the table above.

Restricted net position represents assets which are required by external parties to be used for specific purposes, less any liabilities payable from those assets. The District's restricted net position was $401,663 and $401,656 at June 20, 2018 and 2017, respectively. See Note 3 for details regarding the specific restrictions.

Unrestricted net position consists of assets and liabilities that do not meet the definition of net investment in capital assets, or restricted net position. The Board of Trustees has designated certain portions of its unrestricted net position for specific uses, which are classified in the balance sheet as unrestricted, reserved. Note 7 provides detailed information regarding the nature of these reserves.

Statement of Revenues, Expenses and Changes in Net Position

The following table shows a summary of the District's Statement of Revenues, Expenses, and Changes in Net Position with corresponding analysis regarding significant variances:

				2018-2017 Variance		2017-2016 Variance	
	2018	2017	2016	Dollars	Percent	Dollars	Percent
Operating revenues	$ 10,556,856	$ 8,942,010	$ 9,607,115	$ 1,614,846	18.06%	$ (665,105)	-6.92%
Operating expenses	8,434,789	8,191,509	8,609,041	243,280	2.97%	(417,532)	-4.85%
Total Operating Income	**2,122,067**	**750,501**	**998,074**	**1,371,566**	**182.75%**	**(247,573)**	**-24.81%**
Non-operating income	1,028,678	1,185,564	49,917	(156,886)	-13.23%	1,135,647	2275.07%
Non-operating expense	899,132	910,715	976,962	(11,583)	-1.27%	(66,247)	-6.78%
Total Non-operating Inc (Exp)	**129,546**	**274,849**	**(927,045)**	**(145,303)**	**-52.87%**	**1,201,894**	**129.65%**
Change in net position	**2,251,613**	**1,025,350**	**71,029**	**1,226,263**	**119.59%**	**954,321**	**1343.57%**
Net Position at beginning of year, as originally presented	21,941,091	20,915,741	20,844,712	1,025,350	4.90%	71,029	0.34%
Prior period adjustment	(1,297,800)	-	-	(1,297,800)	0.00%	-	100.00%
Net Position at beginning of year, as restated	20,643,291	-	-	20,643,291	0.00%	-	100.00%
Net Position at End of Year	**$ 22,894,904**	**$ 21,941,091**	**$ 20,915,741**	**$ 953,813**	**4.35%**	**$ 1,025,350**	**4.90%**

Analysis of Statement of Revenues, Expenses, and Changes in Net Position

The District reported a total increase in net position of $953,813 (including prior period decrease of $1,297,800) for the year ended June 30, 2018, as compared to an increase in net position of $1,025,350 for the year ended June 30, 2017.

Operating revenues increased by $1,614,846 during the fiscal year ended June 30, 2018, primarily due to an increase in water rates combined with an increase in water usage. The District implemented the second water rate increase of a five-year adopted water rate schedule effective January 1, 2018.

Operating expenses increased by $243,280 during the fiscal year ended June 30, 2018 due to a combination of the following factors: State water contract expenses paid on behalf of the City of Solvang increased by $138,100 which was fully offset by an increase in state water contract operating revenue. Pumping expense increased primarily due to the District being charged approximately $125,000 for billing in arrears related to a well which had erroneously never been set up by the electric utility. Pension expense required to be recognized under GASB 68 for the District's portion of the pooled expense increased by $258,006 from the prior year. See Note 8 for more information regarding accounting for pension expenses. Salary expenses increased by approximately $182,000 due to a combination of new positions, cost of living increases, and staff vacancies. These increases were offset by a $458,473 decrease in total program and study fees which was driven by a halt in spending related to the Chromium 6 treatment plant and facilities, as further discussed in Note 15.

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

Non-operating revenues decreased by $156,886 from the prior year due to a decline in capital facilities fees of $317,785 which was partially offset by a $46,491 increase in investment income and a $114,381 increase in special assessment revenue.

Non-operating expenses decreased in total by $11,583 from the prior year due primarily to a decrease in unanticipated and special legal fees which was partially offset by minor increases in loss on disposal of capital assets and depreciation expense.

Capital Assets

The following table represents a summary of the District's Capital Assets with corresponding analysis regarding significant variances:

Capital Assets

				2018-2017 Variance		2017-2016 Variance	
	2018	2017	2016	Dollars	Percent	Dollars	Percent
Land and water rights	$ 503,317	$ 503,317	$ 503,317	$ -	0.00%	$ -	0.00%
Utility plant	8,995,457	8,170,822	8,170,822	824,635	10.09%	-	0.00%
Wells and major repairs	18,128,729	17,968,959	17,482,530	159,770	0.89%	486,429	2.78%
Office building	195,699	195,699	185,113	-	0.00%	10,586	5.72%
Transportation equipment	683,301	653,143	653,143	30,158	4.62%	-	0.00%
Office equipment	156,552	145,916	149,780	10,636	7.29%	(3,864)	-2.58%
Other equipment	255,574	210,011	210,011	45,563	21.70%	-	0.00%
Total Capital Assets	**$ 28,918,629**	**$ 27,847,867**	**$ 27,354,716**	**$ 1,070,762**	**3.85%**	**$ 493,151**	**1.80%**
Less accumulated depreciation	(15,020,358)	(14,349,792)	(13,667,515)	(670,566)	4.67%	(682,277)	4.99%
Subtotal	**$ 13,898,271**	**$ 13,498,075**	**$ 13,687,201**	**$ 400,196**	**2.96%**	**$ (189,126)**	**-1.38%**
Construction in progress	45,372	686,266	433,520	(640,894)	-93.39%	252,746	58.30%
Net Capital Assets	**$ 13,943,643**	**$ 14,184,341**	**$ 14,120,721**	**$ (240,698)**	**-1.70%**	**$ 63,620**	**0.45%**

Capital Assets Analysis

The District's net capital assets as of June 30, 2018 including construction in progress were $13,943,643. Total 2017/2018 capital assets additions including construction in progress totaled $478,718 which related to reservoir tank paining, test well conversion, valve installations, and other equipment purchases. This increase was offset by depreciation expense of $692,854, and disposals with a net book value of $26,562. The resulting overall decrease in net capital assets was $240,698, as noted in the table above. See Note 4 for additions and disposals by asset category. Construction in progress expenditures were funded from the District reserve funds discussed in Note 7.

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Long Term Debt

The following table represents a summary of the District's Revenue Bond Outstanding Debt:

Bonds Payable

				2018-2017 Variance		2017-2016 Variance	
	2018	2017	2016	Dollars	Percent	Dollars	Percent
Revenue Bonds	$ 1,210,000	$ 1,460,000	1,705,000	$ (250,000)	-17.12%	$ (245,000)	-14.37%
Premium (Discount) on Bonds	11,074	13,733	16,392	(2,659)	-19.36%	(2,659)	-16.22%
Total Outstanding Bonds	**$ 1,221,074**	**$ 1,473,733**	**$ 1,721,392**	**$ (252,659)**	**-17.14%**	**$ (247,659)**	**-14.39%**

Long Term Debt Analysis

As of June 30, 2018, the District had total outstanding debt of $1,221,074 related to the issuance of the Series 2004 A Cachuma Operations and Maintenance Board (COMB) Bonds which were used to refinance the 1993 Cachuma Project Authority Revenue (CPA) Bonds. The CPA Bonds had been issued to refinance the State of California Department of Water Resources contract #E58028, the 1988 General Obligation Bond, and to finance the construction of the Zone 3 water storage reservoir. The debt term extends to fiscal year ending 2023. Additional information on the District's long-term debt is described in Note 5.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
BALANCE SHEET
June 30, 2018 and 2017

ASSETS

	2018	2017
Current Assets:		
Cash	$ 2,785,340	$ 3,891,910
Investments, cash equivalents	9,394,745	5,328,905
Accounts receivable	910,066	799,380
Interest receivable	39,055	14,084
Inventories	168,660	173,959
Prepaid CCWA expenses	3,367,671	3,752,140
Prepaid water	114,695	87,083
Prepaid expenses and deposits	1,099,760	1,090,948
Total current assets	17,879,992	15,138,409
Restricted Assets:		
Cash	292,451	292,444
Investments, cash equivalents	109,212	109,212
Total restricted assets	401,663	401,656
Capital Assets:		
Capital assets	28,918,629	27,847,867
Less: accumulated depreciation	(15,020,358)	(14,349,792)
Construction in progress	45,372	686,266
Net capital assets	13,943,643	14,184,341
Other Assets:		
Bond issuance costs - prepaid insurance, net	-	9,307
Total assets	32,225,298	29,733,713

DEFERRED OUTFLOWS OF RESOURCES

	2018	2017
Deferred outflows related to pensions	711,646	588,104
Deferred outflows related to OPEB	67,941	-
Total deferred outflows of resources	779,587	588,104
Total assets and deferred outflows of resources	$ 33,004,885	$ 30,321,817

See accompanying notes

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
BALANCE SHEET
June 30, 2018 and 2017

LIABILITIES

		2018		2017
Current Liabilities:				
Accounts payable	$	270,046	$	301,679
Accrued expenses		186,697		169,132
Interest payable		22,261		26,427
Current portion of revenue bonds payable		255,000		250,000
Advances payable		3,453,840		3,234,747
Total current liabilities		4,187,844		3,981,985
Long-term Liabilities:				
Net pension liability		1,905,629		1,651,018
Net OPEB liability		2,531,953		1,448,696
Revenue bonds payable, net of current portion		955,000		1,210,000
Premium on bonds		11,074		13,733
Total long-term liabilities		5,403,656		4,323,447
Total liabilities		9,591,500		8,305,432

DEFERRED INFLOWS OF RESOURCES

		2018		2017
Deferred inflows related to pensions		71,900		75,294
Deferred inflows related to OPEB		446,581		-
Total deferred inflows of resources		518,481		75,294

NET POSITION

		2018		2017
Net Position:				
Net investment in capital assets		12,722,569		12,710,608
Restricted		401,663		401,656
Unrestricted, reserved		7,366,723		5,626,031
Unrestricted, unreserved		2,403,949		3,202,796
Total net position		22,894,904		21,941,091
Total liabilities, deferred inflows of resources, and net position	$	33,004,885	$	30,321,817

See accompanying notes

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2018 and 2017

	2018	2017
Operating Revenues:		
Water sales	$ 7,798,410	$ 6,367,009
State water contract revenue	2,608,659	2,470,559
Miscellaneous billings and fees	149,787	104,442
Total operating revenues	10,556,856	8,942,010
Operating Expenses:		
Source of supply	1,516,149	1,523,579
State water contract expense	2,608,659	2,470,559
Pumping expense	692,459	511,379
Water treatment	50,513	44,734
Transmission and distribution	648,921	620,278
Special programs and study fees	280,512	738,985
Administrative and general	2,637,576	2,281,995
Total operating expenses	8,434,789	8,191,509
Operating income	2,122,067	750,501
Other Income:		
Capital facilities fees	26,073	343,831
Investment income	107,600	61,109
Special assessment	895,005	780,624
Total other income	1,028,678	1,185,564
Other Expenses:		
Depreciation and amortization	702,161	691,373
Interest expense	51,599	61,583
Loss on disposal of assets	26,562	-
Unanticipated and special legal fees	118,810	157,759
Total other expenses	899,132	910,715
Change in net position	2,251,613	1,025,350
Net Position - beginning of year, as originally presented	21,941,091	20,915,741
Prior period adjustment (note 17)	(1,297,800)	-
Net Position - beginning of year, as restated	20,643,291	-
Net Position - end of year	$ 22,894,904	$ 21,941,091

See accompanying notes

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF CASH FLOWS
For the years ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Cash received from customers	$ 10,446,170	$ 8,832,204
Cash payments to suppliers for goods and services	(6,081,505)	(6,640,180)
Cash payments to employees for services	(1,556,215)	(1,388,776)
Net cash provided by operating activities	2,808,450	803,248
Cash Flows from Noncapital Financing Activities:		
Capital facilities fees	26,073	343,831
Special assessments	895,005	780,624
Non-operating unanticipated and special legal fees	(118,810)	(157,759)
Net cash provided by noncapital financing activities	802,268	966,696
Cash Flows from Capital and Related Financing Activities:		
Principal repayments of long-term debt	(250,000)	(245,000)
Interest payments	(58,424)	(68,325)
Capital assets purchased	(425,646)	(753,328)
Net cash used by capital and related financing activities	(734,070)	(1,066,653)
Cash Flows from Investing Activities:		
Interest received	82,629	57,693
Net cash provided by investing activities	82,629	57,693
Net increase in cash	2,959,277	760,984
Cash and cash equivalents, beginning of year	9,622,471	8,861,487
Cash and cash equivalents, end of year	$ 12,581,748	$ 9,622,471

See accompanying notes

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF CASH FLOWS (Continued)
For the years ended June 30, 2018 and 2017

Cash and cash equivalents are reported in the balance sheet as follows:

	2018	2017
Cash	$ 2,785,340	$ 3,891,910
Investments, cash equivalents	9,394,745	5,328,905
Restricted cash	292,451	292,444
Restricted investments, cash equivalents	109,212	109,212
	$ 12,581,748	$ 9,622,471

See accompanying notes

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A) Reporting Entity

The Santa Ynez River Water Conservation District, Improvement District No. 1 (the District) was organized on July 7, 1959 under the Water Conservation Law of 1931, part of the California Water Code. The District has operated continuously since 1959 and is located in the central portion of Santa Barbara County and includes the communities of Santa Ynez, Los Olivos, Ballard and the City of Solvang. The District accounts for construction, maintenance and operations of facilities which are for the purpose of producing and furnishing potable domestic and irrigation water within its boundaries.

The Santa Ynez River Water Conservation District (Parent District) was organized in 1939. It is a separate and distinct district from the Santa Ynez River Water Conservation District, Improvement District No. 1. The Parent District has a separate purpose for existence, a separate board of directors, and separate accounting records. Its assets and liabilities, as well as its activities, are therefore not included in these financial statements.

B) Accounting Basis

The District reports its activities as an enterprise fund, which is used to account for operations where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis, as such, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. An enterprise fund is accounted for on the "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long term, are included on the balance sheet.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses of the District include the cost of sales and services, as well as administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District is responsible for funding all of its expenses, regardless of the operation or non-operating classification.

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles.

C) Budgetary Procedures

The District prepares an annual budget which includes estimates of its principal sources of revenue to be received during the fiscal year, as well as estimated expenditures and reserves needed for operation of District facilities.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

D) Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity period, at purchase, of three months or less to be cash equivalents.

E) Basis for Recording Accounts Receivable

The District grants credit to its customers, substantially all of whom are residents and businesses within the unincorporated areas of the County in the District's service area boundaries, in the towns of Santa Ynez, Los Olivos, and Ballard. The City of Solvang is a customer of the District. Accounts receivable are considered to be fully collectible.

F) Capital Assets

Capital assets purchased by the District are recorded at cost. Contributed assets (water line extensions, water wells and modifications constructed by the District and reimbursed by the customer or developer) are recorded at estimated fair market value on the date donated. Capital assets, excluding land, are depreciated using the straight line method over their estimated useful lives, which range from 5 to 99 years.

G) Inventories

The District's inventories are recorded at the lower of cost on the first-in, first-out basis, or market.

H) Prepaid Water

Annually, a controlled quantity of water is purchased by the District and, if not used in the current year, is stored in the Lake Cachuma facility for use the following year. In addition, an amount of unused water carried over from prior years, if available, is also stored in the facility. This stored water at Lake Cachuma is subject to loss through evaporation, natural disasters, dam ruptures, and dam spillage due to excess rainfall. The losses are not covered by insurance. The District has its own facilities (various reservoirs) for storing delivered Lake Cachuma water and State Water Project water.

I) Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation and sick leave is available to those qualified employees when retired. Individuals terminating employment prior to retirement receive cash payment of any unused accrued vacation. Accrued compensated absences are included in accrued expenses on the balance sheet.

J) Advances Payable

Advances payable represents the prepayment by the City of Solvang to the District for its share of the Central Coast Water Authority costs for the coming fiscal year and its proportionate share of rate coverage reserve funds.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

K) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 01, 2017
Measurement Date	July 01, 2017
Measurement Period	July 1, 2016 to July 1, 2017

L) Pension Plan

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

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

M) Net Position

Net position represents the difference between assets/deferred inflows and liabilities/deferred outflows and is classified into three components as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

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

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

M) Net Position (Continued)

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." Unrestricted, reserved net position represents unrestricted assets which are segregated by the Board of Trustees for specific future uses.

When an expense is incurred for purposes for which both unrestricted and restricted resources are available for use, it is the District's policy to apply restricted assets first, then unrestricted resources.

N) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Significant estimates used in preparing these financial statements include useful lives of capitalized assets, the net pension liability, and the liability for other postemployment benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

O) Future Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. These statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

Statement No. 83	*"Certain Asset Retirement Obligations"*	The requirements of this statement are effective for periods beginning after June 15, 2018. (FY 18/19)
Statement No. 84	*"Fiduciary Activities"*	The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20)
Statement No. 87	*"Leases"*	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 88	*"Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"*	The requirements of this statement are effective for periods beginning after June 15, 2018. (FY 18/19)
Statement No. 89	*"Accounting for Interest Cost Incurred Before the End of a Construction Period"*	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)

Note 2 – Cash and Investments

Cash and investments are comprised of the following at June 30, 2018 and 2017:

	2018	2017
Cash in banks and on hand	$ 2,796,078	$ 3,902,641
Cash with fiscal agents	281,713	281,713
Local Agency Investment Fund	9,503,957	5,438,117
Total reserves	$ 12,581,748	$ 9,622,471

Investments Authorized by the District's Investment Policy

The District's investment policy authorizes the District to invest only in the Local Agency Investment Fund (LAIF), and FDIC insured accounts. This policy does not apply to funds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the District's investment policy.

Investment in Local Agency Investment Fund (LAIF)

LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. The amortized cost approximates fair value. LAIF invests some of its portfolio in derivatives. Detailed information on derivative investments held by this pool is not readily available. Investments in LAIF are not rated by a national rating agency.

Interest Rate Risk

The District did not have any investments with fair values that are considered to be highly sensitive to changes in interest rates.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

All cash deposits are entirely insured or collateralized. The California Government Code requires California banks and savings and loans associations to secure the District's deposits by pledging government securities, which equal at least 110% of the District's deposits. California law also permits financial institutions to secure the District's deposits by the pledging of first trust deed mortgage notes in excess of 150% of the District's deposits. The District may waive collateral requirements for deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC).

Note 2 – Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Local Agency Investment Fund is not rated.

Note 3 – Restricted Cash and Investments

The Santa Ynez Band of Chumash Indians (Band) made an original deposit with the District of $4,400 to be used as security against septic system repairs on the Indian Reservation to be paid by the Band. The balance at fiscal year ended June 30, 2018 includes the original deposit and the interest earned on the cash balance.

On June 30 each year, the District transfers funds to Bank of New York for the required principal and interest payment due on the Series 2004 A Cachuma Operations and Maintenance Bonds. These funds will be drawn from the Bank of New York account on August 1 of each subsequent fiscal year.

Restricted main extension fees represent amounts received from customers which must be used for the construction of mains. Restricted development fees are charges paid by water service applicants which must be used for new, expanded or modified water service, to secure new water sources, recapture existing water resources, and develop necessary water supply recovery measures due to the drought and additional State Regulation impacts.

The District's restricted cash and investments as of June 30 are as follows:

	2018	2017
Cash:		
Santa Ynez Indian Reservation	$ 10,738	$ 10,731
Series 2004 A COMB Bonds Debt Service	281,713	281,713
Total Restricted Cash	$ 292,451	$ 292,444
Investments, cash equivalents:		
Main extension fees	$ 20,550	$ 20,550
Development fees	88,662	88,662
Total Restricted Investments	$ 109,212	$ 109,212

Note 4 – Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018.

	Balance June 30, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Utility plant	$ 8,170,822	$ -	$ -	$ 824,635	$ 8,995,457
Wells and major repairs	17,968,959	70,365	(48,850)	138,255	18,128,729
Office building	195,699	-	-	-	195,699
Transportation equipment	653,143	30,158	-	-	683,301
Office equipment	145,916	10,636	-	-	156,552
Other equipment	210,011	45,563	-	-	255,574
Total depreciable assets	27,344,550	156,722	(48,850)	962,890	28,415,312
Land and land rights	503,317	-	-	-	503,317
Total capital assets	27,847,867	156,722	(48,850)	962,890	28,918,629
Accumulated depreciation	(14,349,792)	(692,854)	22,288	-	(15,020,358)
Construction in progress	686,266	321,996	-	(962,890)	45,372
Net capital assets	$ 14,184,341	$ (214,136)	$ (26,562)	$ -	$ 13,943,643

The following is a summary of changes in capital assets for the year ended June 30, 2017.

	Balance June 30, 2016	Additions	Disposals	Transfers	Balance June 30, 2017
Utility plant	$ 8,170,822	$ -	$ -	$ -	$ 8,170,822
Wells and major repairs	17,482,530	31,720	-	454,709	17,968,959
Office building	185,113	14,016	(3,430)	-	195,699
Transportation equipment	653,143	-	-	-	653,143
Office equipment	149,780	-	(3,864)	-	145,916
Other equipment	210,011	-	-	-	210,011
Total depreciable assets	26,851,399	45,736	(7,294)	454,709	27,344,550
Land and land rights	503,317	-	-	-	503,317
Total capital assets	27,354,716	45,736	(7,294)	454,709	27,847,867
Accumulated depreciation	(13,667,515)	(689,571)	7,294	-	(14,349,792)
Construction in progress	433,520	707,455	-	(454,709)	686,266
Net capital assets	$ 14,120,721	$ 63,620	$ -	$ -	$ 14,184,341

Note 5 – Revenue Bonds Payable

Cachuma Project Authority Revenue Bonds

In October 1993, some of the Cachuma Project Authority (CPA) participants, in conjunction with the CPA, issued $9,950,000 of Cachuma Project Authority Revenue Bonds. The District's share of the bond proceeds, $6,185,000, was used to refinance the State of California Department of Water Resources contract #E58028 and the 1988 General Obligation Bonds. $3,500,000 was also set aside to finance construction of a water reservoir. The loan was due over a period of 30 years in semi-annual payments due January 1 and July 1, beginning July 1, 1994. The interest rate on the bonds varied from 2.75% to 5.25%.

On August 19, 2004 the outstanding 1993 CPA Bonds were refinanced with the Series 2004A Cachuma Operations and Maintenance Board (COMB) Bonds, of which the District's portion was $3,960,000. The loan is to be repaid through fiscal year 2022/2023 at an interest rate ranging from 3.0% to 4.65%. The refinancing resulted in an economic gain of $189,626. Interest is payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2005. Principal payments are payable annually on August 1 of each year, commencing on August 1, 2006.

The District's obligations pursuant to the Joint Participation Agreements No.1 and No.2, as amended for the COMB Revenue Refunding Bonds (Member Agency Projects) Series 2004A require the District to levy an ad valorem assessment tax on all land within its boundary and fix, prescribe, and collect rates and charges which will be at least sufficient to yield Net Revenues (as defined in the District's bond documents) equal to one hundred twenty five percent (125%) of the District's annual debt service.

The annual requirements to amortize the COMB Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 255,000	$ 48,006	$ 303,006
2020	265,000	36,956	301,956
2021	260,000	25,475	285,475
2022	210,000	14,900	224,900
2023	220,000	5,088	225,088
Total	$ 1,210,000	$ 130,425	$ 1,340,425

Note 5 – Bonds Payable (Continued)

The following is a summary of activity related to the COMB bonds for the years ending June 30, 2018 and 2017:

	Balance June 30, 2017	Additions/ Issuances	Deductions/ Repayments	Balance June 30, 2018
COMB Revenue Bonds	$ 1,460,000	$ -	$ (250,000)	$ 1,210,000
Premium on Bonds	13,733	-	(2,659)	11,074
	$ 1,473,733	$ -	$ (252,659)	$ 1,221,074

	Balance June 30, 2016	Additions/ Issuances	Deductions/ Repayments	Balance June 30, 2017
COMB Revenue Bonds	$ 1,705,000	$ -	$ (245,000)	$ 1,460,000
Premium on Bonds	16,392	-	(2,659)	13,733
	$ 1,721,392	$ -	$ (247,659)	$ 1,473,733

Note 6 – Supplemental Schedule of the Statement of Cash Flows

The following is a reconciliation of operating income to net cash provided by operating activities:

	2018	2017
Cash Flows from Operating Activities:		
Operating income	$ 2,122,067	$ 750,501
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(110,686)	(109,806)
Inventories	5,299	(4,100)
Prepaid expenses and deposits	348,045	2,551
Deferred outflows of resources - pension	(123,542)	(359,769)
Deferred outflows of resources - OPEB	627	-
Increase (decrease) in:		
Accounts payable	(84,705)	(86,119)
Accrued expenses	17,565	2,617
Net pension liability	254,611	365,050
Net OPEB obligation	(283,111)	221,163
Advances payable	219,093	130,689
Deferred inflows of resources - pension	(3,394)	(109,529)
Deferred inflows of resources - OPEB	446,581	-
Net cash provided by operating activities	$ 2,808,450	$ 803,248

Note 7 – Reserves

The District has reserved a portion of its assets for future construction projects and projected repair and replacement costs. The following is a schedule of the reserves as of June 30, 2018 and 2017.

	2018	2017
Repair and replacement	$ 1,603,490	$ 950,120
Debt reserve	884,221	668,713
Plant expansion	1,879,012	1,007,198
SWP Fund Reserve	3,000,000	3,000,000
Total reserves	$ 7,366,723	$ 5,626,031

Note 8 – Defined Benefit Pension Plan

Plan Description – All qualified employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees' Pension Reform Act (PEPRA) participate in the PEPRA Miscellaneous Plan.

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, as discussed above. Members with five years of total service are eligible to retire at age 50 or 52 if in the PEPRA Miscellaneous Plan with statutorily reduced benefits. An optional benefit regarding sick leave was adopted. Any unused sick leave accumulates at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit, as well as the 1959 Survivor Benefit. The cost of living adjustments for all plans are applied as specified by the Public Employees' Retirement Law.

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

Note 8 – Defined Benefit Pension Plan (Continued)

For employees hired prior to January 1, 2013 and for all classic members as defined by PEPRA, the District pays the employee's contribution in addition to the employer's contribution. These contributions made on behalf of employees are included in operating expenses on the statement of revenues, expenses, and changes in net position, but are not included in pension expense as disclosed below. For employees hired after January 1, 2013 who are considered new members as defined by PEPRA, the District does not pay any portion of the employee's required contribution.

The Plan's provisions and benefits in effect at June 30, 2018 and 2017, are summarized as follows:

	Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates		
2018	7.00%	6.50%
2017	7.00%	6.50%
Required employer contribution rates		
2018	9.10%	6.91%
2017	9.06%	6.93%

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. The District's required contribution for the unfunded liability was $117,627 and $101,678 for the fiscal years ended June 30, 2018 and 2017, respectively.

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

As of June 30, 2018 the District reported a liability of $1,905,629 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

Note 8 – Defined Benefit Pension Plan (Continued)

The District's proportionate share of the net pension liability as of June 30, 2017 and 2016 (measurement dates) was as follows:

Measurement date June 30, 2017		Measurement date June 30, 2016	
Proportion – June 30, 2015	0.04753%	Proportion – June 30, 2014	0.04687%
Proportion – June 30, 2016	0.04834%	Proportion – June 30, 2015	0.04753%
Increase (Decrease)	0.00081%	Increase (Decrease)	0.00066%

For the years ended June 30, 2018 and 2017, the District recognized pension expense of $372,208 and $114,202, respectively. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 244,533	$ -	$ 218,450	$ -
Differences between expected and actual experience	2,653	(38,015)	5,555	-
Changes in assumptions	329,222	(25,103)	-	(68,178)
Changes in employer's proportion	58,941	(2,911)	-	(7,116)
Difference between employer's contributions and employer's proportionate share of contributions	1,840	(5,871)	9,252	-
Net differences between projected and actual earnings on plan investments	74,457	-	354,847	-
Total	$ 711,646	$ (71,900)	$ 588,104	$ (75,294)

Employer contributions of $244,533 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2019	$ 97,516
2020	211,864
2021	130,039
2022	(44,206)
2023	-
	$ 395,213

Note 8 – Defined Benefit Pension Plan (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 and 2015 actuarial valuations (June 30, 2017 and 2016 measurement dates) were determined using the following actuarial assumptions:

	Miscellaneouus Plan
Actual Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2017	7.15%
Measurement Date - 2016	7.65%
Inflation	2.75%
Salary Increases	Varies by entry age and service (1)
Investment Rate of Return	
Measurement Date - 2017	7.15%
Measurement Date - 2016	7.65%
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

Change of Assumption – the accounting discount rate was reduced from 7.65% to 7.15% during the measurement period ended June 30, 2017. Deferred inflows of resources for changes of assumptions represents the unamortized portion of the changes of assumptions related to prior measurement periods

Note 8 – Defined Benefit Pension Plan (Continued)

Discount Rate – The discount rates used to measure the total pension liability were 7.15% and 7.65% for the measurement periods ending June 30, 2017 and 2016, respectively. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the CalPERS Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investment. Based on the testing of the rate plans, the tests revealed the assets would not run out. Therefore, 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 for PERF C. The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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

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

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

	Measurement Date June 30, 2017			Measurement Date June 30, 2016		
Asset Class	Net Strategic Allocation	Real Return Years 1 -10(a)	Real Return Years 11+(b)	Net Strategic Allocation	Real Return Years 1 -10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.80%	2.27%	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.60%	1.39%	6.00%	0.45%	3.36%
Private Equity	12.00%	6.60%	6.63%	10.00%	6.83%	6.95%
Real Estate	11.00%	2.80%	5.21%	10.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	3.90%	5.36%	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.40%	-0.90%	1.00%	-0.55%	-1.05%

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Note 8 – Defined Benefit Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents The District's proportionate share of the net pension liability calculated using the discount rate of 7.15% at measurement date June 30, 2017 and 7.65% at measurement date June 30, 2016 as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Fiscal Year	
	2018	2017
1% Decrease	6.15%	6.65%
Net Pension Liability	$ 2,990,840	$ 2,590,528
Current Discount Rate	7.15%	7.65%
Net Pension Liability	$ 1,905,629	$ 1,651,018
1% Increase	8.15%	8.65%
Net Pension Liability	$ 1,006,838	$ 874,560

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 9 – Other Post-employment Benefits (OPEB)

The District's plan is a single-employer defined benefit OPEB plan which provides retiree medical and prescription drug coverage to eligible retirees and their dependents. Employees who attain age 55 and 10 years of service and retire from active employment are eligible to receive pro-rated benefits from the Plan. Medical coverage is offered under a fully-insured PPO plan option and a fully-insured HMO plan option, through the Association of California Water Agencies Health Plan, consistent with the coverage provided under the CalPERS Health Program.

Funding Policy

The District funds the plan on a pay-as-you-go basis. The District contributes up to the amount of the monthly premium for ACWA Advantage coverage for employee and family, plus administrative fees and Contingency Reserve Fund assessments. The specific contribution percentage is based on District years of credited service.

Note 9 – Other Post-employment Benefits (OPEB) (Continued)

Net OPEB Liability

The District's net OPEB liability was measured as of July 1, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2017 based on the following actuarial methods and assumptions:

	OPEB Plan
Actual Cost Method	Entry-Age Actuarial Cost Method in accordance with the requirements of GASB Statement No. 75
Actuarial Assumptions:	
Discount Rate	3.44%
Payroll Growth (1)	3.00%
Mortality	CalPERS mortality tables for non-industrial employees split by males and females for Public Agencies
Pre-Retirement Turnover	CalPERS Matrix of Termination Assumption Rates for Public Agency Miscellaneous
Healthcare Trend Rate	7.00% decreasing to 5.00%

(1) Benefits are not dependent upon salary. Rate is used in aplying the level percentage of projected paryoll amortization method.

Assumption Changes

Assumptions for mortality, retirement rates, marriage and payroll growth were updated to reflect changes made by CalPERS in December 2017. Per capita medical costs were changed to reflect the updated community rated rates.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.44%. The discount rate is the equivalent index rate for 20-year Municipal Bonds with an average rating of AA or higher. The S&P municipal Bond 20-Year High Grade Rate Index was used.

Note 9 – Other Post-employment Benefits (OPEB) (Continued)

Changes in the Net OPEB Asset

The changes in the net OPEB asset for the OPEB Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2017 *(Measurement Date July 1, 2016)*	$ 2,815,064	$ -	$ 2,815,064
Changes Recognized for the Measurement Period:			
Service cost	199,377	-	199,377
Interest on Total OPEB Liability	69,249	-	69,249
Contributions - Employer	-	67,941	(67,941)
Benefit Payments	(67,941)	(67,941)	-
Expected versus actual experience	(5,271)	-	(5,271)
Assumption changes	(478,525)	-	(478,525)
Net Changes	(283,111)	-	(283,111)
Balance at June 30, 2018 *(Measurement Date July 1, 2017)*	$ 2,531,953	$ -	$ 2,531,953

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended July 1, 2017:

1% Decrease (2.44%)	Current Discount Rate (3.44%)	1% Increase (4.44%)
$ 2,925,062	$ 2,531,953	$ 2,211,270

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended July 1, 2017.

Trend 1% Lower	Valuation Trend	Trend 1% Higher
$ 2,165,769	$ 2,531,953	$ 2,996,469

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

Note 9 – Other Post-employment Benefits (OPEB) (Continued)

The recognition period differs depending on the source of the gain or loss. The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life, which was 13 years at measurement date July 1, 2017.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $232,038. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources.

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 67,941	$ -
Differences between expected and actual experience	-	(4,866)
Changes in assumptions	-	(441,715)
Total	$ 67,941	$ (446,581)

Note 10 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. The District does not contribute to this plan and all contributions are made voluntarily by the employee. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of the IRC Section prescribes that the District no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the District's financial statements.

Note 11 – Cachuma Project Authority

The District entered into a joint powers agreement with several other area water agencies to form the Cachuma Project Authority (CPA). The CPA renegotiated the Cachuma Project Renewal Master Contract with the United States Bureau of Reclamation (USBR). The master contract was entered into on September 12, 1949, and was renewed April 14, 1996, to run through September 30, 2020. The Parent District assigned its rights under the original Contract to the District. The CPA issued revenue bonds to pay off the District's long-term debt (see Note 6) and to finance the construction of a water reservoir.

Note 11 – Cachuma Project Authority (Continued)

Effective September 30, 1996, the CPA merged into the Cachuma Operations and Maintenance Board (COMB), which COMB continues to be responsible for all operation and maintenance of the "Project Works" and certain administrative responsibilities and reporting to the USBR on behalf of the Cachuma Project member units. All assets and liabilities of the Authority were transferred to COMB.

On May 26, 2016, at a Special Meeting of the District's Board of Trustees, the Board unanimously voted to formally withdraw from the "1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project – Cachuma Operation and Maintenance Board", and separate from COMB. The District's withdrawal from COMB was effective as of May 27, 2016.

On August 23, 2018 all parties signed the Cachuma Operation and Maintenance Board Joint Powers Authority Separation Agreement finalizing the withdrawal and severance of the District from COMB effective as of May 27, 2016. The District paid COMB $167,500 as a complete compromise related to the District's share of COMB costs for fiscal year 2015 through fiscal year 2017. There are certain continuing obligations related to the District that will carry forward as defined in the Separation Agreement, some of which conclude upon the expiration of the Master Contract on September 30, 2020, and other certain financial obligations which will continue until specific termination dates or debt obligations of the District are paid. The District shall have no obligation or responsibility for any liabilities, financial obligations, or other activities of COMB as of the effective date of separation.

Note 12 – Joint Powers Insurance Authority

The District participates in the property and liability insurance program organized by the Association of California Water Agencies/Joint Powers Insurance Authority ("ACWA/JPIA"). ACWA/JPIA is a Joint Powers Authority created to provide a self-insurance program to water agencies in the State of California. The ACWA/JPIA is not a component unit of the District for financial reporting purposes, as explained below.

ACWA/JPIA provides liability, property and workers' compensation insurance for approximately 292 water agencies for losses in excess of the member districts' 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 separate board comprised of members from participating districts. 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. Based on financial information at September 30, 2017, ACWA/JPIA had total assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net assets of $199,365,344, $1,404,974, $123,871,469, $1,576,175, and $75,322,674, respectively.

Note 13 – Joint Venture

Central Coast Water Authority

In 1991, the District's electorate approved participation in the State Water Project (SWP). As a result, the District joined in the formation of the Central Coast Water Authority (CCWA) in September 1991. The purpose of the CCWA is to provide for the financing, construction, operation, and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County. In September 1997, the project began delivering state water to the District.

The District has entered into a Water Supply Agreement with the City of Solvang for 75% of the District's 2,000 acre-foot State Water Project entitlement. The agreement calls for the City to reimburse the District for its allocated share (72.75%) of all costs associated with the SWP. The difference between the 75% allocation of water and the 72.75% allocated share of costs is due to the fact that costs attributed only to the District increased its revenue bond allocation percentage, causing its overall cost percentage to be 72.75%.

Each project participant, including the District has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by:

1) requiring CCWA to sell, and the project participants to buy, a specified amount of water from CCWA ("take or pay"); and
2) assigning the Santa Barbara project participant's entitlement rights in the State Water project to CCWA.

Although the District does have an ongoing financial interest pursuant to the Water Supply Agreement between the District and CCWA, the District does not have an equity interest as defined by GASB.

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

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

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are approximately apportioned between the entities based upon each entity's allocation of State water entitlement. The District's weighted voting allocation based upon number of acre-feet of water is 7.64%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

Note 13 – Joint Venture (Continued)

In August 2006, CCWA issued the Series 2006A Refunding Revenue Bonds for $123,190,000 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 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 liabilities.

On June 18, 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 to realize the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% rue interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016.

Based on the Water Supply Agreement with the City of Solvang described above, below are the projected required costs of the State Water Project for the District and City of Solvang. Because the District is the "Project Participant" in CCWA, it is obligated to make all fixed and variable charge payments to CCWA and then is reimbursed by the City of Solvang for the City's share of the annual funding in accordance with the Agreement.

District's Share:

	Fixed Costs	Variable Costs	Debt Service and Credits	Total
2019	$ 954,951	$ 100,328	$ (147,670)	$ 907,609
2020	989,556	135,679	301,242	1,426,477
2021	927,147	142,482	300,823	1,370,452
2022	953,188	149,607	300,452	1,403,247
2023	875,792	157,088	-	1,032,880
Total	$ 4,700,634	$ 685,184	$ 754,847	$ 6,140,665

City of Solvang's Share**:**

	Fixed Costs	Variable Costs	Debt Service	Total
2019	$ 2,033,352	$ 232,861	$ 769,074	$ 3,035,287
2020	2,102,296	269,428	802,128	3,173,852
2021	1,918,603	282,900	801,014	3,002,517
2022	1,969,739	297,044	800,025	3,066,808
2023	2,018,719	311,895	-	2,330,614
Total	$ 10,042,709	$ 1,394,128	$ 3,172,241	$ 14,609,078

Note 13 – Joint Venture (Continued)

The above fixed and variable costs include both DWR and CCWA charges. Variable costs are dependent on actual water deliveries taken or to be taken. Debt service amounts above include interest expense. The "fixed costs," "variable costs," and "debt service" numbers were obtained from CCWA's five-year projected cost schedules.

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

Note 14 – Commitments

Water Entitlement Exchange

In 1993, the District entered into the Santa Ynez River/State Water Exchange Agreement with the South Coast Cachuma members (Carpinteria, Goleta, and Montecito Water Districts and the City of Santa Barbara), the La Cumbre Mutual Water Company and CCWA to exchange the District's share of Cachuma Project water entitlement for those members' pro rata share of State Water Project entitlement.

Bradbury Dam

On July 1, 2002 the District approved a contract for COMB to participate in a repayment contract with the Bureau of Reclamation in the Department of Interior of the United States (United States). Under the terms of this agreement, COMB will reimburse the United States for a portion of Safety of Dams (SOD) Act funds the United States expended to preserve the structural integrity of Bradbury Dam and related Cachuma Project facilities. The contract calls for a repayment of the cost over a 50-year period.

COMB will assess the District annually for amounts equal to the District's share of the obligation due to the Department of Interior. The District has a commitment equal to 10.31% of total contract repayment. Currently, the annual payment is $26,976. The District's obligation for the SOD repayment contract is a condition in the August 23, 2018 Cachuma Operation and Maintenance Board Joint Powers Authority Separation Agreement which will continue until the specific termination date or the debt obligation of the District is paid.

Note 15 – Contingent Liabilities

SWRCB Hearings

The District and other local water agencies are signatories to a 2001 Memorandum of Understanding (MOU) for Cooperation in Research and Fish Maintenance – Santa Ynez River with various federal and state agencies concerning the fishery in Santa Ynez River below Bradbury Dam. In addition, the District along with those other local, state and federal agencies is involved in ongoing quasi-legal proceedings before the State Water Resources Control Board (SWRCB) regarding Cachuma Project permits held by the United States Bureau of Reclamation on behalf of the Cachuma Member Units, including the release of water stored in the Cachuma Project facilities to downstream reaches of the Santa Ynez River.

Note 15 – Contingent Liabilities

SWRCB Hearings (Continued)

The District and these other local agencies are conducting studies and constructing fish projects on the Santa Ynez River and associated tributaries in connection with the 2000 Biological Opinion issued by the National Marine Fisheries Service to Reclamation, Section 7 Re-consultation under the Endangered Species Act, the SWRCB proceedings and implementing the Lower Santa Ynez River Fish Management Plan, and the cost of those studies is a material annual expense of the District. The outcome of the re-consultation studies, Biological Opinions, and the SWRCB proceedings may affect the amount of water the District receives from the Cachuma Project in future years. The District is a participant in a Cooperation and Joint Defense Agreement and pays its direct costs of these activities.

New Legislation - Hexavalent Chromium-6

The State of California enacted a standard for Hexavalent Chromium (Cr6) effective July 1, 2014 which required all water systems to comply with new lowered maximum contaminant levels (MCLs) set at no more than 10 parts per billion (ppb) of Cr6 in the water produced from groundwater wells. In September 2015 legislation was passed, Senate Bill 385, which in addition to other requirements, allows the water system to achieve compliance at the earliest feasible date prior to January 1, 2020.

In order to comply with the new State standard and meet current and future water demand, the District conducted pilot studies to determine the best available water treatment technology for its water chemistry, prepared preliminary engineering design for blending systems, performed feasibility and cost analysis for each option, and developed a well modification project as part of the on-going Cr6 remediation program. The primary solution involved investing in a new centralized water treatment facility with a capability of treating Cr6 produced from the District's groundwater and other water quality constituents. The costs associated with new treatment facilities and blending varied, and were estimated to be as much as $12.5 million.

However, on May 5, 2017, a Superior Court judge ruled that, in establishing the new standard, the State failed to adequately assess the economic feasibility of complying with the new MCL and the 10 ppb MCL was invalidated. The order requires the State to establish a new MCL for Cr6 following an adequate economic feasibility analysis. In the meantime, the State's MCL of 50 ppb for total chromium remains in place. While postponing work on the mitigation of Cr6 in the water supply, the District continues to monitor the progress of the State in establishing a new MCL. When the new MCL is established, the District will resume work to assure compliance with the new regulation.

Note 16 – Legal Contingencies

In the ordinary course of conducting business, various legal proceedings may be pending, however, in the opinion of the District's management, the ultimate disposition of these matters will have no significant impact on the financial position of the District.

Note 17 – Prior Period Adjustment

A prior period adjustment was made to beginning net position to reflect the prior period costs related to the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The restatement of beginning net position is summarized as follows:

Net position at July 1, 2017, as originally presented	$ 21,941,091
Net OPEB liability adjustment	(1,366,368)
Deferred outflows related to OPEB adjustment	68,568
Net position at July 1, 2017, as restated	$ 20,643,291

Because all of the information required to restate prior year was not available at the time the financial statements were available to be issued, prior year values are not presented in a comparable manner.

Note 18 – Subsequent Events

Subsequent events have been evaluated through November 20, 2018, the date the financial statements were available to be issued.

Required Supplementary Information

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT NO. 1
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF SANTA YNEZ RIVER WATER CONSERVATION DISTRICT,
IMPROVEMENT DISTRICT NO. 1'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2018
LAST 10 YEARS*

	2018	2017	2016	2015
Proportion of the net pension liability	0.01922%	0.01908%	0.01874%	0.02055%
Proportionate share of the net pension liability	$ 1,905,629	$ 1,651,018	$ 1,285,968	$ 1,278,902
Covered payroll	$ 1,349,875	$ 1,299,691	$ 1,190,037	$ 1,098,615
Proportionate Share of the net pension liability as percentage of covered-employee payroll	141.17%	127.03%	108.06%	116.41%
Plan fiduciary net position as a percentage of the total pension liability	75.85%	76.34%	80.35%	79.73%
Measurment date	06/30/17	06/30/16	06/30/15	06/30/14
Valuation date	06/30/16	06/30/15	06/30/14	06/30/13

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 measurement date.

* Historical information is required only for measurement periods for which GASB 68 is applicable.
Future year's information will be displayed up to 10 years as information becomes available.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT NO. 1
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2018
LAST 10 YEARS*

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 244,533	$ 218,450	$ 201,660	$ 165,075
Contributions in relation to the actuarially determined contributions	$ 244,533	$ 218,450	$ 201,660	$ 165,075
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,501,838	$ 1,349,875	$ 1,299,691	$ 1,190,037
Contributions as a percentage of covered-employee payroll	16.28%	16.18%	15.52%	13.87%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2017-2018 were derived from the June 30, 2015 funding valuation report.

* Historical information is required only for measurement periods for which GASB 68 is applicable.
Future year's information will be displayed up to 10 years as information becomes available.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT NO. 1
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS*

	2018
Total OPEB liability:	
Service cost	$ 199,377
Interest on the total OPEB liability	69,249
Expected versus actual experience	(5,271)
Assumption changes	(478,525)
Benefit payments	(67,941)
Net change in total OPEB liability	(283,111)
Total OPEB liablity - beginning	2,815,064
Total OPEB liability - ending (a)	$ 2,531,953
Fiduciary Net Position	
Employer contributions	$ 67,941
Benefit payments	(67,941)
Net change in fiduciary net position	-
Total fiduciary net position- beginning	-
Total fiduciary net position - ending (b)	$ -
Net OPEB liability - ending (a) - (b)	$ 2,531,953
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered - employee payroll	$ 1,388,793
Net OPEB liability as a percentage of covered-employee payroll	182.31%
Measurment date	07/01/17
Valuation date	07/01/17

Notes to Schedule:

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

Other Supplementary Information

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT, IMPROVEMENT DISTRICT NO. 1
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES - ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS AT JUNE 30, 2017

	2018 Actual	2018 Budget	2018 Over/(Under)	2017 Actual
Operating Revenues:				
Water sales	$ 7,798,410	$ 5,987,274	$ 1,811,136	$ 6,367,009
State water contract revenue	2,608,659	2,692,253	(83,594)	2,470,559
Miscellaneous billings and fees	149,787	83,287	66,500	104,442
Total operating revenues	10,556,856	8,762,814	1,794,042	8,942,010
Operating Expenses:				
Source of supply	1,516,149	1,732,843	(216,694)	1,523,579
State water contract expense	2,608,659	2,692,253	(83,594)	2,470,559
Pumping expense	692,459	574,950	117,509	511,379
Water treatment	50,513	60,500	(9,987)	44,734
Transmission and distribution	648,921	626,931	21,990	620,278
Special programs and study fees	280,512	532,000	(251,488)	738,985
Administrative and general	2,637,576	2,574,261	63,315	2,281,995
Total operating expenses	8,434,789	8,793,738	(358,949)	8,191,509
Operating income	2,122,067	(30,924)	2,152,991	750,501
Other Income:				
Capital facilities fees	26,073	50,000	(23,927)	343,831
Investment income	107,600	35,117	72,483	61,109
Special assessment	895,005	875,000	20,005	780,624
Total other income	1,028,678	960,117	68,561	1,185,564
Other Expenses:				
Depreciation and amortization	702,161	-	702,161	691,373
Interest expense	51,599	58,425	(6,826)	61,583
Loss on disposal of assets	26,562	-	26,562	-
Unanticipated and special legal fees	118,810	100,000	18,810	157,759
Total other expenses	899,132	158,425	740,707	910,715
Change in net position	$ 2,251,613	$ 770,768	$ 1,480,845	$ 1,025,350

See accompanying notes