



GOLETA WATER DISTRICT

GOLETA, CALIFORNIA

Comprehensive Annual Financial Report

For the Years Ended June 30, 2012 and 2011





Mission

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

Comprehensive Annual Financial Report

For the Fiscal Years Ended

June 30, 2012 and 2011

GOLETA WATER DISTRICT

4699 Hollister Avenue
Goleta, California 93110-1999

(805) 964-6761

www.goletawater.com

Prepared by:
Administration Department

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Board of Directors as of June 30, 2012

Name	Title	Elected/ Appointed	Current Term
Bill Rosen	President	Elected	12/08 - 12/12
Lauren Hanson	Vice President	Elected	12/08 - 12/12
Bert Bertrando	Director	Elected	12/10 - 12/14
Jack Cunningham	Director	Elected	12/10 - 12/14
Richard Merrifield	Director	Appointed	03/11 - 12/12

John McInnes, General Manager

David Matson, Assistant General Manager

Matthew Anderson, Administrative Manager/CFO

Tom Bunosky, Operations Manager

Chris Rich, Water Supply and Conservation Manager

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**Goleta Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2012 and 2011**

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INTRODUCTORY SECTION





October 16, 2012

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

The Comprehensive Annual Financial Report (CAFR) of the Goleta Water District (the District) for the fiscal year (FY) which ended June 30, 2012 provides customers, the Board of Directors and the investment community with detailed information about the financial condition and operating results of the District.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. This assertion is based upon the existence of a comprehensive set of internal control practices designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. The District continued to enhance internal control practices by strengthening existing accounting systems, establishing additional management oversight, and improving, instituting, and documenting comprehensive organizational policies and procedures. Additional financial control improvements are planned in 2013 through a significant upgrade to the District accounting software system.

The District financial statements have been audited by Nasif, Hicks, Harris & Co., LLP, a Certified Public Accounting firm selected by the Board of Directors. This audit report contains an unqualified ("clean") opinion, which is included in the financial section of this CAFR.

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

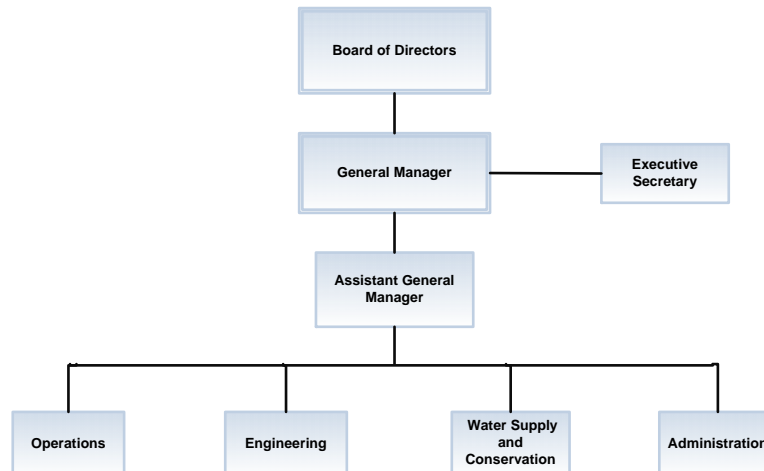
Overview

During FY 2011-12 the District strengthened its financial condition through continued implementation of the Board adopted 5-year Financial Plan. The revenue environment has been stabilized as predicted by the necessary adjustment of rates to properly reflect the District's costs-of-service. Water consumption has also increased by one percent over the last year. The District also met the pledge to its customers by establishing a cash reserve and simultaneously making a strong investment in critical capital infrastructure projects that increase the long term sustainability of the water treatment and delivery systems.

District Profile

Established on November 17, 1944, the Goleta Water District encompasses an area extending along the south coast of Santa Barbara County west from the Santa Barbara city limits to El Capitan. The District, which spans approximately 29,000 acres (45 square miles), is bound on the south by the ocean and on the north by the foothills of the Santa Ynez Mountains. The District provides water to approximately 86,000 people through 270 miles of pipeline via 16,600 individual customer accounts. The District manages a complex set of treatment and distribution systems using supplies of water from sources including Lake Cachuma, an adjudicated ground water basin, recycled water, and the State Water Project.

The District operates under the general direction of an elected five-member Board of Directors (the Board), who serve four year terms. Elections for two or three directors are held every two years. The Board employs a General Manager and Assistant General Manager to oversee 60 employees. Staffing is organized into four departments as outlined in the chart below, which direct the daily activities associated with operations, engineering, water supply and conservation, and administration.



Economic Conditions

The local economy in the Goleta area is diverse, where large employers include the University of California Santa Barbara (UCSB) and regional health providers. The District’s service area is also home to an advanced industrial sector where approximately 80 research and aerospace firms specialize in electronics, telecommunications, medical research, national security and remote sensing manufacturing. As another significant user of water, the agricultural sector is a primary producer of lemon and avocado crops.

The Goleta economy showed signs of improvement during FY 2011-12, evidenced by declines in unemployment and the retail/office vacancy rate. As the District receives no taxes, it collects revenue through user charges. Overall revenue is influenced by economic conditions. Consistent with the recent modest improvement in the local economy, three consecutive years of declining water was reversed in FY 2011-12 as metered water deliveries were approximately 1% higher. This was partially due to increased service connections, including the completion of three significant mixed-use projects.

Climate Conditions

Goleta has a mild climate, with high temperatures normally within ten degrees of 70° year-round and low temperatures that rarely fall below 40°. Annual rainfall typically averages 17 inches, though it varies from year to year. Such weather variability influences District revenue as conservation-minded customers are quick to reduce water use when cool and wet weather conditions occur. In FY 2011-12, Goleta precipitation levels were below typical weather patterns, with a cumulative rainfall of 9.8 inches, or 58% of normal levels, though seasonal revenues were adversely impacted by a significant abnormal rain event in June 2011. The National Oceanic and Atmospheric Administration in its recent *State of the Climate* report described 2011 as a year of extreme events and outlined how two back-to-back La Niñas, each characterized by cooler-than-average water temperatures in the eastern equatorial Pacific, affected regional climates and influenced a number of weather events throughout the year. When such unpredictable weather patterns caused below-budget revenue conditions in the first half of FY 2011-12, the District swiftly initiated expenditure-reducing tactics in order to balance its budget.

Financial Planning

The District Budget is adopted annually by the Board of Directors, establishes a short term spending plan consistent with the mid-term financial goals described in the 2011 Cost of Service study and the 5-year Financial Plan. Together, these three foundational financial documents recognize the importance of financial planning and rate-setting necessary to ensure the long-term viability of the District. Actual financial results are considered throughout the year, to ensure the District's financial goals are met.

In FY 2011-12 the District accomplished key goals outlined in the 5-year Financial Plan, including the establishment of cash reserves, investment in critical repair and maintenance activities, as well as the completion of several key management initiatives. Unrestricted cash grew by \$1.2 million, which boosted the District debt coverage ratio and provided funds to respond to unanticipated events.

Consistent with the District's Mission Statement, a Sustainability Plan (Plan) was adopted in June 2012. At its core, the Plan provides a lens through which 28 specific District initiatives and capital projects can be prioritized, measured, and evaluated. Ultimately, this approach to service delivery helps ensure that current and future customers will benefit from decisions affecting the District's operation and improvement of its water system. Specifically, identified projects will position the District to lower operational costs through technological, process, and building efficiencies; gain access to new revenue sources; enhance emergency preparedness and resource independence; preserve water supplies; and, support healthy communities.

A number of critical projects were completed over the past year, including:

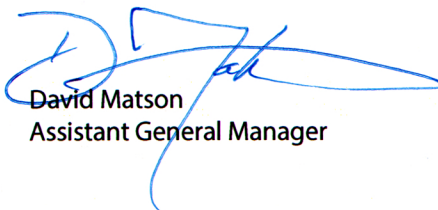
- Successful completion of capital projects identified in the Board of Director's adopted Infrastructure Improvement Plan;
- Full compliance with new, more stringent Federal water quality standards;
- Completion of a new Urban Water management Plan that identifies long-range water supply and demand forecasts and complies with California's "20% by 2020" per capita water reduction targets; and
- Completion of a new 3-year agreement that helps control future labor costs through structural changes to retirement and health benefits.

Staff thanks the members of the Board of Directors for their continued support in the planning and implementation of Goleta Water District fiscal policy.

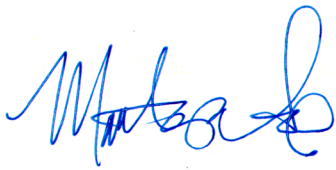
Respectfully submitted,



John McInnes
General Manager



David Matson
Assistant General Manager



Matthew Anderson
Chief Financial Officer

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FINANCIAL SECTION



NASIF, HICKS, HARRIS & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM J. NASIF
STEVEN J. HICKS
JEFFERY P. HARRIS
BARBARA ROGERS SCOLLIN
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THOMAS W. BURK
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October 16, 2012

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Goleta Water District (District) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Goleta Water District as of June 30, 2012 and 2011, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 15 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

The previously issued basic financial statements of the Goleta Water District as of June 30, 2011 have been restated. The previously-issued auditors' report dated November 18, 2011 is not to be relied on because the previously issued financial statements were materially misstated. Please see Note 15: Restatement in the Notes to the Basic Financial Statements that discusses the reasons for the restatement. We audited the adjustments described in Note 15 that were applied to restate the June 30, 2011 basic financial statements. Please see our Report to the Board of Directors and Management containing a discussion regarding of the other matter identified that failed to prevent or detect the misstatement. In our opinion, such adjustments are appropriate and have been properly applied.

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 accompanying introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Nasif, Hicks, Harris & Co., LLP

Nasif, Hicks, Harris & Co., LLP

Goleta Water District
Management Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

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

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

Summary Analysis

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

Overall, FY 2012 saw the District make significant progress towards establishing financial stability. Management reduced expenditures to ensure the cash flow goals established in its 5-year financial plan were achieved. As a result of these actions, operating revenue increased and the District was positioned to invest in a number of critical infrastructure projects outlined in the Infrastructure Improvement Plan (IIP). Also of note, unrestricted cash grew from \$2,679,758 at the beginning of the year to \$3,895,203 at year end. Additional details of financial highlights are outlined below.

Goleta Water District
Management Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Financial Highlights

- During FY 2012, District net assets declined \$404,189 (0.8%) to \$49,764,275; down from \$50,168,464 at the end of FY 2011. Operating revenues increased by \$4,161,146, operating expenses increased by \$1,943,728, and the District increased unrestricted cash and cash equivalents by \$1,215,445. Further details are noted below and in the text of this document.
- Water sales increased by \$2,995,321 (19.1%) in FY 2012, primarily due to a 16% rate increase effective on July 1, 2011, combined with a modest increase in water usage as customers responded positively to recovering economic and climatic conditions by increasing water consumption.
- New Water Supply Charge Revenue decreased by \$1,886,465 (91.2%) in FY 2012 as compared to the prior year. In FY 2011 the development community responded to anticipated change in New Water Supply charges by purchasing water for new water service ahead of the proposed increases. This activity was not repeated in FY 2012 as developers continued to approach new projects with economic caution.
- Operating expenses, excluding depreciation and amortization, increased when compared to FY 2011 by \$1,943,728 (9.2%) following several consecutive years of cost cutting. Specific increases included water supply costs associated with capital improvements made by the surface water provider, costs of critical repairs and maintenance made to District water systems, and additional costs to comply with new Federal water treatment regulations.

Goleta Water District
Management Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Condensed Statement of Net Assets - Analysis:

	<u>2012</u>	<u>2011*</u>	<u>Current Year Increase/ (Decrease)</u>	<u>2010*</u>
Assets:				
Current assets	\$ 19,690,817	\$ 19,282,670	\$ 408,147	\$ 12,367,014
Non-current assets	7,567,258	7,636,171	(68,913)	4,375,869
Capital assets, net	<u>82,351,410</u>	<u>83,403,047</u>	<u>(1,051,637)</u>	<u>87,050,418</u>
Total assets	<u>\$ 109,609,485</u>	<u>\$ 110,321,888</u>	<u>\$ (712,403)</u>	<u>\$ 103,793,301</u>
Liabilities:				
Current liabilities	\$ 4,107,887	\$ 4,153,974	\$ (46,087)	\$ 6,464,715
Non-current liabilities	<u>55,737,323</u>	<u>55,999,450</u>	<u>(262,127)</u>	<u>46,018,408</u>
Total liabilities	<u>59,845,210</u>	<u>60,153,424</u>	<u>(308,214)</u>	<u>52,483,123</u>
Net assets:				
Net investment in capital assets	29,886,246	30,245,956	(359,710)	41,984,446
Restricted for debt service	6,291,947	6,299,412	(7,465)	3,389,233
Restricted for construction projects	4,473,525	5,280,684	(807,159)	-
Unrestricted	<u>9,112,557</u>	<u>8,342,412</u>	<u>770,145</u>	<u>5,936,500</u>
Total net assets	<u>49,764,275</u>	<u>50,168,464</u>	<u>(404,189)</u>	<u>51,310,179</u>
Total liabilities and net assets	<u>\$ 109,609,485</u>	<u>\$ 110,321,888</u>	<u>\$ (712,403)</u>	<u>\$ 103,793,302</u>

*restated

- Current assets increased during FY 2012 by \$408,147 (2.1%), the result of a \$1,215,445 increase in unrestricted cash and cash equivalents as revenues improved, offset by an \$807,159 decrease in restricted cash that funded project construction. In addition, accounts receivable increased by \$671,711 at year-end, consistent with higher rates. These increases were offset by a \$680,000 decrease in prepaid expenses to Central Coast Water Authority (CCWA).
- Non-current assets include amortization of debt issuance costs, Cachuma reorganization costs, and restricted investments which, combined, decreased by \$68,913 during FY 2012.
- Net capital assets at June 30, 2012 were \$82,351,410 which represents a decrease of \$1,051,637 (1.3%) when compared to net capital assets of \$83,403,047 at June 30, 2011. This decrease was composed of \$4,200,218 of current year depreciation, net of \$3,981,530 in asset additions, transfers or deletions. In FY 2012, several significant water distribution system-related assets were recognized and transferred out of construction-in-process.
- Current liabilities decreased during FY 2012 by \$46,087 primarily as a result a \$134,877 reduction in customer advances and deposits after the completion of customer-funded construction projects.
- Non-current liabilities decreased during FY 2012 by \$262,127 as a result of \$726,927 in principal payments, offset by a \$131,131 increase in long-term compensated absences and a \$333,669 increase in unfunded post-employment benefits.
- At the end of FY 2012, the District increased unrestricted net assets by \$770,145, a 9% improvement since the end of FY 2011 (See Note 10 for further information).

Goleta Water District
Management Discussion and Analysis
 For the Fiscal Years Ended June 30, 2012 and 2011

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

	<u>2012</u>	<u>2011 *</u>	<u>Current Year Increase/ (Decrease)</u>	<u>2010*</u>
Revenues:				
Operating revenues	\$ 27,136,533	\$ 22,975,387	\$ 4,161,146	\$ 23,875,390
Non-operating revenues	290,094	2,259,383	(1,969,289)	369,180
Total revenues	<u>27,426,627</u>	<u>25,234,770</u>	<u>2,191,857</u>	<u>24,244,570</u>
Expenses:				
Operating expenses	21,051,673	19,107,945	1,943,728	22,829,750
Depreciation	4,200,218	4,610,235	(410,017)	4,639,138
Non-operating expenses	2,927,420	2,945,597	(18,177)	2,103,570
Total expenses	<u>28,179,311</u>	<u>26,663,777</u>	<u>1,515,534</u>	<u>29,572,458</u>
Net income before capital contributions	(752,684)	(1,429,007)	676,323	(5,327,888)
Capital contributions	<u>348,495</u>	<u>287,292</u>	<u>61,203</u>	<u>1,246,321</u>
Change in net assets	(404,189)	(1,141,715)	737,526	(4,081,567)
Net assets, beginning of year	<u>50,168,464</u>	<u>51,310,179</u>	<u>(1,141,715)</u>	<u>55,391,746</u>
Net assets, end of year	<u>\$ 49,764,275</u>	<u>\$ 50,168,464</u>	<u>\$ (404,189)</u>	<u>\$ 51,310,179</u>

*restated

- District operating revenues in FY 2012 were \$27,136,533, an increase \$4,161,146 (18.1%) when compared to FY 2011, primarily due to a 16% scheduled rate increase.
- District operating expenses excluding depreciation increased \$1,943,728 (10.2%) in FY 2012, reflecting the reinstatement of previously-delayed system maintenance. Other contributors to the increase include cost assessments by water providers for system reliability, changes to water treatment practices in order to meet new regulatory standards, and the filling of vacant positions to complete key District initiatives.

Goleta Water District
Management Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Revenues – Analysis:

	<u>2012</u>	<u>2011*</u>	<u>Current Year Increase/ (Decrease)</u>	<u>2010*</u>
Operating revenues:				
Water consumption sales	\$ 18,668,008	\$ 15,672,687	\$ 2,995,321	\$ 16,493,699
Monthly meter service charges	7,998,014	6,987,420	1,010,594	7,052,721
Conveyance charges	193,749	49,225	144,524	60,951
Other charges and services	<u>276,762</u>	<u>266,055</u>	<u>10,707</u>	<u>268,019</u>
Total operating revenues	<u>27,136,533</u>	<u>22,975,387</u>	<u>4,161,146</u>	<u>23,875,390</u>
Non-operating revenues:				
Interest and investment earnings	71,525	67,164	4,361	-
New water supply charge	182,905	2,069,370	(1,886,465)	310,949
Gain on sale/disposition of capital assets, net	-	-	-	12,929
Other non - operating revenues, net	<u>35,664</u>	<u>122,849</u>	<u>(87,185)</u>	<u>45,302</u>
Total non - operating revenues	<u>290,094</u>	<u>2,259,383</u>	<u>(1,969,289)</u>	<u>369,180</u>
Total revenues	<u>\$ 27,426,627</u>	<u>\$ 25,234,770</u>	<u>\$ 2,191,857</u>	<u>\$ 24,244,570</u>

*restated

- In FY 2012, total operating revenue increased \$4,161,146 (18.1%), as water consumption sales increased by \$2,995,321 (19.1%) and monthly meter service charges by \$1,010,594 (14.5%). The District adopted a 16% rate increase effective July 1 2011. The District also saw a one percent increase in water consumption when compared with FY 2011 levels. resulting from the combination of prevailing dry weather and modest improvement in the local economy
- FY 2012 non-operating revenue decreased when compared to FY 2011 by \$1,969,289 (87%) as project developers had already accelerated projects in 2011 to secure their water for new water service at lower rates. This one-time acceleration was not repeated in FY 2012.

Goleta Water District
Management Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Expenses – Analysis:

	<u>2012</u>	<u>2011*</u>	<u>Current Year Increase/ (Decrease)</u>	<u>2010*</u>
Operating expenses:				
Source of supply	\$ 11,699,420	\$ 9,968,271	\$ 1,731,149	\$ 11,522,500
Water treatment	2,426,226	2,190,570	235,656	2,958,871
Transmission and distribution	2,489,968	2,280,486	209,482	3,293,092
Customer accounts	935,180	846,299	88,881	1,146,336
General and administrative	3,500,879	3,822,319	(321,440)	3,908,951
Depreciation	4,200,218	4,610,235	(410,017)	4,639,138
Total operating expenses	<u>25,251,891</u>	<u>23,718,180</u>	<u>1,533,711</u>	<u>27,468,888</u>
Non-operating expenses:				
Interest expense – long-term debt	2,872,226	2,888,359	(16,133)	1,958,678
Interest expense and investment losses	-	-	-	43,888
Amortization expense	55,194	57,238	(2,044)	101,004
Total non-operating expenses	<u>2,927,420</u>	<u>2,945,597</u>	<u>(18,177)</u>	<u>2,103,570</u>
Total expenses	<u>\$ 28,179,311</u>	<u>\$ 26,663,777</u>	<u>\$ 1,515,534</u>	<u>\$ 29,572,458</u>

*restated

In 2012, total operating expenses increased by \$1,533,711 (6.5%) as compared to 2011.

- Source of Supply costs are largely fixed and include amounts paid to Cachuma Operations and Maintenance Board (COMB); Cachuma Conservation Release Board (CCRB); Goleta Sanitary District (GSD-for recycled water); well operations and maintenance project costs, and the Central Coast Water Authority (CCWA). The \$1,731,149 increase included COMB reliability projects that had been deferred from FY 2011, resulting in a \$767,494 cost increase. In addition, CCWA direct costs were \$377,269 higher in FY 2012 due to assessments from the California Department of Water Resources (DWR) for infrastructure projects.
- Water treatment costs increased \$235,656 (10.7%) as a result of increased materials and labor associated with treatment activity (\$119,422), as well as additional chemicals, filtering and water quality testing in response to regulatory changes (\$63,786).
- Transmission and distribution costs increased \$209,482 (9.2%) as a result of increased water system-related repair and maintenance activities as well as project completion/closures.
- Customer accounts increased by \$88,881 (10.5%) due to facility and organization improvements that will strengthen customer service.
- General and administration costs decreased by \$321,440 (8.4%) in reflection of non-recurring 2011 expenses for consulting, legal and public information activities.
- Depreciation costs decreased by \$410,017, reflecting ongoing depreciation after a one-time adjustment made in FY 2011.

Goleta Water District
Management Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Capital Assets - Analysis:

	<u>Balance</u> <u>2011*</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2012</u>
Capital assets:				
Non-depreciable assets	\$ 3,463,071	\$ 3,981,530	\$ (1,716,373)	\$ 5,728,228
Depreciable assets	140,089,652	883,424	-	140,973,076
Accumulated depreciation and amortization	<u>(60,149,677)</u>	<u>(4,200,218)</u>	<u>-</u>	<u>(64,349,895)</u>
Total capital assets, net	<u>\$ 83,403,046</u>	<u>\$ 664,736</u>	<u>\$ (1,716,373)</u>	<u>\$ 82,351,409</u>
	<u>Balance</u> <u>2010*</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2011*</u>
Capital assets:				
Non-depreciable assets	\$ 3,526,717	\$ 1,242,839	\$ (1,306,485)	\$ 3,463,071
Depreciable assets	139,063,143	1,026,709	(200)	140,089,652
Accumulated depreciation and amortization	<u>(55,539,442)</u>	<u>(4,610,235)</u>	<u>-</u>	<u>(60,149,677)</u>
Total capital assets, net	<u>\$ 87,050,418</u>	<u>\$ (2,340,687)</u>	<u>\$ (1,306,685)</u>	<u>\$ 83,403,046</u>

* restated

At the end of FY 2012 and FY 2011, District capital investment, net of accumulated depreciation, totaled \$82,351,409 and \$83,403,046, respectively. Investments include: land, land rights, water treatment plant, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-process. After several years of budgeted reductions in expenditures, in FY 2012 the District funded capital improvements to the existing distribution system as well as other property plant and equipment. Specific projects included the water treatment plant basin, San Ricardo well rehabilitation and the purchase of the San Antonio well property.

Goleta Water District
Management Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Debt - Analysis:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Unamortized Costs</u>	<u>Balance 2012</u>
Debt:					
Certificates of participation, net	\$ 53,157,091	\$ -	\$ (925,000)	\$ 233,073	\$ 52,465,164
Total debt	<u>\$ 53,157,091</u>	<u>\$ -</u>	<u>\$ (925,000)</u>	<u>\$ 233,073</u>	<u>\$ 52,465,164</u>

	<u>Balance 2010</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Unamortized Costs</u>	<u>Balance 2011</u>
Debt:					
Note payable, bank	\$ 4,197,810	\$ -	\$ (4,197,810)	\$ -	-
State loan payable	3,677,615	-	(3,677,615)	-	-
Certificates of participation, net	<u>37,225,000</u>	<u>33,915,000</u>	<u>(15,195,000)</u>	<u>(2,787,909)</u>	<u>53,157,091</u>
Total debt	<u>\$ 45,100,425</u>	<u>\$ 33,915,000</u>	<u>\$ (23,070,425)</u>	<u>\$ (2,787,909)</u>	<u>\$ 53,157,091</u>

During 2012, net long-term debt decreased by \$925,000 due to regular principal being paid down. Amortized costs of \$233,073 in FY 2012 included specific financing costs associated with exiting certain agreements and issuing new debt.

On August 26, 2010, the District restructured its debt and issued \$33,915,000 in 2010 Certificates of Participation. Funds were used to pay off \$7,875,425 of loans, refund \$14,310,000 of Certificates of Participation issued in 2003; and to raise \$5,000,000 needed to invest in the water supply system. Also during 2011, long-term debt decreased by \$885,000 due to regular principal being paid down.

To refund, or defease, the outstanding \$14,310,000 of 2003 Certificates of Participation, the transaction to restructure the debt required the District to irrevocably place sufficient assets in a trust. This created \$1,564,630 of unamortized defeasance costs, or the difference between the State and Local Government Series (SLGS) securities acquired by the Trustee to pay off the debt and the net carrying value of the original debt itself.

Goleta Water District
Management Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Conditions Affecting Current Financial Position

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

Notes to the Basic Financial Statements

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

Requests for Information

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

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**Goleta Water District
Statements of Net Assets
June 30,**

ASSETS	2012	2011*
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,895,203	\$ 2,679,758
Restricted – cash and cash equivalents	4,473,525	5,280,684
Accrued interest receivable	8,748	5,202
Accounts receivable – water sales and services, net	3,380,079	2,766,951
Accounts receivable – other	307,962	249,379
Note receivable – current portion	3,554	3,363
Water-in-storage inventory	422,649	548,636
Materials and supplies inventory	295,305	182,477
Prepaid source of supply costs	6,725,649	7,405,649
Prepaid expenses and other deposits	178,143	160,571
	19,690,817	19,282,670
NON-CURRENT ASSETS:		
Restricted – investments	6,923,187	6,933,350
Note receivable – non-current	20,658	24,214
Deferred water supply renegotiation costs, net	275,543	306,158
Deferred charges, net	347,870	372,449
Capital assets, not being depreciated	5,728,229	3,463,072
Depreciable capital assets, net	76,623,181	79,939,975
	89,918,668	91,039,218
TOTAL ASSETS	\$ 109,609,485	\$ 110,321,888

* restated

See accompanying notes to the basic financial statements

**Goleta Water District
Statements of Net Assets
June 30,**

LIABILITIES AND NET ASSETS	2012	2011*
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 830,063	\$ 778,896
Accrued wages and related payables	202	47,253
Customer advances and deposits	1,452,771	1,587,648
Accrued interest payable on certificates-of-participation	631,240	633,938
Long-term liabilities – due within one year:		
Compensated absences	233,611	181,239
Certificates-of-participation payable	960,000	925,000
Total Current Liabilities	4,107,887	4,153,974
NON-CURRENT LIABILITIES:		
Long-term liabilities – due in more than one year:		
Compensated absences	642,118	510,987
Post employment benefits payable	3,590,041	3,256,372
Certificates-of-participation payable	51,505,164	52,232,091
Total Non-Current Liabilities	55,737,323	55,999,450
Total Liabilities	59,845,210	60,153,424
NET ASSETS:		
Net investment in capital assets	29,886,246	30,245,956
Restricted for debt service	6,291,947	6,299,412
Restricted – other	4,473,525	5,280,684
Unrestricted	9,112,557	8,342,412
Total Net Assets	49,764,275	50,168,464
TOTAL LIABILITIES AND NET ASSETS	\$ 109,609,485	\$ 110,321,888

* restated

See accompanying notes to the basic financial statements

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

	2012	2011*
OPERATING REVENUES:		
Water consumption sales	\$ 18,668,008	\$ 15,672,687
Monthly service charges	7,998,014	6,987,420
Conveyance charges	193,749	49,225
Other charges and services	276,762	266,055
Total operating revenues	27,136,533	22,975,387
OPERATING EXPENSES:		
Source of supply	11,699,420	9,968,271
Water treatment	2,426,226	2,190,570
Transmission and distribution	2,489,968	2,280,486
Customer accounts	935,180	846,299
General and administrative	3,500,879	3,822,319
Total operating expenses	21,051,673	19,107,945
Operating income before depreciation	6,084,860	3,867,442
Depreciation expense	(4,200,218)	(4,610,235)
Net operating income (loss)	1,884,642	(742,793)
NON-OPERATING REVENUE (EXPENSE):		
Interest and investment (loss) earnings	71,525	67,164
New water supply charges	182,905	2,069,370
Interest expense – long-term debt	(2,872,226)	(2,888,359)
Amortization expense	(55,194)	(57,238)
Other non-operating revenues, net	35,664	122,849
Total non-operating (loss), net	(2,637,326)	(686,214)
Net (loss) before capital contributions	(752,684)	(1,429,007)
CAPITAL CONTRIBUTIONS:		
State capital grant	121,118	27,219
Capital contributions	227,377	260,073
Capital contributions	348,495	287,292
Decrease in net assets	(404,189)	(1,141,715)
Net Assets, Beginning of Year, as restated	50,168,464	51,310,179
Net Assets, End of Year	\$ 49,764,275	\$ 50,168,464

* restated

See accompanying notes to the basic financial statements

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

	2012	2011*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers for water sales and services	\$ 26,329,946	\$ 23,184,823
Cash paid to employees for salaries and wages	(8,001,813)	(7,808,906)
Cash paid to vendors and suppliers for materials and services	(11,813,957)	(11,977,845)
Net Cash Provided by Operating Activities	6,514,176	3,398,072
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(3,148,581)	(962,863)
Proceeds from capital grants	121,118	27,219
Proceeds from new water supply charges	182,905	2,069,370
Proceeds from capital contributions	227,377	260,073
Proceeds from long-term debt	-	33,164,041
Principal paid on long-term debt	(925,000)	(23,070,425)
Certificate of participation issuance costs	-	(99,433)
Funds placed into escrow for advanced refunding	-	(1,564,630)
Termination of swap	-	(723,336)
Interest paid on long-term debt	(2,641,851)	(1,933,861)
Net Cash (Used) Provided in Capital and Related Financing Activities	(6,184,032)	7,166,155
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	10,163	(3,405,083)
Interest and investment earnings	67,979	67,246
Net Cash Provided (Used) by Investing Activities	78,142	(3,337,837)
Net Increase (Decrease) in Cash and Cash Equivalents	408,286	7,226,390
Cash and Cash Equivalents, Beginning of Year	7,960,442	734,052
Cash and Cash Equivalents, End of Year	\$ 8,368,728	\$ 7,960,442
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 3,895,203	\$ 2,679,758
Restricted assets – cash and cash equivalents	4,473,525	5,280,684
Total Cash and Cash Equivalents	\$ 8,368,728	\$ 7,960,442

* restated

See accompanying notes to the basic financial statements

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

	2012	2011*
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 1,884,642	\$ (742,793)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Deprecation and amortization	4,255,412	4,667,473
Other non-operating (expenses) revenues	(16,165)	83,772
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable – water sales and services, net	(613,128)	264,505
Accounts receivable – other	(58,583)	(77,817)
Water-in-storage inventory	125,987	(46,910)
Materials and supplies inventory	(112,828)	22,224
Prepaid Central Coast Water Authority source of supply costs	680,000	(619,433)
Prepaid expenses and other deposits	(17,572)	(70,037)
Increase (decrease) in liabilities:	-	-
Accounts payable and accrued expenses	51,167	(100,719)
Accrued wages and related payables	(47,051)	(277,452)
Customer advances and deposits	(134,877)	22,768
Compensated absences	183,503	(104,910)
Post employment retirement benefits	333,669	377,401
Total adjustments	4,629,534	4,140,865
Net Cash Provided by Operating Activities	\$ 6,514,176	\$ 3,398,072

* restated

See accompanying notes to the basic financial statements

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 1: Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

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

Basis of Accounting and Measurement Focus

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

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

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces the income statement. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP), which include pronouncements by appropriate standard-setting organizations. The Governmental Accounting Standards Board (GASB) is the recognized authority for establishing governmental accounting financial reporting principles. Additionally, the District applies all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

Assets, Liabilities and Net Assets

1. Use of Estimates

The preparation of the basic 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

Assets, Liabilities and Net Assets - continued

3. Investments and Investment Policy

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

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

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

5. Federal and State Capital and Operating Grants

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

6. Water-In-Storage Inventory

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

Assets, Liabilities and Net Assets - continued

7. Materials and Supplies Inventory

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

8. Prepaid Expenses

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

9. Restricted Assets

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

10. Capital Assets

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

Transmission and distribution system	50 years
Service lines	33 1/3 years
Wells and water treatment equipment	5-25 years
Other equipment and vehicles	5-11 years

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

Assets, Liabilities and Net Assets – continued

11. Deferred Water Supply Renegotiation Costs

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

12. Deferred Charges

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

13. Compensated Absences

District personnel policies provide for accumulation of vacation, sick leave and compensated time-off. Liabilities for vacation, sick leave and compensated time-off are recorded when benefits are earned. Cash payment of unused vacation, percentage earned sick time and compensated time-off is available to those qualified employees when retired or terminated.

14. Construction Advances and Deposits

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

15. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

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

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

Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

Assets, Liabilities and Net Assets - continued

16. Water Sales

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

17. New Water Supply Charges

New water supply charge revenue is also described in previous years as capacity charges. The purpose is to recover a portion of the costs that developed additional new water supplies necessary to provide such additional service. All new water service connections are subject to the new water supply charge, a one-time charge; currently \$38,987 per acre foot for potable water. The conditions letter issued by the District to the applicant pursuant to District Code Section 5.08.20 (F) includes the amount of the new water supply charge for the new service. The new water supply charge must be paid prior to issuance of a can and will serve letter or application approval at the date of this reporting period. The formula for determining this charge, described in the District's Code at Appendix A (12), is based on the type of project and required service size. Project types include single-family residential, multiple -family residential, landscape and recreation irrigation, agricultural irrigation, commercial and other nonresidential uses and expanded service to existing structures or uses. This charge varies for potable, non-potable, and recycled water service.

18. Capital Contributions

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

19. Budgetary Policies

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

20. Reclassifications

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net assets.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

Assets, Liabilities and Net Assets – continued

21. Future Government Accounting Standards Board (GASB) Statements

GASB Statements Nos. 60-68 listed below will be implemented in future financial statements:

Statement No. 60	<i>Accounting and Financial Reporting for Service Concession Arrangements</i>	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
Statement No. 61	<i>The Financial Reporting Entity: Omnibus—an amendment of GASB Statement No. 14 and No. 34</i>	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.
Statement No. 62	<i>Codification of Accounting and Financial Reporting Guidance</i>	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
Statement No. 63	<i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i>	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.
Statement No. 64	<i>Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53</i>	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.
Statement No. 65	<i>Items Previously Reported as Assets and Liabilities</i>	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
Statement No. 66	<i>Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62</i>	The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
Statement No. 67	<i>Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25</i>	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013.
Statement No. 68	<i>Accounting and Financial Reporting for Pension Plans—an amendment of GASB Statement No. 27</i>	The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 2: Cash and Investments

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

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 3,895,203	\$ 2,679,758
Restricted – cash and cash equivalents	4,473,525	5,280,684
Restricted – investments	<u>6,923,187</u>	<u>6,933,350</u>
Total Cash and Investments	<u>\$ 15,291,915</u>	<u>\$ 14,893,792</u>

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

	<u>2012</u>	<u>2011</u>
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	8,368,228	7,959,942
Investments	<u>6,923,187</u>	<u>6,933,350</u>
Total Cash and Investments	<u>\$ 15,291,915</u>	<u>\$ 14,893,792</u>

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

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 2: Cash and Investments - continued

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

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

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Obligations	None	None	None
Bankers Acceptances	None	None	None
Commercial Paper	180 days	30%	10%
Corporate bonds, debentures, and notes	None	None	None
Interest bearing accounts – state or national banks or state or national savings and loans	None	None	None
Local Agency Investment Funds	None	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	None	None	None

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 2: Cash and Investments - continued

Custodial Credit Risk

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

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District has deposits with various banks with various bank balances as of June 30, 2012 and 2011, respectively. Of the bank balances, up to \$250,000 in 2012 and 2011 are federally insured and the remaining balance is collateralized in accordance with the California Government Code.

Investment in State Investment Pool

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 2: Cash and Investments - continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value are to changes in market interest rates. During FY 2012 and FY 2011, the District managed its liquidity needs by investing only in short-term securities. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Investments at June 30, 2012, consisted of the following:

	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Certificates-of-deposit	\$ 24,376	\$ 24,376	\$ -	\$ -	\$ -
Held by bond trustee:					
California State Treasurer – LAIF	6,898,191	6,898,191	-	-	-
Dreyfus Treasury and Agency Cash Management	620	620	-	-	-
Total	\$ 6,923,187	\$ 6,923,187	\$ -	\$ -	\$ -

Investments at June 30, 2011, consisted of the following:

	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Certificates-of-deposit	\$ 24,322	\$ 24,322	\$ -	\$ -	\$ -
Held by bond trustee:					
California State Treasurer – LAIF	6,908,269	6,908,269	-	-	-
Dreyfus Treasury and Agency Cash Management	759	759	-	-	-
Total	\$ 6,933,350	\$ 6,933,350	\$ -	\$ -	\$ -

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 2: Cash and Investments - continued

Credit Risk

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

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

Investment Type	Amount	Min Legal Rating	Exempt from Disclosure	S&P Ratings		
				AAA	AA-	BB-
Certificates-of-deposit Fund Held by bond trustee:	\$ 24,376	N/A	\$ 24,376	\$ -	\$ -	\$ -
California State Treasurer - LAIF	6,898,191	N/A	6,898,191	-	-	-
Dreyfus Treasury and Agency Cash Management	620	AAA		620	-	-
Total	\$ 6,823,187		\$ 6,922,867	\$ 620	\$ -	\$ -

Credit ratings at June 30, 2011, consisted of the following:

Investment Type	Amount	Min Legal Rating	Exempt from Disclosure	S&P Ratings		
				AAA	AA-	BB-
Certificates-of-deposit Fund Held by bond trustee:	\$ 24,322	N/A	\$ 24,322	\$ -	\$ -	\$ -
California State Treasurer - LAIF	6,908,269	N/A	6,908,269	-	-	-
Dreyfus Treasury and Agency Cash Management	759	AAA		759	-	-
Total	\$ 6,933,350		\$ 6,932,591	\$ 759	\$ -	\$ -

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 2: Cash and Investments - continued

Concentration of Credit Risk

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

Issuer	Investment type	Reported Amount	
		2012	2011
California State Treasurer -LAIF	LAIF	\$ 6,898,191	\$ 6,908,269
Dreyfus Treasury and Agency	U.S. Treasury Obligations	\$ 620	\$ 759

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

The balance at June 30, consists of the following:

	2012	2011
Accounts receivable - water sales and services	\$ 3,405,586	\$ 2,787,361
Allowance for uncollectible accounts	(25,507)	(20,410)
Accounts Receivable - Water Sales, Net	\$ 3,380,079	\$ 2,766,951

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

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

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

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

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

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

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

<u>Fiscal Year</u>		<u>Amount</u>
2013	\$	6,542,518
2014		7,513,244
2015		7,626,599
2016		7,736,807
2017		7,472,008
Thereafter		<u>98,797,424</u>
Total	\$	<u><u>135,688,600</u></u>

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 5: Capital Assets

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

	<u>Balance 2011*</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2012</u>
Non-Depreciable Assets:				
Land and land rights	\$ 237,161	\$ 312,164	\$ -	\$ 549,325
Construction-in-process	3,225,910	3,669,366	(1,716,373)	5,178,903
Total Non-Depreciable Assets	<u>3,463,071</u>	<u>3,981,530</u>	<u>(1,716,373)</u>	<u>5,728,228</u>
Depreciable Assets:				
Transmission and distribution system	53,789,546	706,488	(7,090)	54,488,944
Recycled water system	24,416,747	-	7,090	24,423,837
Water treatment plant/equipment	40,259,756	-	-	40,259,756
Wells	8,483,906	-	-	8,483,906
Pumping equipment	2,673,191	-	-	2,673,191
Structures and improvements	3,206,589	-	-	3,206,589
Other plant and equipment	7,259,917	176,936	-	7,436,853
Total Depreciable Assets	<u>140,089,652</u>	<u>883,424</u>	<u>-</u>	<u>140,973,076</u>
Accumulated depreciation:				
Transmission and distribution system	(24,229,445)	(1,188,618)	-	(25,418,063)
Recycled water system	(13,267,369)	(809,298)	-	(14,076,667)
Water treatment plant/equipment	(11,268,895)	(1,103,390)	-	(12,372,285)
Wells	(3,026,648)	(269,972)	-	(3,296,620)
Pumping equipment	(1,678,043)	(59,112)	-	(1,737,155)
Structures and improvements	(1,284,703)	(94,554)	-	(1,379,257)
Other plant and equipment	(5,394,574)	(675,274)	-	(6,069,848)
Total accumulated depreciation	<u>(60,149,677)</u>	<u>(4,200,218)</u>	<u>-</u>	<u>(64,349,895)</u>
Total Depreciable Assets, Net	<u>79,939,975</u>	<u>(3,316,794)</u>	<u>-</u>	<u>76,623,181</u>
Total Capital Assets, Net	<u>\$ 83,403,046</u>	<u>664,736</u>	<u>(1,716,373)</u>	<u>\$ 82,351,409</u>

* Restated

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 5: Capital Assets - continued

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

	Balance 2010*	Additions/ Transfers	Deletions/ Transfers	Balance 2011*
Non-Depreciable Assets:				
Land and land rights	\$ 237,161	\$ -	\$ -	\$ 237,161
Construction-in-process	3,289,556	1,242,839	(1,306,485)	3,225,910
Total Non-Depreciable Assets	3,526,717	1,242,839	(1,306,485)	3,463,071
Depreciable Assets:				
Transmission and distribution system	53,350,776	438,770	-	53,789,546
Recycled water system	24,416,747	-	-	24,416,747
Water treatment plant/equipment	40,259,756	-	-	40,259,756
Wells	8,484,106	-	(200)	8,483,906
Pumping equipment	2,120,436	552,755	-	2,673,191
Structures and improvements	3,206,589	-	-	3,206,589
Other plant and equipment	7,224,733	35,184	-	7,259,917
Total Depreciable Assets	139,063,143	1,026,709	(200)	140,089,652
Accumulated depreciation:				
Transmission and distribution system	(23,062,349)	(1,167,096)	-	(24,229,445)
Recycled water system	(12,458,142)	(809,227)	-	(13,267,369)
Water treatment plant/equipment	(10,164,440)	(1,104,455)	-	(11,268,895)
Wells	(2,574,775)	(451,873)	-	(3,026,648)
Pumping equipment	(1,632,750)	(45,293)	-	(1,678,043)
Structures and improvements	(1,189,990)	(94,713)	-	(1,284,703)
Other plant and equipment	(4,456,996)	(937,578)	-	(5,394,574)
Total accumulated depreciation	(55,539,442)	(4,610,235)	-	(60,149,677)
Total Depreciable Assets, Net	83,523,701	(3,583,526)	(200)	79,939,975
Total Capital Assets, Net	\$ 87,050,418	(2,340,687)	(1,306,685)	83,403,046

* Restated

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 5: Capital Assets – continued

In 2011, major capital asset additions during the year include various projects and upgrades to District transmission and distribution systems, pumping equipment, and other plant equipment. A portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

Construction-In-Process

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

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

	<u>2012</u>	<u>2011</u>
Groundwater basin modeling	\$ 291,860	\$ 291,860
GWD/CSB Interconnect project	150,338	150,338
Cathedral Oaks Hwy 101 overcrossing	400,349	362,252
Water line replacements	208,355	158,083
San Ricardo well rehabilitation	705,039	387,923
UCSB Ocean Walk	-	102,615
Corona Del Mar – Sludge Bed Construction	1,091,609	110,753
Arc Flash Protection	123,506	-
Various other minor projects <\$100,000	2,207,847	1,662,086
	<u> </u>	<u> </u>
Construction-in-Process	<u>\$ 5,178,903</u>	<u>\$ 3,225,910</u>

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 6: Deferred Charges

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

The balance at June 30, consists of the following:

	2012	2011
Deferred charges	548,190	548,190
Accumulated amortization	(200,320)	(175,741)
Deferred Charges, Net	347,870	372,449

Note 7: Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

Changes to compensated absences for 2012, were as follows:

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

Changes to compensated absences for 2011, were as follows:

Balance 2010	Earned	Taken	Balance 2011	Current Portion	Long-Term Portion
\$ 797,136	\$ 583,565	\$ (688,475)	\$ 692,226	\$ 181,239	\$ 510,987

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

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

	<u>Balance 2011</u>	<u>Additions/ (Deletions)</u>	<u>Principal Payments/ Amortization</u>	<u>Balance 2012</u>
Debt:				
2003 Certificates of participation series	\$ 22,030,000	\$ -	\$ (925,000)	\$ 21,105,000
2010A Certificates of participation series	33,915,000	-	-	33,915,000
Total Debt	\$ 55,945,000	\$ -	\$ (925,000)	\$ 55,020,000
Unamortized loss on 1993 defeasement	(64,574)	-	45,581	(18,993)
Unamortized premium on 2003 COPs	226,695	-	(27,593)	199,102
Unamortized loss on 2003 Refunding	(85,537)	-	6,375	(79,162)
Unamortized defeasance of 2003 COP	(1,473,131)	-	109,799	(1,363,332)
Unamortized interest rate swap premium	(671,297)	-	62,446	(608,851)
Unamortized original issue discount on 2010 COPs	(720,065)	-	36,465	(683,600)
Total Net Debt	\$ 53,157,091	\$ -	\$ (691,927)	\$ 52,465,164
Less Current Portion	(925,000)	(960,000)	925,000	(960,000)
Net Long-Term Debt	\$ 52,232,091	\$ (960,000)	\$ 233,073	\$ 51,505,164

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 8: Long-Term Debt - continued

2003 Refunding Certificates of Participation Payable

Certificates of participation in the amount of \$47,000,000 were executed on October 16, 2003. The funds were used to refund the District's current outstanding Certificates of Participation captioned 1993 Goleta Water District Refunding Revenue Certificates of Participation and to finance certain improvements to the District's water supply, treatment and distribution systems. In conjunction with the issuance of the \$33,915,000 Series A Revenue Certificates of Participation and in accordance with the District's refunding plan, \$15,874,630 was deposited with an escrow agent to provide for payment when due of all principal and interest with respect to the 2003 Refunded Certificates. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$1.6 million. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the fiscal year ended June 30, 2025 using the straight line method. For financial reporting purposes, the refunded portion of the debt has been considered defeased and therefore removed as a liability from these financial statements. As of June 30, 2012 there was \$12,370,000 of defeased 2003 Certificates of Participation outstanding, to be paid from escrow funds. (See 2010A Series Revenue Certificates of Participation below).

The remaining \$21,105,000 is to be repaid over the remaining thirteen year term. Interest is payable semi-annually on June 1st and December 1st of each year while principal payments are made on December 1st of each year commencing June 1, 2004, with interest rates ranging from 3.5% to 5.25%. The revenue Certificates of Participation are secured by a pledge of District revenues.

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

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 8: Long-Term Debt – continued

Annual debt service payments are as follows:

Fiscal Year	Principal	Interest	Total
2013	960,000	956,728	1,916,728
2014	995,000	917,628	1,912,628
2015	1,035,000	877,028	1,912,028
2016	1,075,000	834,828	1,909,828
2017	1,120,000	790,366	1,910,366
2018-2022	6,355,000	3,159,129	9,514,129
2023-2025	9,565,000	704,044	10,269,044
Total	21,105,000	\$ 8,239,751	\$ 29,344,751
Less current portion	(960,000)		
Total Non-Current	\$ 20,145,000		

2010 Series A Certificates of Participation Payable

August 26, 2011, the District issued the \$33,915,000 2010 Series A Revenue Certificates of Participation to (i) refund a portion of the 2003 Revenue Certificates of Participation; (ii) to refund outstanding bank loans and related financing costs; (iii) to refund outstanding amounts under a loan contract with the State Water Resources Control Board; (iv) to fund \$5,000,000 of improvements to the water system; (v) to fund a reserve; and (vi) to pay related costs of execution and delivery of the 2010A Series Certificates of Participations. The advanced refunding increased total debt service payments by approximately \$17,827,603 and resulted in an economic loss of approximately \$1,706,930.

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 8: Long-Term Debt – continued

2010 Series A Certificates of Participation Payable – continued

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

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

Annual debt service payments are as follows:

Fiscal Year(s)	Principal	Interest	Total
2013	-	1,649,738	1,649,738
2014	-	1,649,738	1,649,738
2015	-	1,649,738	1,649,738
2016	-	1,649,738	1,649,738
2017	-	1,649,738	1,649,738
2018-2022	-	8,248,688	8,248,688
2023-2027	4,915,000	8,032,813	12,947,813
2028-2032	14,520,000	5,453,731	19,973,731
2033-2036	14,480,000	1,492,500	15,972,500
Total	33,915,000	\$ 31,476,422	\$ 65,391,422
Less current portion	-		
Total Non-Current	\$ 33,915,000		

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 9: Other Post Employment Benefits Payable (OPEB)

In addition to the pension benefits described in Note 12, the District provides post retirement health care, vision care and dental care benefits to retirees. The District contributes a fixed amount for health care benefits (ranging from 55% to 100% of the premium); a fixed amount for dental care (ranging from 38% to 100% of the premium); and 100% of the premium for vision.

Plan Description - Eligibility

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

Plan Description – Benefits

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

	2012	2011	2010
Active plan members	59	55	58
Retirees and beneficiaries receiving Benefits	46	45	42
	105	100	100

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 12.9% of the annual covered payroll.

The District funds the plan on a pay-as-you-go basis and records a liability for the difference between pay-as-you-go and the actuarially determined ARC cost.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

Annual OPEB Cost and Net OPEB Obligation

The balance at June 30, consists of the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 675,588	\$ 675,588	\$ 1,991,071
Interest on net OPEB obligation	162,819	143,949	38,997
Adjustment to annual required contribution	(151,863)	(134,263)	(44,823)
	<u>686,544</u>	<u>685,274</u>	<u>1,985,245</u>
Total Annual OPEB Expense			
Change in net OPEB payable obligation:			
Age adjusted contributions made	(352,875)	(307,873)	(406,145)
	<u>333,669</u>	<u>377,401</u>	<u>1,579,100</u>
Total Change in Net OPEB Payable Obligation			
OPEB Payable - Beginning of Year	3,256,372	2,878,971	1,299,871
	<u>3,590,041</u>	<u>3,256,372</u>	<u>2,878,971</u>
OPEB Payable – Fiscal Year End	\$ 3,590,041	\$ 3,256,372	\$ 2,878,971

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2012	\$ 686,544	\$ 352,875	51.4%	\$ 3,590,041
2011	\$ 685,274	\$ 307,873	44.9%	\$ 3,256,372
2010	\$ 1,985,245	\$ 406,145	20.5%	\$ 2,878,971

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

Funded Status and Funding Progress of the Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/2012	\$ -	\$ 8,151,680	\$ 8,151,680	0.00%	\$ 5,236,019	155.70%
6/30/2011	\$ -	\$ 8,151,680	\$ 8,151,680	0.00%	\$ 5,104,324	159.70%
6/30/2010	\$ -	\$ 16,079,140	\$ 16,079,140	0.00%	\$ 5,051,116	318.33%

Actuarial Methods and Assumptions

In Fiscal Year 2011, the District retained a professional actuary to independently assess the District OPEB liability. The actuarial methods and assumptions were updated, including techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 60. At retirement, 80% of retirees are assumed to be married and, marital status is adjusted to reflect mortality. Life expectancy was based on the CalPERS mortality for miscellaneous employees. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using the Standard Turnover Assumptions per GASB Statement No. 45 Paragraph 35b.

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

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

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

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

As compared to Fiscal Year 2010, the Fiscal Year 2011 revision to the OPEB obligations resulted in a \$7,927,460 (49.3%) reduction to Unfunded Actuarial Accrued Liability (UAAL) and a \$1,315,483 (66.1%) reduction in the ARC. The largest contributing factor to these reductions was the change in the assumed investment rate of return, from 3% in Fiscal Year 2010 to 5% in Fiscal Year 2011. Consistent with GASB standards, the assumed rate of return reflects the likely yield over a long-term horizon.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 10: Net Assets

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

	2012	2011
Net Investment in Capital Assets:		
Capital assets, not being depreciated	\$ 5,728,229	\$ 3,463,072
Depreciable capital assets	76,623,181	79,939,975
Current:		
Loans payable	-	-
Certificates-of-participation payables	(960,000)	(925,000)
Non-Current:		
Loans payable	-	-
Certificates-of-participation payables, net	(51,505,164)	(52,232,091)
	29,886,246	30,245,956
Total Net Investment in Capital Assets		
Restricted Net Assets:		
Restricted - cash and cash equivalents	4,473,525	5,280,684
Restricted - accrued interest receivable	-	-
Restricted - investments	6,923,187	6,933,350
Accrued interest payable - COPs	(631,240)	(633,938)
	10,765,472	11,580,096
Total Restricted Net Assets		
Unrestricted Net Assets:		
Non-spendable net assets:		
Water-in-storage inventory	422,649	548,636
Materials and supplies inventory	295,305	182,477
Prepaid Central Coast Water Authority Costs	6,725,649	7,405,649
Prepaid expenses and other deposits	178,143	160,571
Deferred water supply renegotiation costs, net	275,543	306,158
Deferred charges, net	347,870	372,449
	8,245,159	8,975,940
Total Non-Spendable Net Assets		
Spendable Net Assets are Designated as Follows:		
Undesignated net assets reserve	867,398	(633,528)
	867,398	(633,528)
Total Spendable Net Assets		
	9,112,557	8,342,412
Total Unrestricted Net Assets		
Total Net Assets	\$ 49,764,275	\$ 50,168,464

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 11: Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Actual employee contributions for FY 2012 and 2011 were \$190,778 and \$232,827 respectively. Market value of all plan assets held in trust by the District's three deferred compensation plans at June 30, 2012 and 2011 amounted to \$2,693,284 and \$2,673,484, respectively.

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

Note 12: Defined Benefit Pension Plan

Plan Description

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 12: Defined Benefit Pension Plan - continued

Funding Policy

On August 9, 2011, as a result of negotiations with Service Employees International Union Local 620 (SEIU), a two-tiered retirement program for was introduced similar to programs instituted by other agencies participating in the CalPers. For employees hired prior to January 1, 2012, the contribution rate for plan members in the CalPERS 2.7% at 55 Risk Pool Retirement Plan is 8% of their annual covered salary. The District makes a portion of contributions required of District employees on their behalf and for their account. For employees hired after January 1, 2012, the contribution rate for plan members in the CalPERS 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes a portion contributions required of District employees on their behalf and for their account. Employees in both plans contribute 1% of their annual covered salaries to their accounts. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2012, 2011 and 2010, as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2012, 2011 and 2010, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	APC Percentage of Payroll
2010	\$ 1,389,665	100%	-	19.649%
2011	\$ 1,402,961	100%	-	19.293%
2012	\$ 1,526,755	100%	-	29.159%

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 13: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2012, the District participated in the liability and property programs of the ACWA/JPIA as follows:

General and auto liability, and public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit at \$1,000,000 per occurrence. The ACWA JPIA purchased additional excess coverage layers in the amount of \$59 million which increases the limits on the insurance coverage noted above.

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

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

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

Property loss to be paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis subject to a \$10,000 deductible per occurrence. ACWA JPIA has purchased coverage for its members with a total policy limit (all members) of \$100 million.

Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.

Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The District's liability limit is \$2 million per accident/disease.

After a sustained period of low claims by the District, ACWA JPIA refunded approximately \$57,000 in March 2012 as part of a rate stabilization program that is designed to calibrate premiums versus claims for each pooled insurance program. Settled claims have not exceeded any of the coverage amounts in any of the last two fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2012 and 2011. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2012 and 2011.

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 14: Commitments and Contingencies

Goleta West Conduit Project

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

The Cachuma Lake Project - Seismic Safety of Bradbury Dam

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

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

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 59,765
2014	59,765
2015	59,765
2016	94,847
2017	94,847
Thereafter	<u>1,730,673</u>
Total	<u>\$ 2,099,662</u>

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 14: Commitments and Contingencies – continued

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from advances for construction.

Grant Awards

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

Goleta Sanitary District Recycled Water Facility

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

Goleta Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

Note 15: Prior Period Adjustment

The methodology by which the District records contributed capital assets was changed this year, consistent with the technical recommendations of the Governmental Accounting Standards Board (GASB) and the Government Financial Officers Association (GFOA). This modified practice affected the timing at which capitalization and depreciation of assets donated to the District are recorded. Accordingly, this CAFR recognizes and adjusts an understatement of contributed capital and depreciation for the fiscal years ending June 30, 2010 and June 30, 2011 resulting from the change in methodology. Management has determined that non-cash prior period adjustments were necessary.

For the year ending June 30, 2010, contributed capital and depreciation were understated by \$1,216,945 and \$18,140, respectively. Net assets at July 1, 2010 have been restated as follows:

Net assets at June 30, 2010, as previously reported	\$	50,112,074
Prior period adjustment for contributed capital		1,216,245
Prior period adjustment for depreciation expense		<u>(18,140)</u>
Net Assets at July 1, 2010 as restated	\$	<u><u>51,310,179</u></u>

For the year ending June 30, 2011, contributed capital, equipment rental income and depreciation were understated by \$127,587, \$16,781 and \$16,309, respectively. Net assets at July 1, 2011 have been restated as follows:

Net assets at June 30, 2010, as restated	\$	51,310,179
Change in net assets, as previously reported		(1,268,851)
Prior period adjustment for contributed capital		127,587
Prior period adjustment for equipment rental, net		16,330
Prior period adjustment for depreciation expense		<u>(16,781)</u>
Net Assets at June 30, 2011 as restated	\$	<u><u>50,168,464</u></u>

STATISTICAL INFORMATION SECTION



Goleta Water District Statistical Section

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

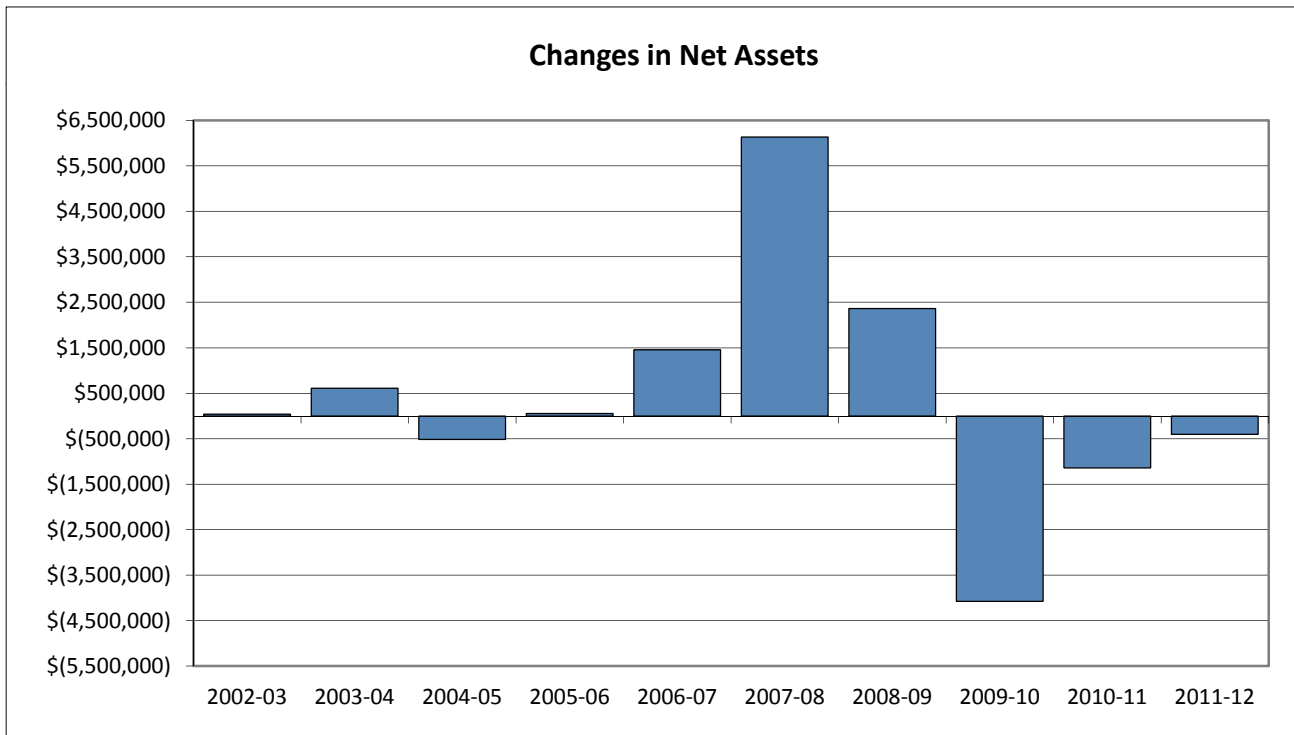
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Informs the reader regarding the affordability of District debt and its ability to assume additional debt in the future.	
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Contains staffing levels and infrastructure data to help the reader understand how the District provides its services.	

**Goleta Water District
Changes in Net Assets and Net Assets by Component
Previous Ten Fiscal Years**

Schedule 1

Description	2002-03	2003-04	2004-05	2005-06	2006-07
Changes in net assets:					
Operating revenues (see schedule 2)	\$ 17,327,025	\$ 20,712,149	\$ 19,028,366	\$ 19,820,429	\$ 23,275,841
Operating expenses (see schedule 3)	(16,940,607)	(19,627,514)	(18,143,671)	(18,477,813)	(19,099,548)
Depreciation and amortization	(2,546,021)	(2,860,413)	(2,845,015)	(3,052,138)	(3,148,347)
Operating income	(2,159,603)	(1,775,778)	(1,960,320)	(1,709,522)	1,027,946
Net non-operating revenue(expense) (see schedule 4)	274,002	(1,472,899)	(346,585)	307,975	(392,509)
Net income before capital contributions	(1,885,601)	(3,248,677)	(2,306,905)	(1,401,547)	635,437
Capital contributions	1,922,468	3,856,288	1,788,501	1,457,127	822,157
Changes in net assets	<u>\$ 36,867</u>	<u>\$ 607,611</u>	<u>\$ (518,404)</u>	<u>\$ 55,580</u>	<u>\$ 1,457,594</u>
Net assets by component:					
Invested in capital assets, net of related debt	\$ 30,596,268	\$ 12,160,238	\$ 18,876,833	\$ 29,061,204	\$ 35,613,775
Restricted	2,934,607	23,082,724	19,599,556	10,625,609	6,419,910
Unrestricted	9,755,474	8,650,998	4,899,167	3,744,323	2,855,045
Total net assets	<u>\$ 43,286,349</u>	<u>\$ 43,893,960</u>	<u>\$ 43,375,556</u>	<u>\$ 43,431,136</u>	<u>\$ 44,888,730</u>

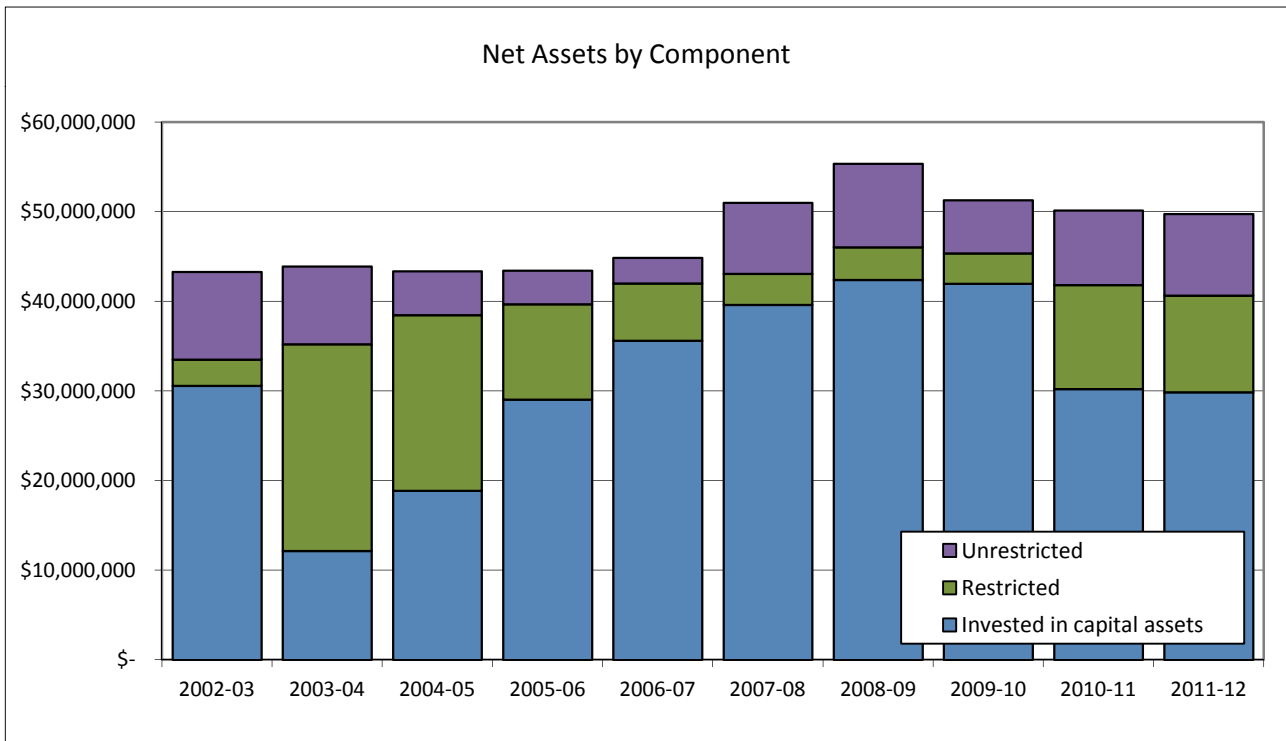


Source: Goleta Water District Audited Financial Statements

Goleta Water District
Changes in Net Assets and Net Assets by Component
Previous Ten Fiscal Years

Schedule 1
(continued)

Description	2007-08 ⁽²⁾	2008-09 ⁽²⁾	2009-10 ⁽²⁾	2010-11 ⁽²⁾	2011-12
Changes in net assets:					
Operating revenues (see schedule 2)	\$ 26,147,078	\$ 25,245,709	\$ 23,875,390	\$ 22,975,387	\$ 27,136,533
Operating expenses (see schedule 3)	(20,806,256)	(22,717,232)	(22,829,750)	(19,107,945)	(21,051,673)
Depreciation	(1,620,145)	(3,951,664)	(4,639,138)	(4,610,235)	(4,200,218)
Operating income	3,720,677	(1,423,187)	(3,593,498)	(742,793)	1,884,642
Net non-operating revenue(expense) (see schedule 4)	3,541,627	3,510,204	(1,734,390)	(686,214)	(2,637,326)
Net income before capital contributions	7,262,304	2,087,017	(5,327,888)	(1,429,007)	(752,684)
Capital contributions	875,732	277,963	1,246,321	287,292	348,495
Changes in net assets	\$ 8,138,036	\$ 2,364,980	\$ (4,081,567)	\$ (1,141,715)	\$ (404,189)
Net assets by component:					
Invested in capital assets, net of related debt	\$ 41,625,111	\$ 42,404,294	\$ 41,984,446	\$ 30,245,956	\$ 29,886,246
Restricted	3,459,351	3,670,054	3,389,233	11,580,096	10,765,472
Unrestricted	7,942,304	9,317,398	5,936,500	8,342,412	9,112,557
Total net assets	\$ 53,026,766	\$ 55,391,746	\$ 51,310,179	\$ 50,168,464	\$ 49,764,275



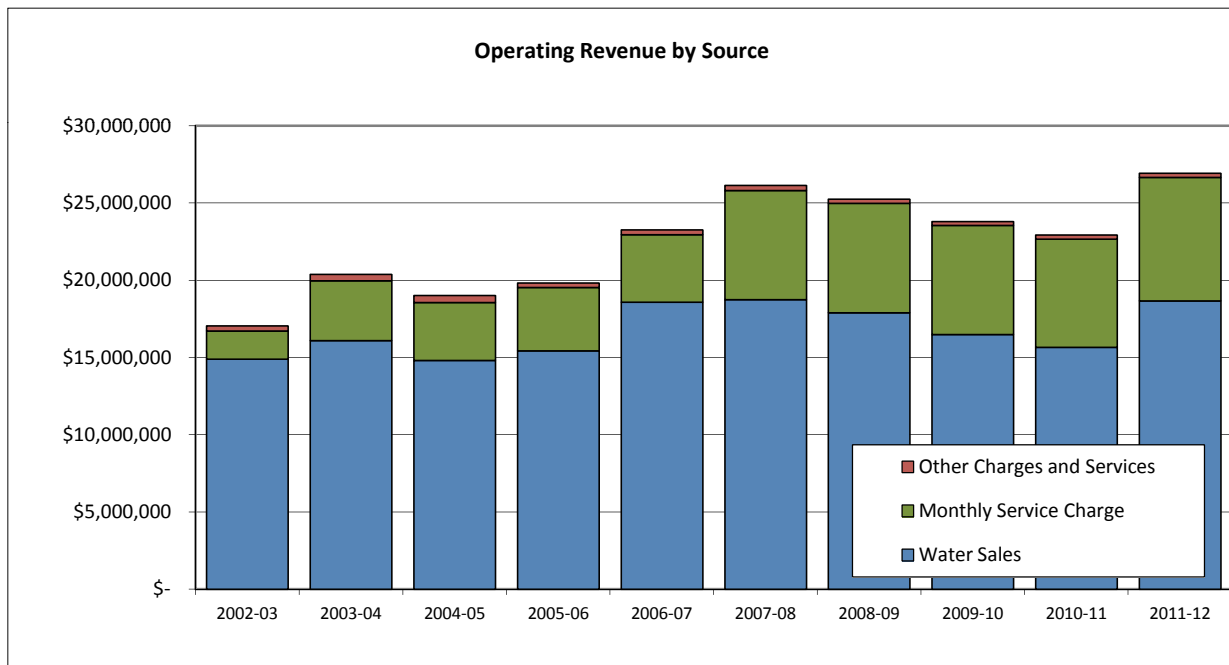
Note: (1) Net of related debt

(2) Restated

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

Schedule 2

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Monthly Charge</u>	<u>Conveyance Charges⁽²⁾</u>	<u>Other Charges and Services</u>	<u>Total Revenue⁽¹⁾</u>
2002-03	\$ 14,888,620	\$ 1,839,088	\$ -	\$ 313,398	\$ 17,041,106
2003-04	16,105,305	3,861,755	-	417,938	20,384,998
2004-05	14,809,298	3,755,733	-	463,335	19,028,366
2005-06	15,425,971	4,117,481	-	276,977	19,820,429
2006-07	18,582,563	4,380,462	-	312,816	23,275,841
2007-08	18,750,446	7,073,409	-	323,223	26,147,078
2008-09	17,891,753	7,086,522	-	267,434	25,245,709
2009-10	16,493,699	7,052,721	60,951	268,019	23,875,390
2010-11	15,672,687	6,987,420	49,225	266,055	22,975,387
2011-12	18,668,008	7,998,014	193,749	276,762	27,136,533



Note: (1) System Development Fees (New Water Supply Charges) were classified as Operating Revenue in FYs 2002, 2003 and 2004 Goleta Water District Audited Financial Statements. See Schedule 4 for New Water Supply Charges.

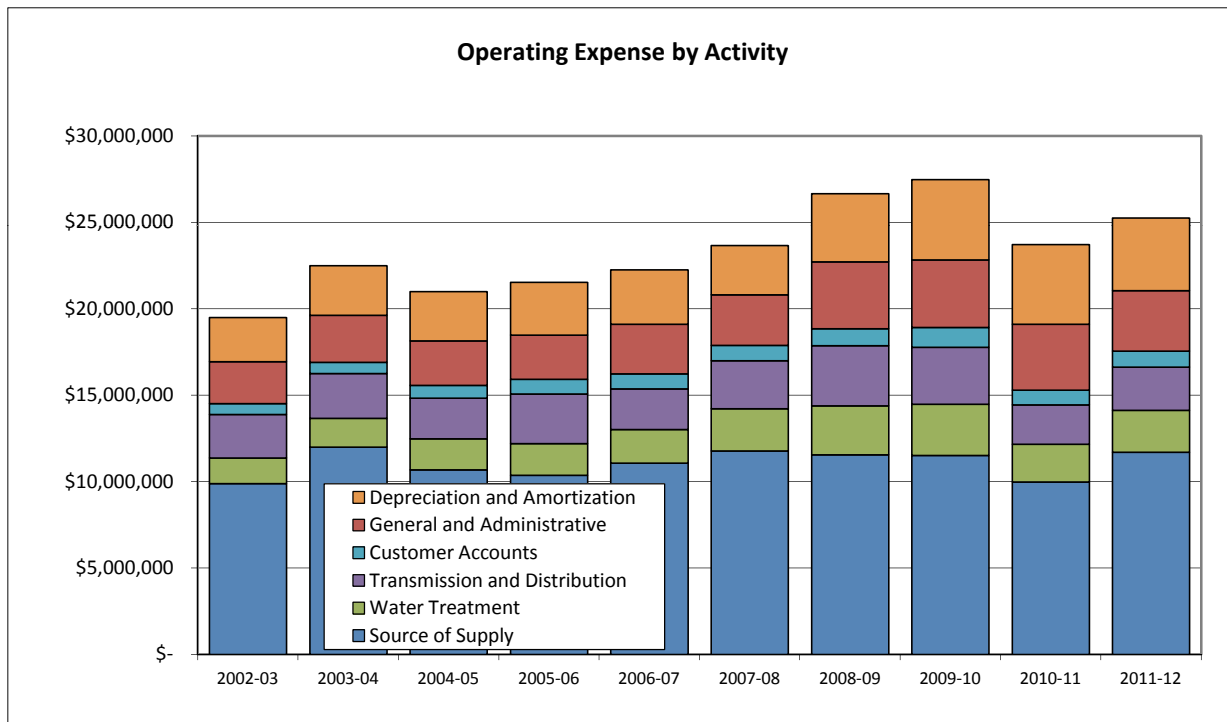
(2) Conveyance Charges were classified as Water consumption revenue in FYs 2003-2010.

Source: Goleta Water District Audited Financial Statements

Goleta Water District Operating Expenses by Activity Previous Ten Fiscal Years

Schedule 3

<u>Fiscal Year</u>	<u>Source of Supply</u>	<u>Water Treatment</u>	<u>Transmission and Distribution</u>	<u>Customer Accounts</u>	<u>General and Administrative</u>	<u>Depreciation and Amortization</u>	<u>Total Operating Expenses</u>
2002-03	\$ 9,880,639	\$ 1,491,076	\$ 2,517,906	\$ 623,069	\$ 2,427,917	\$ 2,546,021	\$ 19,486,628
2003-04	11,990,871	1,662,522	2,593,119	661,467	2,719,535	2,860,413	22,487,927
2004-05	10,686,375	1,781,205	2,359,677	736,126	2,580,288	2,845,015	20,988,686
2005-06	10,364,501	1,836,761	2,860,188	857,214	2,559,149	3,052,138	21,529,951
2006-07	11,069,528	1,946,499	2,339,804	882,476	2,861,241	3,148,347	22,247,895
2007-08	11,777,844	2,437,979	2,773,177	891,142	2,926,114	2,845,876	23,652,132
2008-09	11,556,246	2,824,069	3,486,767	973,101	3,877,049	3,951,664	26,668,896
2009-10	11,522,500	2,958,871	3,293,092	1,146,336	3,908,951	4,639,138	27,468,888
2010-11	9,968,271	2,190,570	2,280,486	846,299	3,822,319	4,610,235	23,718,180
2011-12	11,699,420	2,426,226	2,489,968	935,180	3,500,879	4,200,218	25,251,891

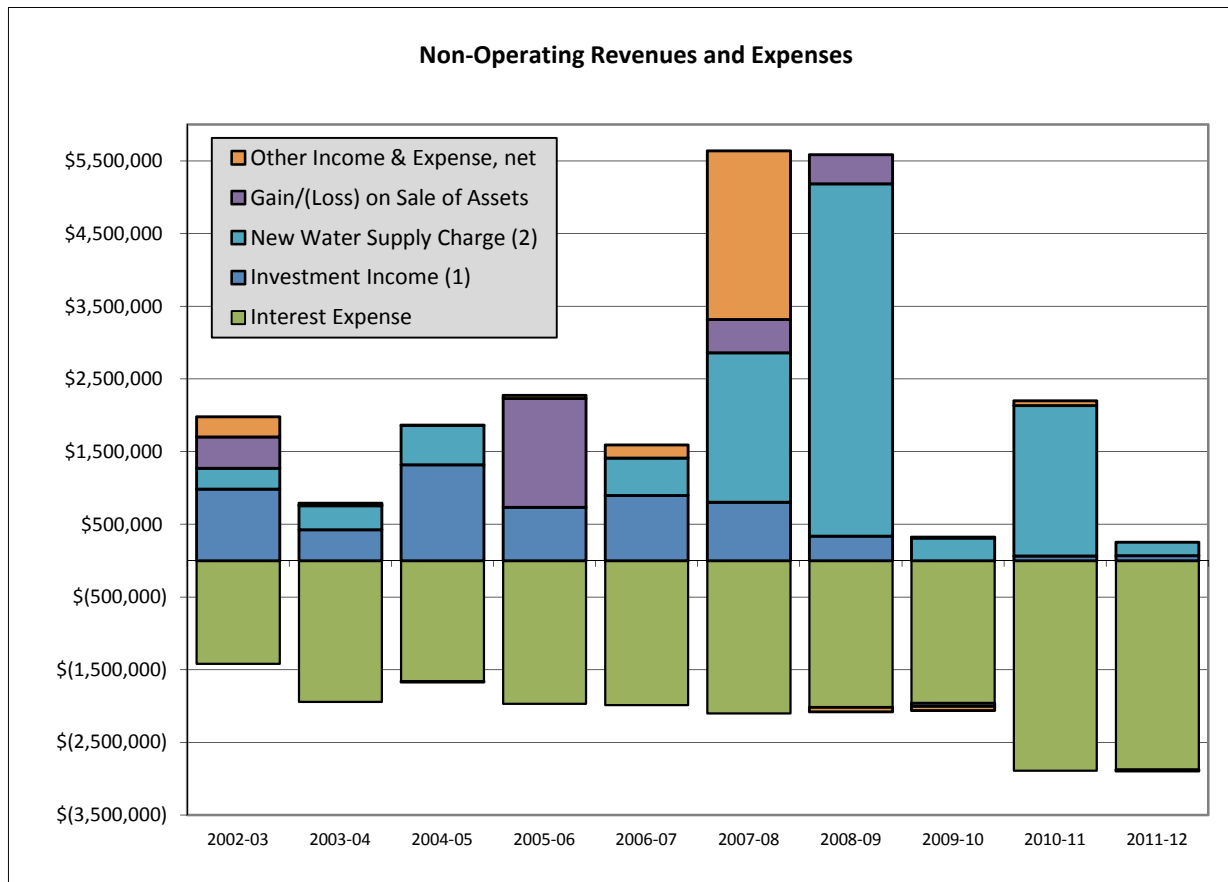


Source: Goleta Water District Audited Financial Statements

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

Schedule 4

<u>Fiscal Year</u>	<u>Investment Income ⁽¹⁾</u>	<u>New Water Supply Charge ⁽²⁾</u>	<u>Gain/(Loss) on Sale of Assets</u>	<u>Interest Expense</u>	<u>Other Income & Expense, net</u>	<u>Net Non-operating Revenues/(Expenses)</u>
2002-03	\$ 988,358	285,919	427,424	(1,419,105)	277,325	559,921
2003-04	428,648	327,151	8,432	(1,939,412)	29,433	(1,145,748)
2004-05	1,319,565	544,117	(9,612)	(1,657,837)	1,299	197,532
2005-06	736,719	-	1,496,104	(1,966,097)	41,249	307,975
2006-07	898,501	515,955	-	(1,985,205)	178,240	(392,509)
2007-08	803,891	2,058,188	456,725	(2,098,927)	2,321,750 ⁽³⁾	3,541,627
2008-09	338,908	4,846,624	402,230	(2,017,803)	(59,755)	3,510,204
2009-10	(43,888)	310,949	12,929	(1,958,678)	(55,702)	(1,734,390)
2010-11	67,164	2,069,370	-	(2,888,359)	65,611	(686,214)
2011-12	71,525	182,905	-	(2,872,226)	(19,509)	(2,637,305)



Notes:

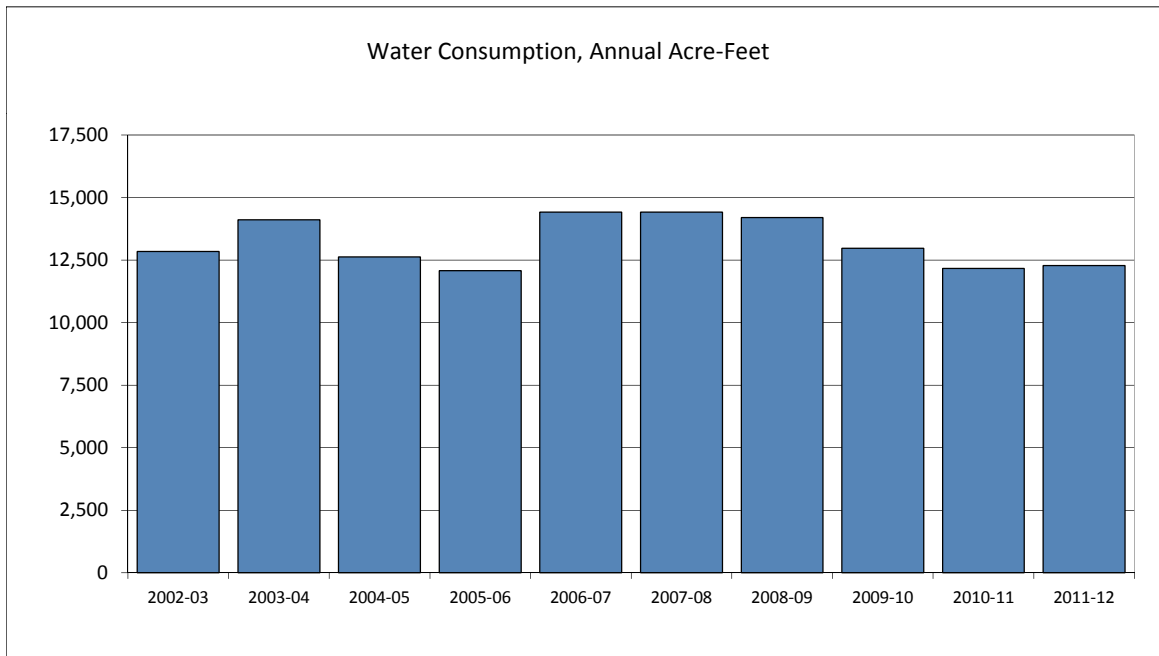
- (1) Includes interest income and realized and unrealized gains and losses on investments.
- (2) In FYs 2002, 2003 and 2004 System Development Fees (New Water Supply Charges) were classified as Operating Revenue and in FY 2005 as Capital Contribution in the Goleta Water District Audited Financial Statements.
- (3) Includes one-time accrual reversal of \$2,184,000 for post employments benefits

Source: Goleta Water District Audited Financial Statements

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

Schedule 5

Fiscal Year	Water Sales (acre feet)
2002-03	12,839
2003-04	14,104
2004-05	12,619
2005-06	12,077
2006-07	14,406
2007-08	14,415
2008-09	14,198
2009-10	12,971
2010-11	12,161
2011-12	12,275



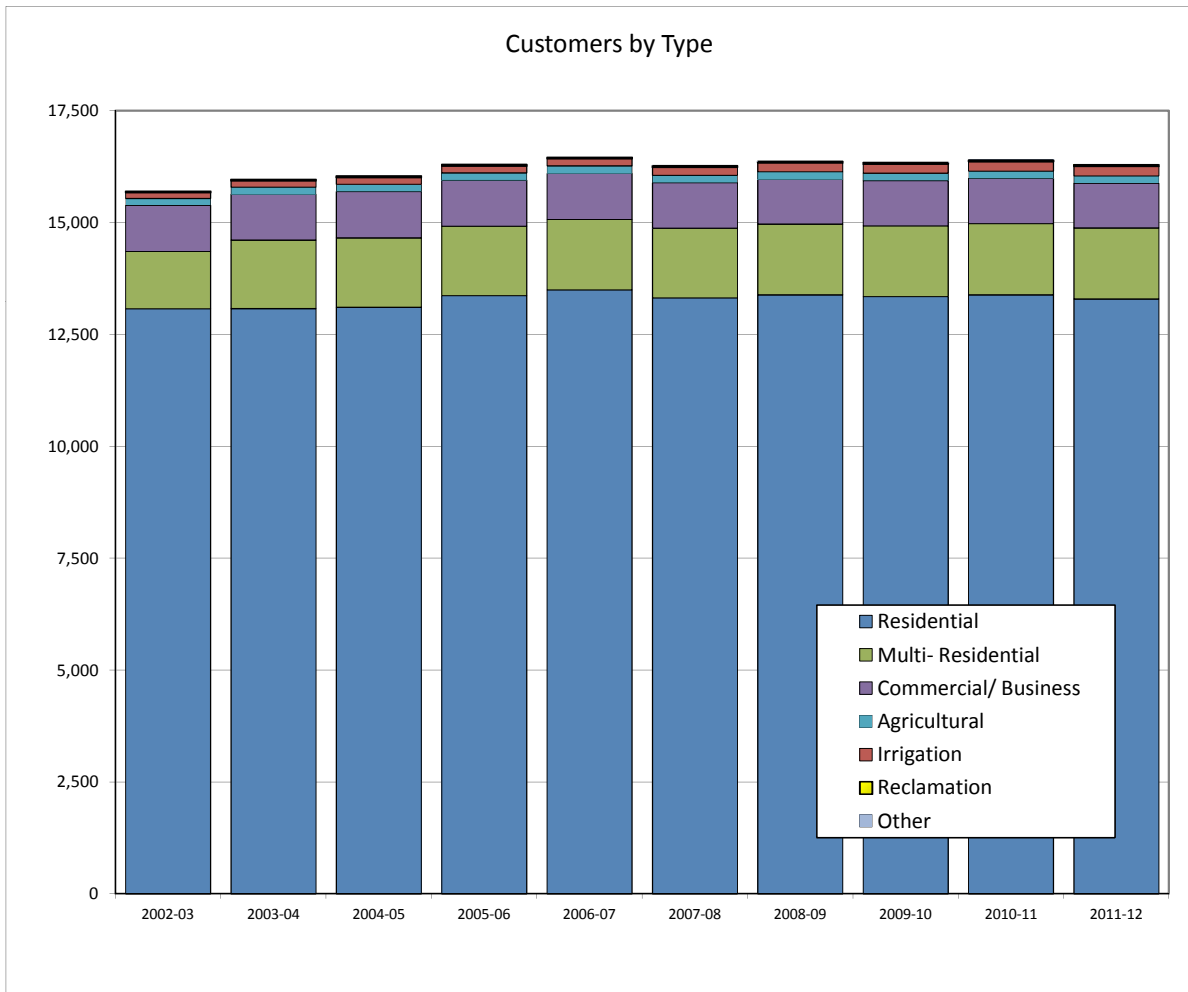
Note: See Schedule 2 "Revenue by Source" for information regarding water sales.

Sources: Central Coast Water Authority Statistics and Goleta Water District Annual Continuing Disclosure Annual Report.

**Goleta Water District
Customers by Type
Previous Ten Fiscal Years⁽¹⁾**

Schedule 6

Fiscal Year	Residential	Multi-Residential	Commercial/ Business	Agricultural	Recreation Irrigation	Reclamation	Other	Total
2002-03	13,076	1,278	1,031	155	130	31	-	15,701
2003-04	13,078	1,530	1,026	158	143	30	-	15,965
2004-05	13,109	1,550	1,034	162	153	31	-	16,039
2005-06	13,369	1,551	1,026	164	154	32	-	16,296
2006-07	13,497	1,574	1,028	168	162	30	-	16,459
2007-08	13,317	1,558	1,016	164	180	32	8	16,275
2008-09	13,386	1,582	1,002	165	199	32	7	16,373
2009-10	13,348	1,579	1,010	165	205	32	7	16,346
2010-11	13,386	1,591	1,009	164	212	32	7	16,401
2011-12	13,294	1,587	997	165	213	32	7	16,295



Sources: Goleta Water District

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

Schedule 7

	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Monthly Service Charges ⁽¹⁾										
Meter Size										
5/8" & 3/4" ⁽²⁾	\$ 8.20	\$ 16.40	\$ 16.40	\$ 17.71	\$ 18.42	-	-	-	-	-
Ultra low flow ⁽²⁾	-	-	-	-	-	\$ 9.21	\$ 9.21	\$ 9.21	\$ 9.21	\$ 10.68
Low flow ⁽²⁾	-	-	-	-	-	18.42	18.42	18.42	18.42	21.37
All other ⁽²⁾	-	-	-	-	-	27.63	27.63	27.63	27.63	32.05
1"	11.11	22.22	22.22	24.00	24.96	46.06	46.06	46.06	46.06	53.43
1 1/2"	18.20	36.40	36.40	39.31	40.88	92.10	92.10	92.10	92.10	106.84
2"	25.86	51.72	51.72	55.86	58.09	147.38	147.38	147.38	147.38	170.96
3"	43.20	86.40	86.40	93.31	97.04	276.33	276.33	276.33	276.33	320.54
4"	65.69	131.38	131.38	141.89	144.57	460.55	460.55	460.55	460.55	534.24
6"	119.85	239.70	239.70	258.88	269.23	921.09	921.09	921.09	921.09	1,068.46
8"	176.51	353.02	353.02	381.26	396.51	1,473.76	1,473.76	1,473.76	1,473.76	1,709.56
10"	233.17	466.34	466.34	503.65	523.79	3,500.72	3,500.72	3,500.72	3,500.72	4,060.84
Water Usage Charges (per HCF) ⁽¹⁾										
User Type										
Urban ⁽³⁾	\$ 3.29	\$ 3.29	\$ 3.29	\$ 3.55	\$ 3.71	\$ 3.71	\$ 3.71	\$ 3.71	\$ 3.71	\$ 4.12
Urban Agriculture	0.95	0.95	0.95	1.00	1.00	1.00	1.00	1.00	1.00	1.16
Goleta West Conduit Agriculture	0.95	0.95	0.95	1.00	1.00	1.00	1.00	1.00	1.00	1.06
Recreation Irrigation	2.38	2.38	2.38	2.57	2.68	2.68	2.68	2.68	2.68	3.11
Reclaimed	2.01	2.01	2.01	2.17	2.17	2.17	2.17	2.17	2.17	2.49

Notes:

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

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

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

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

**Goleta Water District
Ten Largest Water Users**

Current Fiscal Year versus Fiscal Year 2002-03

Schedule 8

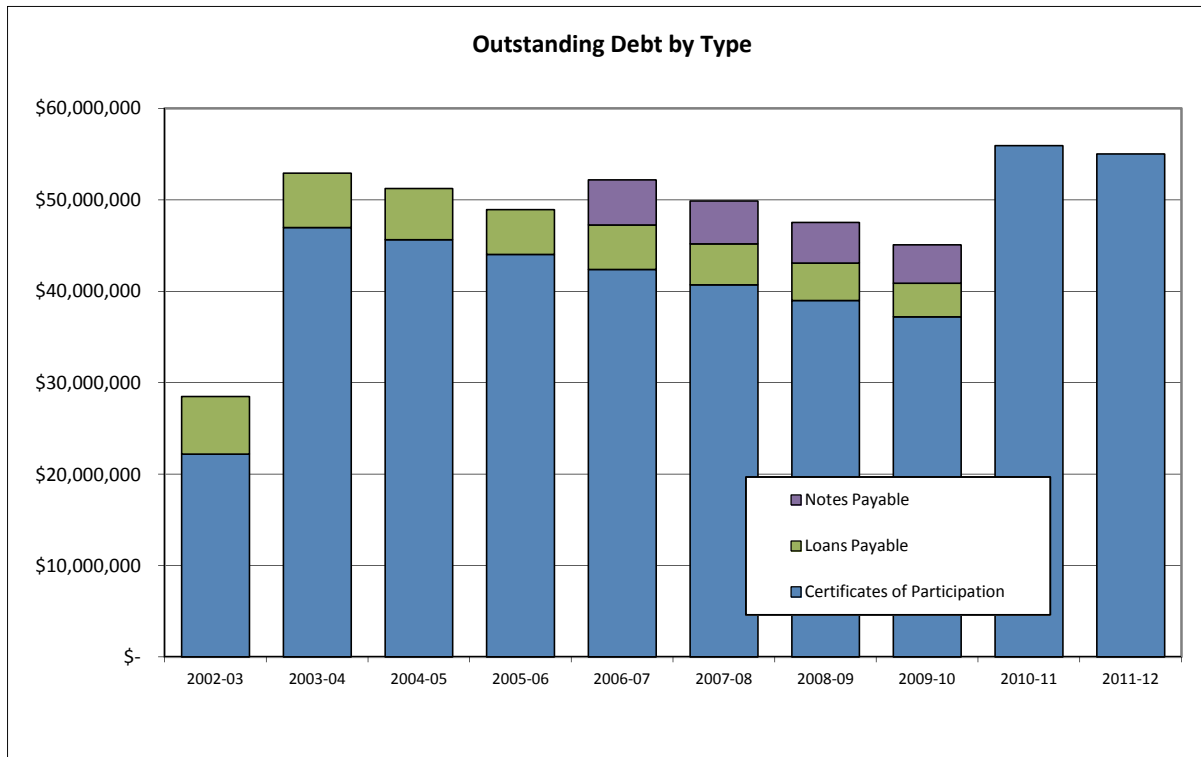
FY 2011-12			FY 2002-03		
Name	Water Sales (Acre Feet)	Percentage of Total Water Purchased	Name	Water Sales (Acre Feet)	Percentage of Total Water Purchased
Univ of Calif at Santa Barbara	837	6.82%	Univ of Calif at Santa Barbara	765	5.48%
Cavaletto Ranches, LLC	390	3.18%	County of Santa Barbara	233	1.67%
County of Santa Barbara	258	2.10%	Glen Annie Golf Club	339	2.43%
Glen Annie Golf Club	234	1.91%	Bacara Resort Services, Inc.	151	1.08%
Sandpiper Golf Course	233	1.90%	Cavaletto Ranches, LLC	375	2.69%
Bacara Resort	114	0.93%	Sandpiper Golf Course	241	1.73%
Santa Barbara Unified School District	108	0.88%	Ag-Land Service	162	1.16%
Goleta Union School District	92	0.75%	Rancho Tres Canadas	154	1.10%
Michael Towbes	85	0.69%	Por La Mar Nursery	149	1.07%
Santa Barbara Municipal Airport	82	0.67%	Devereaux Creek Properties	152	1.09%
Total attributable to ten largest water users	<u>2,433</u>	<u>19.83%</u>		<u>2,721</u>	<u>19.50%</u>
Total water consumed (acre feet)	<u>12,275</u>	<u>100.00%</u>		<u>12,839</u>	<u>100.00%</u>

Source: Goleta Water District

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

Schedule 9

Fiscal Year	Notes Payable	Certificates of Participation	Loans Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2002-03	-	\$ 22,210,000	\$ 6,292,298	\$ 28,502,298	\$ 925	0.042%
2003-04	-	47,000,000	5,948,994	52,948,994	1,721	0.044%
2004-05	-	45,655,000	5,596,077	51,251,077	1,671	0.054%
2005-06	-	44,040,000	4,922,476	48,962,476	1,594	0.057%
2006-07	\$ 4,941,625	42,395,000	4,860,321	52,196,946	1,730	0.061%
2007-08	4,705,415	40,715,000	4,476,921	49,897,336	1,663	0.061%
2008-09	4,457,920	39,005,000	4,082,786	47,545,706	1,560	0.057%
2009-10	4,197,810	37,225,000	3,677,615	45,100,425	1,450	0.062%
2010-11	-	55,945,000	-	55,945,000	1,863	0.063%
2011-12	-	55,020,000	-	55,020,000	1,838	0.063%



Notes: N/A - Data not available

Source: Goleta Water District Audited Financial Statements

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

Schedule 10

<u>Fiscal Year</u>	<u>Operating</u>	<u>Operating</u>	<u>Net Available</u>	<u>Debt Service</u>			<u>Coverage</u>
	<u>Revenues</u>	<u>Expenses ⁽¹⁾</u>	<u>Revenues</u>	<u>Principal ⁽²⁾</u>	<u>Interest</u>	<u>Total</u>	<u>Ratio</u>
2002-03	\$ 17,327,025	\$ (16,940,607)	\$ 386,418	\$ 2,078,305	\$ 1,419,105	\$ 3,497,410	0.11
2003-04	20,712,149	(19,627,514)	1,084,635	343,305	1,939,412	2,282,717	0.48
2004-05	19,028,366	(18,143,671)	884,695	1,697,917	1,657,837	3,355,754	0.26
2005-06	19,820,429	(18,477,813)	1,342,616	1,977,799	1,966,097	3,943,896	0.34
2006-07	23,275,841	(19,099,548)	4,176,293	2,076,332	1,985,205	4,061,537	1.03
2007-08	26,147,078	(20,806,256)	5,340,822	2,299,610	2,098,927	4,398,537	1.21
2008-09	25,245,709	(21,417,361)	3,828,348	2,351,630	2,017,803	4,369,433	0.88
2009-10	23,833,852	(21,250,650)	2,583,202	2,445,281	1,958,678	4,403,959	0.59
2010-11	22,959,057	(18,730,544)	4,228,513	885,000	1,875,997	2,760,997	1.52
2011-12	27,157,812	(20,732,704)	6,425,108	925,000	2,641,851	3,566,851	1.80

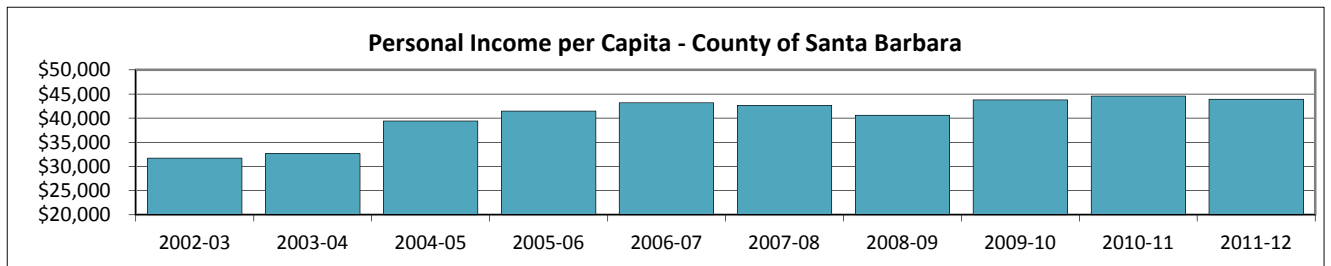
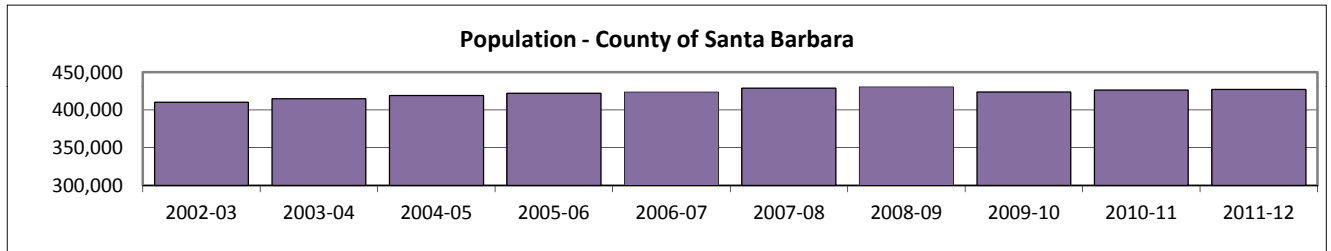
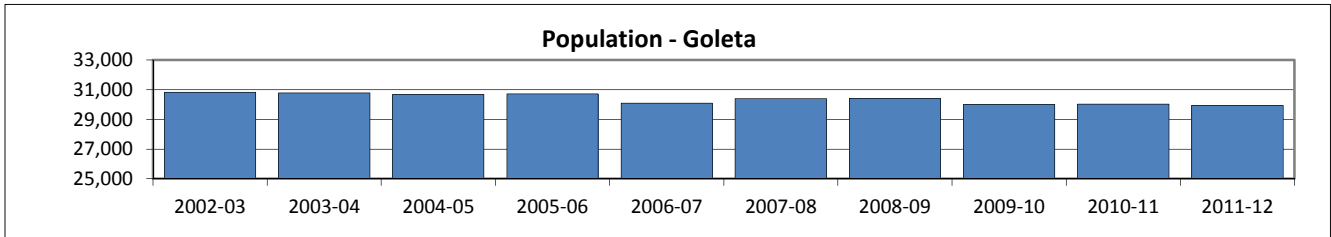
Notes: (1) Excludes depreciation expense and non-cash OPEB expense
(2) Excludes payments associated with refinancing.

Source: Goleta Water District Audited Financial Statements

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

Schedule 11

Fiscal Year	Goleta ⁽¹⁾	County of Santa Barbara ⁽²⁾			
	Population	Unemployment Rate	Population	Personal Income (\$ billions)	Personal Income per Capita
2002-03	30,824	3.50%	410,000	\$13.0	31,749
2003-04	30,773	3.40%	415,000	\$13.5	32,636
2004-05	30,679	4.00%	419,000	\$16.5	39,379
2005-06	30,721	3.50%	422,000	\$17.5	41,469
2006-07	30,096	3.80%	423,540	\$18.3	43,160
2007-08	30,400	5.20%	428,655	\$18.3	42,657
2008-09	30,404	8.20%	430,333	\$17.5	40,603
2009-10	30,001	8.80%	423,740	\$19.3	43,779
2010-11 ⁽³⁾	30,032	8.90%	426,189	\$19.0	44,600
2011-12	29,930	7.90%	427,267	\$19.0	43,900



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

Sources: California Department of Finance and California Labor Market Info

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

Schedule 12

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

Department	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
General Management	3	3	3	3	3	4	2	3	3	3
Operations Manager	2	2	2	2	2	2	2	2	2	2
Water Treatment	13	14	13	13	12	14	10	10	10	12
Distribution	16	16	16	14	9	9	16	16	14	16
Water Quality	0	0	0	0	1	2	2	2	2	6
Warehouse	1	1	1	1	1	1	1	1	1	1
Meter Services	5	7	7	7	5	5	5	5	5	5
Engineering Services	11	11	11	11	11	12	11	10	7	4
Customer Service	2	2	2	2	3	3	3	2	1	1
Accounting and Finance	4	4	4	3	3	3	4	5	4	7
Payroll	1	1	1	1	1	1	1	1	1	1
Human Resources	1	1	1	1	1	1	1	1	1	1
	<u>59</u>	<u>62</u>	<u>61</u>	<u>58</u>	<u>52</u>	<u>57</u>	<u>58</u>	<u>58</u>	<u>51</u>	<u>59</u>

Other Operating and Capacity Indicators

Fiscal Year	District Area (Square Miles)	Miles of Water Mains	Number of Wells	Number of Fire Hydrants	System Capacity (MGD)
2002-03	45	264	9	1,392	29
2003-04	45	264	9	1,392	29
2004-05	45	264	9	1,393	29
2005-06	45	265	9	1,402	29
2006-07	45	265	9	1,410	29
2007-08	45	266	9	1,422	29
2008-09	45	266	9	1,437	29
2009-10	45	270	9	1,448	29
2010-11	45	270	9	1,455	29
2011-12	45	270	9	1,468	29

Sources: Goleta Water District - Administrative Services and Engineering Departments

LIST OF ACRONYMS



List of Acronyms and Abbreviations

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