



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 & JUNE 30, 2017



CARPINTERIA
Sanitary District

5300 Sixth Street
Carpinteria, CA 93013
WWW.CARPSAN.COM

CARPINTERIA SANITARY DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Years Ended
June 30, 2018 and 2017**

Carpinteria, California

INTRODUCTORY SECTION

Carpinteria Sanitary District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2018 and 2017

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October 29, 2018

Mr. Lin Graf, President
Board of Directors
Carpinteria Sanitary District

SUBJECT: Comprehensive Annual Financial Report – June 30, 2018 and 2017

Dear President Graf:

This letter transmits the Comprehensive Annual Financial Report (CAFR) for the Carpinteria Sanitary District for the fiscal year ended June 30, 2018.

State law requires that the accounts and fiscal affairs of all government entities be examined annually by an independent certified public accountant. The District's independent auditing firm, Teaman, Ramirez & Smith, Inc. has audited the District's financial statements, examined internal control, and issued an unqualified opinion that the financial statements for the 2017/18 fiscal year are fairly presented in conformity with generally accepted accounting principles. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable assurance rather than absolute that the financial statements are free of any misstatements. This opinion, along with the basic financial statements of the District, are hereby submitted and included in the financial section of this report in fulfillment of the above requirement.

Responsibility for accuracy of data and fairness of presentation, including all footnotes and disclosures, rests with District management. We believe the data presented is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the District. The audit provides users with a reasonable assurance that the information presented is free from material misstatements.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

ORGANIZATION OVERVIEW

The Carpinteria Sanitary District provides wastewater collection, treatment and disposal for the City of Carpinteria and neighboring unincorporated portions of Santa Barbara County. The District was originally formed in April of 1928 and has grown to serve approximately 16,500 permanent residents and a large visiting population.

The District has five board members that are elected at large and a General Manager who serves as Chief Executive Officer. The District Board of Directors meets on the first and third Tuesday of each month at 5:30 p.m. in the District's Administrative Offices. The District Board of Directors, committee members, and support staff are as follows:

BOARD OF DIRECTORS

Lin Graf	President
Mike Modugno	President Pro Tem
Michael Damron	Secretary
Debbie Murphy	Secretary Pro Tem
Gerald Velasco	Treasurer

STANDING COMMITTEES

Finance Committee

Gerald Velasco	Chairperson
Mike Modugno	Member

Personnel Committee

Michael Damron	Chairperson
Debbie Murphy	Member

Public Relations Committee

Michael Damron	Chairperson
Debbie Murphy	Member

Local Utilities Committee

Lin Graf	Member
Mike Modugno	Member

DISTRICT SUPPORT STAFF

Craig Murray, P.E.	General Manager
Kim Garcia	District Administrator *
Mark Bennett	Operations Manager

DISTRICT LEGAL COUNSEL

Anthony Trembley	Legal Counsel – Law Office of Anthony H. Trembley
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* An organizational change occurred due to the retirement of Hamid Hosseini, the District's Finance Director, effective September 1, 2018. This change was authorized in the current fiscal year's budget document.

FINANCIAL INFORMATION

The Comprehensive Annual Financial Report includes all financial activities of the District and the Statement of Fiduciary Assets and Liabilities of the Agency Fund (Assessment District 2007-1).

The District's accounting records are maintained on an accrual basis. Revenues are recorded when measurable and available. Expenditures are recorded when the liability is incurred. The annual budget serves as the foundation for the District's financial planning and control. The budget is to be adopted annually by resolution, generally in June of each year for the following 12 month period. The District's budget provides a fiscal guideline for the Administration, Operations, and Safety/Training Departments, as well as an annual framework for capital improvements throughout the District. To ensure funds are available for approved capital projects, the Board of Directors authorizes a transfer from the general fund to the Capital Improvement Program (CIP) fund as a part of the budget process.

The District's investment policy establishes three key objectives for placement of agency funds. In order of importance these objectives are: safety (preservation of principal), liquidity, and overall return. Accordingly, the Board has identified the California Local Agency Investment Fund (LAIF) as the District's primary investment vehicle. Investing in LAIF additionally satisfies all debt service indentures for the reserve fund.

The District is a member of the California Sanitation Risk Management Authority (CSRMA), a joint powers agency made up of 62 wastewater agencies throughout the State. CSRMA implements self-insured pools for general liability and workers' compensation insurance and, through a third party administrator, provides other forms of insurance to its members. The District benefits significantly through CSRMA participation when compared to obtaining coverage in the open market.

OTHER FINANCIAL INFORMATION

In 1993, the District issued \$19,250,000 in municipal revenue bonds known as the "1993 Capital Facilities Revenue Securities" to fund a major upgrade to its wastewater treatment facility. In 2003, the District refinanced the outstanding debt with lower interest rates. Again in 2012, taking advantage of a favorable municipal interest rate environment, the District refinanced the outstanding debt and concurrently issued \$4.5M in long term debt to fund the Aerobic Digester Replacement Project. Currently, annual bond payments are approximately \$1.18M in aggregate. The schedule of debt service payments is available in the statistical section of the CAFR. Bond payments are due in February and August of each year. The coupon rates range between 2% and 5% per year.

One of the principal bond covenants for the outstanding obligation requires the District to maintain revenue to debt coverage ratio of 1.25. This means that the District must set rates, fees and charges for the services provided to its customers that, when added to the projected property tax revenue for a given fiscal year, total revenue is at least equal to 125% of the aggregate amount of principal and interest on the Bonds and any parity obligations coming due and payable during that year.

The District participates in a cooperative agreement with two other local wastewater agencies for the purpose of employing a joint Safety and Training Officer. Each agency pays their share of expenses based on the number of employees they have and receives comprehensive safety compliance and training services from the Safety and Training Officer, who is an employee of the Carpinteria Sanitary District.

Assessment District No. 2007-1 was formed by the District in 2008 to fund the South Coast Beach Communities Septic to Sewer Project. In March 2009, the District issued and sold approximately \$6M in limited obligation improvement bonds, secured by properties within Assessment District 2007-1 whose owners opted for long term financing. The assessment bonds were refunded in July 2012 to achieve lower interest rates. The District collects annual assessments from participating property owners to pay the debt service on the outstanding bonds.

FINANCIAL CONDITION AND LONG RANGE PLANNING

The District began the current fiscal year (2018/2019) with cash and cash equivalents balance of approximately \$10M and a current liability of approximately \$1.3M. Annual revenue of approximately \$5.8M is projected, with a total estimated of operating, non-operating, and capital improvement expenditure of approximately \$8.2M excluding depreciation. The projected ending balance of cash and cash equivalents for FY 2017/18 will be approximately \$6.3M, assuming all authorized capital improvements are completed and paid for.

Sewer service charges, which are the District's primary source of revenue, are collected by the County of Santa Barbara and County of Ventura through the property tax billing system. Approximately ten percent of regular District revenue comes from allocated increment of secured and unsecured property tax. Permanent reapportionment, although currently prohibited by the State Constitution, would have serious implications to the District's financial condition. The District has been able to meet the 125% debt ratio set forth as a covenant of its long term revenue bond debt obligation each year, without exception.

During 2016/17 FY, a new rate study was performed that recommended an incremental sewer service charge increase of 4% per year for five years commencing in FY 2017/18. Based on the comprehensive rate and fee study, the structured rate increases were approved by the District's Board of Directors with adoption of Ordinance No. 15. Sewer service charge revenue is expected to increase proportional to the 4 percent annual rate increases through FY 2021/22.

The financial condition of the District will continue to be carefully monitored by District staff and the Board of Directors. Long range financial planning and careful budgeting are crucial to maintaining the financial health of the organization.

AWARDS AND ACKNOWLEDGEMENTS

The Carpinteria Sanitary District is proud to participate in the Comprehensive Annual Financial Report (CAFR) process. The District has been recognized with an award of merit from the Government Finance Officers Association (GFOA) each year since 2010.

The GFOA awards and overall health of the finance department was led by the efforts of Hamid Hosseini, the District's Finance Director, who retired September 4, 2018. We thank him for his valuable contributions to the agency over the last twenty years and wish him well in his retirement.

Preparation of this report was accomplished through the team effort of the District's Finance and Administration Departments. We wish to express our thanks and appreciation to the President, members of the Board of Directors, and staff for their leadership, interest, and continued support in planning and conducting the financial and wastewater operations of the District in a responsible and prudent manner in the best interests of the customers of the District.

Respectfully submitted,
CARPINTERIA SANITARY DISTRICT



Craig M. Murray, P.E.
General Manager

CARPINTERIA SANITARY DISTRICT

Demographic & Economic Information

District Overview

The Carpinteria Sanitary District was formed in April 1928 for the purpose of providing sewage facilities and related services to properties located within the District. The District is located in the southern part of Santa Barbara County. The District's service area includes the City of Carpinteria and outlying unincorporated areas, including a small portion of unincorporated area in Ventura County.

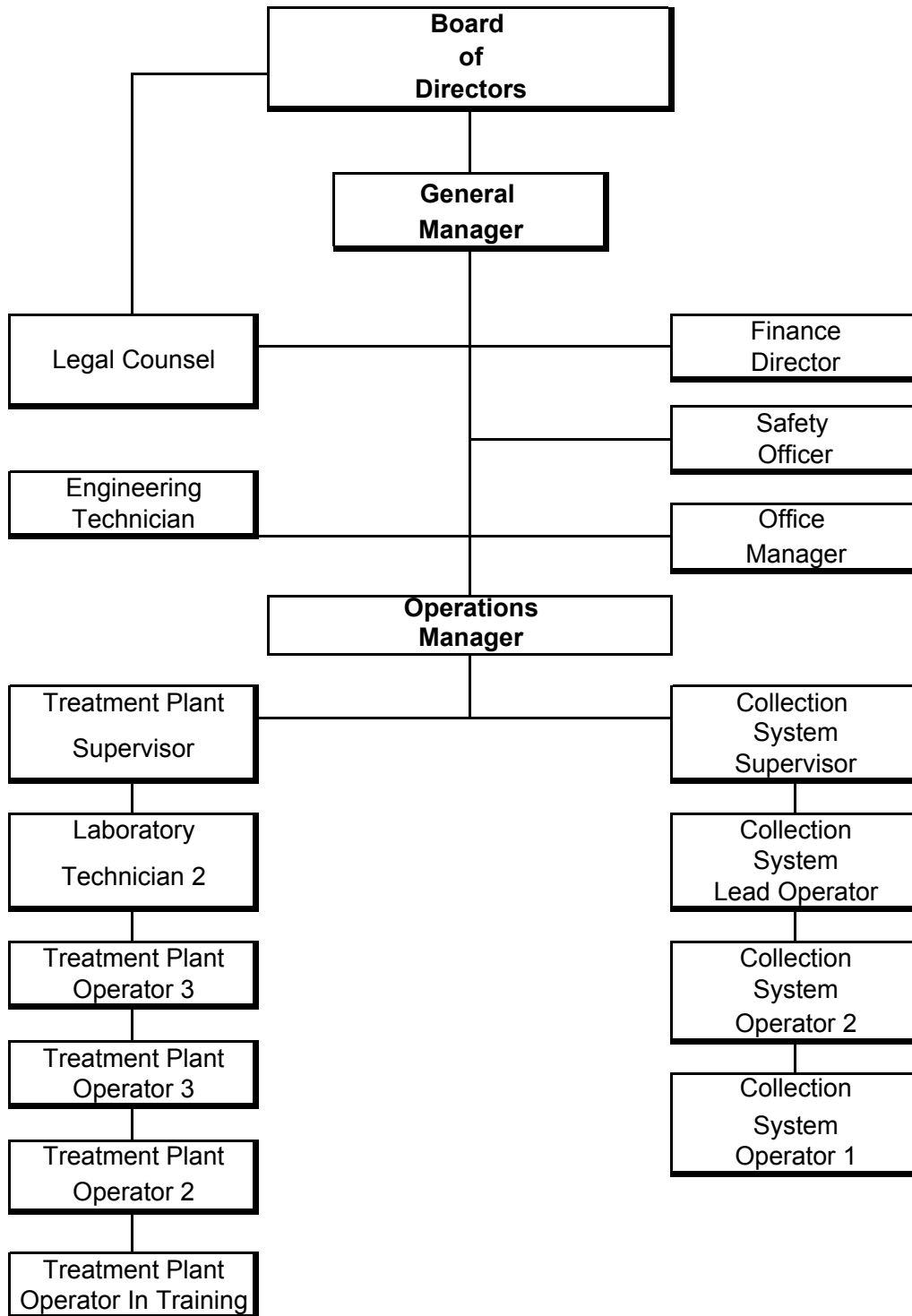
Nature of Services:

The District provides wastewater collection and treatment for 6,299 residential units and about 500 non-residential customers.

Miles of sewer:	45 miles (excluding house laterals)
Miles of Force Mains:	4.2
Miles of Low Pressure Sewer:	4.2
Number of Pumping Station:	8
Types of Terrain:	Level along ocean sloping 2-3 degrees toward foothills
Treatment Plant Capacity:	2.5 MGD
Fees Per Ordinance 15:	Residential: \$625.31 annually Non-Residential: Classified into six classes; charges range between \$9.52 – 14.24 per 1000 gal with a minimum charge of \$625.31 per parcel
Population in 2018:	13,849
Businesses in 2018:	500
Rainfall in 2017/18:	9.04 inches
Crime:	The number of violent crimes recorded in 2017/18 was 21. The number of murders and homicides was 0.
Local Festival:	Avocado Festival in October

CARPINTERIA SANITARY DISTRICT

Organization Chart
Fiscal Year 2017/18



Source: Carpinteria Sanitary District



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Carpinteria Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Carpinteria Sanitary District
Carpinteria, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Carpinteria Sanitary District (the "District"), as of June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2018 and 2017, and the respective changes in its financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the California Public Employees' Retirement System Schedule of Proportionate Share of Net Pension Liability on page 48 and the California Public Employees' Retirement System Schedule of the District's Contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Seaman Ramirez & Smith, Inc.

Riverside, California

October 29, 2018



Management's Discussion and Analysis (MD&A)

Fiscal Year 2017/2018

This section of the financial statements for the Carpinteria Sanitary District is a narrative overview of the financial activities during the 2017/18 fiscal year (FY). The information presented here is to be considered in conjunction with additional information provided in the letter of transmittal located in the introductory section of this report.

The Carpinteria Sanitary District provides wastewater collection, treatment and disposal for the City of Carpinteria and neighboring unincorporated portions of Santa Barbara and Ventura Counties. The District was originally formed in 1928 and has grown to serve approximately 16,500 permanent residents and a large visiting population.

Financial Highlights

- On June 30, 2018, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$33,021,656. Of this amount, \$26,230,125 is comprised of restricted reserves and net investment in capital assets. The remaining \$6,791,531 is unrestricted. At the end of the prior fiscal year, on June 30, 2017, the assets of the District were \$31,542,172 greater than its liabilities, with \$6,926,378 unrestricted.
- During FY 2017/18, the District's net position increased by \$1,479,484, or about 4.7 percent. The increase reflects a \$803,470 increase in capital assets and a decrease of \$134,847 in unrestricted assets. This gain in capital assets results from \$1,868,748 attributed to new infrastructure and equipment, offset by a reduction of \$1,939,959 in construction in progress. This reflects completion of several capital construction projects during the fiscal year and their subsequent transfer to capital assets.
- The District's current liabilities, which include upcoming debt service obligations, wages payable, and outstanding accounts payable, decreased by \$180,705, or 13.5 percent, during FY 2017/18.
- Long term liabilities, which consist of outstanding bond debt, compensated absences, and net pension liability decreased by \$421,786, or 3.5 percent, over the prior fiscal year.
- Debt service payments in FY 2017/18 totaled \$1,186,263, including principal and interest. The debt service payment represents approximately 23 percent of the District's operating revenue and conforms with applicable debt ratio covenants.

Overview of the Basic Financial Statements

This Management Discussion and Analysis (MD&A) is a key element of the District's annual audited financial statements that are prepared in accordance with the Governmental Accounting Standards Board Statement 34 (GASB 34). The MD&A also includes other supplementary information to the basic financial statements.

The District's accounting system is configured as an enterprise fund, similar to private sector accounting systems. Operating expenses are stated as expenses and capital expenses are capitalized and depreciated over the life of the item in accordance with District fiscal policy.

In accordance with GASB 34, the District's financial statements include:

- **Statements of Net Position**

The statements of net position includes all of the District's assets, deferred outflows, liabilities, and deferred inflows, and provides information about the nature and amount of investments in resources (assets) and the obligations to creditors (liabilities). The District's financial statements include a line item that reflects the agency's net pension liability as of June 30, 2018 and for the previous year. Reporting this liability is a requirement set forth in GASB 68 that has been in place since 2015. The reported net pension liability is determined by an actuarial valuation study performed by CalPERS.

- **Statements of Revenues, Expenses and Changes in Net Position**

The statement of revenues, expenses, and changes in net position measure the success of the District's operations during the reporting period. The District's supplemental revenue, which includes property tax, and other miscellaneous income, is also reported in this section.

- **Statements of Cash Flows**

The financial statement also considers and presents cash flow information for the fiscal year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations and investments during the fiscal year.

Statements of Net Position

The District's net position increased by 4.7 percent during FY 2017/18 to a total of \$33,021,656. Of the assets on hand at the end of the reporting period, \$26,230,125 was restricted in net investment in capital assets. The remaining \$6,791,531 was unrestricted. The following table provides a summary of the District's assets, deferred outflows, liabilities and deferred inflows as compared to the two prior fiscal years.

CARPINTERIA SANITARY DISTRICT							
Statements of Net Position - Condensed							
		2018	2017	2016	Change 2017/18	Change 2016/17	% 2017/18
ASSETS							
Current Assets	\$	8,836,894	\$ 9,034,872	\$ 8,645,818	\$ (197,978)	\$389,054	-2.2%
Restricted Assets		1,090,906	1,052,501	1,245,568	38,405	(193,067)	3.6%
Capital Assets		36,043,177	35,239,707	35,094,363	803,470	145,344	2.3%
Total Assets		45,970,977	45,327,080	44,985,749	643,897	341,331	1.4%
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Pension		779,595	599,895	115,126	179,700	484,769	30.0%
Total Deferred Outflows of Resources		779,595	599,895	115,126	179,700	484,769	30.0%
LIABILITIES							
Current Liabilities		1,156,053	1,336,758	1,433,453	(180,705)	(96,695)	-13.5%
Long Term Liabilities		11,781,485	12,203,271	12,473,274	(421,786)	(270,003)	-3.5%
Total Liabilities		12,937,538	13,540,029	13,906,727	(602,491)	(366,698)	-4.4%
DEFERRED INFLOWS OF RESOURCES							
Deferred Gain on Refunding		658,958	686,414	713,871	(27,456)	(27,457)	-4.0%
Deferred Pension		132,420	158,360	271,060	(25,940)	(112,700)	-16.4%
Total Deferred Inflows of Resources		791,378	844,774	984,931	(53,396)	(140,157)	-6.3%
NET POSITION							
Net Investment in Capital Assets		25,139,219	23,563,293	22,675,492	1,575,926	887,801	6.7%
Restricted for Debt Service		988,181	973,328	957,381	14,853	15,947	1.5%
Restricted for Construction		102,725	79,173	288,187	23,552	(209,014)	29.7%
Unrestricted		6,791,531	6,926,378	6,288,157	(134,847)	638,221	-1.9%
Total Net Position		33,021,656	31,542,172	30,209,217	1,479,484	1,332,955	4.7%

The District's current unrestricted assets, which reflect the agency's available cash and cash equivalent balance, decreased by \$134,847, or 1.9 percent, during the fiscal year.

Restricted assets increased by \$1,614,331, or 6.6 percent, during the fiscal year.

CAPITAL ASSETS

The following table provides detail on the District's net capital assets as of June 30, 2018 with comparative data for the prior years.

	June 30,	June 30,	June 30,	Changes	Changes
	2018	2017	2016	2017/18	2016/17
Assets Not Depreciated					
Land	\$233,619	\$233,619	\$233,619	\$0	\$0
Capital Improvement Projects (in progress)	224,369	295,580	8,484,063	(71,211)	(8,188,483)
Assets Being Depreciated					
Capital Assets	55,200,146	53,278,513	44,844,897	1,921,633	8,433,616
Accumulated Depreciation	(19,614,957)	(18,568,005)	(18,468,216)	(1,046,952)	(99,789)
Total Net Capital Assets	\$36,043,177	\$35,239,707	\$35,094,363	\$803,470	\$145,344

The District continues to review its capital asset inventory each year and remove the items that are obsolete and are no longer in use, or have been declared surplus and disposed of.

The District purchases and constructs capital assets throughout the year. When capital improvements and/or procurements are completed, related expenditures are recorded as Capital Improvement Projects (CIP). In the year of completion, the project is transferred into the appropriate capital asset classification. During FY 2017/18, the District's capital assets increased by \$803,470 or 2.3 percent.

During FY 2017/18, the District completed several capital projects including: Plum Street Sewer Replacement Project, Primary Clarifier Valve Replacement Project and the Influent Flow Meter Replacement Project. Major equipment procured during the year include a roll-off truck and a new pickup truck. The Administration Building Replacement Project is a significant capital upgrade that remains in progress.

On January 9, 2018, Santa Barbara County suffered a catastrophic debris flow event caused by heavy rains in fire damaged burn areas. The District's flood wall, which protects the wastewater treatment plant, was undermined by high debris flow and scour through the Carpinteria Creek during the rain event. The design process has been started to address the failure and will continue into the next fiscal year. The District has obtained commitments from the Federal Emergency Management Administration (FEMA) for Public Assistance grants to reimburse disaster response costs.

The District has a number of capital improvement projects that are currently in progress. The table below provides a list of ongoing projects at the end of respected fiscal year. Additional information is available on page 36 of the financial statements.

CAPITAL IMPROVEMENT PROJECTS (CIP) EXPENDITURES					
Projects	June 30,2018	June 30,2017	June 30,2016	Change 2017/2018	Change 2016/2017
Plum Street Sewer Replacement Project	\$0	\$217,058	\$193,096	(\$217,058)	\$23,962
Admin Building Replacement Design	124,876	78,522	51,557	46,354	26,965
Emergency Generator Replacements	36,736	0	17,886	36,736	(17,886)
Flood Wall Repair	62,757	0	0	0	0
Total Construction in Progress	\$224,369	\$295,581	\$262,539	(\$133,968)	\$33,041

Statements of Revenues, Expenses and Changes in Net Position

The District's net position as of the end of FY 2017/18 increased by \$1,479,484. The following chart and table provides detail on revenues, expenses and change in net position.

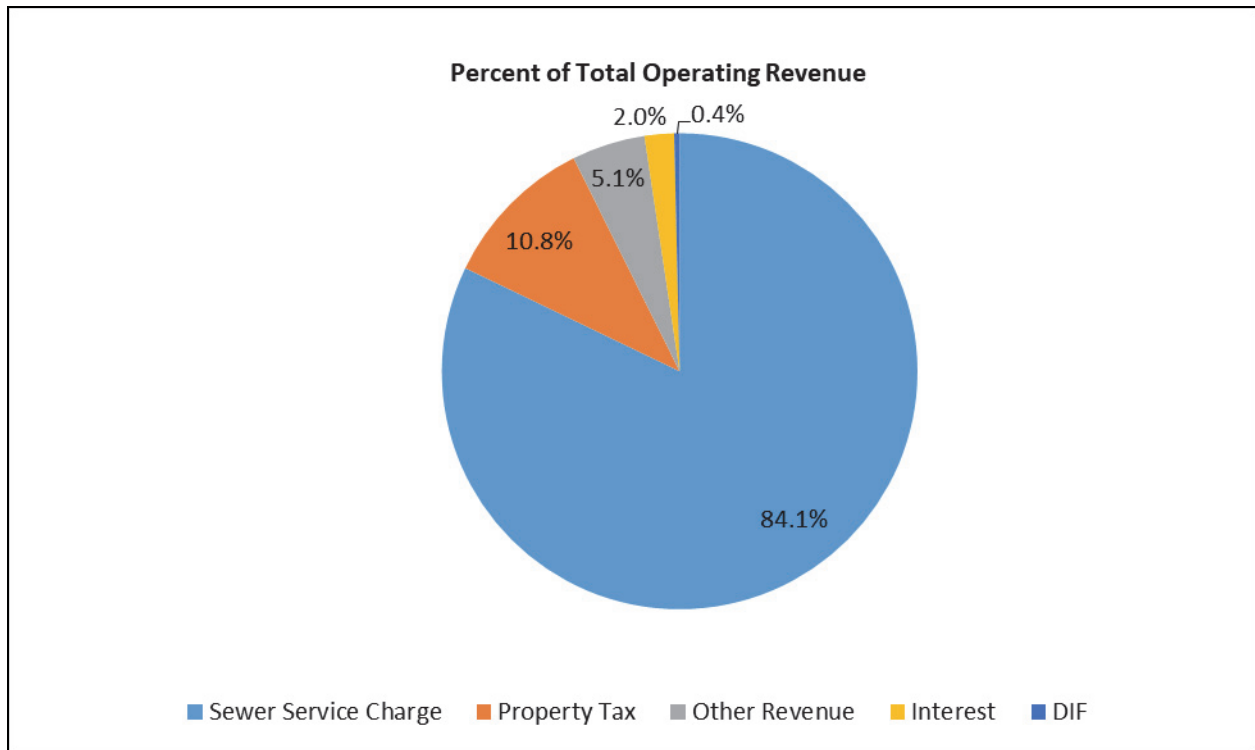
CARPINTERIA SANITARY DISTRICT							
Statements of Revenues, Expenses and Changes in Net Position							
	2018	2017	2016	Change 2017/18	Change 2016/17	2017/18 %	
OPERATING REVENUES							
Sewer Service Charge (SSC)	\$ 5,108,684	\$ 4,996,907	\$ 5,088,433	\$ 111,777	\$ (91,526)	2.2%	
Development Impact Fees (DIF)	23,000	42,008	12,352	(19,008)	29,656	-45.2%	
Other Services	132,606	71,452	89,585	61,154	(18,133)	85.6%	
Total Operating Revenues	5,264,290	5,110,367	5,190,370	153,923	(80,003)	3.0%	
Operating Expenses							
Salaries and Wages	1,465,961	1,463,517	1,427,156	2,444	36,361	0.2%	
Employees Benefits	777,311	505,808	654,466	271,503	(148,658)	53.7%	
General Operating Expenses	167,906	190,061	160,016	(22,155)	30,045	-11.7%	
Environment and Monitoring	30,872	35,862	39,733	(4,990)	(3,871)	-13.9%	
Utilities	173,898	186,421	219,774	(12,523)	(33,353)	-6.7%	
Sludge Disposal	92,161	92,614	87,217	(453)	5,397	-0.5%	
Supplies and Equipment	150,275	161,670	171,712	(11,395)	(10,042)	-7.0%	
Repairs and Maintenance	272,875	187,758	200,187	85,117	(12,429)	45.3%	
Professional and Contract Services	125,353	199,694	101,317	(74,341)	98,377	-37.2%	
Depreciation and Amortization	1,037,821	945,949	962,963	91,872	(17,014)	9.7%	
Other Expenses	16,872	13,910	14,016	2,962	(106)	21.3%	
Total Operating Expenses	4,311,305	3,983,264	4,038,557	328,041	(55,293)	8.2%	
Operating Income (Loss)	952,985	1,127,103	1,151,813	(174,118)	(24,710)	-15.4%	
NON-OPERATING REVENUES (EXPENSES)							
Interest Earnings	124,232	59,809	33,972	64,423	25,837	107.7%	
Taxes and Assessments	653,501	600,143	567,264	53,358	32,879	8.9%	
Reimbursements	158,092	0	577,251	158,092	(577,251)	N/A	
Interest Expense	(428,735)	(457,764)	(170,850)	29,029	(286,914)	-6.3%	
Gain (Loss) on Sale of Capital Assets	19,409	3,664	(25,171)	15,745	28,835	429.7%	
Total Non-Operating Revenue (Expense)	526,499	205,852	982,466	320,647	(776,614)	155.8%	
Income (Loss) Before Capital Contributions	1,479,484	1,332,955	2,134,279	146,529	(801,324)	11.0%	
Change in Net Position	1,479,484	1,332,955	2,134,279	146,529	(801,324)	11.0%	
Net Position at Beginning of Year	31,542,172	30,209,217	28,074,938	1,332,955	2,134,279	4.4%	
Net Position at End of Year	\$ 33,021,656	\$ 31,542,172	\$ 30,209,217	\$ 1,479,484	\$ 1,332,955	4.7%	

REVENUE

As previously mentioned, the District utilizes an enterprise system to account for the operations of the District. This allows the District to determine that the costs of providing service, including depreciation and amortization expenses, are being recovered through user charges and property tax revenue.

The total revenue from Sewer Service Charges (SSC) collected in FY 2017/18 was \$5,108,684, which represents an increase of \$111,777 over the previous year. The increase in revenue is attributed to a 4 percent serial rate increase commencing in the current fiscal year and continuing for the next 5 years. SSC revenue represented 85 percent of the District’s operating revenue for FY 2017/18.

The District receives revenue from five discrete sources each year, categorized in the above Statement of Revenues, Expenses and Changes in Net Position as operating revenue and non-operating revenue. The figure below shows the breakdown of the District’s combined revenue on a percentage basis.



Revenue in the Property Tax category has increased in the past two years as property values have increased and generated higher property tax revenue. Interest earnings also increased this year due to nominal increases in the interest rates for reserve deposits.

EXPENSES

The District's operating expenses for FY 2017/18 increased by \$328,041, or 8.2 percent from the prior year. The following table provides additional details on the District's annual operating expenses, as compared to FY 2016/17.

Expense Category	FY 2017/18 Actual Expenses	FY 2016/17 Actual Expenses	Amount Increase (Decrease)	Percentage Increase (Decrease)	Comments/Justification
Salaries & Wages	\$ 1,465,961	\$ 1,463,517	\$ 2,444	0.2%	Cost remained stable throughout the fiscal year.
Employee Benefits	\$ 777,311	\$ 505,808	\$ 271,503	53.7%	Employee benefit costs increased significantly due to GASB 68 year-end adjustment.
General Operating Expenses	\$ 167,906	\$ 190,061	\$ (22,155)	-11.7%	Overall, most expenses in this category trended downward.
Environment & Monitoring	\$ 30,872	\$ 35,862	\$ (4,990)	-13.9%	Decrease in monitoring equipment and laboratory costs.
Utilities	\$ 173,898	\$ 186,421	\$ (12,523)	-6.7%	Continued energy conservation and efficiency measures contributed to lower overall utility costs.
Biosolids Disposal	\$ 92,161	\$ 92,614	\$ (453)	-0.5%	Cost remained stable throughout the fiscal year.
Supplies & Equipment	\$ 150,275	\$ 161,670	\$ (11,395)	-7.0%	Due to site access constraints, odor control chemicals were not purchased.
Repairs & Maintenance	\$ 272,875	\$ 187,758	\$ 85,117	45.3%	The District was affected by the January 9, 2018 debris flow event. Funds were expended to remove debris and mud from the Administration Office property.
Professional & Contract Services	\$ 125,353	\$ 199,694	\$ (74,341)	-37.2%	Expenses related to the development of the upcoming recycled water project are now being tracked through an account under Other Expenses.
Depreciation & Amortization	\$ 1,037,821	\$ 945,949	\$ 91,872	9.7%	Increase in this category due to certain equipment being depreciated.
Other Expenses	\$ 16,872	\$ 13,910	\$ 2,962	21.3%	Increase in this category due to regional program costs.
Totals	\$ 4,311,305	\$ 3,983,264	\$ 328,041	8.2%	Total Decrease

DEBT ADMINISTRATION

During FY 2012/13, the District took advantage of a favorable interest rate environment and completed a refunding transaction for the outstanding 2003 Revenue Refinancing Bonds. The District Board concurrently authorized issuance of an additional \$4,500,000 in new municipal bonds to finance the Aerobic Digester Replacement Project. While the term of the prior debt was not extended, the new debt was amortized over thirty years. The District's 2012 Wastewater Revenue Bonds have an annual debt service obligation that is approximately \$1,180,000 through 2026. The payment will decrease to approximately \$240,000 per year for the subsequent seventeen annual periods.

The District's outstanding long term indebtedness as of June 30, 2018 is \$10,245,000. Fiscal interest rates for the 2012 Wastewater Revenue Bonds range between 2 to 5 percent per year. The schedule of payments is available in the statistical section of the financial statements. For more detailed information, also refer to Note 7 of the Financial Statements.

In FY 2008/09 the District issued \$6,053,439 in Limited Obligation Improvement Bonds to provide a long term funding mechanism for homeowners participating in a large septic to sewer conversion project. The Bonds are secured by assessments levied on parcels within the Assessment District. The Bonds are not general obligations of the District. Therefore, these bonds are not reflected as debt in the District's financials statements. During FY 2012/13, the District also refinanced these Limited Obligation Bonds with significantly lower interest rates. The refinancing reduced the debt service payments by approximately \$95,000 per year. NBS Local Government Solutions has been the bond administrator for the Assessment District since inception. Administration fees are added to the yearly assessments and levied to properties participating in the financing.

As of the end of FY 2017/18, the District has no other long or short term debt. The District Board of Directors generally intends to continue with a "pay-as-you-go" approach for funding to fund capital improvements projects. However, it is anticipated that the upcoming Administration Building Replacement Project will be partially or fully debt financed.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate within the City of Carpinteria is reported to be 3.8 percent, which reflects a decrease of 0.12 percent from the prior year.
- Interest earnings from the District's investments remain low. However, we continue to see steady growth in interest rates of return paid by the Local Agency Investment Fund (LAIF).
- While inflation is not rampant, the cost of goods and services is projected to increase modestly in the coming year based on economic forecasts. Construction costs are exceptionally high at this time.

- During 2016/17 FY, a new rate and fee study was performed that recommended an incremental increase in sewer service charges of 4% per year for five years commencing 2017/18. Based on the comprehensive rate and fee study, the structured rate increases were approved by the District's Board of Directors. Sewer service charges revenue are expected to increase proportional to the 4 percent annual rate increases through FY 2021/22. The revenue adjustments were necessary to fund operating expenses, capital expenses and debt service obligations while meeting ratio requirements set forth in outstanding bond covenants.

Contacting the District's Financial Management

This financial report is designed to provide the District's customers, creditors and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Kim Garcia, the District Administrator, in writing at 5300 Sixth Street, Carpinteria, CA 93013, or by telephone at (805) 684-7214, extension 11.

BASIC FINANCIAL STATEMENTS

Carpinteria Sanitary District
Statements of Net Position
Proprietary Fund
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and Investments	\$ 8,546,645	\$ 8,961,285
Restricted Cash and Investments	1,090,906	1,052,501
Interest Receivable	37,729	19,114
Accounts Receivable	191,222	2,829
Prepaid Items	52,384	41,810
Inventory	8,914	9,834
Total Current Assets	9,927,800	10,087,373
Capital Assets:		
Depreciable:		
Computers and Equipment	52,879,440	50,957,807
Buildings	2,320,706	2,320,706
Less Accumulated Depreciation	(19,614,957)	(18,568,005)
Non-Depreciable:		
Construction in Progress	224,369	295,580
Land	233,619	233,619
Net Capital Assets	36,043,177	35,239,707
Total Assets	45,970,977	45,327,080
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Actuarial Pension Costs	779,595	599,895
Total Deferred Outflows of Resources	\$ 779,595	\$ 599,895

The accompanying notes are an integral part of these statements.

Carpinteria Sanitary District
Statements of Net Position
Proprietary Fund - Continued
June 30, 2018 and 2017

	2018	2017
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 80,384	\$ 278,142
Accrued Salaries and Benefits	62,293	65,102
Accrued Interest	177,651	190,068
Due to Property Owners	37,220	37,165
Compensated Absences Payable - Current Portion	23,505	21,281
Current Portion of Long-Term Debt	775,000	745,000
Total Current Liabilities	1,156,053	1,336,758
Long-Term Liabilities:		
Compensated Absences Payable	133,197	120,590
Long-Term Debt, Net of Current Portion	9,470,000	10,245,000
Net Pension Liability	2,178,288	1,837,681
Total Long-Term Liabilities	11,781,485	12,203,271
Total Liabilities	12,937,538	13,540,029
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding	658,958	686,414
Deferred Actuarial Pension Costs	132,420	158,360
Total Deferred Inflows of Resources	791,378	844,774
NET POSITION		
Net Investment in Capital Assets	25,139,219	23,563,293
Restricted for Debt Service	988,181	973,328
Restricted for Construction	102,725	79,173
Unrestricted	6,791,531	6,926,378
Total Net Position	\$ 33,021,656	\$ 31,542,172

The accompanying notes are an integral part of these statements.

Carpinteria Sanitary District
Statements of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
District Sewer Service Charges	\$ 5,108,684	\$ 4,996,907
Development Impact Fees	23,000	42,008
Other Services	132,606	71,452
Total Operating Revenues	5,264,290	5,110,367
OPERATING EXPENSES		
Salaries and Wages	1,465,961	1,463,517
Employee Benefits	777,311	505,808
General Operating Expenses	167,906	190,061
Environmental and Monitoring	30,872	35,862
Utilities	173,898	186,421
Sludge Disposal	92,161	92,614
Supplies and Equipment	150,275	161,670
Repairs and Maintenance	272,875	187,758
Professional and Contract Services	125,353	199,694
Depreciation and Amortization	1,037,821	945,949
Other Expenses	16,872	13,910
Total Operating Expenses	4,311,305	3,983,264
Operating Income (Loss)	952,985	1,127,103
NON-OPERATING REVENUES (EXPENSES)		
Investment Earnings	124,232	59,809
Taxes and Assessments	653,501	600,143
Reimbursements	158,092	
Interest Expense	(428,735)	(457,764)
Gain (Loss) on Sale of Capital Assets	19,409	3,664
Total Non-operating Revenues (Expenses)	526,499	205,852
Change in Net Position	1,479,484	1,332,955
Net Position at Beginning of Year, as Previously Stated	31,542,172	30,209,217
Net Position at End of Year	\$ 33,021,656	\$ 31,542,172

The accompanying notes are an integral part of these statements.

Carpinteria Sanitary District
Statements of Cash Flows
Proprietary Fund
Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 4,920,291	\$ 4,995,034
Payments to Suppliers	(1,237,624)	(1,189,453)
Payments to Employees	(2,096,283)	(2,074,105)
Other Receipts	155,606	113,460
Net Cash Provided (Used) by Operating Activities	1,741,990	1,844,936
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	653,501	600,143
Net Cash Provided (Used) by Noncapital Financing Activities	653,501	600,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Reimbursements	158,092	
Purchases of Capital Assets	(1,868,748)	(1,120,904)
Proceed from Sale of Capital Assets	19,409	5,818
Principal Paid on Long-Term Debt	(745,000)	(715,000)
Interest Paid on Long-Term Debt	(441,094)	(469,624)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,877,341)	(2,299,710)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	105,615	51,568
Net Cash Provided (Used) by Investing Activities	105,615	51,568
Net Increase (Decrease) in Cash and Cash Equivalents	(376,235)	196,937
Cash and Cash Equivalents - Beginning of the Year	10,013,786	9,816,849
Cash and Cash Equivalents - End of the Year	\$ 9,637,551	\$ 10,013,786
Reconciliation to Statement of Net Position:		
Cash and Investments	\$ 8,546,645	\$ 8,961,285
Restricted Cash and Investments	1,090,906	1,052,501
	\$ 9,637,551	\$ 10,013,786

The accompanying notes are an integral part of these statements.

Carpinteria Sanitary District
Statements of Cash Flows
Proprietary Fund - Continued
Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 952,985	\$ 1,127,103
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,037,821	945,949
Change in Assets and Liabilities:		
Accounts Receivable	(188,393)	(1,873)
Prepaid Items	(10,574)	13,442
Inventory	920	(2,378)
Deferred Pension Outflow	(179,700)	(484,769)
Accounts Payable	(197,758)	(132,527)
Accrued Salaries and Benefits	(2,809)	15,272
Compensated Absences	14,831	16,129
Net Pension Liability	340,607	461,288
Deferred Pension Inflow	(25,940)	(112,700)
	<u>\$ 1,741,990</u>	<u>\$ 1,844,936</u>
Net Cash Provided By Operating Activities		

The accompanying notes are an integral part of these statements.

Carpinteria Sanitary District
Statements of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and Investments with Fiscal Agent	\$ 437,789	\$ 419,448
Accounts Receivable		8,855
Total Assets	\$ 437,789	\$ 428,303
LIABILITIES		
Due to Bondholders	\$ 437,789	\$ 428,303
Total Liabilities	\$ 437,789	\$ 428,303

The accompanying notes are an integral part of these statements.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

1) REPORTING ENTITY

The Carpinteria Sanitary District was formed in April 1928 for the purpose of providing sewage facilities and related services to properties located within the District. The District is located in the southern part of Santa Barbara County, California, and generally comprises the City of Carpinteria and adjoining areas. The District is governed by a board of directors consisting of five members elected at large. The directors serve without compensation except for nominal fees paid for attendance at District board and committee meetings.

The Board of Directors meets the first and third Tuesday of each month. The District's reporting entity is defined as follows: (a) the primary government (District), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants (AICPA).

B) Basis of Accounting

Separate financial statements are provided for the proprietary fund and the agency fund. The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District reports the following major enterprise fund:

The *Sewer Utility Fund* accounts for the activities of the District's sewer operations.

Additionally, the District reports an agency fund to account for money received by the District as an agent for individuals, other governments and other entities. Specifically, the District accounts for activities of the Assessment District 2007-1 in the agency fund because the resources of those funds are not available to support the District's own operations. The agency fund is reported using the accrual basis of accounting.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Basis of Accounting - Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C) Budget

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

D) Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the District are reported at fair value.

E) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the District's enterprise fund. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year.

As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the District values these capital assets at acquisition value of the item at the date of its donation.

Construction in Progress - The District occasionally constructs capital assets for its own use in the plant operations and within its sewer collection system. The costs associated with these projects are accumulated in a construction in progress account while the project is being developed. Once the project

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Capital Assets - Continued

is completed, the entire cost of the constructed assets are transferred to the capital assets account and depreciated over the estimated useful life of the capital assets.

Interest incurred during the construction period of an asset is capitalized as part of the cost.

Capital assets are depreciated over their estimated useful lives (ranging from 5-75 years) under the straight-line method of depreciation according to the following schedule:

Office Furniture	5 years
Pumping and Filters	15 years
Treatment Plant Structures	40 years
Meters, Manholes, Trunk Lines	50 years
Ocean Outfall Lines	75 years

F) Inventory and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out), or market and consist of expendable supplies. The cost of such inventories are recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

G) Compensated Absences

Employees are entitled to accumulate up to 60 working days of sick leave, at the rate of eight hours per month. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

Employees are also entitled to accumulate vacation leave at a rate of two to four weeks per year, depending on the number of years of service completed. Such accumulated leave cannot exceed two and one-half times the employees' annual entitlement. All vacation pay is accrued when incurred in the financial statements.

H) Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Property Taxes - Continued

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

Under California law, property taxes are assessed and collection by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to cities and districts based on complex formulas prescribed by state statutes.

During the fiscal year ended June 30, 1994, the District adopted the “Teeter Plan” as described in the Revenue and Taxation Code. Under this plan, the District is guaranteed 99.6% of the secured property taxes each year. The District is also assured of receiving 95% of the unsecured property taxes for each fiscal year by July 31 of the following fiscal year. The remaining 5% is placed in a Tax Loss Reserve Fund which will be used to offset future tax sale losses incurred by the County. Additionally, the District is assured of receiving 100% of its sewer service charges for each fiscal year by July 31 of the following year.

In 2014, the District installed a low pressure sewer system to serve 27 residential parcels located in Ventura County. Sewer service charges for these customers are billed through the Ventura County property tax system, although payment is not guaranteed by a “Teeter Plan” as it is in Santa Barbara County.

I) Sewer Service Charges

The District’s Sewer Service Charges (SSC) are determined pursuant to District Ordinance No. 15, which was developed and adopted based on a comprehensive wastewater rate and fee study in fiscal year 2016-17. It established a series of 4.0% increases for five years commencing fiscal year 2017-18. The residential SSC’s are based on a flat rate and non-residential SSC’s are based on water usage and wastewater characteristics. Additionally, the non-residential rate includes a minimum charge of one equivalent residential dwelling unit (EDU) per parcel. The EDU rate for fiscal years 2017-18 and 2016-17 was \$625.31 and \$614.16, respectively.

The District collects Sewer Service Charges (SSC) from users via the Santa Barbara County and Ventura County assessor’s tax rolls.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J) Long-Term Liabilities

In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond gain and losses or refunding are deferred and amortized over the life of the bonds using the effective interest method.

K) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

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

L) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflow of resources relating to pension benefits.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has a deferred gain on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also has deferred inflows of resources relating to pension benefits that will be recognized in pension expense in future periods.

M) Net Position

GASB No. 63 requires that the difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M) Net Position - Continued

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

N) Pensions

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

O) Implementation of New Accounting Pronouncements

For the year ended June 30, 2018, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

Governmental Accounting Standard Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement was issued to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. Currently, this statement has no effect on the District's financial statements.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Implementation of New Accounting Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 81

In March of 2016, GASB issued Statement No. 81, *Irrevocable Split Interest Agreements*. This statement was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Currently, this statement has no effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 83

In November of 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement was issued to address the criteria for the recognition and measurement of the liability and corresponding deferred outflows of resources associated with certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 is effective for reporting periods beginning after June 15, 2018. The impact of the implementation of this statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standard Board Statement No. 84

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This statement establishes the criteria for identifying fiduciary activities which should be reported in a fiduciary fund in the basic financial statements. The fiduciary funds that should be reported, if applicable: a) pensions trust funds, b) investment trust funds, c) private purpose trust funds, d) custodial funds. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this statement to the District's financial statements has not been assessed at this time.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Implementation of New Accounting Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 85

In March of 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have risen from the implementation of certain GASB Statements; primarily pension and OPEB related measurement, recognition, timing, and reporting issues. Other issues include blending of component units for governments whose primary activity is business-type, goodwill reporting, classifying real estate held by insurance entities and measuring particular investments at amortized cost. This statement is effective for reporting periods beginning after June 15, 2017. Currently, this statement has no effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 86

In May of 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement expands upon GASB No. 7 *Advance Refundings Resulting in Defeasance of Debt* which defines debt defeased in substance and the criteria for the trusts used to extinguish debt. This statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. This statement is effective for reporting periods beginning after June 15, 2017. Currently, this statement has no effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 87

In June of 2017, GASB issued Statement No. 87, *Leases*. The intent of this statement is to improve accounting and financial reporting for government leases by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

3) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2018 and June 30, 2017 are classified in the accompanying financial statements as follows:

	2018	2017
Statement of Net Position:		
Cash and Investments	\$ 8,546,645	\$ 8,961,285
Restricted Cash and Investments	1,090,906	1,052,501
Statement of Fiduciary Assets and Liabilities		
Restricted Cash and Investments	437,789	419,448
Total Cash and Investments	\$ 10,075,340	\$ 10,433,234

Cash and Investments as of June 30, 2018 and June 30, 2017 consist of the following:

	2018	2017
Cash on Hand	\$ 200	\$ 200
Deposits with Financial Institutions	605,266	675,282
Investments	8,331,179	8,634,171
Investments with Fiscal Agent	1,138,695	1,123,581
Total Cash and Investments	\$ 10,075,340	\$ 10,433,234

Investments Authorized by the District’s Investment Policy

The District’s investment policy authorizes investments selected on the basis of credit worthiness, financial strength, experience, and minimal capitalization. The District shall select only licensed brokers and dealers in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers, or other applicable self-regulatory organizations. The District is prohibited from investing in any funds in inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment which may result in a zero interest accrual if held to maturity. It is the District policy to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The primary objectives of the District’s investment activities in priority order are: safety, liquidity, and return on investments. Investments shall be chosen with judgement and care, considering the probable safety of their capital as well as the probable income to be derived. Although the District has pre-authorized investment categories per Resolution No. R-43, the only investments in practice are those in the local government investment pool administered by the State of California (LAIF) and the Santa Barbara County Investment Pool.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

3) CASH AND INVESTMENTS - Continued

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees, are governed by the 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 trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	None
Santa Barbara County Investment Pool	N/A	None	None
Money Market Mutual Funds	N/A	None	None

Disclosures Relating to 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 to changes in market rates. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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 as of June 30, 2018 and 2017:

June 30, 2018

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
LAIF	\$ 8,323,823	\$ 8,323,823	\$	\$	\$
Santa Barbara Investment Pool	7,356	7,356			
Investments with Fiscal Agent:					
LAIF	150,415	150,415			
Money Market	988,280	988,280			
Total	<u>\$ 9,469,874</u>	<u>\$ 9,469,874</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

3) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

June 30, 2017

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
LAIF	\$ 8,629,739	\$ 8,629,739	\$	\$	\$
Santa Barbara Investment Pool	4,432	4,432			
Investments with Fiscal Agent: LAIF	1,123,581	1,123,581			
Total	\$ 9,757,752	\$ 9,757,752	\$ 0	\$ 0	\$ 0

Disclosures Relating to 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. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of June 30, 2018 and 2017 for each investment type.

June 30, 2018

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	Aa	Not Rated
LAIF	\$ 8,323,823	N/A	\$	\$	\$	\$ 8,323,823
Santa Barbara Investment Pool	7,356	N/A				7,356
Investments with Fiscal Agent: LAIF	150,415	N/A				150,415
Money Market	988,280	N/A				988,280
Total	\$ 9,469,874		\$ 0	\$ 0	\$ 0	\$ 9,469,874

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

3) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk - Continued

June 30, 2017

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	Aa	Not Rated
LAIF	\$ 8,629,739	N/A	\$	\$	\$	\$ 8,629,739
Santa Barbara Investment Pool	4,432	N/A				4,432
Investments with Fiscal Agent: LAIF	<u>1,123,581</u>	N/A	<u></u>	<u></u>	<u></u>	<u>1,123,581</u>
Total	<u>\$ 9,757,752</u>		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,757,752</u>

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

The 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 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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018 and June 30, 2017, the District had deposits with financial institutions in excess of federal depository insurance limits of \$83,513 and \$157,520, respectfully, held in collateralized accounts.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

3) CASH AND INVESTMENTS - Continued

Investments with Fiscal Agent - Restricted Assets

Investments held and invested by fiscal agents on behalf of the District are pledged for payment or security of certain long-term debt issuances and construction projects. Fiscal agents are mandated by bond indentures as to the types of investments in which debt proceeds can be invested. The investments predominately consist of Governments securities which are held in book entry form by the trustee.

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 the 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.

All temporary investments are with the Local Agency Investment Fund (LAIF) administered by the State Treasurer's Office. The yield of LAIF for the quarter ended June 30, 2018 and 2017 was 1.90% and 0.92%, respectively. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2017 was \$77,539,216,146 and \$88,798,232,977 at June 30, 2018. The District's share of the Pool at June 30, 2018 was approximately 0.0094 and June 30, 2017 was approximately 0.0111 percent.

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each district may invest up to \$50,000,000 in the Fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments in LAIF are secured by the full faith and credit of the State of California. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities totaling \$1,549,080,000,000 for June 30, 2018 and \$1,719,481,000,000 for June 30, 2017. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

4) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

4) FAIR VALUE MEASUREMENTS - Continued

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis at June 30, 2018, are as follows:

<u>June 30, 2018</u>	<u>Fair Value</u>	<u>Uncategorized</u>
LAIF	\$ 8,323,823	\$ 8,323,823
Santa Barbara Investment Pool	7,356	7,356
Investments with Fiscal Agent:		
LAIF	150,415	150,415
Money Market	<u>988,280</u>	<u>988,280</u>
TOTALS	<u>\$ 9,469,874</u>	<u>\$ 9,469,874</u>

Fair value of assets measured on a recurring basis at June 30, 2017, are as follows:

<u>June 30, 2017</u>	<u>Fair Value</u>	<u>Uncategorized</u>
LAIF	\$ 8,629,739	\$ 8,629,739
Santa Barbara Investment Pool	4,432	4,432
Investments with Fiscal Agent:		
LAIF	<u>1,123,581</u>	<u>1,123,581</u>
TOTALS	<u>\$ 9,757,752</u>	<u>\$ 9,757,752</u>

Investments do not fall under the fair value hierarchy (i.e. uncategorized) as there is no active market for the investments.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

5) RESTRICTED ASSETS

Certain proceeds of the enterprise fund revenue bonds and Assessment District Bonds are classified as restricted assets on the statement of net position because their uses are limited by applicable bond covenants. For the fiscal years ended June 30, 2018 and June 30, 2017, the following amounts are restricted:

	2018	2017
Proprietary Fund (District)		
Construction Fund:		
Cash and Investments for the District's Construction Activities	\$ 37,220	\$ 37,165
Development Impact Fees:		
Cash and Investments for Future Capital Improvements	65,505	42,008
2012 Refunding Bonds:		
Cash and Investments for Bond Principal and Interest Payments	988,181	973,328
	\$ 1,090,906	\$ 1,052,501
 Agency Fund		
Cash and Investments with Fiscal Agent	\$ 437,789	\$ 419,448
Accounts Receivable		8,855
Total Cash and Investments	\$ 437,789	\$ 428,303

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

6) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets, Not Depreciated:					
Land	\$ 233,619	\$	\$	\$	\$ 233,619
Construction in Progress	295,580	1,868,748		(1,939,959)	224,369
Total Capital Assets, Not Depreciated	529,199	1,868,748	0	(1,939,959)	457,988
Capital Assets, Being Depreciated:					
Buildings	2,320,706				2,320,706
Laboratory and Safety Equipment	45,085				45,085
Transportation Equipment	933,155			59,677	992,832
Office Furniture	362,219				362,219
Plant Equipment	27,301,979		(18,326)	41,585	27,325,238
Ocean Outfall Lines	301,369				301,369
Underground Lines	22,014,000			1,838,697	23,852,697
Total Capital Assets, Being Depreciated	53,278,513		(18,326)	1,939,959	55,200,146
Less Accumulated Depreciation For:					
Buildings	(1,204,839)	(82,489)			(1,287,328)
Laboratory and Safety Equipment	(37,379)	(1,289)			(38,668)
Transportation Equipment	(420,522)	(45,234)			(465,756)
Office Furniture	(217,471)	(15,396)			(232,867)
Plant Equipment	(9,947,238)	(586,289)	(18,326)		(10,515,201)
Ocean Outfall Lines	(175,592)	(7,218)			(182,810)
Underground Lines	(6,564,964)	(327,363)			(6,892,327)
Total Accumulated Depreciation	(18,568,005)	(1,065,278)	(18,326)	0	(19,614,957)
Total Capital Assets Being Depreciated, Net	34,710,508	(1,065,278)	0	1,939,959	35,585,189
Total Capital Assets, Net	\$ 35,239,707	\$ 803,470	\$ 0	\$ 0	\$ 36,043,177

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

6) CAPITAL ASSETS - Continued

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets, Not Depreciated:					
Land	\$ 233,619	\$	\$	\$	\$ 233,619
Construction in Progress	8,484,063	1,120,904		(9,309,387)	295,580
Total Capital Assets, Not Depreciated	8,717,682	1,120,904	0	(9,309,387)	529,199
Capital Assets, Being Depreciated:					
Buildings	2,305,736		(6,800)	21,770	2,320,706
Laboratory and Safety Equipment	45,085				45,085
Transportation Equipment	865,842		(37,967)	105,280	933,155
Office Furniture	1,084,461		(757,380)	35,138	362,219
Plant Equipment	18,454,854		(73,624)	8,920,749	27,301,979
Ocean Outfall Lines	301,369				301,369
Underground Lines	21,787,550			226,450	22,014,000
Total Capital Assets, Being Depreciated	44,844,897		(875,771)	9,309,387	53,278,513
Less Accumulated Depreciation For:					
Buildings	(1,126,608)	(82,878)	4,647		(1,204,839)
Laboratory and Safety Equipment	(36,090)	(1,289)			(37,379)
Transportation Equipment	(413,401)	(45,088)	37,967		(420,522)
Office Furniture	(964,055)	(10,795)	757,379		(217,471)
Plant Equipment	(9,519,832)	(501,030)	73,624		(9,947,238)
Ocean Outfall Lines	(168,374)	(7,218)			(175,592)
Underground Lines	(6,239,856)	(325,108)			(6,564,964)
Total Accumulated Depreciation	(18,468,216)	(973,406)	873,617	0	(18,568,005)
Total Capital Assets Being Depreciated, Net	26,376,681	(973,406)	(2,154)	9,309,387	34,710,508
Total Capital Assets, Net	\$ 35,094,363	\$ 147,498	\$ (2,154)	\$ 0	\$ 35,239,707

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

6) CAPITAL ASSETS - Continued

Construction in Progress

Project	2018	2017
Plum Street Sewer Replacement	\$	\$ 217,058
Admin Building Replacement Design	124,876	78,522
Emergency Generator Replacements	36,736	
Flood Wall Rehabilitation	62,757	
Total Construction in Progress	\$ 224,369	\$ 295,580

7) LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2018 are as follows:

	Beginning Balance	Additions/ Amortization	Retirements	Ending Balance	Due Within One Year	Long-Term Portion
2012 Wastewater Revenue Bonds	\$ 10,990,000	\$	\$ (745,000)	\$ 10,245,000	\$ 775,000	\$ 9,470,000
Total Revenue Bonds	10,990,000	0	(745,000)	10,245,000	775,000	9,470,000
Compensated Absences	141,871	36,112	(21,281)	156,702	23,505	133,197
Total Long-Term Liabilities	<u>\$ 11,131,871</u>	<u>\$ 36,112</u>	<u>\$ (766,281)</u>	<u>\$ 10,401,702</u>	<u>\$ 798,505</u>	<u>\$ 9,603,197</u>

Long-term liabilities for the year ended June 30, 2017 are as follows:

	Beginning Balance	Additions/ Amortization	Retirements	Ending Balance	Due Within One Year	Long-Term Portion
2012 Wastewater Revenue Bonds	\$ 11,705,000	\$	\$ (715,000)	\$ 10,990,000	\$ 745,000	\$ 10,245,000
Total Revenue Bonds	11,705,000	0	(715,000)	10,990,000	745,000	10,245,000
Compensated Absences	125,742	34,990	(18,861)	141,871	21,281	120,590
Total Long-Term Liabilities	<u>\$ 11,830,742</u>	<u>\$ 34,990</u>	<u>\$ (733,861)</u>	<u>\$ 11,131,871</u>	<u>\$ 766,281</u>	<u>\$ 10,365,590</u>

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

7) LONG-TERM LIABILITIES - Continued

2012 Wastewater Revenue Bonds

In December 2012, the District issued \$13,630,000 2012 Wastewater Revenue Bonds due in annual installments of \$135,000 to \$1,050,000 beginning August 1, 2013 and continuing through August 1, 2042. The bonds bear interest varying from 2.00% to 5.00%. The bonds are to provide financing for the construction of capital assets for the District and to refund the prior bonds. Principal and interest on the bonds are payable February 1st and August 1st of each year.

The annual requirements to amortize the 2012 revenue bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 775,000	\$ 410,862	\$ 1,185,862
2020	800,000	381,362	1,181,362
2021	830,000	350,762	1,180,762
2022	865,000	316,862	1,181,862
2023	905,000	276,938	1,181,938
2024-2028	3,280,000	740,563	4,020,563
2029-2033	780,000	407,763	1,187,763
2034-2038	915,000	273,644	1,188,644
2039-2043	1,095,000	98,438	1,193,438
Total	<u>\$ 10,245,000</u>	<u>\$ 3,257,194</u>	<u>\$ 13,502,194</u>

Revenues Pledged

The District has pledged a portion of future sewer revenues and a portion of investment earnings to repay the District's Wastewater Revenue Series 2012. The District's Bonds are payable solely from sewer revenues and a portion of investment earnings. Total principal and interest remaining on the Wastewater Bonds are \$13,502,194, payable through fiscal year 2043. For the current year, principal and interest paid by the sewer revenues and investment earnings were \$745,000 and \$441,263.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN

A) General Information about the Pension Plan

Plan Descriptions

All full time employees are eligible to participate in the Carpinteria Sanitary District’s Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Individual employers may sponsor more than one rate plan in the miscellaneous risk pool. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that, are considered new members as defined by the Public Employees’ Pension Reform Act (PEPRA) are participating in the PEPRA Miscellaneous Plan.

Benefits Provided

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

The Plans’ provisions and benefits in effect at June 30, 2018 and 2017 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50 - 63	52 - 65
Monthly Benefits, as a % of Eligible	1.4% to 2.4%	1.4% to 2.4%
Required Employee Contribution Rates	6.89%	6.25%
June 30, 2018:		
Required Employer Contribution Rates	8.921%	6.533%
June 30, 2017:		
Required Employer Contribution Rates	8.880%	6.55%

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN - Continued

A) General Information about the Pension Plan - Continued

Contributions

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

The contributions to the Plan for the year ended June 30, 2018 and 2017 were \$283,155 and \$274,973, respectively.

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

As of June 30, 2018 and 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability	
	<u>2018</u>	<u>2017</u>
Miscellaneous	\$ 2,178,288	\$ 1,837,681

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for all Plans as of June 30, 2018 and 2017 was as follows:

June 30, 2018	<u>Miscellaneous</u>	June 30, 2017	<u>Miscellaneous</u>
Proportion - June 30, 2017	0.05290%	Proportion - June 30, 2016	0.05017%
Proportion - June 30, 2018	0.05526%	Proportion - June 30, 2017	0.05290%
Change - Increase (Decrease)	0.00236%	Change - Increase (Decrease)	0.00273%

For the year ended June 30, 2018, the District recognized pension expense of \$353,370. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 283,155	\$
Differences between actual and expected experience		(41,140)
Changes in assumptions	353,817	
Change in Employer's Proportion	48,565	(21,875)
Differences between the Employer's Contributions and Proportionate Share of Contributions	7,434	(69,405)
Differences between projected and actual investment earnings	<u>86,624</u>	
Total	<u>\$ 779,595</u>	<u>\$ (132,420)</u>

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

\$283,155 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2019	\$ 49,828
2020	220,990
2021	144,632
2022	(51,430)
2023	
Thereafter	
	\$ 364,020

For the year ended June 30, 2017, the District recognized pension expense of \$138,370. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 274,973	\$
Differences between actual and expected experience	6,513	(1,361)
Changes in assumptions		(61,621)
Change in Employer's Proportion	31,178	
Differences between Employer's Contributions and Proportionate Share of Contributions		(91,353)
Differences between projected and actual investment earnings	287,231	
Adjustment due to differences in proportions		(4,025)
Total	\$ 599,895	\$ (158,360)

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

\$274,973 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2018	\$ (20,300)
2019	(10,152)
2020	121,242
2021	75,772
2022	
Thereafter	
	\$ 166,562

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service ⁽¹⁾
Investment Rate of Return	7.15% ⁽²⁾
Mortality	CalPERS Membership Data ⁽³⁾
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The Mortality Rate Table was derived using CalPER's membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table refer to 2014 experience study report from the CalPERS website.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Actuarial Assumptions - Continued

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service ⁽¹⁾
Investment Rate of Return	7.65% ⁽²⁾
Mortality	Derived using CalPERS' Membership Data for All Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

⁽²⁾ Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for all Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for all plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Discount Rate - Continued

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrator expense. The 7.00 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Discount Rate - Continued

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40)%	(0.90)%
Total	100%		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for all Plans, calculated using the discount rate for all Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	
	2018	2017
<i>1% Decrease</i>	6.15%	6.65%
<i>Net Pension Liability</i>	\$ 3,440,843	\$ 2,917,913
<i>Current Discount Rate</i>	7.15%	7.65%
<i>Net Pension Liability</i>	\$ 2,178,288	\$ 1,837,681
<i>1% Increase</i>	8.15%	8.65%
<i>Net Pension Liability</i>	\$ 1,132,618	\$ 944,922

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

8) DEFINED BENEFIT PENSION PLAN - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Pension Plan Fiduciary Net Position

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

C) Payable to Pension Plan

At June 30, 2018, the District reported payable of \$7,633 which is included in accrued salaries and benefits, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

9) COMMITMENTS

The Carpinteria Unified School District pays sewer service charges for the Carpinteria High School and the Canalino School based on \$1.00 per the average daily attendance for the school year. It is estimated that this is less than the amount that would normally be billed.

10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District participates in the liability insurance program organized by the California Sanitation Risk Management Authority (CSRMA). CSRMA is a Joint Powers Authority (JPA) created to provide a self-insurance program to wastewater agencies in the State of California.

CSRMA provides liability, property and workers' compensation insurance for approximately 46 wastewater agencies for losses in excess of the member districts' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. CSRMA is governed by a board composed of members from participating districts. The board controls the operations of CSRMA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member shares surpluses and deficiencies proportionately to its participation in CSRMA. Premiums paid to CSRMA include retrospective adjustments based on actual experience during the period of coverage. Settled claims have been immaterial and no claims liabilities have been reported in these financial statements as of June 30, 2018 and June 30, 2017.

Carpinteria Sanitary District
Notes to the Financial Statements
Years Ended June 30, 2018 and 2017

11) ASSESSMENT DISTRICT BONDS

In February 2009, the District issued \$6,053,439 in Assessment District No. 2007-1 Limited Obligation Improvement Bonds to finance the acquisition and construction of public sanitary sewer improvements serving property within the Assessment District. The Bonds are secured by assessments levied on parcels within the Assessment District. The Bonds are not general obligations of the District. Neither, the faith and credit of the District, nor of either county nor, the State or any related political subdivision, is pledged to the payment of the Bonds. Therefore, these Bonds are not reflected as debt in the District's financial statements. In July 2012, the Assessment District bonds were refinanced through the issuance of bonds. As of June 30, 2018 and 2017, the remaining balance on the bonds was \$3,905,000 and \$4,010,000, respectively.

12) CONTINGENCIES

Litigation

Certain claims, suits and complaints arising in the ordinary course of operation have been filed or are pending against the District. In the opinion of management and counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involved such amounts, as would not have significant effect on the financial position or results of operations of the District if disposed of unfavorably.

13) REIMBURSEMENTS

The District received \$158,092 in reimbursements from the Federal Emergency Management Agency and State of California Office of Emergency Services (OES) for charges incurred for emergency repairs and construction.

REQUIRED SUPPLEMENTARY INFORMATION

**Carpinteria Sanitary District
California Public Employees' Retirement System
Schedule of Proportionate Share of the Net Pension Liability
Cost Sharing Defined Benefit Pension Plan
Last Ten Years*
As of June 30, 2018**

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.53630%	\$ 1,325,377	\$ 1,336,008	99.20%	79.82%
2016	0.054908%	\$ 1,376,393	\$ 1,381,084	99.66%	78.40%
2017	0.05290%	\$ 1,837,681	\$ 1,381,084	133.06%	74.06%
2018	0.05526%	\$ 2,178,288	\$ 1,364,983	159.58%	76.27%

Notes to Schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**Carpinteria Sanitary District
California Public Employees' Retirement System
Schedule of Contributions
Last Ten Years*
As of June 30, 2018**

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 148,254	\$ (148,254)	\$ 0	\$ 1,336,008	11.10%
2016	\$ 157,281	\$ (157,281)	\$ 0	\$ 1,381,084	11.39%
2017	\$ 274,973	\$ (274,973)	\$ 0	\$ 1,364,983	20.14%
2018	\$ 283,155	\$ (283,155)	\$ 0	\$ 1,382,028	20.49%

*Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

SUPPLEMENTARY INFORMATION

Carpinteria Sanitary District
Schedule of Revenues and Expenses - Modified Accrual Basis
Budget and Actual
Year Ended June 30, 2018

	Budget Amount		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
District Sewer Service Charges	\$ 5,089,000	\$ 5,089,000	\$ 5,108,684	\$ 19,684
Development Impact Fees			23,000	23,000
Other Services	71,000	71,000	132,606	61,606
Total Revenues	5,160,000	5,160,000	5,264,290	104,290
OPERATING EXPENSES				
Salaries and Wages	707,700	707,700	1,465,961	(758,261)
Employee Benefits	811,700	811,700	777,311	34,389
General Operating Expenses	222,100	222,100	167,906	54,194
Environmental and Monitoring	45,500	45,500	30,872	14,628
Utilities	189,000	189,000	173,898	15,102
Sludge Disposal	100,000	100,000	92,161	7,839
Supplies and Equipment	222,200	222,200	150,275	71,925
Repairs and Maintenance	230,400	230,400	272,875	(42,475)
Professional and Contract Services	210,100	210,100	125,353	84,747
Other Expenses	18,400	18,400	16,872	1,528
Total Operating Expenses	2,757,100	2,757,100	3,273,484	(516,384)
Operating Income (Loss)	2,402,900	2,402,900	1,990,806	(412,094)
NON-OPERATING REVENUES (EXPENSES)				
Investment Earnings	50,000	50,000	124,232	74,232
Taxes and Assessments	602,600	602,600	653,501	50,901
Reimbursements	-	-	158,092	158,092
Debt Service	(1,192,500)	(1,188,600)	(1,173,735)	14,865
Capital Improvements	(9,656,000)	(9,651,000)	(1,868,748)	7,782,252
Gain (Loss) on Sale of Capital Assets			19,409	19,409
Total Non-operating Revenues (Expenses)	(10,195,900)	(10,187,000)	(2,087,249)	8,099,751
Change in Net Position	\$ (7,793,000)	\$ (7,784,100)	(96,443)	\$ 7,687,657
Net Position at Beginning of Year			31,542,172	
Net Position at End of Year			31,445,729	
Reconciling Difference Between Budgetary Basis and Accounting Principles Generally Accepted in the United States of America (USGAAP)				
Principal Payments			745,000	
Depreciation and Amortization Expenses			(1,037,821)	
Capital Improvements			1,868,748	
			1,575,927	
Net Position at End of Fiscal Year (USGAAP Basis)			\$ 33,021,656	

Carpinteria Sanitary District
Schedule of Fiduciary Assets and Liabilities
Agency Fund
Year Ended June 30, 2018

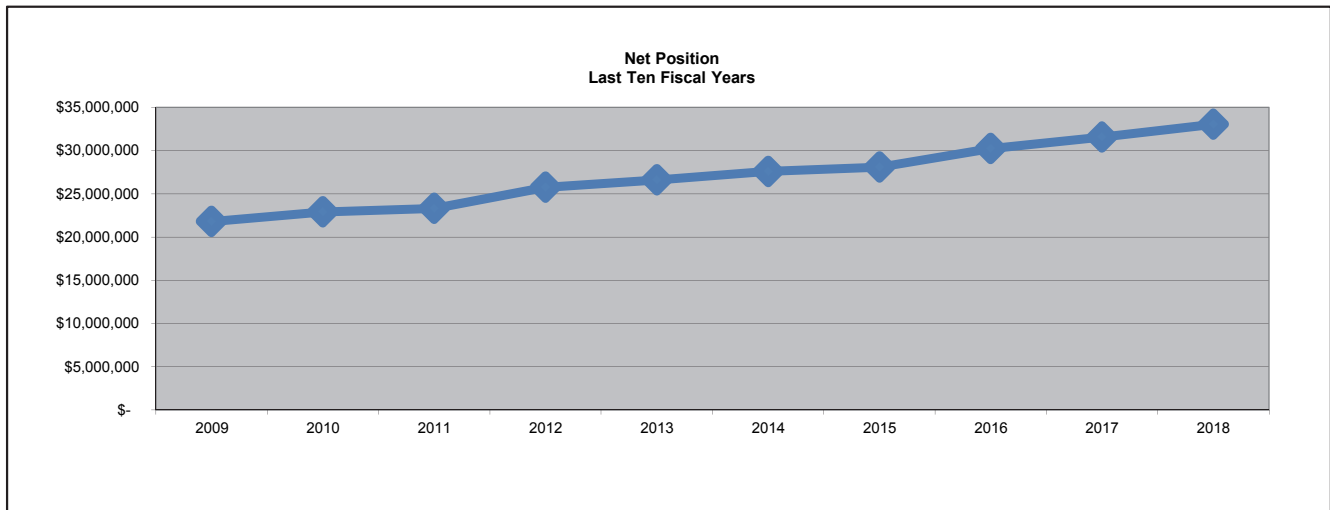
	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash with Fiscal Agent	\$ 419,448	\$ 389,204	\$ 370,863	\$ 437,789
Accounts Receivable	8,855		8,855	0
Total Assets	<u>\$ 428,303</u>	<u>\$ 389,204</u>	<u>\$ 379,718</u>	<u>\$ 437,789</u>
LIABILITIES				
Due to Bondholders	\$ 428,303	\$ 389,204	\$ 379,718	\$ 437,789
Total Liabilities	<u>\$ 428,303</u>	<u>\$ 389,204</u>	<u>\$ 379,718</u>	<u>\$ 437,789</u>

STATISTICAL SECTION

CARPINTERIA SANITARY DISTRICT

Statement of Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources & Net Position - Proprietary Fund Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current Assets	\$ 7,272,887	\$ 8,623,082	\$ 8,834,241	\$ 9,242,172	\$ 10,676,745	\$ 9,311,061	\$ 9,078,823	\$ 8,645,818	\$ 9,034,872	\$ 8,836,894
Restricted Assets	10,930,860	9,339,866	9,199,802	7,497,740	9,221,968	7,704,386	1,264,804	1,245,568	1,052,501	1,090,906
Capital Assets	17,219,180	17,189,577	16,740,696	16,367,583	20,550,305	21,042,306	25,813,083	26,610,300	34,944,129	35,818,808
Construction In Progress	534,014	1,284,476	1,599,162	5,577,199	1,434,122	5,355,236	7,538,758	8,484,063	295,580	224,369
Other Assets	322,996	302,810	282,622	262,435						
Deferred Outflows of Resources	-	-	-	-	-	-	154,985	115,126	599,895	779,595
Totals	\$ 36,279,937	\$ 36,739,811	\$ 36,656,523	\$ 38,947,129	\$ 41,883,140	\$ 43,412,989	\$ 43,850,453	\$ 45,100,875	\$ 45,926,977	\$ 46,750,572
Current Liabilities	1,333,087	1,285,031	1,387,821	1,868,452	1,304,882	2,561,656	1,484,653	1,433,453	1,336,758	1,156,053
Noncurrent Liabilities	13,145,480	12,571,196	11,962,167	11,326,960	13,177,880	12,505,601	13,140,483	12,473,274	12,203,271	11,781,485
Total Liabilities	14,478,567	13,856,227	13,349,988	13,195,412	14,482,762	15,067,257	14,625,136	13,906,727	13,540,029	12,937,538
Deferred Inflows of Resources	-	-	-	-	796,240	768,784	1,162,539	984,931	844,776	791,378
Net Position	\$ 21,801,370	\$ 22,883,584	\$ 23,306,535	\$ 25,751,717	\$ 26,604,138	\$ 27,576,948	\$ 28,062,778	\$ 30,209,217	\$ 31,542,172	\$ 33,021,656

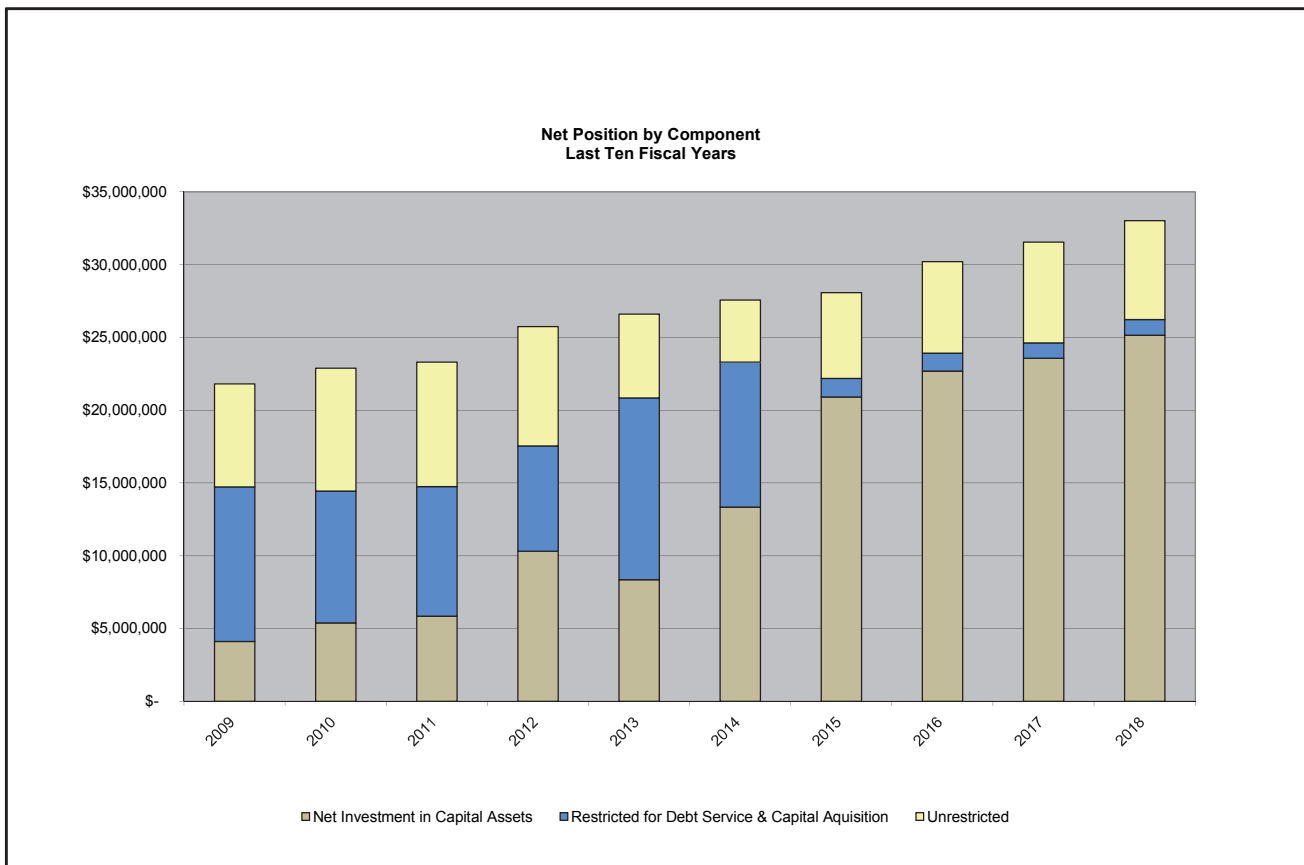


Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Net Position by Component Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Investment in Capital Assets	\$ 4,100,377	\$ 5,389,225	\$ 5,843,018	\$ 10,318,366	\$ 8,354,427	\$ 13,332,542	\$ 20,905,514	\$ 22,675,492	\$ 23,563,293	\$ 25,139,219
Restricted for Debt Service & Capital Acquisition	10,624,221	9,041,972	8,912,950	7,223,247	12,484,432	9,966,308	1,264,804	1,245,568	1,052,501	1,090,906
Unrestricted	7,076,772	8,452,387	8,550,567	8,210,104	5,765,279	4,278,098	5,892,460	6,288,157	6,926,378	6,791,531
Total Net Position	\$ 21,801,370	\$ 22,883,584	\$ 23,306,535	\$ 25,751,717	\$ 26,604,138	\$ 27,576,948	\$ 28,062,778	\$ 30,209,217	\$ 31,542,172	\$ 33,021,656

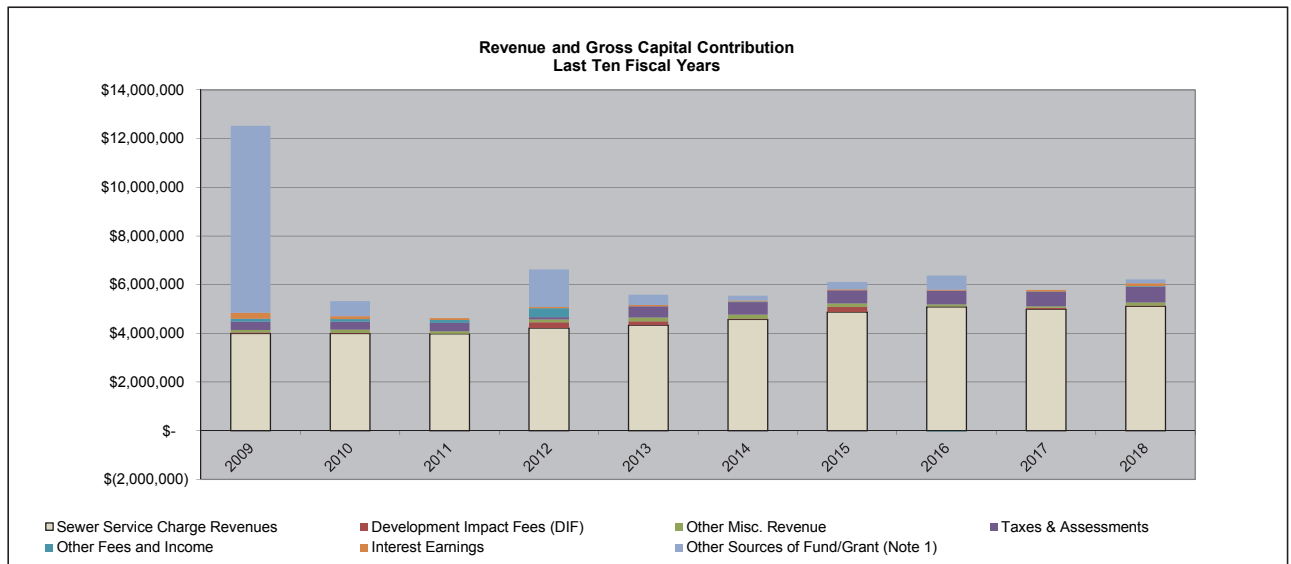


Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Revenue and Gross Capital Contribution Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Operating Revenues	Sewer Service Charge Revenues	\$ 3,993,503	\$ 3,997,832	\$ 3,973,417	\$ 4,213,459	\$ 4,338,000	\$ 4,571,978	\$ 4,867,209	\$ 5,088,433	\$ 4,996,907	\$ 5,108,684
	Development Impact Fees (DIF)	33,250	25,666	2,400	237,805	149,408	21,293	213,244	12,352	42,008	23,000
	Other Misc. Revenue	108,745	123,164	105,118	123,408	156,884	180,914	152,168	89,585	71,452	132,606
Non-operating Revenues	Taxes & Assessments	347,249	328,497	347,357	94,524	464,158	500,680	538,836	567,264	600,143	653,501
	Other Fees and Income	110,128	106,281	111,055	361,213	-	28,368	-	(25,171)	3,664	19,409
	Interest Earnings	254,840	117,068	79,890	56,996	51,250	38,292	31,868	33,972	59,809	124,232
	Other Sources of Fund/Grant (Note 1)	7,673,297	623,000	-	1,533,264	417,984	195,906	299,192	577,251	-	158,092
Totals	\$ 12,521,012	\$ 5,321,508	\$ 4,619,237	\$ 6,620,669	\$ 5,577,684	\$ 5,537,431	\$ 6,102,517	\$ 6,343,686	\$ 5,773,983	\$ 6,219,524	



Note 1:

In 2009, the District received \$7,673,297 capital contribution from Assessment District 2007-1 bond proceeds.

In 2010, the District received \$623,000 capital contribution for dedication of infrastructure.

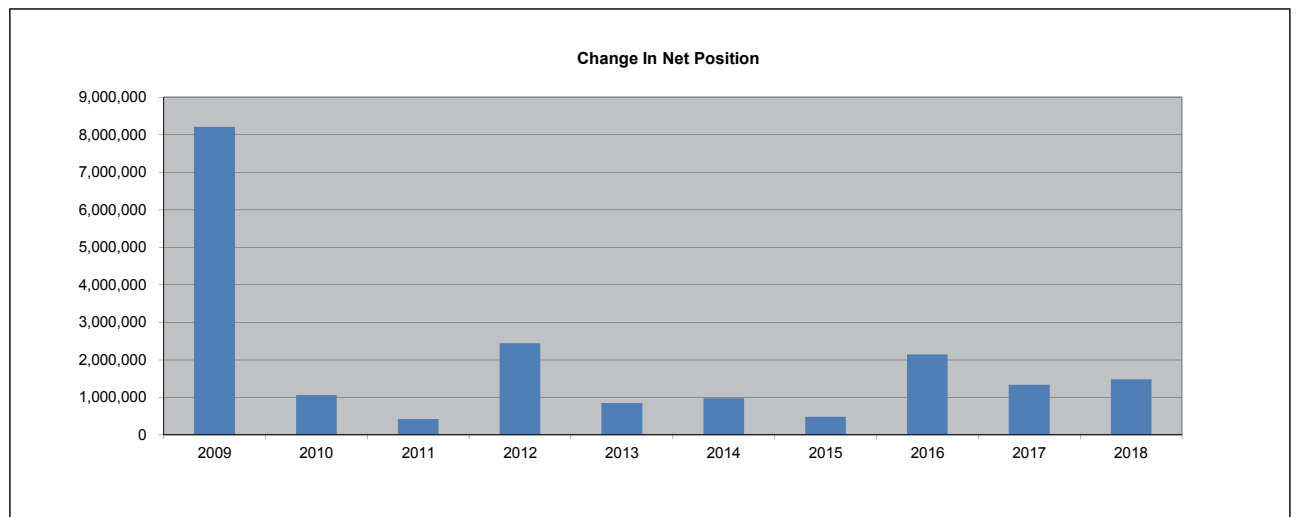
In 2012, the District had a rate adjustment.

Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Change in Net Position Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenue	\$ 4,102,248	\$ 4,262,991	\$ 4,080,935	\$ 4,574,672	\$ 4,644,292	\$ 4,774,185	\$ 5,232,621	\$ 5,190,370	\$ 5,110,367	\$ 5,264,290
Nonoperating Revenue	8,418,764	1,058,517	538,302	2,045,997	933,392	763,246	869,896	1,178,487	659,952	935,825
Total Revenues	12,521,012	5,321,508	4,619,237	6,620,669	5,577,684	5,537,431	6,102,517	6,368,857	5,770,319	6,200,115
Operating Expenses	3,702,180	3,646,916	3,625,508	3,626,979	3,685,562	4,025,607	4,215,878	4,038,557	3,983,264	4,311,305
Nonoperating Expenses	613,278	609,251	570,778	548,508	1,039,701	539,014	1,400,809	183,861	454,100	409,326
Total Expenses	4,315,458	4,256,167	4,196,286	4,175,487	4,725,263	4,564,621	5,616,687	4,222,418	4,437,364	4,720,631
Change in Net Position	8,205,554	1,065,341	422,951	2,445,182	852,421	972,810	485,830	2,146,439	1,332,955	1,479,484
Beginning Net Position	13,595,816	21,801,370	22,883,584	23,306,535	25,751,717	26,604,138	27,576,948	28,062,778	30,209,217	31,542,172
Ending Net Position	\$ 21,801,370	\$ 22,883,584	\$ 23,306,535	\$ 25,751,717	\$ 26,604,138	\$ 27,576,948	\$ 28,062,778	\$ 30,209,217	\$ 31,542,172	\$ 33,021,656



Note 1:

In 2009, the District received \$7,673,297 capital contribution from Assessment District 2007-1 bond proceeds.

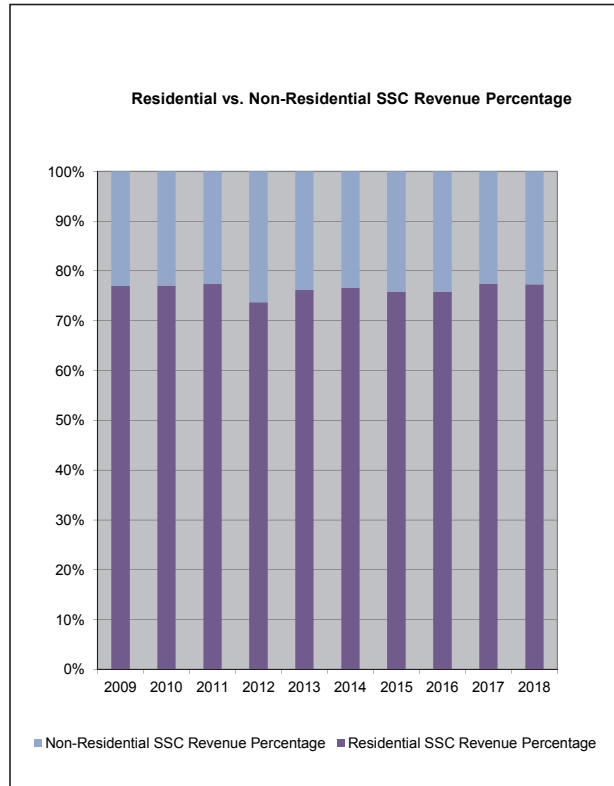
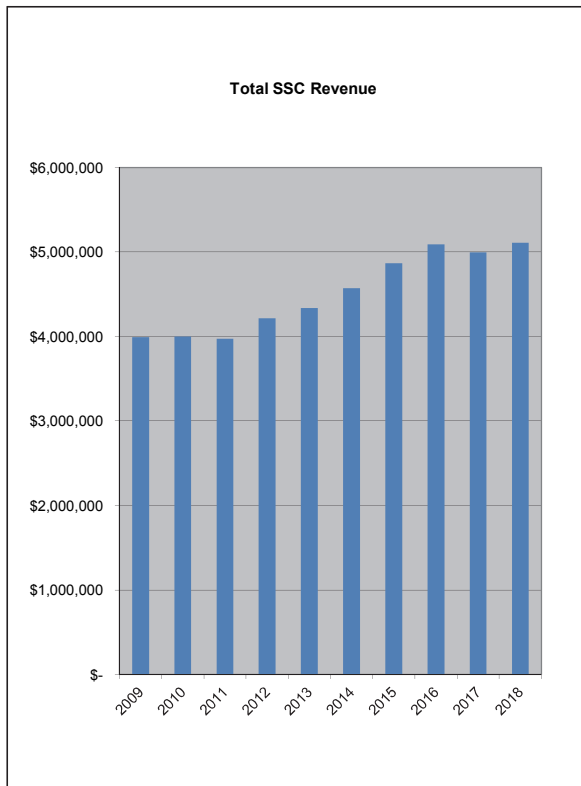
In 2015, beginning net assets was restated for GASB 68 and capitalized interest by (\$573,454)

Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Sewer Service Charge (SSC) Summary Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Residential Units	5,965	5,980	6,002	6,113	6,158	6,226	6,279	6,284	6,290	6,293
Residential SSC Revenue	\$ 3,073,464	\$ 3,080,168	\$ 3,073,024	\$ 3,104,549	\$ 3,306,213	\$ 3,501,652	\$ 3,690,231	\$ 3,859,381	\$ 3,868,830	\$ 3,949,013
SSC Revenue Percentage	77.0%	77.0%	77.3%	73.7%	76.2%	76.6%	75.8%	75.8%	77.4%	77.3%
No. of Non-Residential Customers	563	549	552	552	530	525	525	536	520	520
Non-Residential SSC Revenue	\$ 920,039	\$ 917,664	\$ 900,393	\$ 1,108,910	\$ 1,031,787	\$ 1,070,326	\$ 1,176,978	\$ 1,229,052	\$ 1,128,077	\$ 1,159,671
SSC Revenue Percentage	23.0%	23.0%	22.7%	26.3%	23.8%	23.4%	24.2%	24.2%	22.6%	22.7%
Total SSC Revenue	\$ 3,993,503	\$ 3,997,832	\$ 3,973,417	\$ 4,213,459	\$ 4,338,000	\$ 4,571,978	\$ 4,867,209	\$ 5,088,433	\$ 4,996,907	\$ 5,108,684



Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANTIARY DISTRICT

Ten Highest Non-Residential Rate Payers - Sewer Service Charge (SSC) Last Six Fiscal Years

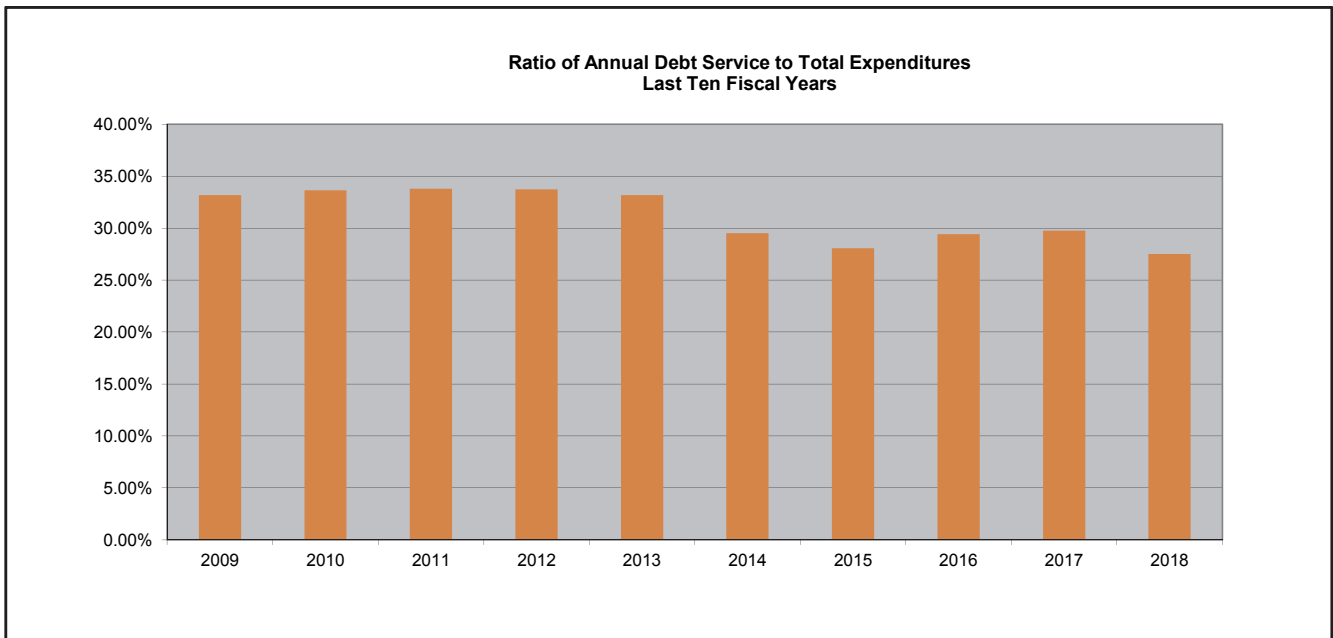
2017/2018				2016/2017			
Parcel Number	Property Address	SSC Charge	% of total Non-Residential	Parcel Number	Property Address	SSC Charge	% of total Non-Residential
001-070-063	1000 Casitas Pass Road	\$ 73,930	6.41%	001-070-063	1000 Casitas Pass Road	\$ 60,900	5.40%
001-070-009	5606 Carpinteria Ave.	\$ 51,606	4.47%	001-070-009	5606 Carpinteria Ave.	\$ 48,600	4.31%
004-036-024	4558 Carpinteria Ave.	\$ 44,495	3.86%	004-036-024	4558 Carpinteria Ave.	\$ 46,998	4.17%
001-070-039	5550 Carpinteria Ave.	\$ 43,740	3.79%	003-520-003	State of California/State Park	\$ 46,931	4.16%
004-013-016	4200 Via Real	\$ 39,883	3.46%	001-070-039	5550 Carpinteria Ave.	\$ 42,384	3.76%
003-520-003	State of California/State Park	\$ 38,816	3.36%	004-013-016	4200 Via Real	\$ 39,704	3.52%
001-190-038	1000 Cindy Lane	\$ 25,851	2.24%	001-190-038	1000 Cindy Lane	\$ 22,258	1.97%
001-070-060	1025 Casitas Pass Road	\$ 21,930	1.90%	001-070-060	1025 Casitas Pass Road	\$ 21,023	1.86%
003-510-001	State of California/State Park	\$ 19,118	1.66%	001-170-019	5585 Carpinteria Ave.	\$ 18,061	1.60%
001-190-085	1170 Mark Avenue	\$ 18,917	1.64%	003-510-001	State of California/State Park	\$ 16,929	1.50%
Total Ten Rate Payers		\$ 378,286	32.78%	Total Ten Rate Payers		\$ 363,788	32.25%
Total Non-Residential		\$ 1,153,982		Total Non-Residential		\$ 1,128,077	
2015/2016				2014/2015			
Parcel Number	Property Address	SSC Charge	% of total Non-Residential	Parcel Number	Property Address	SSC Charge	% of total Non-Residential
001-070-063	1000 Casitas Pass Road	\$ 61,754	5.35%	001-070-063	1000 Casitas Pass Road	\$ 58,347	5.17%
003-520-003	State of California/State Park	\$ 53,857	4.67%	001-070-009	5606 Carpinteria Ave.	\$ 52,120	4.62%
001-070-009	5606 Carpinteria Ave.	\$ 52,605	4.56%	003-520-003	State of California/State Park	\$ 47,283	4.19%
004-036-024	4558 Carpinteria Ave.	\$ 47,711	4.13%	004-036-024	4558 Carpinteria Ave.	\$ 43,235	3.83%
001-070-039	5550 Carpinteria Ave.	\$ 44,168	3.83%	001-070-039	5550 Carpinteria Ave.	\$ 41,506	3.68%
004-013-016	4200 Via Real	\$ 40,605	3.52%	004-105-007	5045 Sixth Street	\$ 39,134	3.47%
004-105-007	5045 Sixth Street	\$ 27,562	2.39%	004-013-016	4200 Via Real	\$ 37,708	3.34%
001-070-060	1025 Casitas Pass Road	\$ 26,173	2.27%	001-070-060	1025 Casitas Pass Road	\$ 25,972	2.30%
001-190-038	1000 Cindy Lane	\$ 22,341	1.94%	003-263-028	850 Linden Ave.	\$ 25,449	2.26%
003-263-028	850 Linden Ave.	\$ 21,940	1.90%	001-190-038	1000 Cindy Lane	\$ 20,677	1.83%
Total Ten Rate Payers		\$ 398,714	34.55%	Total Ten Rate Payers		\$ 391,431	34.70%
Total Non-Residential		\$ 1,229,052		Total Non-Residential		\$ 1,163,156	
2013/2014				2012/2013			
Parcel Number	Property Address	SSC Charge	% of total Non-Residential	Parcel Number	Property Address	SSC Charge	% of total Non-Residential
001-070-063	1000 Casitas Pass Road	\$ 58,649	5.08%	001-070-063	1000 Casitas Pass Road	\$ 57,391	5.56%
001-070-009	5606 Carpinteria Ave.	\$ 46,784	4.05%	001-070-009	5606 Carpinteria Ave.	\$ 42,326	4.10%
003-520-003	State of California/State Park	\$ 40,482	3.51%	004-036-024	MHP	\$ 38,452	3.73%
001-070-039	5550 Carpinteria Ave.	\$ 38,784	3.36%	001-070-039	5550 Carpinteria Ave.	\$ 36,790	3.57%
004-036-024	4558 Carpinteria Ave.	\$ 38,769	3.36%	004-105-007	5045 Sixth Street	\$ 36,694	3.56%
004-105-007	5045 Sixth Street	\$ 35,307	3.06%	003-520-003	State of California/State Park	\$ 30,952	3.00%
004-013-016	4200 Via Real	\$ 29,887	2.59%	003-263-028	850 Linden Ave.	\$ 30,731	2.98%
001-070-060	1025 Casitas Pass Road	\$ 29,263	2.54%	001-070-060	1025 Casitas Pass Road	\$ 28,976	2.81%
003-263-028	850 Linden Ave.	\$ 29,263	2.54%	004-013-016	4200 Via Real	\$ 27,852	2.70%
001-190-038	1000 Cindy Lane	\$ 20,443	1.77%	003-510-001	State of California/State Park	\$ 23,421	2.27%
Total Ten Rate Payers		\$ 367,631	31.86%	Total Ten Rate Payers		\$ 353,586	34.27%
Total Non-Residential		\$ 1,070,326		Total Non-Residential		\$ 1,031,787	

Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Ratio of Annual Debt Service to Total Expenditures Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Principal	\$ 615,000	\$ 635,000	\$ 655,000	\$ 675,000	\$ 675,000	\$ 565,000	\$ 670,000	\$ 690,000	\$ 715,000	\$ 745,000
Interest	613,278	592,368	570,778	548,508	548,508	622,698	514,038	498,563	470,463	441,263
Total Debt Service	1,228,278	1,227,368	1,225,778	1,223,508	1,223,508	1,187,698	1,184,038	1,188,563	1,185,463	1,186,263
Total Operating Expense	\$3,702,180	\$3,646,916	\$3,625,508	\$3,626,979	\$3,685,562	\$4,025,607	\$4,215,878	\$4,038,557	\$3,983,264	\$4,311,305
Ratio of Debt Service to Total Operating Expense	33.18%	33.65%	33.81%	33.73%	33.20%	29.50%	28.09%	29.43%	29.76%	27.52%

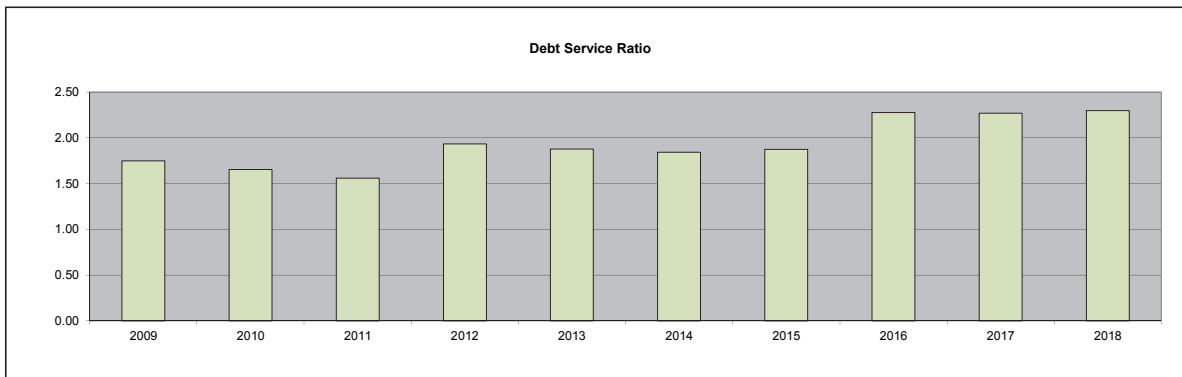


Interest stated on the table excludes interest capitalization.
Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Debt Service Ratio
Last Ten Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Sewer Service Charge Revenues	\$ 3,993,503	\$ 3,997,832	\$ 3,973,417	\$ 4,213,459	\$ 4,338,000	\$ 4,571,978	\$ 4,867,209	\$ 5,088,433	\$ 4,996,907	\$ 5,108,684
Taxes & Assessments	489,244	477,317	454,875	455,737	464,158	500,680	538,836	567,264	600,143	653,501
Other Fees and Income	110,128	106,281	111,055	361,213	306,292	202,207	365,412	101,937	113,460	155,606
Interest Earnings	254,840	117,068	79,890	56,996	51,250	38,292	31,868	33,972	59,809	124,232
Totals	4,847,715	4,698,498	4,619,237	5,087,405	5,159,700	5,313,157	5,803,325	5,791,606	5,770,319	6,042,023
Other Sources of Fund/Grant/Dedications (1)	7,673,297	623,000	-	1,533,264	417,984	224,274	299,192	577,251	-	158,092
Total Revenues	\$ 12,521,012	\$ 5,321,498	\$ 4,619,237	\$ 6,620,669	\$ 5,577,684	\$ 5,537,431	\$ 6,102,517	\$ 6,368,857	\$ 5,770,319	\$ 6,200,115
Operating Expenses										
Salaries and Wages	1,161,780	1,240,897	1,288,896	1,270,199	1,305,214	1,418,164	1,542,723	1,427,156	1,463,517	1,465,961
Employee Benefits	469,692	477,341	531,018	543,318	590,844	667,393	596,842	654,466	505,808	777,311
General Operating Expenses	153,652	178,240	157,954	171,996	199,424	193,093	236,290	160,016	190,061	167,906
Environmental and Monitoring	70,061	40,055	26,861	37,878	32,058	75,685	37,856	39,733	35,862	30,872
Utilities	218,355	211,723	218,500	196,309	213,416	233,785	250,797	219,774	186,421	173,898
Sludge Disposal	110,375	98,311	111,243	94,425	108,369	106,177	106,675	87,217	92,614	92,161
Supplies and Equipment	144,636	186,190	161,003	144,738	162,164	137,581	222,407	171,712	161,670	150,275
Repairs and Maintenance	144,337	137,413	125,308	142,639	141,642	103,163	156,972	200,187	187,758	272,875
Professional and Contract Services	82,006	86,294	74,368	109,114	98,359	156,521	181,753	101,317	199,694	125,353
Depreciation and Amortization	1,002,590	976,335	915,991	904,467	823,612	922,417	845,436	962,963	945,949	1,037,821
Other Expenses	144,696	14,117	14,366	11,896	10,460	11,628	38,127	14,016	13,910	16,872
Total Operating Expenses (2)	\$ 3,702,180	\$ 3,646,916	\$ 3,625,508	\$ 3,626,979	\$ 3,685,562	\$ 4,025,607	\$ 4,215,878	\$ 4,038,557	\$ 3,983,264	\$ 4,311,305
Operating Exp. Inc.(Dec.)	10.0%	-1.5%	-0.6%	0.0%	1.6%	9.2%	4.7%	-4.2%	-5.5%	6.8%
Revenue in Excess of Oper. Exp.	8,818,832	1,674,582	993,729	2,993,690	1,892,122	1,511,824	1,886,639	2,330,300	1,787,055	1,888,810
Scheduled Installment Payment	1,228,278	1,227,368	1,225,778	1,223,508	1,223,508	1,187,698	1,184,038	1,188,563	1,185,463	1,186,263
Capital Improvement Projects (CIP)	\$ 1,712,500	\$ 1,023,877	\$ 714,596	\$ 4,442,194	\$ 882,786	\$ 5,174,906	\$ 7,538,758	\$ 8,484,063	\$ 295,580	\$224,369
Debt Services Ratio (>1.25%), (3)	1.75	1.65	1.56	1.93	1.88	1.84	1.87	2.27	2.27	2.30



(1) - Other Source of Fund/Grant is excluded from Debt Services Ratio calculation.
 (2) - Depreciation and amortization expenses are excluded from Debt Services Ratio calculation.
 (3) - Ratio is calculated according to the 2012 Wastewater Revenue Refinancing Bonds agreement.
 Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Ratio of Outstanding Debt - 2012 Wastewater Revenue Bond
Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current Outstanding Debt	\$ 615,000	\$ 635,000	\$ 655,000	\$ 675,000	\$ 565,000	\$ 670,000	\$ 690,000	\$ 715,000	\$ 745,000	\$ 775,000
Long Term Outstanding Debt	\$ 12,523,851	\$ 11,888,851	\$ 11,233,851	\$ 10,558,851	\$ 13,065,000	\$ 12,395,000	\$ 11,705,000	\$ 10,990,000	\$ 10,245,000	\$ 9,470,000
Total Outstanding Debt	\$ 13,138,851	\$ 12,523,851	\$ 11,888,851	\$ 11,233,851	\$ 13,630,000	\$ 13,065,000	\$ 12,395,000	\$ 11,705,000	\$ 10,990,000	\$ 10,245,000
Median Family Income	\$ 64,716	\$ 69,143	\$ 72,235	\$ 72,297	\$ 72,270	\$ 70,113	\$ 60,273	\$ 60,618	\$ 65,467	\$ 72,901
Debt as a Percentage of Median Family Income	0.493%	0.552%	0.608%	0.644%	0.530%	0.537%	0.486%	0.518%	0.596%	0.712%
Population	14,409	14,528	14,103	13,076	13,099	13,442	13,794	13,928	13,943	13,849
Debt per Capita	\$ 912	\$ 862	\$ 843	\$ 859	\$ 1,041	\$ 972	\$ 899	\$ 840	\$ 788	\$ 740
Personal Income, Total	\$595,091,700	\$600,006,400	\$411,352,400	\$422,376,600	\$589,455,000	\$639,839,200	\$685,561,800	\$695,007,200	\$748,739,100	\$508,119,810
Debt Outstanding Percentage	2.2%	2.1%	2.9%	2.7%	2.3%	2.0%	1.8%	1.7%	1.5%	2.0%
Per Capita Personal Income	\$ 41,300	\$ 41,300	\$ 29,168	\$ 32,302	\$ 45,000	\$ 47,600	\$ 49,700	\$ 49,900	\$ 53,700	\$ 36,690
Unemployment Rate	5.2%	5.2%	5.8%	8.2%	8.8%	5.4%	4.7%	4.9%	4.9%	3.9%

Source: County of Santa Barbara
California Department of Finance
City of Carpinteria
District's Financial Data

CARPINTERIA SANITARY DISTRICT

2012 Wastewater Revenue Bonds-Debt Service Schedule

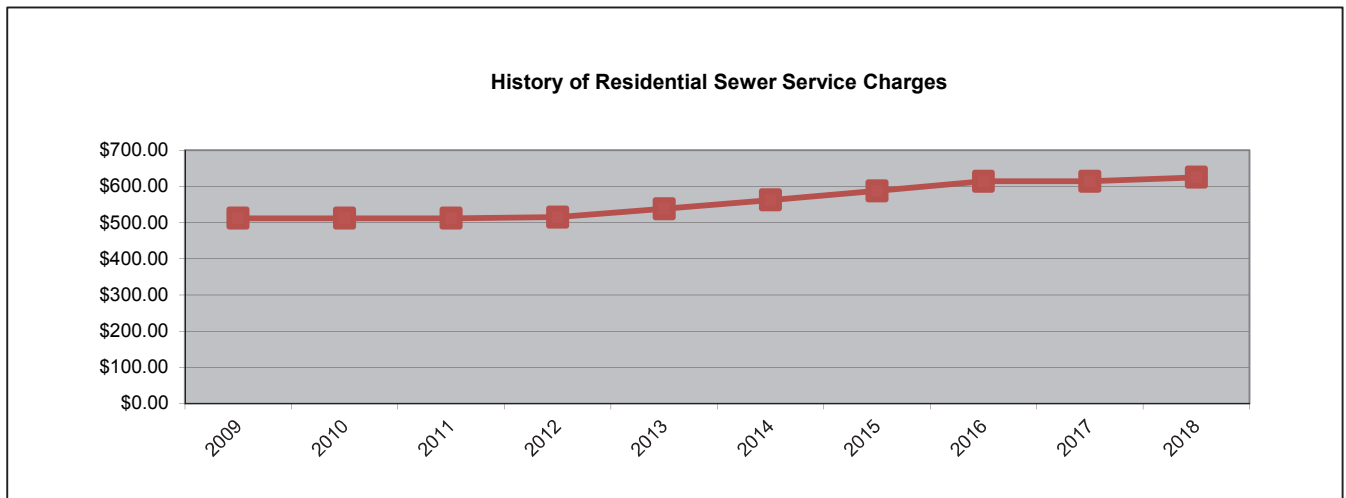
Date	Principal	Interest	Semiannual Payment	Fiscal Total
8/1/2013	\$ 565,000.00	\$ 356,466.52	\$ 921,466.52	
2/1/2014		\$ 266,231.25	\$ 266,231.25	\$ 1,187,697.77
8/1/2014	\$ 670,000.00	\$ 266,231.25	\$ 936,231.25	
2/1/2015		\$ 256,181.25	\$ 256,181.25	\$ 1,192,412.50
8/1/2015	\$ 690,000.00	\$ 256,181.25	\$ 946,181.25	
2/1/2016		\$ 242,381.25	\$ 242,381.25	\$ 1,188,562.50
8/1/2016	\$ 715,000.00	\$ 242,381.25	\$ 957,381.25	
2/1/2017		\$ 228,081.25	\$ 228,081.25	\$ 1,185,462.50
8/1/2017	\$ 745,000.00	\$ 228,081.25	\$ 973,081.25	
2/1/2018		\$ 213,181.25	\$ 213,181.25	\$ 1,186,262.50
8/1/2018	\$ 775,000.00	\$ 213,181.25	\$ 988,181.25	
2/1/2019		\$ 197,681.25	\$ 197,681.25	\$ 1,185,862.50
8/1/2019	\$ 800,000.00	\$ 197,681.25	\$ 997,681.25	
2/1/2020		\$ 183,681.25	\$ 183,681.25	\$ 1,181,362.50
8/1/2020	\$ 830,000.00	\$ 183,681.25	\$ 1,013,681.25	
2/1/2021		\$ 167,081.25	\$ 167,081.25	\$ 1,180,762.50
8/1/2021	\$ 865,000.00	\$ 167,081.25	\$ 1,032,081.25	
2/1/2022		\$ 149,781.25	\$ 149,781.25	\$ 1,181,862.50
8/1/2022	\$ 905,000.00	\$ 149,781.25	\$ 1,054,781.25	
2/1/2023		\$ 127,156.25	\$ 127,156.25	\$ 1,181,937.50
8/1/2023	\$ 950,000.00	\$ 127,156.25	\$ 1,077,156.25	
2/1/2024		\$ 103,406.25	\$ 103,406.25	\$ 1,180,562.50
8/1/2024	\$ 1,000,000.00	\$ 103,406.25	\$ 1,103,406.25	
2/1/2025		\$ 78,406.25	\$ 78,406.25	\$ 1,181,812.50
8/1/2025	\$ 1,050,000.00	\$ 78,406.25	\$ 1,128,406.25	
2/1/2026		\$ 52,156.25	\$ 52,156.25	\$ 1,180,562.50
8/1/2026	\$ 135,000.00	\$ 52,156.25	\$ 187,156.25	
2/1/2027		\$ 49,456.25	\$ 49,456.25	\$ 236,612.50
8/1/2027	\$ 145,000.00	\$ 49,456.25	\$ 194,456.25	
2/1/2028		\$ 46,556.25	\$ 46,556.25	\$ 241,012.50
8/1/2028	\$ 150,000.00	\$ 46,556.25	\$ 196,556.25	
2/1/2029		\$ 44,306.25	\$ 44,306.25	\$ 240,862.50
8/1/2029	\$ 150,000.00	\$ 44,306.25	\$ 194,306.25	
2/1/2030		\$ 42,056.25	\$ 42,056.25	\$ 236,362.50
8/1/2030	\$ 155,000.00	\$ 42,056.25	\$ 197,056.25	
2/1/2031		\$ 39,731.25	\$ 39,731.25	\$ 236,787.50
8/1/2031	\$ 160,000.00	\$ 39,731.25	\$ 199,731.25	
2/1/2032		\$ 37,331.25	\$ 37,331.25	\$ 237,062.50
8/1/2032	\$ 165,000.00	\$ 37,331.25	\$ 202,331.25	
2/1/2033		\$ 34,356.25	\$ 34,356.25	\$ 236,687.50
8/1/2033	\$ 170,000.00	\$ 34,856.25	\$ 204,856.25	
2/1/2034		\$ 32,200.00	\$ 32,200.00	\$ 237,056.25
8/1/2034	\$ 175,000.00	\$ 32,200.00	\$ 207,200.00	
2/1/2035		\$ 29,137.50	\$ 29,137.50	\$ 236,337.50
8/1/2035	\$ 185,000.00	\$ 29,137.50	\$ 214,137.50	
2/1/2036		\$ 25,900.00	\$ 25,900.00	\$ 240,037.50
8/1/2036	\$ 190,000.00	\$ 25,900.00	\$ 215,900.00	
2/1/2037		\$ 22,575.00	\$ 22,575.00	\$ 238,475.00
8/1/2037	\$ 195,000.00	\$ 22,575.00	\$ 217,575.00	
2/1/2038		\$ 19,162.50	\$ 19,162.50	\$ 236,737.50
8/1/2038	\$ 205,000.00	\$ 19,162.50	\$ 224,162.50	
2/1/2039		\$ 15,575.00	\$ 15,575.00	\$ 239,737.50
8/1/2039	\$ 210,000.00	\$ 15,575.00	\$ 225,575.00	
2/1/2040		\$ 11,900.00	\$ 11,900.00	\$ 237,475.00
8/1/2040	\$ 220,000.00	\$ 11,900.00	\$ 231,900.00	
2/1/2041		\$ 8,050.00	\$ 8,050.00	\$ 239,950.00
8/1/2041	\$ 225,000.00	\$ 8,050.00	\$ 233,050.00	
2/1/2042		\$ 4,112.50	\$ 4,112.50	\$ 237,162.50
8/1/2042	\$ 235,000.00	\$ 4,112.50	\$ 239,112.50	\$ 239,112.50
Totals	\$ 13,630,000.00	\$ 5,812,591.52	\$ 19,442,591.52	\$ 19,442,591.52

Source: Official Statement-Carpinteria Sanitary District 2012 Wastewater Revenue Bonds

CARPINTERIA SANITARY DISTRICT

History of Residential Sewer Service Charges Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Annual SSC	\$512.00	\$512.00	\$512.00	\$515.00	\$538.18	\$562.40	\$587.71	\$614.16	\$614.16	\$625.31
Monthly Rate	\$42.67	\$42.67	\$42.67	\$42.92	\$44.85	\$46.87	\$48.98	\$51.18	\$51.18	\$52.11

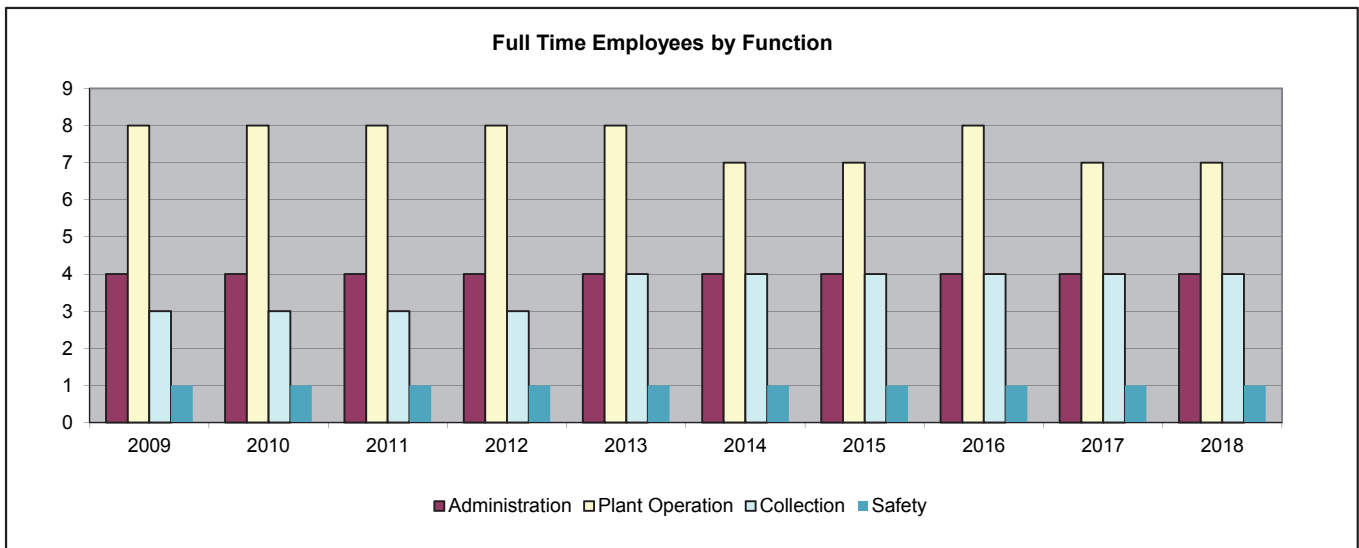


Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Full-Time District Employees by Function Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	4	4	4	4	4	4	4	4	4	4
Plant Operation	8	8	8	8	8	7	7	8	7	7
Collection	3	3	3	3	4	4	4	4	4	4
Safety	1	1	1	1	1	1	1	1	1	1
Totals	16	16	16	16	17	16	16	17	16	16

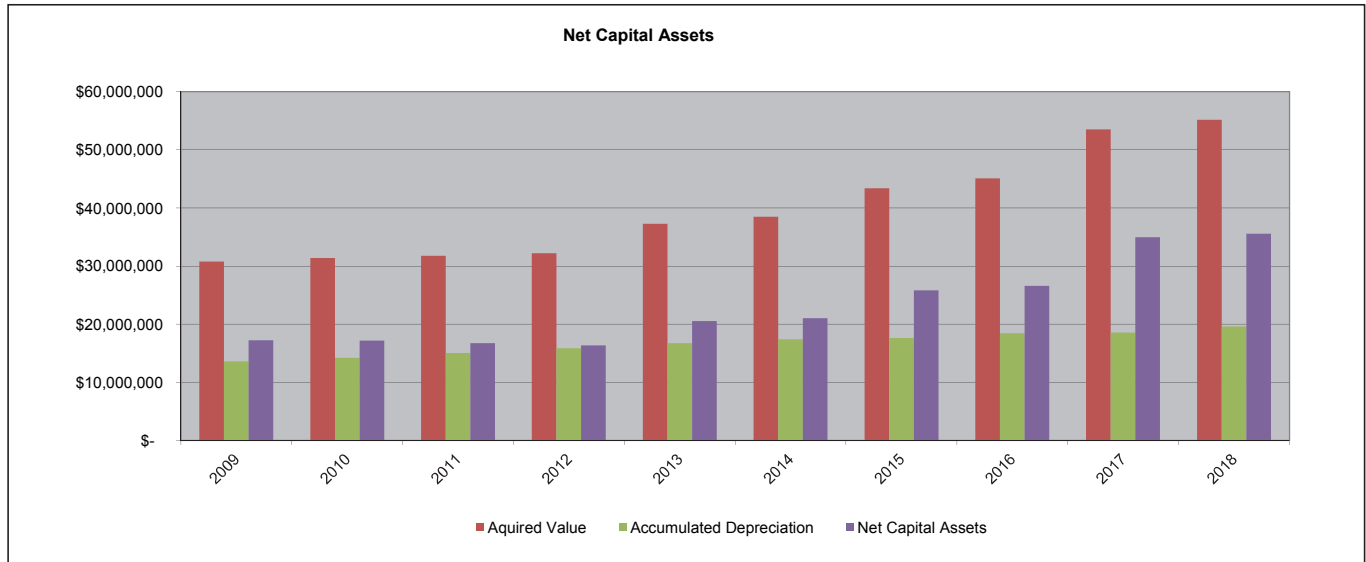


Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Capital Assets Summary Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Aquired Value	\$ 30,794,602	\$ 31,403,031	\$ 31,765,068	\$ 32,229,224	\$ 37,263,014	\$ 38,462,981	\$ 43,403,036	\$ 45,078,516	\$ 53,512,132	\$ 55,200,146
Accumulated Depreciation	13,575,421	14,213,455	15,024,372	15,861,641	16,712,709	17,420,675	17,589,953	18,468,216	18,568,005	19,614,957
Net Capital Assets	\$ 17,219,181	\$ 17,189,576	\$ 16,740,696	\$ 16,367,583	\$ 20,550,305	\$ 21,042,306	\$ 25,813,083	\$ 26,610,300	\$ 34,944,127	\$ 35,585,189



Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Capital Assets Summary Last Ten Fiscal Years

	Aquired Value	Accumulated Depreciation	Aquired Value	Accumulated Depreciation	Aquired Value	Accumulated Depreciation	Aquired Value	Accumulated Depreciation	Aquired Value	Accumulated Depreciation
	6/30/2009	6/30/2009	6/30/2010	6/30/2010	6/30/2011	6/30/2011	6/30/2012	6/30/2012	6/30/2013	6/30/2013
Land	233,619	-	233,619	-	233,619	-	233,619	-	233,619	-
Lab & Safety Equipment	67,422	60,422	61,352	58,352	261,352	61,352	67,288	62,144	67,288	63,331
Building	1,900,107	735,370	2,455,068	754,639	2,455,068	851,771	2,501,697	949,167	2,501,697	1,053,494
Autos & Mobile Equipment	622,462	358,277	643,795	403,644	676,938	431,471	676,938	482,936	676,938	518,485
Ocean Outfall	217,846	129,355	217,846	132,543	217,846	135,731	301,369	138,918	301,369	146,282
Plant	18,078,729	6,786,027	17,907,081	7,104,408	17,907,081	7,594,505	18,235,150	8,079,623	18,351,008	8,580,031
Underground Lines	8,684,700	4,644,745	8,902,700	4,814,665	9,095,439	4,984,434	9,095,439	5,149,359	14,005,444	5,322,395
Office Equipment & Furniture	989,716	861,224	981,570	945,205	1,117,724	965,108	1,117,724	999,494	1,125,651	1,028,691
Totals	30,794,601	13,575,421	31,403,031	14,213,455	31,965,067	15,024,372	32,229,224	15,861,640	37,263,014	16,712,708
Net of Capital Assets		<u>17,219,180</u>		<u>17,189,576</u>		<u>16,940,696</u>		<u>16,367,583</u>		<u>20,550,305</u>

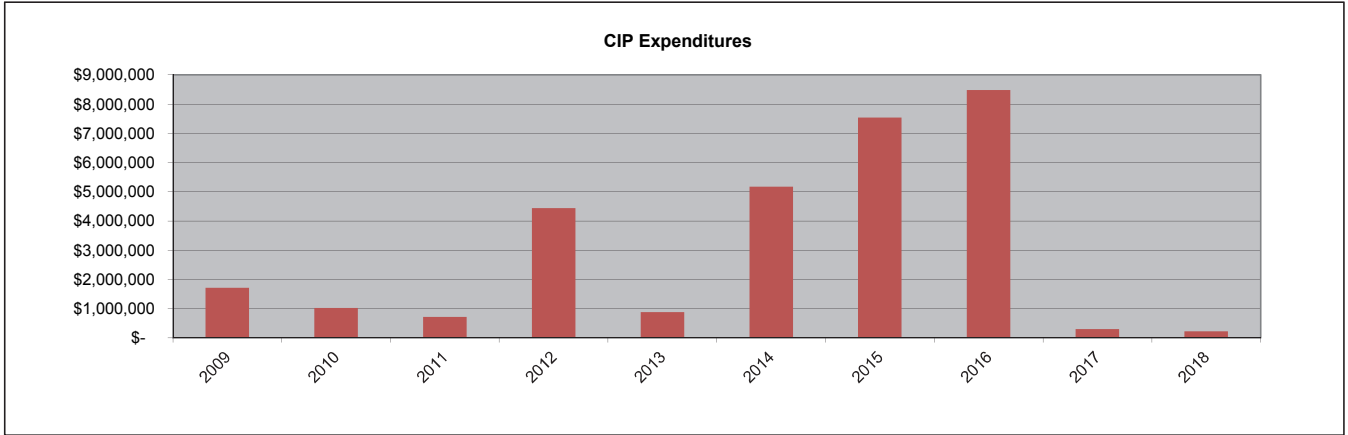
	Aquired Value	Accumulated Depreciation	Aquired Value	Accumulated Depreciation	Aquired Value	Accumulated Depreciation	Aquired Value	Accumulated Depreciation	Aquired Value	Accumulated Depreciation
	6/30/2014	6/30/2014	6/30/2015	6/30/2015	6/30/2016	6/30/2016	6/30/2017	6/30/2017	6/30/2018	6/30/2018
Land	233,619	-	233,619	-	233,619	-	233,619	-	233,619	-
Lab & Safety Equipment	78,410	66,001	45,085	34,382	45,085	36,090	45,085	37,379	45,085	38,668
Building	2,521,265	1,152,739	2,305,736	1,039,112	2,305,736	1,126,608	2,320,706	1,204,839	2,320,706	1,287,328
Autos & Mobile Equipment	865,842	332,695	865,842	370,432	865,842	413,401	933,155	420,522	992,832	465,756
Ocean Outfall	301,369	153,646	301,369	161,010	301,369	168,374	301,369	175,592	301,369	182,810
Plant	18,413,472	9,087,295	18,355,299	9,075,930	18,454,854	9,519,832	27,301,979	9,947,238	27,325,238	10,515,201
Underground Lines	14,936,435	5,582,700	20,138,107	5,857,326	21,787,550	6,239,856	22,014,000	6,564,964	23,852,697	6,892,327
Office Equipment & Furniture	1,112,569	1,045,598	1,157,979	1,051,761	1,084,461	964,055	362,219	217,471	362,219	232,867
Totals	38,462,980	17,420,674	43,403,036	17,589,953	45,078,516	18,468,216	53,512,132	18,568,005	55,433,765	19,614,957
Net of Capital Assets		<u>21,042,306</u>		<u>25,813,083</u>		<u>26,610,300</u>		<u>34,944,128</u>		<u>35,818,808</u>

Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Capital Improvement Projects Expenditures Last Ten Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CIP Expenditures	\$ 1,712,500	\$ 1,023,877	\$ 714,596	\$ 4,442,194	\$ 882,786	\$ 5,174,906	\$ 7,538,758	\$ 8,484,063	\$ 295,580	\$ 224,369

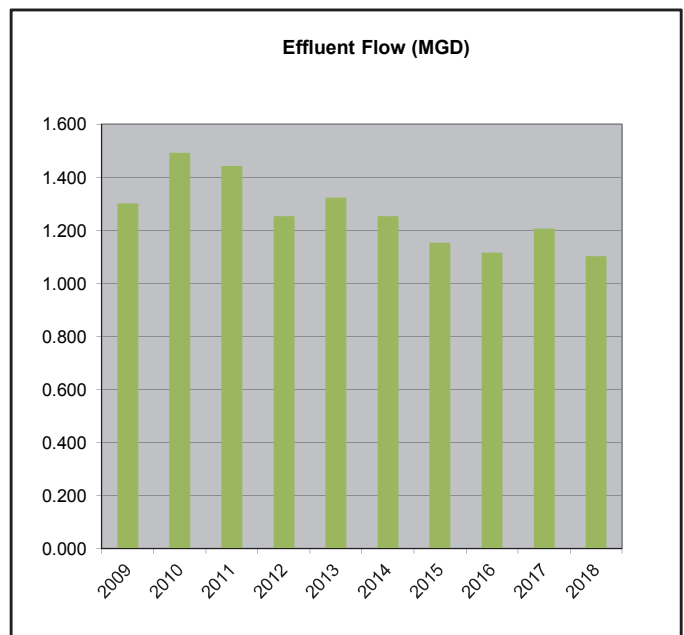
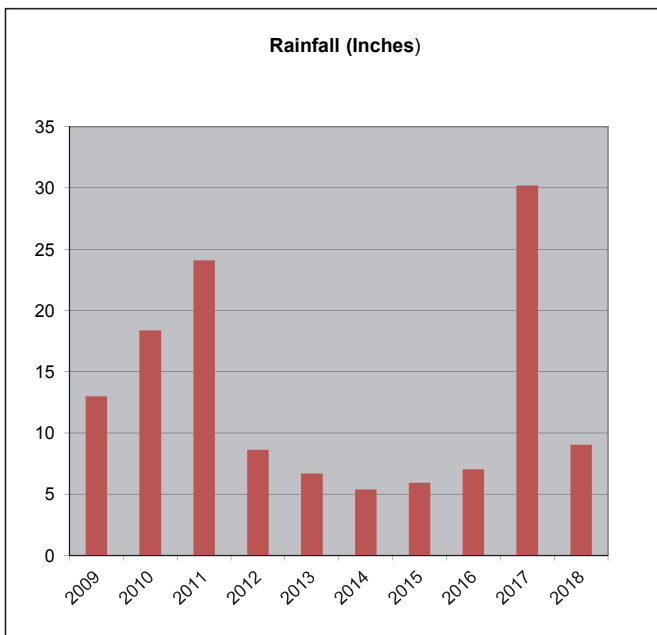


Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Treatment Plant Flow Data Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Annual Rainfall (inches)	12.99	18.37	24.1	8.63	6.68	5.39	5.94	7.03	30.21	9.04
Effluent Flow (MGD)	1.302	1.492	1.443	1.253	1.323	1.253	1.153	1.116	1.206	1.102

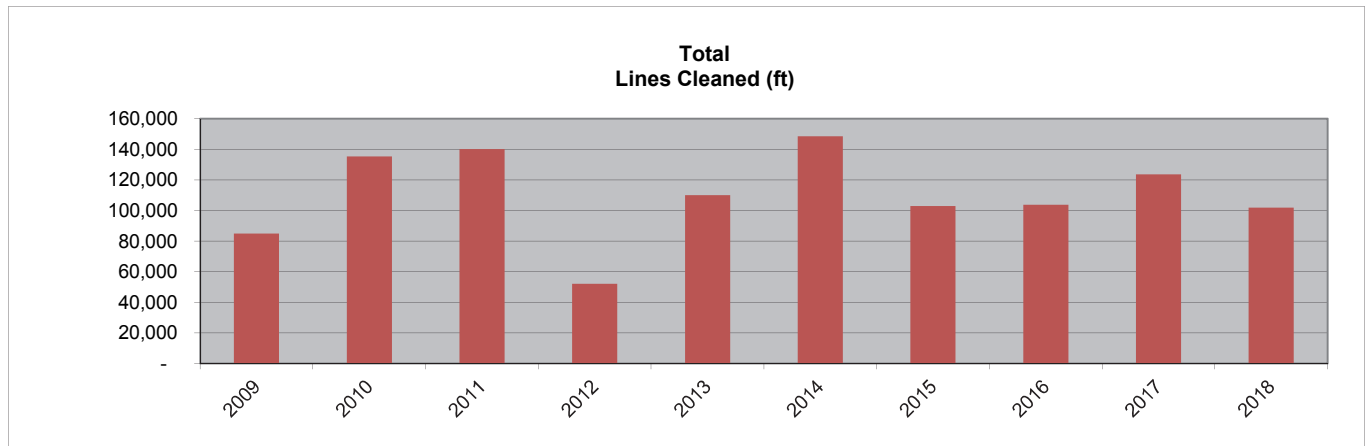


Source: Carpinteria Sanitary District Wastewater Management Data

CARPINTERIA SANITARY DISTRICT

Collection System Statistics - Pipeline Hydro Cleaning Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Cleaned (ft)	85,055	135,502	140,241	52,145	110,036	148,648	102,912	103,785	123,607	102,021
Monthly Average (ft)	7,088	11,292	11,687	4,345	9,170	12,387	8,576	8,649	10,301	8,502

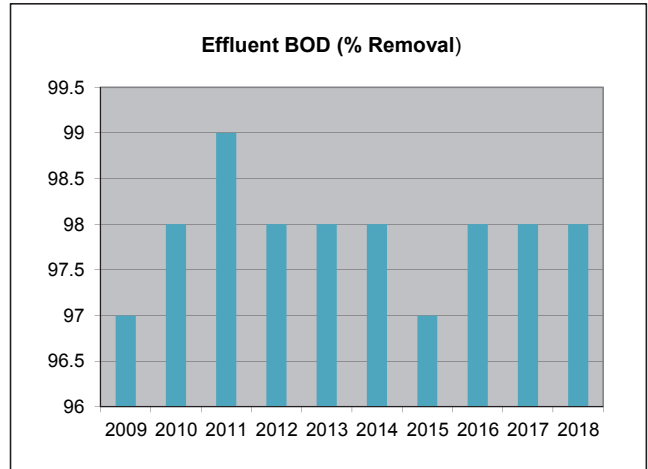
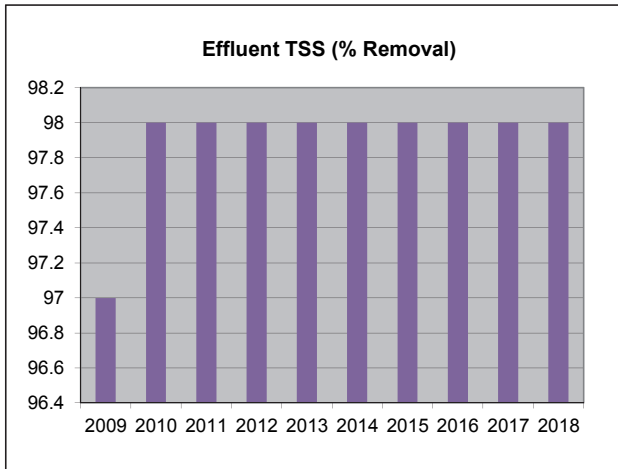
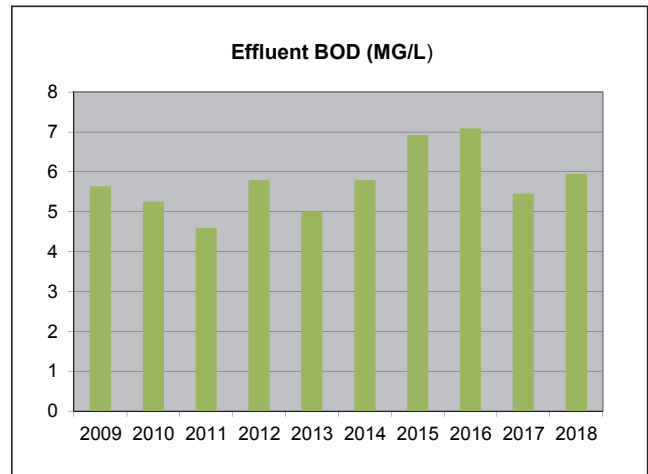
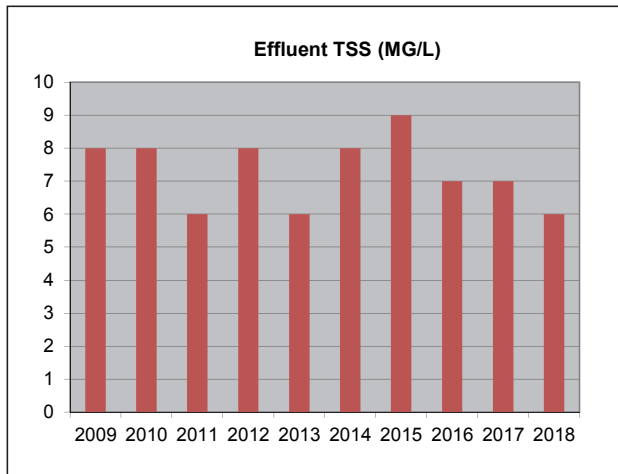


Source: Carpinteria Sanitary District Wastewater Management Database

CARPINTERIA SANITARY DISTRICT

Quality of Effluent - Final Effluent Monthly Average Last Ten Fiscal Year

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Effluent TSS (MG/L)	8	8	6	8	6	8	9	7	7	6
Effluent BOD (MG/L)	5.64	5.25	4.59	5.79	5	5.79	6.92	7.09	5.45	5.95
Effluent TSS (% Removal)	97	98	98	98	98	98	98	98	98	98
Effluent BOD (% Removal)	97	98	99	98	98	98	97	98	98	98

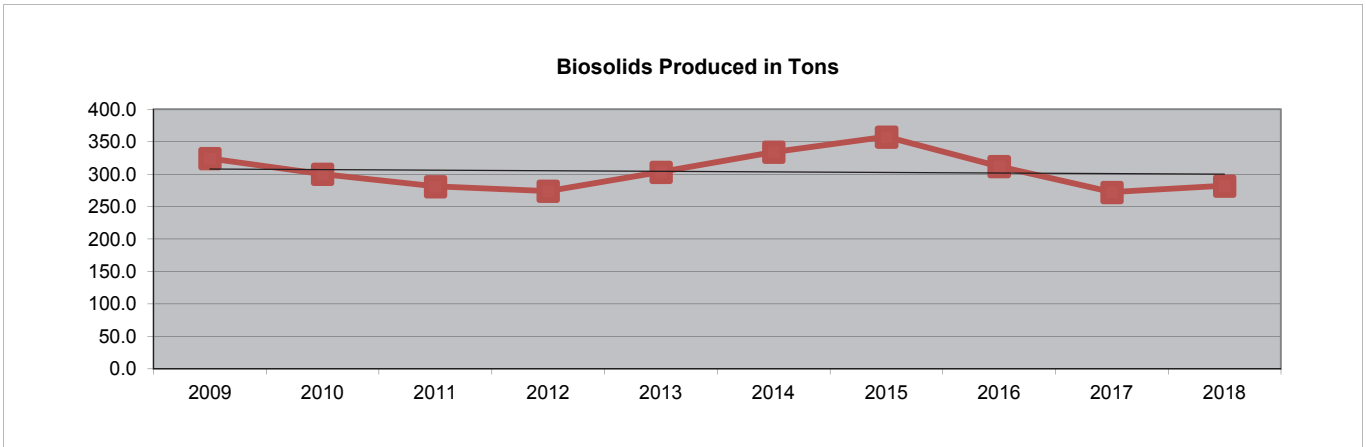


Source: Carpinteria Sanitary District

CARPINTERIA SANITARY DISTRICT

Bio-Solids Produced Last Ten Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Biosolids Produced in Tons	324.4	300.0	281.1	273.8	303.3	333.9	357.5	311.7	272.2	282.1

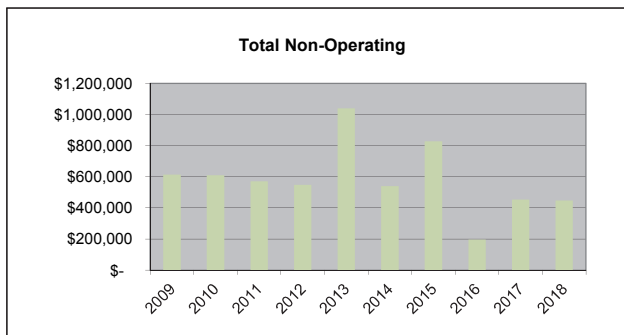
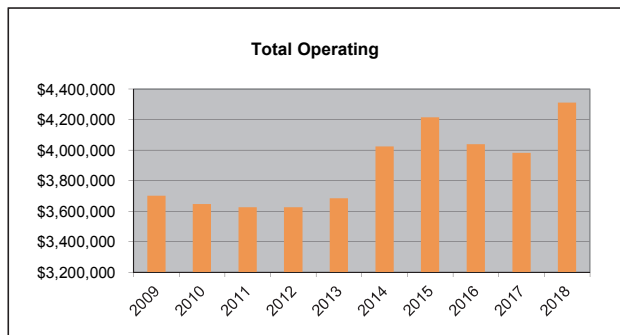


Source: Carpinteria Sanitary District

CARPINTERIA SANITARY DISTRICT

Operating & Non-Operating Expenses Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Salaries and Benefits	\$ 1,631,472	\$ 1,718,238	\$ 1,819,914	\$ 1,813,517	\$ 1,896,058	\$ 2,085,557	\$ 2,139,565	\$ 2,081,622	\$ 1,969,325	\$ 2,243,272
General Operating Expenses	153,652	178,240	157,954	171,996	199,424	193,093	236,290	160,016	190,061	167,906
Environmental and Monitoring	70,061	40,055	26,861	37,878	32,058	75,685	37,856	39,733	35,862	30,872
Utilities	218,355	211,723	218,500	196,309	213,416	233,785	250,797	219,774	186,421	173,898
Sludge Disposal	110,375	98,311	111,243	94,425	108,369	106,177	106,675	87,217	92,614	92,161
Supplies and Equipment	144,636	186,190	161,003	144,738	162,164	137,581	222,407	171,712	161,670	150,275
Repairs and Maintenance	144,337	137,413	125,308	142,639	141,642	103,163	156,972	200,187	187,758	272,875
Professional Services	82,006	86,294	74,368	109,114	98,359	156,521	181,753	101,317	199,694	125,353
Depreciation Expense	1,002,590	976,335	915,991	904,467	823,612	922,417	845,436	962,963	945,949	1,037,821
Other Expenses	144,696	14,117	14,366	11,896	10,460	11,628	38,127	14,016	13,910	16,872
Total Operating	\$ 3,702,180	\$ 3,646,916	\$ 3,625,508	\$ 3,626,979	\$ 3,685,562	\$ 4,025,607	\$ 4,215,878	\$ 4,038,557	\$ 3,983,264	\$ 4,311,305
Interest Expense	613,278	592,368	570,778	548,508	547,261	539,014	212,542	170,850	457,764	428,735
Other	-	16,883	-	-	492,440	-	614,813	25,171	(3,664)	19,409
Total Non-Operating	\$ 613,278	\$ 609,251	\$ 570,778	\$ 548,508	\$ 1,039,701	\$ 539,014	\$ 827,355	\$ 196,021	\$ 454,100	\$ 448,144



Note 1: Non-Operating Expenses ("Other" Category) includes gain or loss on disposal of capital assets

Note 2: In 2013, Bond Issuance Costs were fully amortized as the result of refinancing.

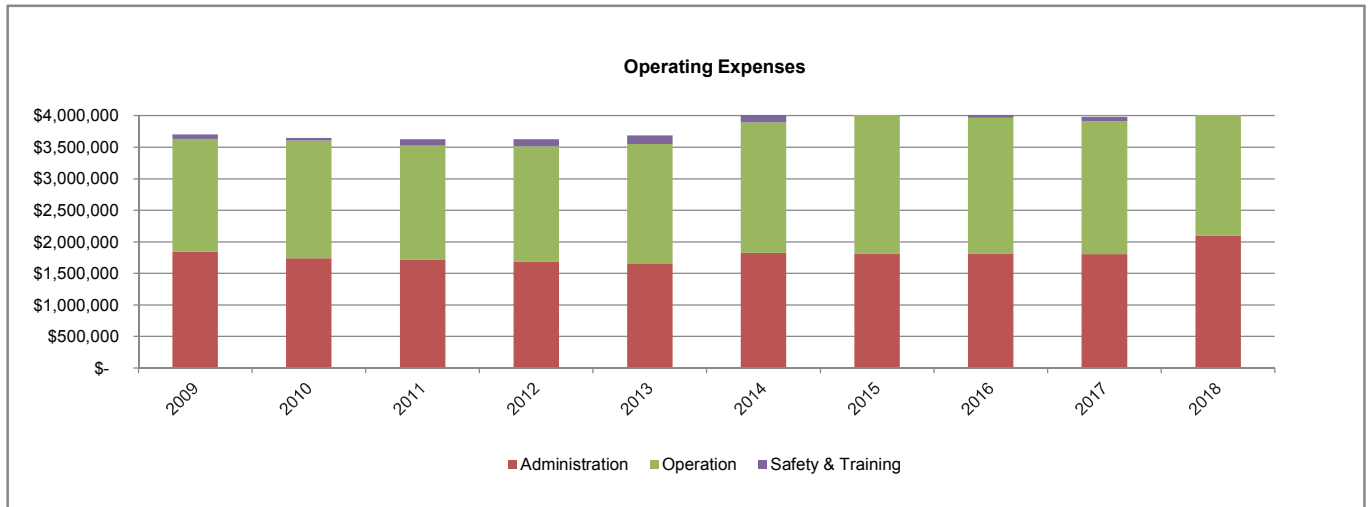
Note 3: In 2015, lower Interest expense due to Interest Capitalization

Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Operating Expenses By Department Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	\$1,846,014	\$1,740,321	\$1,714,279	\$1,689,632	\$1,656,982	\$1,826,807	\$1,813,324	\$1,815,377	\$1,804,289	\$2,096,667
Operation	1,785,389	1,866,929	1,808,682	1,823,989	1,896,003	2,066,563	2,262,675	2,152,797	2,104,949	2,138,840
Safety & Training	70,777	39,666	102,547	113,358	132,577	132,237	139,879	70,383	74,026	75,798
Totals	\$ 3,702,180	\$ 3,646,916	\$ 3,625,508	\$ 3,626,979	\$ 3,685,562	\$ 4,025,607	\$ 4,215,878	\$ 4,038,557	\$ 3,983,264	\$ 4,311,305

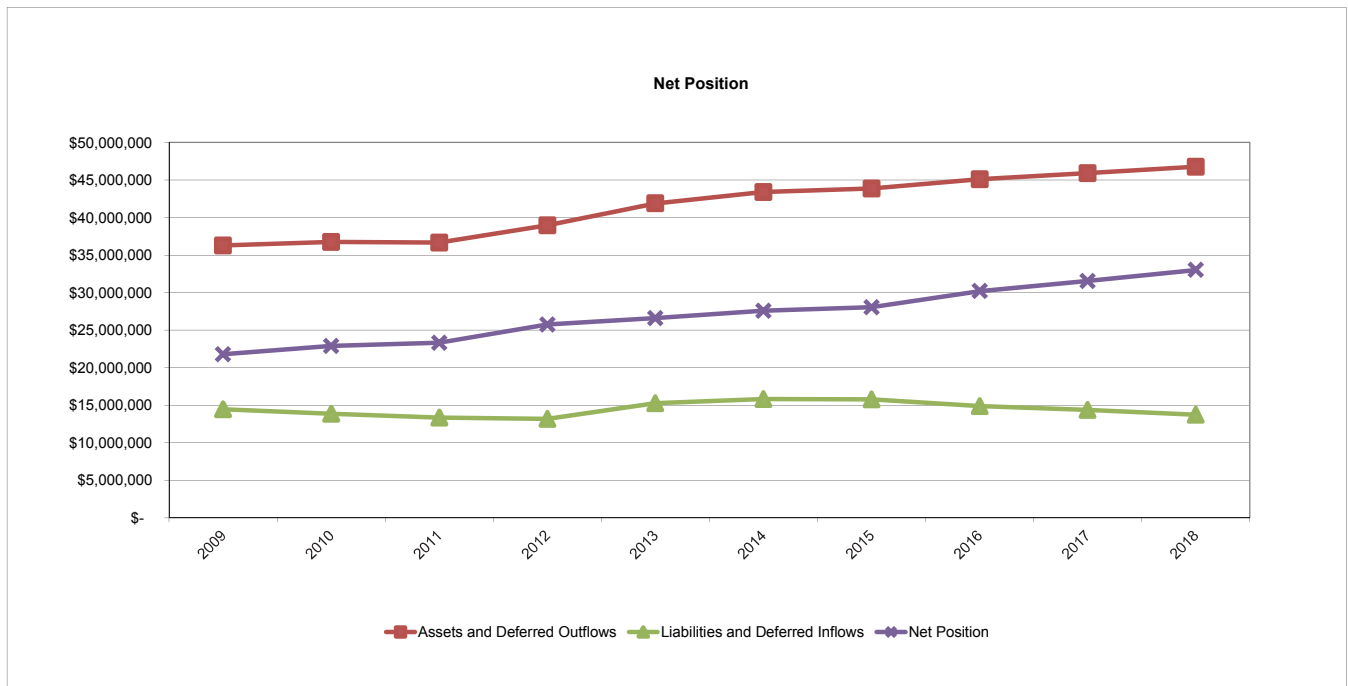


Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Financial Trend Data Last Ten Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets and Deferred Outflows	\$ 36,279,937	\$ 36,739,811	\$ 36,656,523	\$ 38,947,129	\$ 41,883,140	\$ 43,412,989	\$ 43,850,453	\$ 45,100,875	\$ 45,926,975	\$ 46,750,572
Liabilities and Deferred Inflows	14,478,567	13,856,227	13,349,988	13,195,412	15,279,002	15,836,041	15,787,675	14,891,658	14,384,803	13,728,916
Net Position	\$ 21,801,370	\$ 22,883,584	\$ 23,306,535	\$ 25,751,717	\$ 26,604,138	\$ 27,576,948	\$ 28,062,778	\$ 30,209,217	\$ 31,542,172	\$ 33,021,656



Source: Carpinteria Sanitary District Financial Management

CARPINTERIA SANITARY DISTRICT

Demographics and Economic Statistics Last Ten Fiscal Years

Fiscal Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Population	14,409	14,528	14,103	13,076	13,099	13,442	13,547	13,928	13,943	13,849
Personal Income Total	\$ 595,091,700	\$ 600,006,400	\$ 442,650,761	\$ 422,376,600	\$ 589,455,000	\$ 639,839,200	\$ 673,285,900	\$ 715,759,920	\$ 748,739,100	\$ 508,119,810
Per Capita Personal Income	\$ 41,300	\$ 41,300	\$ 31,387	\$ 32,302	\$ 45,000	\$ 47,600	\$ 49,700	\$ 51,390	\$ 53,700	\$ 36,690
Unemployment Rate	5.2%	5.2%	5.8%	8.2%	6.3%	5.4%	4.7%	4.9%	4.3%	3.9%

Source: CA HomeTownLocator which uses GNIS and ESRI demographic models to collect data. (As of July 1, 2018)
Unemployment rate - www.bls.gov for Santa Barbara County (As of June 2018)

CARPINTERIA SANITARY DISTRICT

Principal Employers (Ten Largest)
Last Five Fiscal Years (Unaudited)

Fiscal Year Ended June 30, 2018				Fiscal Year Ended June 30, 2017			
Employer	Number Employees	Rank	Percentage of Total City Employment	Employer	Number Employees	Rank	Percentage of Total City Employment
Procure	838	1	9.21%	Procure	545	1	3.41%
Carpinteria Unified School District	350	2	3.85%	Nusil Technology	356	2	2.23%
Linkedin	330	3	3.63%	Carpinteria Unified School District	323	3	2.02%
Agilent (formerly DAKO)	300	4	3.30%	Linkedin	284	4	1.78%
Gigavac	280	5	3.08%	Agilent	250	5	1.56%
Nusil Technology	275	6	3.02%	AGIA, Inc.	223	6	1.39%
Bega US	153	7	1.68%	Astro Aerospace	147	7	0.92%
AGIA, Inc.	118	8	1.30%	Gigavac	133	8	0.83%
Albertsons	104	9	1.14%	Bega US	120	9	0.75%
Plan Member	85	10	0.93%	Albertsons	118	10	0.74%
Total	2833		31.13%	Total	2499		15.62%
Fiscal Year Ended June 30, 2016				Fiscal Year Ended June 30, 2015			
Employer	Number Employees	Rank	Percentage of Total City Employment	Employer	Number Employees	Rank	Percentage of Total City Employment
Procure	455	1	2.84%	Nusil Technology	403	1	2.52%
Nusil Technology	403	2	2.52%	Carpinteria Unified School District	339	2	2.12%
Linkedin	400	3	2.50%	Lynda.com	300	3	1.88%
Carpinteria Unified School District	349	4	2.18%	DAKO Corporation	250	4	1.56%
DAKO Corporation	250	5	1.56%	AGIA, Inc.	210	5	1.31%
AGIA, Inc.	212	6	1.33%	Bega Lighting	130	6	0.81%
Albertsons	120	7	0.75%	Gigavac	119	7	0.74%
Gigavac	119	8	0.74%	Albertsons	110	8	0.69%
Bega Lighting	110	9	0.69%	CKE (Carl Karcher Enterprises)	110	9	0.69%
Freudenberg Medical, Inc.	90	10	0.56%	Helix Medical, Inc.	90	10	0.56%
Total	2508		15.68%	Total	2061		12.88%
Fiscal Year Ended June 30, 2014				Fiscal Year Ended June 30, 2013			
Employer	Number Employees	Rank	Percentage of Total City Employment	Employer	Number Employees	Rank	Percentage of Total City Employment
Nusil Technology	415	1	2.59%	Nusil Technology	391	1	2.44%
Lynda.com	410	2	2.56%	Carpinteria Unified School District	350	2	2.19%
Carpinteria Unified School District	272	3	1.70%	DAKO Corporation	343	3	2.14%
DAKO Corporation	180	4	1.13%	Lynda.com	303	4	1.89%
AGIA, Inc.	160	5	1.00%	AGIA, Inc.	161	5	1.01%
Helix Medical, Inc.	144	6	0.90%	Helix Medical, Inc.	150	6	0.94%
Plan Member Services	110	7	0.69%	TE Connectivity	130	7	0.81%
Bega Lighting	110	8	0.69%	CKE (Carl Karcher Enterprises)	110	8	0.69%
Albertsons	99	9	0.62%	Albertsons	101	9	0.63%
CKE (Carl Karcher Enterprises)	75	10	0.47%	Plan Member Services	90	10	0.56%
Total	1975		12.34%	Total	2129		13.31%

Source: Information was gathered by phone calls to employers by District staff.