

**CACHUMA OPERATION
AND MAINTENANCE BOARD**

June 30, 2015 and 2014

FINANCIAL STATEMENTS



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

CACHUMA OPERATION AND MAINTENANCE BOARD

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Cachuma Operation and Maintenance Board

Report on the Financial Statements

We have audited the accompanying statement of net position of Cachuma Operation and Maintenance Board ("COMB") as of June 30, 2015 and 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise COMB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net financial position of the Cachuma Operation and Maintenance Board, as of June 30, 2015 and 2014, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of Matters

As discussed in Note 2 and Note 15 to the basic financial statements, the District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during fiscal year 2015. The adoption of this standard required retrospective application resulting in a \$1,357,357 reduction of net position as of July 1, 2014. Our opinion is not modified with respect to this matter. Because all of the information required to restate the prior year was not available at the time the financial statements were available to be issued, prior year values are not presented in a comparable manner.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 11, the California Public Employees' Retirement System - Schedule of Cachuma Operation and Maintenance Board's Proportionate Share of the Net Pension Liability on page 45, California Public Employees' Retirement System - Schedule of Cachuma Operation and Maintenance Board's Contributions on page 46, and Other Post-Employment Benefits (OPEB) Plan - Schedule of Funding Progress on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance

on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise COMB's basic financial statements. The supplemental schedule of operation and maintenance, general and administrative and other maintenance expense on pages 48 through 49 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California

January 25, 2016

CACHUMA OPERATION AND MAINTENANCE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2015

This section presents management's analysis of the financial condition and activities of the Cachuma Operation and Maintenance Board (COMB) for the fiscal year ended June 30, 2015. This information should be read in conjunction with the financial statements and the additional information included herewith.

OVERVIEW OF THE FINANCIAL STATEMENTS

COMB operates as a proprietary fund-type. All proprietary fund-types use a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position and where appropriate, total net position (i.e., fund equity) are segregated into invested in capital and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net position.

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

Summary of Organization and Business

COMB is a public entity duly organized and existing in accordance with enabling legislation of the State of California: Chapter 5, Division 7, Title 1, of the Government Code (Section 6500 et seq.), the Joint Exercise of Powers Act. COMB was officially established as a joint powers agency as of January 1, 1957 by and among six public agencies (Member Agencies) in Santa Barbara County, two of which have subsequently reorganized (merged). On May 23, 1996 the Joint Exercise of Powers Agreement (Agreement) for COMB was amended and restated. The Member Agencies entered into the Agreement to exercise their common power to provide for the rights to, the facilities of, and the operation, maintenance and use of the United States, Department of the Interior, Bureau of Reclamation project known as the Cachuma Project, including storage, treatment, transport and appurtenant facilities, and all necessary tangible and intangible property and rights. In particular, the Member Agencies expressed their desire to create COMB for the purpose of providing authority for the financing of "costs" for the capture, development, treatment, storage, transport and delivery of water; and for repayment of notes, bonds, loans, warrants, and revenue bonds as may be issued to finance facilities, operations or services. In September 2010, the Cachuma Operation and Maintenance Board approved a budget adjustment effective January 2011 to transfer from Cachuma Conservation and Release Board (CCRB) the implementation of the Santa Ynez River Fisheries Program as required by the 2000 Biological Opinion.

COMB currently has a staff of 14 full time employees. Of these, five are employed in an administrative capacity and nine are in field operations.

**CACHUMA OPERATION AND MAINTENANCE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of Organization and Business (Continued)

COMB is presently composed of five Member Agencies, all of which are public agencies: the Carpinteria Valley Water District, the Goleta Water District, the Montecito Water District, the Santa Ynez River Water Conservation District Improvement District No. 1, and the City of Santa Barbara. (A founding Member Unit of COMB, the Summerland Water District, reorganized with the Montecito Water District, with Montecito Water District as the successor agency. Another founding Member Unit of COMB, the Santa Ynez River Water Conservation District, assigned its Member Unit water contract to the Santa Ynez River Water Conservation District, Improvement District No. 1.)

Under the Agreement, each of the five Member Agencies appoints a representative to the COMB Board of Directors. The following table shows each Member Unit's share of the Cachuma Project yield (water entitlement) and the number of votes each has on the Board of Directors:

<u>Member Unit</u>	<u>Entitlement Percentage</u>	<u>Board Representation</u>
Carpinteria Valley WD	10.94 %	1 vote
Goleta Water District	36.25 %	2 votes
Montecito Water District	10.31 %	1 vote
Santa Ynez RWCD ID No. 1	10.31 %	1 vote
City of Santa Barbara	32.19 %	2 votes
Total	<u>100.00%</u>	<u>7 votes</u>

Votes representing a majority of the number of votes authorized under the Agreement are required for the approval of any decision, other than adjournment, which requires action of the Board of Directors. Also, the affirmative vote of at least three representatives to the Board of Directors is necessary for the approval of such a decision. The unanimous consent of the representatives of all the Member Agencies is required for COMB to take action on the following matters:

1. Approval of a Cachuma Project Master Contract amendment, renewal or extension;
2. A matter involving water rights of any party;
3. Acquisition of significant facilities from the United States;
4. Issuance of bonds, loans or other forms of indebtedness in excess of one million (\$1,000,000) dollars.

A decision of COMB authorizing a capital expenditure in excess of one million dollars or incurring an indebtedness or obligation in excess of one million dollars is not effective unless it has been ratified by a resolution approved by all of the Member Agencies.

**CACHUMA OPERATION AND MAINTENANCE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Operating Assessments

Current operations of COMB are funded by assessment of the Member Agencies, with the assessments based on the Member Agencies' Cachuma Project entitlement percentages. In September 2010, the Cachuma Operation and Maintenance Board approved a budget adjustment effective January 2011 to transfer from CCRB the implementation of the Santa Ynez River Fisheries Program as required by the 2000 Biological Opinion. All five Member Agencies fund the general and administrative portion of the annual budget as well as the cost of special projects (capital improvements, rehabilitation & betterment, maintenance & modifications, etc.) for Bradbury Dam and Lake Cachuma, the main Cachuma Project storage facility, located on the Santa Ynez River in northern Santa Barbara County. All five Member Agencies also fund the Santa Ynez River Fisheries Program and related activities.

Four of the Member Agencies, not including Santa Ynez River Water Conservation District, Improvement District No. 1, fund the operation and maintenance portion of the annual budget as well as the cost of special projects for other Cachuma Project storage and conveyance facilities that serve the South Coast of Santa Barbara County. These facilities include the Tecolote Tunnel, the South Coast Conduit (SCC), and four dams and reservoirs (Glen Annie, Lauro, Ortega and Carpinteria). During the fiscal year ended June 30, 2015, COMB conducted and/or completed a number of special studies and projects using revenue provided by these assessments. These included SCC improvements; and rehabilitation and betterment of control stations, valves and structures.

Grant Program

COMB has developed a grant program by utilizing a team of staff members to write proposals, administer grants and carry out grant contracts. They have applied for and received various federal and state contracts for habitat enhancement, fisheries projects within the Lower Santa Ynez River drainage and South Coast pipeline improvement projects. The utilization of these grants has assisted the Member Agencies in accomplishing required fisheries restoration and habitat improvement projects as well as a vital infrastructure improvement project. For fiscal year 2014-2015, no grant funding was received.

COMB Committees

COMB has five standing committees: the Administrative Committee (financial, personnel and legal matters), the Operations Committee, the Fisheries Committee, the Public Outreach Committee, and the Lake Cachuma Oak Tree Committee. Each committee is composed of two Board members and one alternate Board member. Appointments to the committees are made by the President of the Board. The committees meet with staff on an as-needed basis and review and recommend actions to the Board of Directors with regard to capital improvements, finance, and other matters. From time-to-time, COMB utilizes ad-hoc committees which are temporary in nature.

**CACHUMA OPERATION AND MAINTENANCE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL HIGHLIGHTS

The following table shows a condensed version of COMB's statement of net position with corresponding analysis regarding significant variations. This statement includes the assets and liabilities related to the transfer of fisheries activities into COMB effective January 2011.

Condensed Statement of Net Position

	Year Ended			2015-2014 Variance		2014-2013 Variance	
				Dollars	Percent	Dollars	Percent
	June 30, 2015	June 30, 2014	June 30, 2013	Change	Change	Change	Change
Assets:							
Current Assets	\$ 2,333,338	\$ 2,065,857	\$ 913,383	\$ 267,481	12.9%	\$ 1,152,474	126.2%
Restricted Assets	744,104	315,731	38,833	428,373	135.7%	276,898	713.0%
Property, Plant & Equipment	199,564	142,007	198,875	57,557	40.5%	(56,868)	-28.6%
Other Assets	6,191,101	6,288,831	6,381,325	(97,730)	-1.6%	(92,494)	-1.4%
Total Assets	\$ 9,468,107	\$ 8,812,426	\$ 7,532,416	\$ 655,681	7.4%	\$ 1,280,010	17.0%
Deferred Outflows of Resources:							
Deferred pensions	\$ 136,562	\$ -	\$ -	\$ 136,562	100.0%	\$ -	0.0%
Total Deferred Outflows of Resources	\$ 136,562	\$ -	\$ -	\$ 136,562	100.0%	\$ -	0.0%
Liabilities:							
Current Liabilities	\$ 1,546,701	\$ 1,555,068	\$ 436,818	\$ (8,367)	-0.5%	\$ 1,118,250	256.0%
Long-Term Liabilities	10,659,223	6,884,521	6,813,787	3,774,702	54.8%	70,734	1.0%
Total Liabilities	12,205,924	8,439,589	7,250,605	3,766,335	44.6%	\$ 1,188,984	16.4%
Deferred Inflows of Resources:							
Deferred pensions	\$ 348,168	\$ -	\$ -	\$ 348,168	100.0%	\$ -	0.0%
Total Deferred Inflows of Resources	\$ 348,168	\$ -	\$ -	\$ 348,168	100.0%	\$ -	0.0%
Net Position:							
Invested in Capital Assets	199,564	142,007	198,875	57,557	40.5%	\$ (56,868)	-28.6%
Unrestricted	(3,148,987)	230,830	82,936	(3,379,817)	-1464.2%	147,894	178.3%
Total Net Position	\$ (2,949,423)	\$ 372,837	\$ 281,811	\$ (3,322,260)	-891.1%	\$ 91,026	32.3%

Statement of Net Position Analysis

Total assets as of June 30, 2015 are 7.4% more than the June 30, 2014 amount. The changes are noted below.

- Current assets include bank account balances and all accounts receivable balances. The current assets for fiscal year ending 2015 are higher than the previous year primarily attributable to a draw down in late June 2015 on the Bank of Santa Barbara Emergency Pumping Facilities Project loan to cover incurred expenses that had not been paid.
- Restricted assets are more as compared to the prior year due to an increase in deposits into the Warren Act Trust Fund. The Warren Act Trust Fund deposits are variable in nature and are directly tied to the amount of State Water Project Water delivered to the lake on behalf of the State Water Project (SWP) participants during the previous year.
- The value of property, plant, and equipment is slightly higher than the previous fiscal year. The purchase of two new fleet vehicles was offset by the disposal/sale of four fleet vehicles. The net increase to property, plant and equipment was primarily due to the purchase of a new computer server and additional field equipment.

CACHUMA OPERATION AND MAINTENANCE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS (Continued)

Statement of Net Position Analysis (Continued)

- Deferred outflows and deferred inflows are related to deferred pensions associated with GASB 68. Note 12 contains detailed information regarding these balances.
- Other assets are relatively the same as the prior year and represent the Bradbury and Lauro SOD Act assessments receivable.
- Current liabilities represent accounts payable balances, the current portion due (within one year) of long term debt, and deferred revenue account balances. The current liabilities are slightly less than the previous fiscal year primarily due to an increase in deferred revenues and a decrease in the accounts payable clearing account.
- Long term liabilities have increased significantly as compared to the prior year due to the notes payable for the Emergency Pumping Facilities Project.
- The Invested in Capital Assets is slightly greater than the previous year primarily due to the purchase of office and field equipment.
- Unrestricted net position is significantly less than the previous year primarily due to the expenses incurred on the Emergency Pumping Facilities Project and restatement of prior year pension liability in accordance with GASB 68. The restatement is disclosed in Footnote 15.

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ended			2015-2014 Variance		2014-2013 Variance	
	June 30, 2015	June 30, 2014	June 30, 2013	Dollars	Percent	Dollars	Percent
				Change	Change	Change	Change
Operating Revenues (Expenses):							
Operating Revenues	\$ 5,889,530	\$ 5,470,764	\$ 5,492,902	\$ 418,766	7.7%	\$ (22,138)	-0.4%
Operating Expenses,							
excluding Depreciation Expense	(7,698,633)	(5,198,460)	(4,718,750)	(2,500,173)	48.1%	\$ (479,710)	10.2%
Depreciation	(58,123)	(77,213)	(87,680)	19,090	-24.7%	\$ 10,467	-11.9%
Operating Income (Deficit)	(1,867,226)	195,091	686,472	(2,062,317)	1057.1%	\$ (491,381)	-71.6%
Non-operating Revenues	1,551	399	424	1,152	288.7%	\$ (25)	-5.9%
Non-operating Expenses	(99,228)	(104,464)	(230,199)	5,236	-5.0%	\$ 125,735	-54.6%
Change in Net Position	\$ (1,964,903)	\$ 91,026	\$ 456,697	\$ (2,055,929)	2258.6%	\$ (365,671)	80.1%
Net Position at beginning of year, as originally presented	372,837	281,811	(174,886)	91,026	100.0%	\$ 456,697	261.1%
Prior period adjustment	(1,357,357)	-	-	(1,357,357)	100.0%	\$ -	100.0%
Net Position at beginning of year, as restated	(984,520)	-	-	(984,520)	100.0%	\$ -	100.0%
Net Position at End of Year	\$ (2,949,423)	\$ 372,837	\$ 281,811	(3,322,260)	-891.1%	\$ 91,026	32.3%

**CACHUMA OPERATION AND MAINTENANCE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement Analysis

- Operating revenues as of June 30, 2015 increased by approximately by 8% compared to the previous fiscal year primarily due to the anticipated costs affiliated with the Emergency Pumping Facilities Project.
- Operating expenses, excluding depreciation and amortization expenses, were considerably more than the prior fiscal year primarily due to the expenses associated with the Emergency Pumping Facilities Project.
- Depreciation expense shows a decrease of approximately 25% as compared to the previous fiscal year due to a large number of assets that have been fully depreciated and no longer have a depreciation expense to record.
- Non-operating revenues consist of interest income and increased as a result of higher balances in LAIF balances throughout the year.
- Non-operating expenses were essentially the same as the previous fiscal year.
- The Change in Net Position has decreased substantially as compared to the prior fiscal year due to an increase in project expenses affiliated with the Emergency Pumping Facilities Project.

Capital Assets

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

	Capital Assets							
	Year Ended			2015-2014 Variance		2014-2013 Variance		
	June 30, 2015	June 30, 2014	June 30, 2013	Dollars Change	Percent Change	Dollars Change	Percent Change	
Vehicles	\$ 409,581	\$ 431,605	\$ 431,605	\$ (22,024)	-5.1%	\$ -	0.0%	
Office Furniture and Equipment	432,634	405,275	398,705	27,359	6.8%	6,570	1.6%	
Field Equipment	542,025	517,530	503,755	24,495	4.7%	13,775	2.7%	
Mobile Offices Used for Facilities	97,803	97,803	97,803	-	0.0%	-	0.0%	
Resurfacing	38,351	38,351	38,351	-	0.0%	-	0.0%	
Total Capital Assets	1,520,394	1,490,564	1,470,219	29,830	2.0%	20,345	1.4%	
Accumulated Depreciation	(1,320,830)	(1,348,557)	(1,271,344)	27,727	-2.1%	(77,213)	6.1%	
Net Capital Assets	\$ 199,564	\$ 142,007	\$ 198,875	\$ 57,557	40.5%	(56,868)	-28.6%	

CACHUMA OPERATION AND MAINTENANCE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration

Series 2004A Refinance Bonds

COMB and the Cachuma Project Authority (CPA) merged in 1996, with COMB as the successor agency. With this merger, COMB assumed responsibility for the oversight and payment of the Series 1993 CPA revenue bonds. However, the bonds are not recorded on the books of COMB because, under Joint Participation Agreements between COMB and three of the Member Agencies, these Member Agencies are obligated to make the bond principal and interest payments on behalf of COMB. The Series 1993 bonds were refinanced by COMB in the first quarter of fiscal year 2004/05.

Safety of Dams Repayment Contracts

Under the terms and conditions of a repayment contract executed in 2002, COMB is responsible for payment to the United States of fifteen percent (15%) of the total amount of Safety of Dams (SOD) Act funds expended by the United States for structural stability and related work at Bradbury Dam.

The debt total under the contract as executed is approximately \$6,791,000 plus interest and is to be repaid by annual payments over a 50-year period. COMB assesses the Member Agencies annually to collect the revenue for the payment due that year, with the assessments calculated in accordance with each Member Agencies' Cachuma Project entitlement percentages.

All work activities related to the Bradbury SOD Act rehabilitation project have been completed as of June 30, 2012.

The funds expended by Reclamation through June 30, 2013 on the Lauro Dam rehabilitation project as identified in the Re-Payment Schedule for this project are approximately \$6,728,401. The fifteen percent obligation plus interest during construction equates to approximately \$968,607 for the Lauro SOD Act repayment debt which appears in the long term liability account.

Work activities during the current fiscal year related to the completion of the Lauro Dam SOD Act rehabilitation were relatively minor and produced an inconsequential increase to the overall debt obligation.

Bank of Santa Barbara Emergency Pumping Facility Project Notes Payable

During fiscal year ending 2015, COMB contracted for the construction of the Emergency Pumping Facilities Project (Project) to provide continued delivery of water from Lake Cachuma to the Member Agencies until sufficient inflow occurs and the reservoir level returns to a normal operating condition. In order to implement this large scale project, three of the four South Coast Member agencies agreed to finance their proportionate share through a commercial financing arrangement with the Bank of Santa Barbara.

The note consists of two separate financing facilities: 1) A revolving line of credit (\$1.2 million) for a period of 24 months followed by a fixed 60 months of principal and interest, 2) A non-revolving line of credit (\$2.0 million) for a period of 24 months followed by a fixed 60 months of principal and

CACHUMA OPERATION AND MAINTENANCE BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration (Continued)

Bank of Santa Barbara Emergency Pumping Facility Project Notes Payable (Continued)

interest. The districts participating in the financing included Goleta Water District, Montecito Water District, and Carpinteria Valley Water District. The City of Santa Barbara did not participate in the financing and chose to fund the project through quarterly assessments. Santa Ynez River Water Conservation District, Improvement District No. 1 was indemnified by the four South Coast Member Agencies and did not participate in any expenditure of the Project. While COMB secured the financing for the project, the three districts participating in the debt obligation provided the guarantee for repayment of their allocated percentage and are held solely liable for any interest rate increase caused by a downgrade of their individual credit rating.

Pension Plan Accounting

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards that substantially changed the accounting and financial reporting of public employee pension plans and the state and local governments that participate in such plans. GASB Statement No. 67, *Financial Reporting for Pension Plans* revises existing guidance for the financial reports of most governmental pension plans. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 67 is applicable to CalPERS and effective for financial statements for fiscal years beginning after June 15, 2013. GASB Statement No. 68 is applicable to employers and effective for financial statements for fiscal years beginning after June 15, 2014.

GASB Statement No. 68 requires employers to recognize a liability as employees earn their pension benefits. To the extent that a long-term obligation to provide pension benefits (total pension liability) is larger than the value of the assets available in the plan (fiduciary net position) to pay pension benefits, the employers must report a net pension liability on the employer's accrual-based financial statements for the first time.

A cost-sharing multiple-employer plan (cost-sharing plan) is one in which the participating employers pool their assets and their obligations to provide defined pension benefits, such as employers participating in risk pools. Under the new GASB standards, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements. Note 12 contains detailed information regarding these balances.

In order to implement GASB 68, a prior period adjustment was made to COMB's July 1, 2014 net position. This prior period adjustment decreased the District's net position by \$1,357,357 and reflects the reporting of prior year net pension liabilities of \$1,493,919, and deferred outflows of resources of \$136,562. See Note 15 for further details.

CACHUMA OPERATION AND MAINTENANCE BOARD
STATEMENT OF NET POSITION
June 30, 2015 and 2014

ASSETS

	2015	2014
Current Assets		
Cash (Note 3)	\$ 1,467,096	\$ 1,921,242
Investments, cash equivalents (Note 3)	639,215	3,893
Assessment receivable	104,395	-
Grant receivable	-	17,935
Prepaid insurance	24,901	18,125
Other receivables	-	12,167
Current portion of SOD Act assessments receivable (Note 6)	97,731	92,495
Total current assets	2,333,338	2,065,857
Restricted Assets (Note 4)		
Cash	244,104	315,731
Investments, cash equivalents	500,000	-
Total restricted assets	744,104	315,731
Capital Assets (Note 8)		
Vehicles	409,581	431,605
Office furniture and equipment	432,634	405,275
Field equipment	542,025	517,530
Modular administrative offices	97,803	97,803
Resurfacing	38,351	38,351
Subtotal	1,520,394	1,490,564
Less: accumulated depreciation	(1,320,830)	(1,348,557)
Capital assets, net	199,564	142,007
Other Assets		
Long-term assessments receivable SOD Act (Note 6)	6,191,101	6,288,831
Total other assets	6,191,101	6,288,831
Total assets	9,468,107	8,812,426
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred pensions	136,562	-
Total deferred outflows of resources	136,562	-
Total assets and deferred outflows of resources	\$ 9,604,669	\$ 8,812,426

See accompanying notes

CACHUMA OPERATION AND MAINTENANCE BOARD
STATEMENT OF NET POSITION
June 30, 2015 and 2014

LIABILITIES

	2015	2014
Current Liabilities		
Accounts payable	\$ 474,946	\$ 935,500
Accrued vacation and sick leave benefits	142,912	124,333
Deferred revenue	744,104	315,732
Accrued interest	87,008	87,008
Current portion of SOD Act contract payable (Note 6)	97,731	92,495
Total current liabilities	1,546,701	1,555,068
Long-Term Liabilities		
Net other post employment benefit obligation (Note 13)	746,491	595,690
Notes payable (Note 7)	2,601,317	-
Net pension liability (Note 12)	1,120,314	-
SOD Act contract payable, net of current portion (Note 6)	6,191,101	6,288,831
Total long-term liabilities	10,659,223	6,884,521
Commitments and Contingencies (Note 14)		
Total liabilities	12,205,924	8,439,589

DEFERRED INFLOWS OF RESOURCES

Deferred pensions	348,168	-
Total deferred inflows of resources	348,168	-

NET POSITION

Invested in capital assets, net of related debt	199,564	142,007
Unrestricted:		
Designated to be constructively returned	-	230,830
Accumulated deficit	(3,148,987)	-
Total net position	\$ (2,949,423)	\$ 372,837

See accompanying notes

CACHUMA OPERATION AND MAINTENANCE BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Operating assessments from member agencies	\$ 5,488,859	\$ 4,430,079
Grant revenue	-	689,076
Warren Act Fund (Note 4)	113,434	16,555
Renewal Fund (Note 4)	159,887	242,912
Cachuma Project Betterment Fund (Note 5)	90,000	90,000
Other revenues	37,350	2,142
	<u>5,889,530</u>	<u>5,470,764</u>
Operating Expenses		
Operation and maintenance division:		
Operation and maintenance	809,837	831,722
General and administrative	1,076,051	971,094
Drought contingency planning	-	307,649
Emergency pumping facility project	4,149,098	1,138,483
Fisheries division:		
Operation and maintenance	539,134	524,767
General and administrative	346,347	343,852
Fishery related projects	224,563	123,248
Quiota Creek crossing habitat enhancement	-	799,225
Other maintenance and habitat enhancement	553,603	158,420
Depreciation	58,123	77,213
	<u>7,756,756</u>	<u>5,275,673</u>
Net Operating Gain (Loss)	<u>(1,867,226)</u>	<u>195,091</u>
Non-Operating Revenues (Expenses)		
Interest income	1,551	399
Interest expense	(99,228)	(104,464)
Total non-operating expenses	<u>(97,677)</u>	<u>(104,065)</u>
Change in net position	(1,964,903)	91,026
Net Position, beginning of year, as originally presented	<u>372,837</u>	<u>281,811</u>
Prior period adjustments (Note 15)	<u>(1,357,357)</u>	<u>-</u>
Net Position - beginning of year, as restated	<u>(984,520)</u>	<u>281,811</u>
Net Position - end of year	<u>\$ (2,949,423)</u>	<u>\$ 372,837</u>

See accompanying notes

CACHUMA OPERATION AND MAINTENANCE BOARD
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows from Operating Activities</u>		
Cash received from member agencies	\$ 5,489,124	\$ 4,515,362
Cash received from other sources	37,350	2,142
Cash received from grantor	17,935	671,141
Cash received from Cachuma Betterment Fund	90,000	90,000
Cash received from Renewal and Warren Act Funds	273,321	259,467
Cash payments to suppliers for operations	(6,720,648)	(1,723,964)
Cash payments to employees	(1,301,371)	(1,336,302)
Net cash provided (used) by operating activities	<u>(2,114,289)</u>	<u>2,477,846</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Increase (decrease) in restricted assets	428,374	276,899
(Increase) decrease in deferred revenue	(428,374)	(276,899)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition of capital assets	(115,680)	(1,158,828)
Issuance of notes payable	2,601,317	-
Interest payments on SOD Act contract payable	(99,228)	(104,464)
Principle payments on SOD Act contract payable	(92,495)	(87,538)
Net cash flows provided (used) by capital and related financing activities	<u>2,293,914</u>	<u>(1,350,830)</u>
<u>Cash Flows From Investing Activities</u>		
Interest received	1,551	401
Purchase of investments	299,683	-
Proceeds from redemptions of investments	(935,005)	(12)
Net cash flows provided (used) by investing activities	<u>(633,771)</u>	<u>389</u>
Net increase (decrease) in cash	(454,146)	1,127,405
Cash and Cash Equivalents - Beginning of Year	<u>1,921,242</u>	<u>793,837</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,467,096</u>	<u>\$ 1,921,242</u>

See accompanying notes

CACHUMA OPERATION AND MAINTENANCE BOARD
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Reconciliation of net operating gain (loss) to net cash provided (used)</u>		
<u>by operating activities</u>		
Net operating gain (loss)	\$ (1,867,226)	\$ 195,091
Adjustments to reconcile net operating gain (loss) to net cash provided (used) by operating activities:		
Depreciation expense	58,123	77,213
Changes in operating assets and liabilities		
Other receivables	12,167	(2,255)
Assessments receivable	(104,395)	-
Prepaid insurance	(6,776)	85
Current portion of SOD Act assessment receivable	92,494	87,539
Accounts payable	(460,554)	810,306
Accrued vacation and sick leave benefits	18,580	26,091
OPEB liability	150,801	163,228
Net pension liability	(370,662)	-
Deferred outflows of resources - pension	348,168	-
Deferred inflows of resources - pension	(2,943)	-
Grant receivables	17,934	(17,935)
	<u>17,934</u>	<u>(17,935)</u>
Net cash provided (used) by operating activities	<u>\$ (2,114,289)</u>	<u>\$ 1,339,363</u>

See accompanying notes

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Organization

The Cachuma Operation and Maintenance Board (COMB) is a joint powers agency organized to operate and maintain the water delivery system of the Cachuma Project located in Santa Barbara County. COMB's member agencies (Member Agencies) consist of five water purveyors as follows: Carpinteria Valley Water District, City of Santa Barbara, Goleta Water District, Montecito Water District, and Santa Ynez River Water Conservation District Improvement District No. 1.

The Member Agencies entered into a Joint Exercise of Powers Agreement to exercise their common power to provide for the rights to, the facilities of, and the operation, maintenance and use of the United States, Department of the Interior, Bureau of Reclamation project known as the Cachuma Project, including storage, treatment, transport and appurtenant facilities, and all necessary tangible and intangible property rights. In September 2010, the Cachuma Operation and Maintenance Board approved a budget adjustment effective January 2011 to transfer from CCRB the implementation activities of the Santa Ynez River Fisheries Program as required by the 2000 Biological Opinion.

Note 2 - Summary of Significant Accounting Policies

A) Basis of Accounting

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

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

COMB distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with COMB's principal ongoing operations. The principal operating revenues of COMB are assessments of the Member Agencies and grant monies received. Operating expenses for COMB include maintenance and administrative expenses, depreciation on capital assets and litigation costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

A) Basis of Accounting (Continued)

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

B) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes demand deposits and money market accounts, but does not include restricted cash or funds invested in the Local Agency Investment Fund (LAIF).

C) Capital Assets

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally 5 years. Title to the assets of the Cachuma Project is with the United States of America; the assets are not recorded as assets of COMB. Costs relating to capital improvements, rehabilitation, betterment, maintenance and modifications are therefore reported as expenditures when incurred by COMB.

D) Investments

Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

E) Accrued Vacation and Sick Pay

Employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences vest and accumulate and are accrued when they are earned.

F) Unspent Operating Assessments

The operating assessments represent amounts received from COMB's Member Agencies to fund current operations. To the extent that revenues exceed expenses in a given year, they are constructively returned to the Member Agencies in subsequent years.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

G) Other Post-Employment Benefits

Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of Other Post-Employment Benefit costs (OPEB) and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of post-employment benefits when provided separately from a pension plan.

OPEB cost is measured and disclosed using the accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions of the OPEB plan, calculated in accordance with certain parameters. See Note 13 for further details.

H) 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 COMB's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I) Net Position

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

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

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

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

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

I) Net Position (Continued)

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

J) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. COMB's principal areas that include estimates are the liabilities and related receivables for Safety of Dams Act construction in process, useful lives of capitalized assets and the liability for other postemployment benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

K) Deferred Revenue

Deferred revenue consists of the unspent Renewal Fund and Warren Act Trust fund money that is restricted for Lake Cachuma projects. Each year, the Fund Committees decide how to spend these funds and revenue is recognized when the money is spent. See Note 4 for disclosures on restricted cash.

L) Implementation of New Accounting Pronouncements

Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

L) Implementation of New Accounting Pronouncements (Continued)

Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement amends paragraph 137 of Statement No. 68. The requirements of this Statement apply to all state and local governments that are required to apply the provisions of Statement No. 68 for defined benefit pensions. This statement recognizes that at the beginning of the period in which the provisions of Statement No. 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Note 3 - Cash and Investments

Investments Authorized by COMB's Investment Policy

Under the provisions of COMB's investment policy, the agency may invest in state or national banks, state or federal saving and loan associations, the State of California Local Agency Investment Fund (LAIF), or may invest as provided in the California Government Code.

Investment in Local Agency Investment Fund (LAIF)

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

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. COMB did not have any investments with fair values that are considered to be highly sensitive to changes in interest rates.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, COMB 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. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of COMB and are held by either the counter-party or the counter-party's trust department or agent but not in COMB's name.

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

In accordance with governmental accounting standards, COMB's cash and cash equivalents are classified as to credit risk into three categories:

- Category 1 includes investments that are insured or registered or for which the securities are held by COMB or its agency in COMB's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in COMB's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, by its trust department or agency but not in COMB's name.

Currently, COMB's investments are held within LAIF. This is a non-categorized investment vehicle permitted under the provisions of COMB's investment policy.

CACHUMA OPERATION AND MAINTENANCE BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Cash and Investments (Continued)

Custodial Credit Risk (Continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, COMB was not significantly exposed to credit risk.

Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, COMB was not exposed to concentration of credit risk.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, COMB was not exposed to foreign currency risk.

Cash and investments as of June 30, 2015 and 2014 consist of the following:

	2015		Credit Risk Category
	Carrying Amount	Market Value	
Cash in banks and on hand	\$ 1,711,200	\$ 1,711,200	1
Local Agency Investment Fund (LAIF)	1,139,215	1,139,215	N/A*
Total cash and investments, at fair value	<u>\$ 2,850,415</u>	<u>\$ 2,850,415</u>	
	2014		
	Carrying Amount	Market Value	Credit Risk Category
Cash in banks and on hand	\$ 2,236,973	\$ 2,236,973	1
Local Agency Investment Fund (LAIF)	3,893	3,893	N/A*
Total cash and investments, at fair value	<u>\$ 2,240,866</u>	<u>\$ 2,240,866</u>	

*Not subject to categorization

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 4 - Restricted Assets

The Cachuma Project Renewal Fund (Renewal Fund) and Cachuma Project Trust Fund (Trust Fund) are two separate funds that have been established through contracts with the U.S. Bureau of Reclamation (Reclamation).

The Trust Fund is a requirement of the Warren Act contract that the Central Coast Water Authority (CCWA) negotiated with Reclamation for the use of the Cachuma Project for transport of State Water Project (SWP) water through Cachuma Project facilities. The memorandum of understanding (MOU) creating the Trust Fund established a two person Fund Committee and an Advisory Committee. One member of the Fund Committee is appointed by the Member Agencies through COMB or CCRB. The other member of the Fund Committee is appointed by Santa Barbara County Board of Supervisors from the County Water Agency.

The Renewal Fund is a requirement of the Cachuma Project Renewal Master Contract for water service from the Cachuma Project to the five Cachuma Project Member Agencies. The Cachuma Project Renewal Master Contract is mostly silent on the process for managing the Renewal Fund, other than stating that the Fund Committee must agree on its use.

Both the Trust Fund and the Renewal Fund require annual and five-year plans. Reclamation and the Cachuma Project Member Agencies agreed to use the committee process for both funds and to have common annual and five-year plans. To date, the annual and five-year plans have authorized the combined funds to be used for implementation of the Biological Opinion (BO)/Fish Management Plan (FMP). Pursuant to the Renewal Master Contract, COMB administers both the Trust Fund and the Renewal Fund accounts.

Summary of restricted cash and investments as of June 30:

	<u>2015</u>	<u>2014</u>
Trust Fund	\$ 733,888	\$ 305,516
Renewal Fund	10,216	10,215
Total Restricted Cash	<u>\$ 744,104</u>	<u>\$ 315,731</u>

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Cachuma Project Betterment Fund

Since the Cachuma Project was completed in the mid-1950s, the Santa Barbara County Water Agency has collected \$100,000 per year in taxes for the betterment of the Cachuma Project. For the first 40 years, these funds were used to pay down the capital cost of constructing the Cachuma Project. The authorized uses of these funds were broadened in 1995 pursuant to the Renewal Master Contract. The County Water Agency was still obligated to provide \$100,000 annually to the Cachuma Project. However, under Article 8 (b), the funds could to be used for any beneficial purpose consistent with the Water Agency Act within the Santa Ynez River watershed or the Cachuma Project service area. Each fiscal year, representatives from the Cachuma Project Member Agencies and the County Water Agency must mutually agree on the activities to be funded by the County Water Agency's \$100,000 contribution. To date, the Betterment Fund has been combined with the Trust Fund and Renewal Fund revenues to offset the costs of the Fisheries Program. On January 1, 2011, the balance of the Betterment fund was transferred from Cachuma Conservation Release Board to COMB to support the Fisheries Program.

Note 6 - SOD Act Assessments Receivable and Contract Payable

Bradbury Dam

On July 1, 2002, COMB executed a repayment contract with U.S. Bureau of Reclamation in the Department of Interior of the United States (Reclamation). Under the terms of the agreement and in accordance with the United States Safety of Dams (SOD) Act, COMB will reimburse Reclamation for fifteen percent (15%) of the total amount of SOD Act funds expended by Reclamation to preserve the structural integrity of Bradbury Dam and related Cachuma Project facilities.

COMB entered into a repayment contract with Reclamation when the project was deemed to be substantially complete. The repayment contract, as executed, calls for a repayment of 15% of a total cost of \$45,276,008 or approximately \$6,791,000 plus interest, as appropriate, over a 50-year period. The repayment obligation has been allocated fifty-one and three tenths percent (51.3%) to irrigation uses (Irrigation Allocation) or \$3,483,987, and forty eight and seven tenths percent (48.7%) to municipal and industrial (M&I) uses (M&I Allocation) or \$3,307,412. The Irrigation allocation bears no interest and repayment commences in fiscal year end 2017. Interest during construction in the amount of \$325,477 was added to the M&I Allocation. During construction COMB made advances in the amount of \$1,496,148 that were applied against the M&I Allocation amounts. Accounting for advances made by COMB during construction, the balance due under the M&I Allocation contract was \$2,136,741.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 6 - SOD Act Assessments Receivable and Contract Payable (Continued)

Bradbury Dam (Continued)

COMB will assess the Member Agencies annually amounts equal to the obligation due Reclamation. The annual payment requirements at June 30, 2015 to retire the contract as of June 30, 2052, including interest payments at 5.856%, are presented in the following table. This table does not include adjustments that will be made to the Bradbury Dam repayment contract due to additional incurred costs or for payments that will be required under the Lauro Dam repayment contract.

	<u>M&I Allocation</u>		<u>Irrigation</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Allocation</u>	
2016	\$ 83,283	\$ 81,587	\$ -	\$ 164,870
2017	88,160	76,710	96,777	261,647
2018	93,323	71,547	96,777	261,647
2019	98,788	66,082	96,777	261,647
2020	104,573	60,297	96,777	261,647
2021 - 2025	622,214	202,136	483,887	1,308,237
2026 - 2030	302,883	26,858	483,887	813,628
2031 - 2035	-	-	483,887	483,887
2036 - 2040	-	-	483,887	483,887
2041 - 2045	-	-	483,887	483,887
2046 - 2050	-	-	483,887	483,887
2051 - 2052	-	-	193,557	193,557
	<u>\$ 1,393,224</u>	<u>\$ 585,217</u>	<u>\$ 3,483,987</u>	<u>\$ 5,462,428</u>

The interest expense for the Bradbury Dam SOD Act contract payable was \$86,194 and \$94,658 for the years ended June 30, 2015 and 2014, respectively.

The total cost of the Bradbury Dam SOD Act project is to be reevaluated and the repayment agreement amended as necessary by Reclamation and COMB when all phases of the work are completed. Total project costs as of June 30, 2015 were \$48,321,547, \$3,045,539 higher than the total cost authorized under the repayment contract. It is management's opinion that COMB will be responsible for reimbursing Reclamation 15% of the total construction costs in excess of the costs per the original repayment contract. As of June 30, 2015, an additional liability of \$456,831 was recorded for construction costs incurred in excess of the original repayment agreement. This is an estimate based on management's best judgment which may be adjusted as more current information becomes available.

CACHUMA OPERATION AND MAINTENANCE BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - SOD Act Assessments Receivable and Contract Payable (Continued)

Bradbury Dam (Continued)

Reclamation can also reevaluate the ability of COMB's Member Agencies to repay the Irrigation Allocation every five years, commencing in fiscal year end 2008. No adjustment has been made to the Irrigation Allocation balance to reflect a discount due to the non-interest bearing feature of the contract.

Lauro Dam

On March 21, 2007, COMB executed a repayment contract with U.S. Bureau of Reclamation in the Department of Interior of the United States (Reclamation). Under the terms of the agreement and in accordance with the United States Safety of Dams (SOD) Act, COMB will reimburse Reclamation for fifteen percent (15%) of the total amount of SOD Act funds expended by Reclamation to preserve the structural integrity of Lauro Dam and reservoir; total costs not to exceed \$17,314,125. The primary contract for construction of the modification project was awarded by Reclamation in September 2005 and the work was deemed substantially complete in February 2007.

COMB entered into a repayment contract with the Reclamation when the project was deemed to be substantially complete. The repayment contract, as executed, calls for a repayment of 15% of a total cost of \$5,974,934 or approximately \$896,240 plus interest, as appropriate, over a 50-year period. The repayment obligation has been allocated fifty and seventy two one hundredths percent (50.72%) to irrigation uses (Irrigation Allocation) or \$454,573, and forty nine and twenty eight hundredths percent (49.28%) to municipal and industrial (M&I) uses (M&I Allocation) or \$441,667. The Irrigation allocation bears no interest and repayment commences October 2017. The M&I allocation balance due during the construction period accrued interest in the amount of \$15,798.

COMB will assess the South Coast Member Agencies annually amounts equal to the obligation due January 4, 2057, including interest payments at 4.886%, are presented in the following table. This table does not include adjustments that will be made to the Lauro Dam repayment contract due to additional incurred costs or for payments that will be required under the Lauro Dam repayment contract.

CACHUMA OPERATION AND MAINTENANCE BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - SOD Act Assessments Receivable and Contract Payable (Continued)

Lauro Dam (Continued)

	M&I Allocation		Irrigation Allocation	Total
	Principal	Interest		
2016	\$ 14,447	\$ 17,641	\$ -	\$ 32,088
2017	15,106	16,982	10,823	42,911
2018	15,794	16,294	10,823	42,911
2019	16,513	15,575	10,823	42,911
2020	17,266	14,822	10,823	42,911
2021 - 2025	98,869	62,431	54,115	215,415
2026 - 2030	123,540	36,900	54,115	214,555
2031 - 2035	85,662	7,797	54,115	147,574
2036 - 2040	-	-	54,115	54,115
2041 - 2045	-	-	54,115	54,115
2046 - 2050	-	-	54,115	54,115
2051 - 2055	-	-	54,115	54,115
2056 - 2057	-	-	32,476	32,476
	<u>\$ 387,197</u>	<u>\$ 188,442</u>	<u>\$ 454,573</u>	<u>\$ 1,030,212</u>

The interest expense for the Lauro Dam SOD Act contract payable was \$18,270 and \$19,448 for the years ended June 30, 2015 and 2014, respectively.

The total costs of the Lauro Dam SOD Act project is to be reevaluated and repayment agreement amended as necessary by Reclamation and COMB when all phases of work are completed. The total project costs as of June 30, 2015 were \$6,728,401, \$753,467 higher than the total costs authorized by the repayment contract. It is management's opinion that COMB will be responsible for reimbursing Reclamation 15% of the total construction cost incurred in excess of the original repayment contract. As of June 30, 2015, an additional liability of \$113,020 is recorded for construction costs incurred in excess of the original repayment agreement.

CACHUMA OPERATION AND MAINTENANCE BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - SOD Act Assessments Receivable and Contract Payable (Continued)

Lauro Dam (Continued)

Management deems the assessments receivable related to the Bradbury and Lauro Dams SOD Act projects to be fully collectable. The total SOD Act liability at June 30, 2015 is composed of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Bradbury Dam repayment contract:		
M&I principal	\$ 1,393,224	\$ 1,471,899
Irrigation principal	<u>3,483,987</u>	<u>3,483,988</u>
Total Bradbury Dam repayment contract obligation excluding interest	4,877,211	4,955,887
Bradbury Dam liability for 15% of additional costs incurred over repayment contract	<u>456,831</u>	<u>456,831</u>
Total Bradbury Dam SOD Act liability	5,334,042	5,412,718
Lauro Dam repayment contract:		
M&I principal	387,197	\$ 401,015
Irrigation principal	<u>454,573</u>	<u>454,573</u>
Total Lauro Dam repayment contract obligation interest	841,770	855,588
Lauro Dam liability for 15% of additional costs incurred over repayment contract	<u>113,020</u>	<u>113,020</u>
Total Lauro SOD Act liability	954,790	968,608
Total SOD Act Liability	<u>6,288,832</u>	<u>6,381,326</u>
Less current portion	<u>(97,731)</u>	<u>(92,495)</u>
Long-term portion of SOD Act liability	<u>\$ 6,191,101</u>	<u>\$ 6,288,831</u>

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 7 - Notes Payable

On July 25, 2014, COMB entered into two notes payable agreements with the Bank of Santa Barbara for a total of \$3,200,000 to finance the Emergency Pumping Facilities Project on behalf of Goleta Water District, Carpinteria Valley Water District, and Montecito Water District (participating member units). Per the agreement, COMB may draw upon these funds similar to a line of credit until July 25, 2016, at which time a repayment schedule will be provided for the balance of funds drawn. As of June 30, 2015, the total outstanding balance on the notes payable was \$2,601,317.

Beginning on August 25, 2014 and until July 25, 2016, COMB is required to make monthly interest payments on the unpaid balance at an initial interest rate of 3.00%. At the end of the straight line of credit period, COMB will make principal and interest payments based on the repayment schedule that will be provided for the balance of funds drawn. The interest rate for the repayment schedule will be established based on the Prime rate as of July 25, 2016.

COMB will make payments on behalf of the participating member units and will assess Goleta Water District, Carpinteria Valley Water District and Montecito Water District each member units' share of the debt service payment quarterly.

The loans are guaranteed by the participating member units as follows:

	<u>Amount</u>	<u>Allocation</u>
Goleta Water District	\$ 2,016,000	63%
Carpinteria Valley Water District	608,000	19%
Montecito Water District	576,000	18%
	<u>\$ 3,200,000</u>	<u>100%</u>

As a condition of notes payable, at least \$2 million dollars of the notes was required to be spent on capital infrastructure of the Emergency Pumping Facilities Project. In addition, COMB is also required to maintain a deposit relationship at the Bank of Santa Barbara. The participating member units are required at all times during the loan to set and maintain member unit customer water rates at a level sufficient to pay all outstanding annual member unit debt service and to set aside such debt service revenues in a special district reserve account maintained at a rate of 1.25 to 1 of annual debt service reserve for each dollar outstanding debt service payments due in any particular year.

CACHUMA OPERATION AND MAINTENANCE BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Long-Term Debt

Changes in long term debt amounts for years ended June 30, 2015 and 2014 were as follows:

	Beginning Balance 2015	Additions	Principal Payments	Ending Balance 2015
SOD Act Liabilities	\$ 6,381,326	\$ -	\$ (92,494)	\$ 6,288,832
Notes payable	-	2,601,317	-	2,601,317
	<u>\$ 6,381,326</u>	<u>\$ 2,601,317</u>	<u>\$ (92,494)</u>	<u>\$ 8,890,149</u>

	Beginning Balance 2014	Additions	Principal Payments	Ending Balance 2014
SOD Act Liabilities	\$ 6,468,865	\$ -	\$ (87,539)	\$ 6,381,326
	<u>\$ 6,468,865</u>	<u>\$ -</u>	<u>\$ (87,539)</u>	<u>\$ 6,381,326</u>

Note 9 - Capital Assets

The following is a summary of capital assets which include property, plant and equipment at June 30, 2015 and 2014.

	Beginning Balance 2015	Additions	Deletions	Transfers	Ending Balance 2015
Vehicles	\$ 431,605	\$ 63,826	\$ (85,850)	\$ -	\$ 409,581
Office furniture and equipment	405,275	27,359	-	-	432,634
Field equipment	517,530	24,495	-	-	542,025
Mobile offices used for facilities	97,803	-	-	-	97,803
Resurfacing	38,351	-	-	-	38,351
Total depreciable assets	1,490,564	115,680	(85,850)	-	1,520,394
Less: accumulated depreciation and amortization	(1,348,557)	(58,123)	85,850	-	(1,320,830)
Net capital assets	<u>\$ 142,007</u>	<u>\$ 57,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,564</u>

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 9 - Capital Assets (Continued)

	Beginning					Ending	
	Balance 2014	Additions	Deletions	Transfers	-	-	Balance 2014
Vehicles	\$ 431,605	\$ -	\$ -	\$ -	-	-	\$ 431,605
Office furniture and equipment	398,705	6,570	-	-	-	-	405,275
Field equipment	503,755	13,775	-	-	-	-	517,530
Mobile offices used for facilities	97,803	-	-	-	-	-	97,803
Resurfacing	38,351	-	-	-	-	-	38,351
Total depreciable assets	1,470,219	20,345	-	-	-	-	1,490,564
Less: accumulated depreciation and amortization	(1,271,344)	(77,213)	-	-	-	-	(1,348,557)
Net capital assets	\$ 198,875	\$ (56,868)	\$ -	\$ -	-	-	\$ 142,007

Note 10 - Joint Powers Insurance Authority

COMB participates in the property and liability program organized by the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA). Employees working for COMB receive the benefits of this plan through the employee services agreement. ACWA/JPIA is a Joint Powers Authority created to provide a self-insurance program to water agencies in the State of California. The ACWA/JPIA is not a component unit of COMB for financial reporting purposes, as explained below.

ACWA/JPIA provides liability, property and workers' compensation insurance for approximately 300 water agencies for losses in excess of the member agencies specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. ACWA/JPIA is governed by a board comprised of members from participating agencies. The board controls the operations of ACWA/JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond the representation on the board. Each member shares surpluses and deficiencies proportionately to its participation in ACWA/JPIA.

Additional information and complete financial statements for the ACWA/JPIA are available for public inspection at 5620 Birdcage Street, Suite 200, Citrus Heights, CA, between the hours of 8 a.m. and 5 p.m., Monday through Friday.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 11 - Deferred Compensation Plan

COMB offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are maintained (until paid or made available to the participant or beneficiary) in a trust account held by State Street Bank and Trust and administered by Lincoln Financial Group. Participants have sole rights under the plan in an amount equal to the fair market value of the deferred for each participant. Contributions made by COMB for the employees to the plan for the years ended June 30, 2015 and 2014 were and \$97,790 and \$119,627, respectively.

Note 12 - Pension Plan

Plan Description

All qualified employees are eligible to participate in COMB's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees' Pension Reform Act (PEPRA) will participate in the PEPRA Miscellaneous Plan, however COMB had no such employees as of the measurement date of June 30, 2014.

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.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 12 - Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.89%	N/A
Required employer contribution rates	9.12%	N/A

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. COMB is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. COMB's contractually required contribution for the year ended June 30, 2015 was 9.12%.

For employees hired prior to January 1, 2013 and for all classic members as defined by PEPRA, the District pays the employee's contribution in addition to the employer's contribution. For employees hired after January 1, 2013 who are considered new members as defined by PEPRA, COMB does not pay any portion of the employee's required contribution.

CACHUMA OPERATION AND MAINTENANCE BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 12 - Pension Plan (Continued)

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

As of June 30, 2015, COMB reported a liability of \$1,120,314 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. COMB'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.

COMB's proportionate share of the net pension liability for all Plans as of June 30, 2013 and 2014 was as follows:

	Miscellaneous
Proportion – June 30, 2013	0.04550%
Proportion – June 30, 2014	0.04533%
Change – Increase (Decrease)	-0.00017%

For the year ended June 30, 2015, COMB recognized pension expense of \$111,125. At June 30, 2015, COMB 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	\$ 136,562	\$ -
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	-	(3,325)
Net differences between projected and actual earnings on plan investments	-	(344,843)
Total	\$ 136,562	\$ (348,168)

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 12 - Pension Plan (Continued)

Employer contributions of \$136,562 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended		
June 30		
2016	\$	87,398
2017		87,398
2018		87,162
2019		86,210
2020		-
Thereafter		-
	\$	<u>348,168</u>

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

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 12 - Pension Plan (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan	
Valuation Date		30-Jun-13
Measurement Date		30-Jun-14
Actual Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate		7.50%
Inflation		2.75%
Payroll Growth		3.00%
Projected Salary Increase	Varies by entry age and service (1)	
Investment Rate of Return		7.5% (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, 2013 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 found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 12 - Pension Plan (Continued)

Discount Rate (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. The 7.50 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 7.65 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 the 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 and rounded down to the nearest one quarter of one percent.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 12 - Pension Plan (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	Net Strategic Allocation	Real Return Years 1 -10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

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

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

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

The following presents COMB's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as what COMB'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:

<u>Miscellaneous</u>	
1% Decrease	6.50%
Net Pension Liability	\$ 1,934,956
Current Discount Rate	7.50%
Net Pension Liability	\$ 1,120,314
1% Increase	8.50%
Net Pension Liability	\$ 444,239

Pension Plan Fiduciary Net Position

Detailed information about all pension plan fiduciary net positions is available in the separately issued CalPERS financial reports.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 13 - Post-retirement Health Care Benefits

COMB offers post-retirement health insurance benefits to retired employees. Retired employees are eligible to receive benefits, equal to medical, dental and vision insurance, if the employee has reached age 50 and has twelve years of covered service.

Funding Policy

COMB's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The current ARC rate is 10% of the annual covered payroll. COMB has elected to make contributions equal to the pay-as-you-go amount.

Annual OPEB Cost and Net OPEB Obligation

COMB's annual OPEB cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the COMB's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the COMB's net OPEB obligation:

Annual required contribution	\$ 235,483
ARC Adjustment	(19,856)
Interest on net OPEB obligation	<u>28,295</u>
Annual OPEB cost (expense)	243,922
Contributions made	<u>(93,121)</u>
Increase in net OPEB obligation	150,801
Net OPEB obligation, beginning of year	<u>595,690</u>
Net OPEB obligation, end of year	<u><u>\$ 746,491</u></u>

COMB's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2015 and the two preceding fiscal years were as follows:

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 13 - Post-retirement Health Care Benefits (Continued)

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 247,484	27%	\$ 432,462
6/30/2014	241,610	32%	595,690
6/30/2015	243,922	38%	746,491

Funded Status and Funding Progress

As of June 30, 2015, the actuarial accrued liability for benefits was \$2,132,682, of which \$2,132,682 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,360,492, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 157% based on the valuation date of December 1, 2012.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CACHUMA OPERATION AND MAINTENANCE BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 13 - Post-retirement Health Care Benefits (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation Date	December 1, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years as of the valuation date
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	4.75%
Inflation	2.75%
Healthcare Cost Trend	4.00%
Payroll Growth	2.75%

Note 14 - Commitments and Contingencies

1993 Cachuma Project Authority Bonds

In 1996 COMB merged with the Cachuma Project Authority (CPA) and as a result of this merger COMB became the agency responsible for the oversight and payment of the 1993 CPA bonds. These bonds have not been recorded on the books of COMB since three of the Member Agencies are obligated under Joint Participation Agreements to make the principal and interest payments on behalf of COMB.

On August 19, 2004, COMB refinanced the 1993 CPA bonds with the 2004 Cachuma Operation and Maintenance Board Bonds ("Bonds") for \$4,480,000 at varying interest rates from 3.000% to 4.625% on behalf of three Member Agencies. Each of the three Member Unit participants has entered into one or more joint participation agreements with COMB pursuant to which the Member Unit is obligated to make certain payments with respect to certain additions, betterments, extensions or improvements to such Member Unit's water system. Such payments will constitute revenues pledged to secure the payment of the principal of and interest on the Bonds.

Legal Contingencies

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

Emergency Pumping Facilities Project Operating Costs

As a part of the construction and operating agreement, COMB is obligated to pay \$98,000 a month for operating costs to Cushman Contracting until the pumping facility is disposed.

CACHUMA OPERATION AND MAINTENANCE BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 14 - Commitments and Contingencies (Continued)

Commitments

COMB has entered into several contracts with various vendors totaling approximately \$773,000. Of this amount, approximately, \$677,000 had been paid as of June 30, 2015.

Note 15 - Prior Period Adjustment

Net Pension Liability

Note 2 describes the GASB pronouncements that COMB is adopting for this fiscal year. There is a financial impact for the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Implementation of GASB Statement No. 68 recognizes a liability for the District’s proportionate share of the net pension liability of all employers for benefits provided through the California Public Employees’ Retirement System (CalPERS). Additionally, the District is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows or resources and deferred inflows of resources related to pensions. The effect of this adjustment can be seen below. Because all of the information required to restate prior year was not available at the time the financial statements were available to be issued, prior year values are not presented in a comparable manner.

The following table presents the effect of the prior period adjustment on the June 30, 2015 financial statement balances:

Net position at July 1, 2014, as originally stated	\$ 372,837
Decrease in net position due to net pension liability	(1,493,919)
Increase in net position due to deferred outflows of resources	136,562
Total restatement of net position at July 1, 2014	(1,357,357)
Net position at July 1, 2014, as restated	\$ (984,520)

CACHUMA OPERATION AND MAINTENANCE BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 16 - Subsequent Events

As of January 25, 2016, COMB has executed \$1,080,959 in contractual commitments since June 30, 2015. The purposes of these contracts are summarized below:

	<u>Amount</u>
Fisheries activities	\$ 243,000
Emergency Pumping Facilities Project	49,913
Quiota Creek Crossing #3	703,198
Mission Creek Repair	84,848
	<u>\$ 1,080,959</u>

The contracts related to Quiota Creek Crossing #3 were primarily funded by a State grant. COMB has submitted these expenses to the State and is awaiting reimbursement.

Subsequent events have been evaluated through January 25, 2016 the date that the financial statements were available to be issued.

Required Supplementary Information

**CACHUMA OPERATIONS AND MAINTENANCE BOARD
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CACHUMA OPERATIONS AND MAINTENANCE BOARD'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2015
LAST 10 YEARS***

	2015
Proportion of the net pension liability	0.01800%
Proportionate share of the net pension liability	\$ 1,120,314
Covered - employee payroll	\$ 1,021,786
Proportionate Share of the net pension liability as percentage of covered-employee payroll	109.64%
Plan fiduciary net position as a percentage of the total pension liability	81.76%

Notes to Schedule:

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CACHUMA OPERATIONS AND MAINTENANCE BOARD
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2015
LAST 10 YEARS***

	2015
Contractually required contribution (actuarially determined)	\$ 133,619
Contributions in relation to the actuarially determined contributions	\$ 133,619
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 1,021,786
Contributions as a percentage of covered-employee payroll	13.08%
Notes to Schedule:	
Valuation date:	6/30/2013

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CACHUMA OPERATIONS AND MAINTENANCE BOARD
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
AS OF JUNE 30, 2015**

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL) (A) - (B)	Funded Ratio (B)/(A)	Annual Covered Payroll	UAAL as a % of Payroll (C)/(E)
12/1/2009	\$ 1,164,773	-	\$ 1,164,773	-	\$ 1,160,852	100%
12/1/2012	2,132,682	-	2,132,682	-	1,360,492	157%

Other Supplementary Information

CACHUMA OPERATION AND MAINTENANCE BOARD
SUPPLEMENTAL SCHEDULE OF OPERATION AND MAINTENANCE,
GENERAL AND ADMINISTRATIVE AND OTHER MAINTENANCE EXPENSE
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operation and Maintenance Division		
Operation and Maintenance Expense		
Salaries and benefits	\$ 686,113	\$ 652,965
Contract labor	29,024	58,466
Equipment	4,495	5,009
Equipment rental	2,613	4,551
Materials and supplies	16,991	31,829
Vehicle maintenance	31,448	29,266
Other expenses	39,153	49,636
Total operation and maintenance expense	<u>\$ 809,837</u>	<u>\$ 831,722</u>
General and Administrative Expense		
Administration salaries	\$ 329,142	\$ 290,320
Accrued wages and vacation	10,468	24,284
Directors fees and expense	8,364	10,349
Legal and audit	260,654	93,362
Liability insurance	36,996	33,016
Health insurance and workers compensation	70,118	121,213
Retirement plan contributions	262,400	297,617
Payroll tax expense	22,851	32,381
Office supplies and expense	41,712	41,455
Administrative travel and conferences	1,388	1,863
Membership dues	6,881	6,455
Employee training	189	322
Public information	784	630
Other expenses	24,104	17,827
Total general and administrative expense	<u>\$ 1,076,051</u>	<u>\$ 971,094</u>
Fisheries Division		
Operation and Maintenance Expense		
Salaries and benefits	\$ 493,996	\$ 488,508
Contract labor	23,024	15,743
Vehicles and equipment	15,768	15,235
Materials and supplies	4,235	3,429
Other expenses	2,111	1,852
Total operation and maintenance expense	<u>\$ 539,134</u>	<u>\$ 524,767</u>

See accompanying notes

CACHUMA OPERATION AND MAINTENANCE BOARD
SUPPLEMENTAL SCHEDULE OF OPERATION AND MAINTENANCE,
GENERAL AND ADMINISTRATIVE AND OTHER MAINTENANCE EXPENSE (CONTINUED)
For the Years Ended June 30, 2015 and 2014

Fisheries Division (Continued)	<u>2015</u>	<u>2014</u>
General and Administrative Expense		
Administration salaries	\$ 178,793	\$ 161,975
Health insurance and workers compensation	38,435	41,261
Retirement plan contributions	9,949	30,158
Payroll tax expense	12,000	13,317
Office supplies and expense	22,604	22,236
Administrative travel and conferences	2,019	1,596
Membership dues	3,573	3,343
Legal and audit	35,702	32,317
Accrued wages and vacation	4,674	7,289
Liability insurance	23,569	17,732
Other expenses	15,029	12,628
Total general and administrative expense	<u>\$ 346,347</u>	<u>\$ 343,852</u>
Fishery related projects		
FMP implementation	\$ 58,646	\$ 24,742
GIS and mapping	9,545	7,771
Grants technical support	4,080	-
SYR hydrology technical support	686	7,510
USGS stream gauge program	74,575	74,150
Tri county fish team funding	5,000	5,000
Oak tree restoration program	72,031	4,075
Total fishery related projects	<u>\$ 224,563</u>	<u>\$ 123,248</u>
Other Maintenance Expense and Habitat Enhancement		
Flow meter upgrades and SCADA system	\$ 6,346	\$ 415
COMB building / grounds repair	977	873
Intergraded regional water management plan	1,436	4,952
SCC structure rehabilitation	27,183	3,285
GIS and mapping	11,522	10,544
Quiota Creek Crossing engineering designs	122,541	67,798
Tributary projects support	5,258	2,962
Cattle Fencing	-	19,138
North Portal elevator rehabilitation	263,120	48,453
ROW management program	4,956	-
NP jet flow control valve	80,264	-
V-ditch clean up project	30,000	-
Total other maintenance expense and habitat enhancement	<u>\$ 553,603</u>	<u>\$ 158,420</u>

See accompanying notes