

Central Coast Water Authority

a California Joint Powers Authority



Comprehensive Annual Financial Report

Year Ended June 30, 1999

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a California Joint Powers Authority



Comprehensive Annual Financial Report

Year Ended June 30, 1999

Prepared by Ray A. Stokes
Controller and Treasurer



Table of Contents

Item	Table No.	Page No.
------	-----------	----------

INTRODUCTORY SECTION

Letter of Transmittal.....		I
Officials of the CCWA.....		IX
Organization Chart.....		X
Project Map.....		XI

FINANCIAL SECTION

Independent Auditors' Report.....		1
Balance Sheets.....		2
Statements of Revenues, Expenses and Changes in Retained Earnings.....		4
Statements of Cash Flows.....		5
Notes to Financial Statements.....		7

STATISTICAL SECTION

General Governmental Revenues by Sources.....	1.....	16
General Governmental Expenditures by Function.....	2.....	17
Ratio of Annual Debt Service for Total Bonded Debt to Total Expenditures.....	3.....	18
FY 1998/98 Allocation of CCCWA Operating Expenses.....	4.....	19
Deposits for Payments to the Department of Water Resources.....	5.....	20
State Water Deliveries.....	6.....	21
Selected Demographic Information.....	7.....	22
Santa Barbara County Civilian Labor Force, Employment and Unemployment Annual Averages.....	8.....	23
Santa Barbara County Largest Employers.....	9.....	24
Miscellaneous Statistical Information.....	10.....	25
Schedule of Insurance.....	11.....	26
Year 2000 Compliance.....	12.....	27



Table of Contents

San Luis Obispo County Improvement District #1	28
Avila Beach Community Services District.....	29
City of Pismo Beach.....	30
City of Morro Bay	31
Oceano Community Services District	32
City of Guadalupe.....	33
City of Santa Maria	34
City of Buellton	35
Santa Ynez River Water Conservation District, ID#1 (City of Solvang only)...	36
Santa Ynez River Water Conservation District, ID#1 (Excluding City of Solvang).....	37
Goleta Water District.....	38
La Cumbre Mutual Water Company	39
City of Santa Barbara	40
Montecito Water District.....	41
Carpinteria Valley Water District.....	42

Introductory Section





September 23, 1999

Robert W. Puddicombe
Chairman

Sam Arca
Vice Chairman

Dan Masnada
Executive Director

Hatch & Parent
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

**Members of the Board
Central Coast Water Authority**

The Comprehensive Annual Financial Report of the Central Coast Water Authority for the fiscal year (FY) ended June 30, 1999 is submitted as prepared by the Authority's Finance Department. The report is published to provide to our customers, the Authority Board, and the investment community detailed information about the financial condition and operating results of the Authority as measured by the financial activity of the Authority.

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

GENERAL BACKGROUND INFORMATION

The Central Coast Water Authority is a public entity duly organized and existing under a Joint Exercise of Powers Agreement – Central Coast Water Authority, dated as of August 1, 1991, by and among nine public agencies in Santa Barbara County, two of which have subsequently merged. The members entered into the Agreement to exercise their common power to acquire, construct, operate and maintain works and facilities for the development and use of water resources and water rights including without limitation, works and facilities to divert, store, pump, treat and deliver water for beneficial uses. In particular, the members expressed their desire to create the Authority to finance, develop, operate and maintain the Authority facilities for their mutual benefit and to act on behalf of the members with respect to the Department of Water Resources (DWR) facilities. The Authority currently has a staff of 26 full time employees and one part-time employee.

The Authority is presently composed of eight members, all of which are public agencies: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, has merged into the Montecito Water District.) In addition, the Authority has an Associate Member, the La Cumbre Mutual Water Company. Each member appoints a representative to the Authority's Board of Directors. San Luis Obispo County Flood Control and Water

Conservation District (SLOCFCWCD and/or San Luis Obispo Water Purchasers) has expressed an interest in joining the Authority. However, any decision to do so must be approved by the unanimous vote of the present members.

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

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

CCWA Committees

There are currently five Central Coast Water Authority committees. They consist of the Finance, Operating, Personnel, Policy and Water Treatment Plant Advisory Committees.

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

Santa Barbara County Project Participants

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

San Luis Obispo County Water Purchasers

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

SIGNIFICANT ACCOMPLISHMENTS

State Water Deliveries

Total water deliveries for FY 1998/99 were 23,789 acre-feet. This compares to the projected deliveries of 33,899 acre-feet, or a difference of 10,110 acre-feet. This difference is due to wet weather conditions during the 1998/99 winter, and decreased demand by the South Coast project participants for State water due to Cachuma Project water availability.

Administration Building Purchase

In December 1998, the Authority purchased the Buellton Administration office at a cost of about \$850,000. The remodel of Suite "B" and "C" sections of the office building began in April 1999 and was completed in July 1999.

Project Cost Reconciliation and Series B Bond Call

In October 1998, the Authority completed the reconciliation of all its project construction and related capital costs. Final debt service amortization schedules were prepared for the financing participants and credits of about \$9.6 million were allocated to the financing participants based on the reconciliation of actual debt service payments. Additionally, on October 1, 1998, the Authority redeemed all outstanding Series B bonds with excess bond proceeds and investment earnings in the amount of \$23,380,000.

Bond Reserve Fund Investment

In December 1998, the Authority sold the Revenue Bond Reserve Fund U.S. Treasury note investments at a gain of about \$881,000 and invested the reserve fund in a guaranteed investment contract exactly equal to the Authority's restricted rate on the bonds of 5.47%. The gain on the sale of the investments was used to partially offset financing participant debt service payments for FY 1999/00.

Awards and Competitions

During FY 1998/99, the Authority applied for the Association of California Water Agencies' Theodore Roosevelt Environmental Award of Excellence in Conservation and Natural Resources Management for the Authority's project environmental mitigation and protection program. The Authority finished fourth out of 12 entities throughout the state and will reapply for the award in 1999.

In April 1999, Darin Dargatz and Russ Banta, CCWA Water Treatment Plant Operators, participated in the Top Ops competition for the California and Nevada section of the American Water Works Association (AWWA) and won the competition. They represented the California/Nevada section at the AWWA national convention Top Ops competitions in June 1999 and placed fourth.

FINANCIAL INFORMATION

Accounting System

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

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

In developing and maintaining the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding:

- (a) the safeguarding of assets against losses from unauthorized use or disposition, and
- (b) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

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

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

FINANCIAL HIGHLIGHTS

For FY 1998/99, the Authority incurred a net loss of \$11,524,453. This loss is attributed to (1) debt service credits given to the financing participants in conjunction with the project closeout which resulted in no debt service assessment revenue to the Authority for FY 1998/99 (\$9.6 million), (2) depreciation and amortization expense in excess of investment income (\$0.43 million), (3) loss on the disposal of fixed assets (\$0.18 million) and (4) additional debt service and other credits given to the project participants during FY 1998/99 (\$1.29 million).

For FY 1998/99, the Authority realized total revenues of \$5.17 million compared to \$14.61 million for FY 1997/98, or a decrease of \$9.45 million.

The following table compares the revenue sources for FY 1998/99 and 1997/98:

<u>Description</u>	<u>FY 1998/99</u>	<u>FY 1997/98</u>	<u>Change</u>	<u>% Change</u>
O&M assessments from project participants	\$ 1,295,241	\$ 1,545,147	\$ (249,906)	-16.17%
Debt service operating assessments	-	8,689,624	(8,689,624)	N/A
Interest income	3,874,283	4,374,272	(499,989)	-11.43%
Other revenues	460	7,548	(7,088)	-93.91%
Total Revenues	\$ 5,169,984	\$ 14,616,591	\$ (9,446,607)	-64.63%

O&M Assessments from project participants: Operations and maintenance assessments paid by project participants totaled \$1.29 million for FY 1998/99 compared to \$1.54 million for FY 1997/98, a decrease of \$0.25 million.

It is the Authority's policy to return O&M assessment surpluses and interest income earned on the Authority's general cash balances to the project participants in the form of credits against future assessments. For FY 1998/99, this credit totaled \$1.02 million compared to the FY 1997/98 credit of \$1.12 million.

Debt service operating assessments: Assessment income for debt service payments on the 1996 Revenue Bonds for FY 1998/99 was \$0 compared to \$8.68 million for FY 1997/98, a decrease of \$8.68 million.

During FY 1998/99, the Authority completed the reconciliation of its project construction and related capital costs. Final debt service amortization schedules were prepared for the financing participants and credits of about \$9.6 million were allocated to the financing participants based on the reconciliation of actual debt service payments. These credits decreased the debt service assessment revenue to the Authority for FY 1998/99.

Interest income: Interest income totaled \$3.87 million for FY 1998/99, a decrease of about \$0.50 million from the prior year. Interest income includes interest earned from the State of California Local Agency Investment Fund (LAIF) on the Santa Maria and Vandenberg Air Force Base escrow accounts, the Authority general accounts and investment income earned on the cash and investments with fiscal agents.

Operating Expenses

Operating expenses for FY 1998/99 totaled \$7.7 million (includes depreciation and amortization) compared to \$6.7 million for FY 1997/98, an increase of \$1.0 million.

The table on the following page compares the operating expenses for FY 1998/99 and 1997/98:

Description	FY 1998/99	FY 1997/98	Change	% Change
Personnel expenses	\$ 1,929,120	\$ 1,765,755	\$ 163,365	9.25%
Office expenses	19,687	29,036	(9,349)	-32.20%
General and administrative	123,401	81,165	42,236	52.04%
Professional services	274,513	238,704	35,809	15.00%
Supplies and equipment	371,843	367,762	4,081	1.11%
Monitoring expenses	97,294	74,476	22,818	30.64%
Repairs and maintenance	235,965	129,317	106,648	82.47%
Utilities	172,714	259,445	(86,731)	-33.43%
Depreciation and amortization	4,307,285	3,499,660	807,625	23.08%
Other expenses	176,278	273,561	(97,283)	-35.56%
Total Operating Expenses	7,708,100	6,718,881	989,219	14.72%
Interest expense	8,806,337	9,865,258	(1,058,921)	-10.73%
Loss on disposal of fixed assets	180,000	-	180,000	N/A
Total Expenses	\$ 16,694,437	\$16,584,139	\$ 110,298	0.67%

Personnel Expenses: Personnel expenses increased \$163,365 over the previous year due to adding the position of Regulatory Specialist and salary increases effective July 1, 1998.

General and Administrative: General and administrative expenses increased \$42,236 over the previous year due to increased expenses for training, meeting and travel, and dues and membership expenses.

Professional Services: Professional services increased \$35,809 over the previous year due to the SCADA system maintenance contract fees paid to Systems Integrated.

Repairs and Maintenance: Repairs and maintenance expenses increased about \$106,000 when compared to the prior year due to expenses associated with the inspection and repair of the Cachuma Discharge Tower, which was not included in the FY 1998/99 budget but was approved by the Authority Board in March 1999.

Utilities: Utility expenses decreased approximately \$86,000 compared to the prior year amount due to a decrease in water deliveries to the South Coast project participants and electrical expense savings.

Depreciation and Amortization: Depreciation and amortization expenses increased by \$0.80 million over the previous year due to the adjustment of the fixed asset estimated useful lives.

Other Expenses: Other expenses decreased by about \$97,000 due to facility rent expense savings because of the administration building purchase coupled with insurance expense savings.

NON-OPERATING EXPENSES

Interest Expense

Total interest expense for FY 1998/99 was \$8.80 million compared to the FY 1997/98 amount of \$9.86 million, a decrease of \$1.05 million. This decrease is attributed to the redemption of all outstanding Series B revenue bonds on October 1, 1998.

OTHER INFORMATION

The Authority requires that its financial statements be audited by a Certified Public Accountant selected by the Authority's Board of Directors. This requirement has been satisfied, and the auditor's opinion is included in the financial section of this report.

Cash Management

Cash was invested in demand deposits, mutual funds, commercial paper, federal agencies, treasuries and the State of California's Local Agency Investment Fund (LAIF) during FY 1998/99. At June 30, 1999, the Authority's investment portfolio had a weighted average maturity of 24 days and a weighted average yield of 5.07%.

Risk Management

The Authority participates in the liability, property and fidelity bond insurance program organized by the Association of California Water Agencies, Joint Powers Insurance Authority (ACWA - JPIA). ACWA - JPIA is a joint powers insurance authority created to provide a self-insurance program to water agencies in the State of California. Workers' compensation insurance is purchased through traditional commercial insurance providers.

The Authority also self-insures the dental and vision insurance provided for the benefit of its employees and their families. The self-funded dental/vision plan provides annual limits of \$2,500 per family. As of June 30, 1999, the Authority had incurred \$16,858 of expenses compared to the total allowance of \$60,312 for calendar year 1999.

Debt Administration

At June 30, 1999, the Authority had \$168,055,000 of outstanding 1996 Series A revenue bonds.

On October 1, 1998, the Authority redeemed all outstanding Series B revenue bonds in the amount of \$23,380,000 with excess construction proceeds and investment earnings.

The Authority's 1996 revenue bond indenture and the Water Supply Agreements require that certain CCWA project participants and contractors maintain a ratio of net revenues to contract payments of at least 1.25.

Additionally, the Authority has complied with the Securities and Exchange Commission Rule 15c12 which requires all local governments that bring municipal debt to market after July 3, 1995 to provide specified financial and operating information on an annual basis which mirrors the information provided in the 1996 revenue bond official statement.

As of June 30, 1998, the Authority had an arbitrage rebate liability of \$1,502 on the 1996 revenue bonds and \$0 on the 1992 revenue bonds.

The Comprehensive Annual Financial Report is presented in three sections: (1) **Introductory**, (2) **Financial** and (3) **Statistical**. The Introductory section includes this transmittal letter, the Authority's organization chart and a list of principal officials. The Financial section includes the accountant's report and the financial statements and corresponding notes to the financial statements. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Central Coast Water Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

We are pleased to present this report to the Board for formal adoption.

Respectfully submitted,



Dan Masnada
Executive Director



Ray A. Stokes
Controller and Treasurer



Introductory Section

June 30, 1999

CENTRAL COAST WATER AUTHORITY BOARD OF DIRECTORS

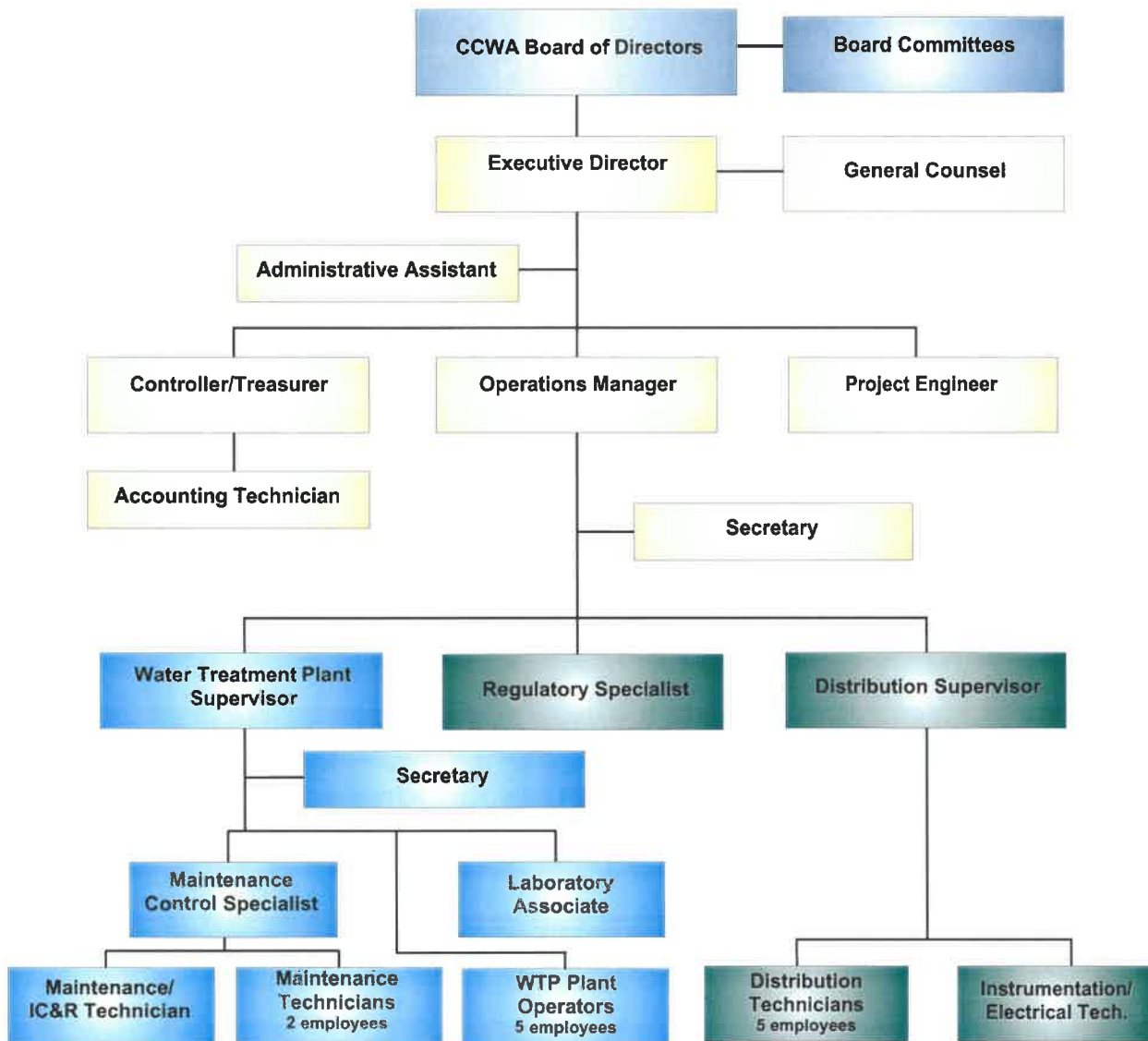
Robert Puddicombe, Chairman	Montecito Water District
Sam Arca, Vice Chairman	City of Guadalupe
Jean Blois	Goleta Water District
Harlan Burchardi	Santa Ynez River Water Conservation District, Improvement District No. 1
Joseph Centeno	City of Santa Maria
Neil Jones	City of Buellton
Frederick Lemere	Carpinteria Valley Water District
Dan Secord	City of Santa Barbara

AUTHORITY STAFF

Dan Masnada	Executive Director
William Brennan	Operations Manager
Ray Stokes	Controller and Treasurer
Thomas Fischetti	Project Engineer



Introductory Section





Project Map



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Central Coast Water Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

Financial Section



NASIF, HICKS, HARRIS & CO.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM J. NASIF
STEVEN J. HICKS
JEFFERY P. HARRIS
MARIANNE F. BLOOM
JODY R. DOLAN
BARBARA ROGERS SCOLLIN

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Independent Auditors' Report

To the Member Agencies of the
Central Coast Water Authority

We have audited the accompanying balance sheets of the Central Coast Water Authority as of June 30, 1999 and 1998, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended, as listed in the foregoing table of contents on pages 2 through 15. These financial statements are the responsibility of the management of the Central Coast Water Authority. Our responsibility is to express an opinion on these financial statements based upon our audits.

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

In our opinion, the 1999 and 1998 financial statements referred to above present fairly, in all material respects, the financial position of the Central Coast Water Authority as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 27 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Central Coast Water Authority is or will become year 2000 compliant, that Central Coast Water Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Central Coast Water Authority does business are or will become year 2000 compliant.

Nasif, Hicks, Harris & Co.
Nasif, Hicks, Harris & Co.

August 24, 1999



Balance Sheets

ASSETS

Current Assets

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Cash and investments	\$ 27,653,774	\$ 26,423,735
Accounts receivable	-	436,193
Accrued interest receivable	548,986	1,196,934
Other assets	88,684	103,241
Total Current Assets	<u>28,291,444</u>	<u>28,160,103</u>

Restricted Assets

Cash and investments with fiscal agents	21,318,007	55,948,293
Cash and investments held for deposits	27,903,666	27,637,608
Total Restricted Assets	<u>49,221,673</u>	<u>83,585,901</u>

Property, Plant and Equipment

Property, plant and equipment (Net of Depreciation of \$5,064,860 for 1999 and \$2,150,050 for 1998)	133,713,829	134,941,930
Total Property, Plant and Equipment	<u>133,713,829</u>	<u>134,941,930</u>

Other Assets

Unamortized bond issuance costs	19,504,918	20,897,394
Long term accounts receivable	17,150,602	17,319,122
Total Other Assets	<u>36,655,520</u>	<u>38,216,516</u>

Total Assets	<u>\$ 247,882,466</u>	<u>\$ 284,904,450</u>
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Continued

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



Balance Sheets

LIABILITIES AND FUND EQUITY

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 424,270	\$ 761,232
Deposits	27,903,666	27,637,608
Accrued interest payable	2,098,106	2,456,518
Other liabilities	1,060,866	459,217
Retainage payable	183,412	618,409
Current portion of bonds payable	2,775,000	25,920,000
Rate coverage reserve fund	7,898,537	7,121,950
Prepaid project participant assessments	18,970,698	16,457,746
Total Current Liabilities	<u>61,314,555</u>	<u>81,432,680</u>
<u>Long-Term Liabilities</u>		
Bonds payable	<u>165,280,000</u>	<u>168,055,000</u>
Total Long-Term Liabilities	<u>165,280,000</u>	<u>168,055,000</u>
<u>Commitments and Uncertainties</u>		
<u>Fund Equity</u>		
Contributed capital, net	25,632,900	28,237,306
Retained earnings	<u>(4,344,989)</u>	<u>7,179,464</u>
Total Fund Equity	<u>21,287,911</u>	<u>35,416,770</u>
Total Liabilities and Fund Equity	<u>\$ 247,882,466</u>	<u>\$ 284,904,450</u>

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



Statement of Revenues, Expenses and Changes in Retained Earnings

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
<u>Operating Revenues</u>		
Operating reimbursements from project participants	\$ 1,295,241	\$ 10,234,771
Other revenues	460	7,548
Total Operating Revenues	<u>1,295,701</u>	<u>10,242,319</u>
<u>Operating Expenses</u>		
Personnel expenses	1,929,120	1,765,755
Office expenses	19,687	29,036
General and administrative	123,401	81,165
Professional services	274,513	238,704
Supplies and equipment	371,843	367,762
Monitoring expenses	97,294	74,476
Repairs and maintenance	235,965	129,317
Utilities	172,714	259,445
Depreciation and amortization	4,307,285	3,499,660
Other expenses	176,278	273,561
Total Operating Expenses	<u>7,708,100</u>	<u>6,718,881</u>
Operating Income (Loss)	<u>(6,412,399)</u>	<u>3,523,438</u>
<u>Non-Operating Revenues</u>		
Interest income	3,493,312	3,850,272
Net increase in the fair value of investments	-	500,523
Gain on sale of investments	380,971	23,477
Total Non-Operating Revenues	<u>3,874,283</u>	<u>4,374,272</u>
<u>Non-Operating Expenses</u>		
Interest expense	8,806,337	9,865,258
Loss on disposal of fixed assets	180,000	-
Total Non-Operating Expenses	<u>8,986,337</u>	<u>9,865,258</u>
Net Income (Loss)	<u>(11,524,453)</u>	<u>(1,967,548)</u>
<u>Retained Earnings</u>		
Retained earnings at beginning of year	<u>7,179,464</u>	<u>9,147,012</u>
Retained earnings at end of year	<u>\$ (4,344,989)</u>	<u>\$ 7,179,464</u>

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



Statement of Cash Flows

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Cash Flows From Operating Activities		
Operating Income (Loss)	\$ (6,412,399)	\$ 3,523,438
Adjustments to reconcile operating income to cash flows:		
Depreciation and amortization	4,307,285	3,499,660
(Increase) Decrease in accounts receivable	604,714	(220,038)
(Increase) Decrease in other assets	14,557	(13,316)
Increase (Decrease) in accounts payable	(336,962)	81,050
Increase in other liabilities	601,649	8,045
Increase in prepaid project participant assessments	2,512,951	9,790,673
Net cash provided by operating activities	<u>1,291,795</u>	<u>16,669,512</u>
Cash Flows from Non-Capital Financing Activities		
Increase in cash received for deposits	266,058	23,004,317
Increase in cash received for rate coverage fund deposits	776,586	7,121,950
Net cash provided by non-capital financing activities	<u>1,042,644</u>	<u>30,126,267</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(1,866,709)	(3,398,279)
Decrease in contributed capital	(2,604,406)	(1,711,000)
Interest paid on long-term debt	(9,164,748)	(9,904,443)
Principal payments on long-term debt	(25,920,000)	(4,040,000)
Decrease in retainage payable	(434,997)	(384,001)
Net cash used by capital and related financing activities	<u>(39,990,860)</u>	<u>(19,437,723)</u>
Cash Flows from Investing Activities		
Interest and dividends on investments	4,522,232	3,629,251
Net cash provided from investing activities	<u>4,522,232</u>	<u>3,629,251</u>
Net increase (decrease) in cash and cash equivalents	(33,134,189)	30,987,308
Cash and cash equivalents, beginning of year	<u>110,009,636</u>	<u>79,022,328</u>
Cash and investments	27,653,774	26,423,735
Cash and investments with fiscal agent	21,318,007	55,948,293
Cash and investments held for deposits	27,903,666	27,637,608
Cash and cash equivalents, end of year	<u>\$ 76,875,447</u>	<u>\$ 110,009,636</u>

Continued

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



Statement of Cash Flows

Supplemental Disclosures of Cash Flow Information

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
<u>Schedule of Non-Cash Capital and Related Financing Activities</u>		
The Authority completed the construction of certain assets and transferred them from construction in progress to property, plant and equipment.	<u>\$ 1,457,864</u>	<u>\$ 136,466,042</u>
The Authority and certain project participants completed construction of certain assets and transferred them from construction in progress to a long-term receivable to be repaid to the Authority by the project participants through revenue bond debt service assessments.	<u>\$ -</u>	<u>\$ 17,319,122</u>
The Authority transferred certain expenditures for local projects from construction in progress to contributed capital for those project participants which contributed cash for the construction of their local facilities. This transfer represents a reduction (increase) of contributed capital for these project participants.	<u>\$ (42,213)</u>	<u>\$ 5,490,454</u>
The Authority expensed certain fixed assets associated with the Authority's SCADA system which were determined to no longer be usable.	<u>\$ 180,000</u>	<u>\$ -</u>

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



Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

The Authority Participants are located in three different geographic areas of Santa Barbara County: North County (Guadalupe, Santa Maria, Southern California Water Company and Vandenberg AFB); the Santa Ynez Valley (Buellton and SYRWCD, ID#1); and the South Coast (Carpinteria, Goleta, La Cumbre Mutual Water Company, Montecito, Morehart Land Company, Santa Barbara and Raytheon Systems Company, formerly Santa Barbara Research Center). Historically, the North County has been an agricultural area but has seen significant urban development in the last twenty years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is

a generally developed urban area which does not expect significant growth in the future.

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

Facilities Constructed by the Authority

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

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

Contractual Relationships

The State of California Department of Water Resources ("DWR") entered into contracts (the "State Water Supply Contracts") with San Luis Obispo and Santa Barbara Counties in 1963 pursuant to which the counties received entitlements to water from the SWP. San Luis Obispo County's entitlement was for 25,000 acre-feet per year and Santa Barbara County's entitlement was for 57,700 acre-feet per year. In 1981, Santa Barbara County amended its contract to reduce its entitlement to 45,486 acre-feet per year.

In 1983, Santa Barbara County entered into a series of Water Supply Retention Agreements ("WSRAs") with local water purveyors and users within Santa Barbara County. These



Notes to Financial Statements

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

The Water Supply Agreements

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

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

not conditioned upon performance by the Authority or any other Project Participant under any agreement.

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

B. Basis of Accounting

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

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

This report has been prepared in conformance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the Authority applies all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989.

C. Investments

The Authority has developed an investment policy that exceeds the minimum requirements established by the State of California. The Authority believes that it has adhered to established policies for all investment activities. Investments are classified as held-to-maturity and are stated at amortized cost. Investments have been purchased with maturity dates to coincide with cash needs. As of June 30, 1999, the investment portfolio has a weighted average maturity (excluding the guaranteed investment contract) of 24 days and a weighted average yield of 5.0741%.



Notes to Financial Statements

D. Property, Plant and Equipment

Property, plant and equipment purchased or constructed by the Authority is stated at cost. Depreciation has been provided over the estimated useful life of each asset using the straight-line method. Interest costs have been capitalized based on the average outstanding capital expenditures. In addition, certain technical and engineering related studies associated with the Project have also been capitalized and included in the basis of the assets. The estimated useful life of depreciated assets is as follows:

Furniture fixtures and equipment	3-10 years
Equipment	10-50 years
Buildings and structures	30-50 years
Underground pipeline	75 years

E. Inventories

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

F. Unamortized Bond Issuance Costs

Unamortized bond issuance costs are deferred and amortized over the term of the bonds in proportion to the interest expense recognized each period (see Note 4).

G. Deposits

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

H. Operating Reimbursements from Project Participants

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

I. Unexpended Operating Assessments

It is the policy of the Authority to return unexpended operating assessments and interest income to the project participants after the close of each fiscal year. Unexpended operating

assessments and investment income earned on the Authority's unrestricted cash balances are recorded as unearned revenue and returned to the project participants as a credit against the following years operating assessment.

J. Long-Term Receivable

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

K. Rate Coverage Reserve Fund

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

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

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results will differ from those estimates.



Notes to Financial Statements

Note 2: Cash and Investments

A. Demand Deposits

The Authority's demand deposits with a central California regional bank totaled \$204,815 and \$1,034,686 at June 30, 1999 and 1998, respectively. Such deposits are insured up to a maximum of \$100,000 by the Federal Deposit Insurance Corporation.

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

Deposits are classified as to credit risk by three categories as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the Authority's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: Uncollateralized.

As of June 30, 1999, the reported amount of the Authority's demand deposits was \$204,815 and the bank balance was \$797,961. Of the bank balance, \$100,000 is considered category one deposits (insured or collateralized with securities held by the Authority or by its agent in the Authority's name) and \$697,961 is considered category three deposits (uncollateralized).

B. Cash and Investments

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

The fair value of pooled investments is determined annually and is based on current market prices received from the securities custodian. The fair value of participants' position in

the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. At June 30, 1999, the carrying value of the Authority's position in LAIF is \$30,575,432 and the fair value is \$30,535,612.

The investments that are represented by specific identifiable investment securities are classified as to credit risk into three categories as follows:

Category 1: Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name.

Based upon the categories listed above, the Authority's securities are considered category three investments. These are uninsured and unregistered investments for which the securities are held by the counterparty trust department or agent, but not specifically in the Authority's name. LAIF funds and money market fund deposits are not categorized.

C. Collateralized Investment Agreement

On December 23, 1998, the Authority entered into a collateralized investment agreement in the amount of \$12,758,750 for the revenue bond debt service reserve fund. The collateralized investment agreement pays interest semi-annually at a rate of 5.47% and matures on October 1, 2022. The underlying collateral for the investment agreement is held in trust by a third party collateral agent.

D. Cash and Investments with Fiscal Agent

The Authority has monies held by trustees or fiscal agents pledged to the payment or security of the bonds payable. The California Government Code provides that these monies, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the indentures specifying the types of investment the trustees or fiscal agents may make.



Notes to Financial Statements

E. Cash Equivalents

The Authority considers all pooled cash and investments to be cash equivalents.

F. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the terms of this plan, employees may defer amounts of income up to a maximum of thirty-three percent of salary or \$8,000 per year, whichever is less. Amounts so deferred may not be paid to the employee during employment with the Authority except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

G. Pooling

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

The carrying and market values of cash and investments consisted of the following at June 30:

	1999		1998
	Carrying Amount	Fair Value	Carrying Amount
Cash and Investments			
Cash in bank	\$204,115	\$204,115	\$1,034,686
Petty cash	700	700	668
Local Agency Investment Fund	25,411,935	25,378,840	16,536,289
Commercial Paper	10,021,539	10,009,418	13,637,358
U.S. Government Securities	18,157,232	18,158,127	22,180,095
Money Market Funds	1,761,919	1,761,919	672,247
	<u>55,557,440</u>	<u>55,513,119</u>	<u>54,061,343</u>
Less: cash and investments held for deposits	(27,903,666)	(27,903,666)	(27,637,608)
Total Cash and Investments	<u>27,653,774</u>	<u>27,609,453</u>	<u>26,423,735</u>
Cash and Investments with Fiscal Agents			
Money market funds	1,277,275	1,277,275	616,766
Commercial paper	881,211	873,829	3,887,112
U.S. Government securities	1,237,274	1,217,275	45,504,111
Local Agency Investment Fund	5,163,497	5,156,772	5,940,304
Guaranteed Investment Contract	12,758,750	12,758,750	-
Total Cash and Investments with Fiscal Agents	<u>21,318,007</u>	<u>21,283,901</u>	<u>55,948,293</u>
Total	<u>\$76,875,447</u>	<u>\$76,797,020</u>	<u>\$110,009,636</u>



Notes to Financial Statements

Note 3: Property, Plant and Equipment

Property, plant and equipment is as follows at June 30,

	1999	1998
Land	\$ 3,134,255	\$3,134,255
Furniture fixtures and equipment	437,827	-
Equipment	26,454,458	133,678,179
Buildings and structures	48,940,096	-
Underground pipeline	59,288,507	-
Construction in progress	523,546	279,546
Total property, plant and equipment	138,778,689	137,091,980
Accumulated depreciation	(5,064,860)	(2,150,050)
Net property, plant and equipment	<u>\$133,713,829</u>	<u>\$134,941,930</u>

Note 4: Long-Term Debt

On November 5, 1996, the Authority issued \$198,015,000 in revenue bonds with an average interest rate of 5.55% to advance refund \$177,120,000 of outstanding 1992 Revenue Bonds with an average interest rate of 6.64%. The net proceeds of \$189 million (after deducting \$6.5 million in original issue discount, \$1.9 million in underwriting fees and other issuance costs) were used to purchase State and Local Government Securities (SLGS). Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Revenue Bonds. As of June 30, 1999, \$170,995,000 of the 1992 Revenue Bonds are considered to be defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$14.01 million. This difference, reported in the accompanying financial statements as unamortized bond issuance costs, is being charged to operations through the year 2022 in proportion to the bond interest expense incurred for each fiscal year. The Authority completed the advance refunding to reduce its total debt service payments over the next 25 years by \$10.3 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5.97 million.

The 1992 Revenue Bonds were issued by the Authority for the benefit of its participants to finance a portion of the costs of developing a pipeline and water treatment plant, to reimburse certain project participants for costs incurred in connection with the State Water Project, and to finance certain other facilities. Each of the participants in the financing held elections authorizing issuance of revenue bonds for the

construction of the State Water Project. In order to reduce issuance costs and insure the proceeds are available on a timely basis, the Authority issued the bonds for all the participants requiring financing.

The City of Santa Maria, Southern California Water Company, Vandenberg AFB, Avila Valley Mutual Water Company, San Luis Coastal Unified School District, and San Miguelito Mutual Water Company contributed cash for their proportionate share of capital costs. Such net contributions totaling \$25,632,900 and \$28,237,306 at June 30, 1999 and 1998, respectively, have been accounted for as contributed capital. Under the Water Supply Agreements, each Project Participant is obligated to make payments to the Authority, with the payments pledged to secure the payment of the principal and interest of the bonds. The 1996 bonds are backed by a municipal bond insurance policy issued by AMBAC Indemnity. The Central Coast Water Authority Note, issued June 1992 in the amount of \$23,545,000, was advance refunded from proceeds of the 1992 revenue bond issue. The October 1992 revenue bonds were sold at interest rates ranging from 4.85% to 6.60%.

The annual requirements to pay all debt outstanding, as of June 30, 1999, are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2000	\$8,447,925	\$2,775,000	\$11,222,925
2001	8,329,215	3,010,000	11,339,215
2002	8,194,474	3,270,000	11,464,474
2003	8,043,405	3,535,000	11,578,405
2004-2008	36,894,203	23,170,000	60,064,203
2009-2013	29,066,031	33,800,000	62,866,031
2014-2018	19,426,125	43,265,000	62,691,125
2019-2023	7,173,000	55,230,000	62,403,000
Total	<u>\$125,574,378</u>	<u>\$168,055,000</u>	<u>\$293,629,378</u>

The 1996 Revenue Bonds were issued in two series: Series A bonds totaled \$173,015,000 and Series B bonds totaled \$25,000,000. On October 1, 1998, the Authority exercised the optional Series B bond call in the principal amount of \$23,380,000 with excess construction proceeds.

Series A bonds outstanding bear interest ranging from 4.00% to 6.00%.



Notes to Financial Statements

Note 5: Defined Benefit Pension Plan

A. Plan Description

The Central Coast Water Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Central Coast Water Authority is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Central Coast Water Authority selects optional benefits through local Board resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

B. Funding Policy

Active plan members in the Central Coast Water Authority are required to contribute 7% of their annual covered salary. However, the Authority pays this amount on behalf of the employees without requiring a contribution from the employees. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 1998/99 was 8.30%. The contribution rate is established and may be amended by CalPERS.

C. Annual Pension Costs

For fiscal year 1998/99, the Central Coast Water Authority's annual pension costs were \$111,617 and the Authority actually contributed \$111,617. The required contribution for fiscal year 1998/99 was determined as part of the June 30, 1996 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 4.5% to 14.95% for miscellaneous members, and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Authority's plan assets was determined using a technique that smoothes

the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 1997 was 16 years.

Three-Year Trend Information for the Central Coast Water Authority

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/95	\$40,924	100%	\$0
6/30/96	\$52,432	100%	\$0
6/30/97	\$87,776	100%	\$0

Funded Status of Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability
6/30/95	\$196,845	\$169,038	\$27,807
6/30/96	271,467	269,325	2,142
6/30/97	362,911	465,717	(102,806)

Valuation Date	Funded Ratio	Annual Covered Payroll	UAAL As a Percentage of Payroll (1)
6/30/95	85.9%	\$652,689	4.260%
6/30/96	99.2%	836,244	0.256%
6/30/97	128.3%	1,124,458	(9.143%)

(1) UAAL: Unfunded Actuarial Accrued Liability

Note 6: Commitments and Uncertainties

The Authority has entered into long-term contracts with prime contractors for consultation and the construction of the facilities described in Note 1. Remaining balances on construction contracts signed total \$213,431 at June 30, 1999.

The Authority leases other equipment under non-cancelable operating leases. Minimum rental commitments for these operating leases in effect at June 30, 1999 were \$9,811 (2000) and \$18,115 thereafter, resulting in total minimum payments of \$27,926.

At June 30, 1999, the Authority was obligated on a promissory note with a local commercial bank in the amount of \$324,000 to support a letter of credit to the California Department of Fish and Game under a memorandum of understanding for ongoing mitigation efforts along the Authority's pipeline. As



Notes to Financial Statements

of June 30, 1999 there have been no draws against the letter of credit.

The Authority is involved in various legal proceedings, lawsuits and claims of a nature considered normal for its activities. It is the Authority's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

The Authority is also involved in a lawsuit, *City of Solvang v. Santa Ynez River Water Conservation District, Improvement District No. 1* (Santa Barbara County Superior Court No. SM 93289). Defendant in this action is one of the Authority project participants and is obligated to take 2,000 acre feet per year from the State Water Project under a contract with the Authority. Plaintiff city sought to limit or avoid its obligations under a separate contract it has with defendant to take 75% of defendant's entitlement from the State Water Project. In substance, plaintiff's primary contention was that it was misled or not fully informed of the extent of its financial obligations under the contract with defendant and sought to limit those obligations to 75% of \$18.4 million (which plaintiff argues was a cap amount on costs), or avoid them entirely, on a variety of legal theories. If plaintiff had prevailed on one of its legal theories, the contract would be void and all other contracts for payment of water between the Authority and its members might also be void. In such event, the Authority would be unable to meet its obligation to pay bondholders and litigation and enforcement activity would likely ensue. If plaintiff had prevailed on other theories, it would have limited or no obligations under its contract with defendants. In that event, defendant might have difficulties in satisfying its obligations to the Authority to pay for its water entitlement and certain members of the Authority may have to pay up to 25% more for their water entitlements under their respective similar contracts with the Authority. For these reasons, the Authority intervened as a party to the litigation. After a trial ending in June 1998, the trial court issued a decision in favor of defendant. Judgment has been entered and plaintiff has taken an appeal. Briefs have been filed but no date set for oral argument.

While it is not possible to predict with certainty the outcome of any case, it is the opinion of management that the lawsuits, claims and proceedings which are pending against the Authority are without merit or will not have a material adverse effect on the Authority's operating results, liquidity or financial position.

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

Note 7: Contributed Capital

The following schedule provides changes in contributed capital for the fiscal year ended June 30, 1999:

	Beginning Balance 7/1/98	Refunds	Local Project Costs	Ending Balance 6/30/99
Avila Valley	\$ 22,930	\$ (5,922)		\$ 17,008
San Luis Schools	8,025	(2,054)		5,971
San Miguelito	315,288	(67,566)		247,722
Santa Maria	16,279,765	(2,571,077)		13,708,688
Vandenberg AFB	10,529,856		\$42,213	10,572,069
So Cal Water	1,000,323			1,000,323
Guadalupe	81,119			81,119
Totals	\$28,237,306	\$(2,646,619)	\$42,213	\$25,632,900

Expenditures for the construction of local facilities on behalf of those project participants which contributed cash for their proportionate share of project costs are recorded as a reduction of contributed capital.

Note 8: Joint Powers Insurance Authority

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

ACWA - JPIA provides liability, property, workers' compensation, fidelity and boiler and machinery insurance for approximately 291 water agencies for losses in excess of the members' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. ACWA - JPIA is governed by a board composed of members from participating members. The board controls the operations of ACWA - JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member shares surpluses and deficiencies proportionately to its participation in ACWA.



Notes to Financial Statements

Note 9: Fiscal Year 1998/99 Net Loss

For fiscal year 1998/99, the Authority incurred a net loss of \$11,524,453. This loss is attributed to; (1) debt service credits given to the financing participants in conjunction with the project closeout which resulted in no debt service assessment revenue to the Authority for the FY 1998/99 (\$9.60 million), (2) depreciation and amortization expense in excess of investment income (\$0.43 million), (3) loss on the disposal of fixed assets (\$0.18 million) and (4) additional debt service and other credits given to the project participants during fiscal year 1998/99 (\$1.29 million).

The loss for fiscal year 1998/99 is considered unusual as a result of the project closeout and it is not anticipated that the Authority will incur large losses in the future.



Statistical Section





TABLE 1

General Governmental Revenues by Source

Fiscal Year	Operating Assessments	Debt Service Assessments	Other Revenues	Interest Income	Total Revenues
1991/92	\$ 912,390	\$ -	\$ 63,384	\$ 22,947	\$ 998,721
1992/93	1,463,823	-	655,252	1,109,523	3,228,598
1993/94	1,176,743	-	295,333	1,541,382	3,013,458
1994/95	1,364,258	-	1,142	1,665,769	3,031,169
1995/96	1,798,493	-	2,713	1,145,103	2,946,309
1996/97	1,495,834	2,081,902	9,118	1,074,057	4,660,911
1997/98	1,545,147	8,689,624	7,548	4,374,272	14,616,591
1998/99 ⁽¹⁾	1,295,241	-	460	3,874,283	5,169,984

Source: Central Coast Water Authority

(1) Fiscal year 1998/99 revenues decreased for debt service credits provided to the project participants from the project closeout.

Total Revenue Comparison

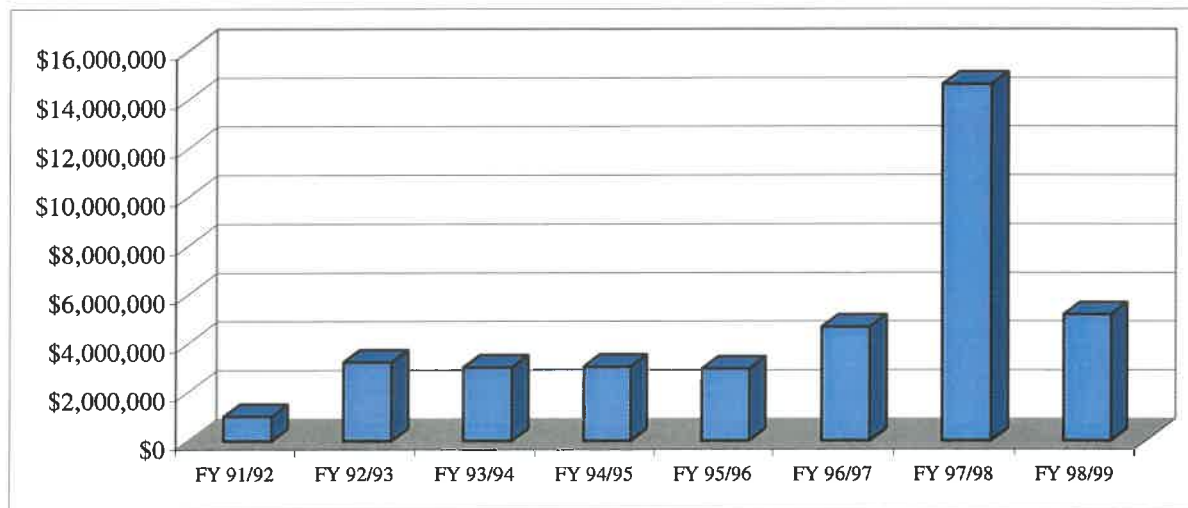




TABLE 2

General Governmental Expenditures by Function

Fiscal Year	Operating Expenses	Capital Improvements	Interest Expense	Other Expenses	Total Expenditures
1991/92	\$ 504,256	\$ 4,031,498	\$ -	\$ -	\$ 4,535,754
1992/93	742,716	11,416,026	-	-	12,158,742
1993/94	893,418	18,288,545	-	-	19,181,963
1994/95	762,826	66,888,392	-	-	67,651,218
1995/96	975,003	39,318,423	-	-	40,293,426
1996/97	3,539,031	16,036,392	1,314,904	-	20,890,327
1997/98	6,718,882	3,922,279	9,865,258	-	20,506,419
1998/99	7,708,099	1,983,928	8,806,337	180,000	18,678,364

Source: Central Coast Water Authority

Total Expenditures Comparison

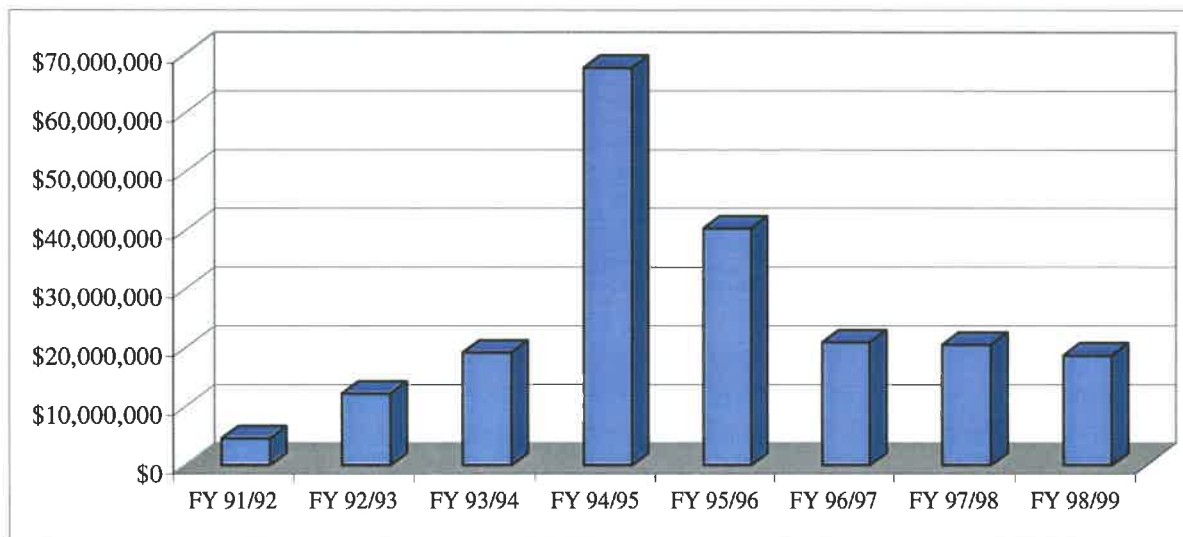




TABLE 3

**Ratio of Annual Debt Service
For Total Bonded Debt to Total Expenditures**

Fiscal Year	Bond Issue	Principal	Interest ⁽¹⁾	Total Debt Service	Total Expenditures	Ratio of Debt Service to Total Expenditures
1991/92	92 Note	\$ -	\$ 1,118,388	\$ 1,118,388	\$ 4,535,754	24.66%
1992/93	92 Bonds	-	5,645,065	5,645,065	12,158,742	46.43%
1993/94	92 Bonds	-	11,290,130	11,290,130	19,181,963	58.86%
1994/95	92 Bonds	-	11,290,130	11,290,130	67,651,218	16.69%
1995/96	92 Bonds	-	11,290,130	11,290,130	40,293,426	28.02%
1996/97	92 & 96 Bonds	-	7,922,882	7,922,882	20,890,327	37.93%
1997/98	96 Bonds	4,040,000	9,904,443	13,944,443	20,506,419	68.00%
1998/99 ⁽²⁾	96 Bonds	25,920,000	9,164,749	35,084,749	18,678,364	187.84%

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

(2) FY 1998/99 bond principal payment includes the Series B bond call in the amount of \$23,380,000.

Source: Central Coast Water Authority

Ratio of Debt Service to Total Expenditures

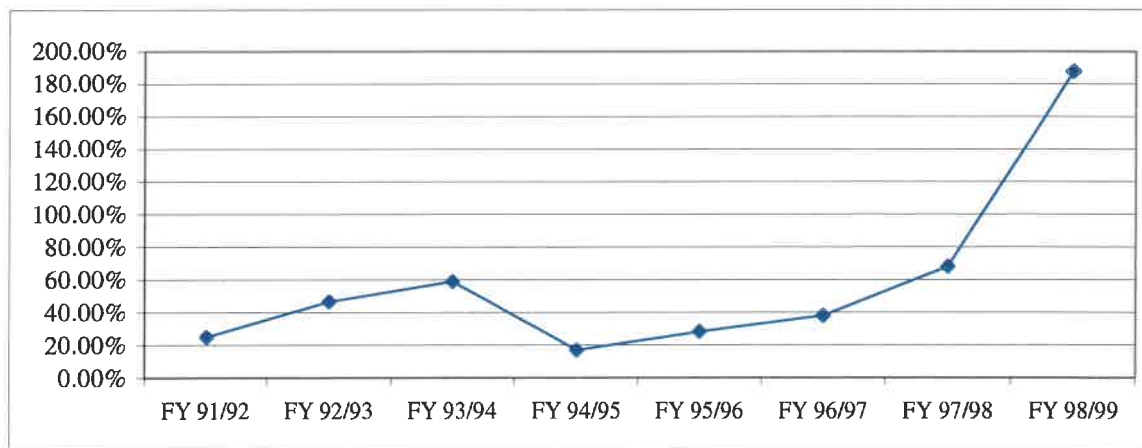




TABLE 4

FY 1998/99 Allocation of CCWA Operating Expenses

Project Participant	FY 1998/99 Unadjusted Operating Expenses (1)	Exchange Agreement Modifications (2)	Regional Water Treatment Plant Modifications (3)	FY 1998/99 Allocated Operating Expenses
Shandon	\$ 3,546	\$ -	\$ -	\$ 3,546
Chorro Valley Turnout	120,355	-	-	120,355
Lopez Turnout	111,734	-	-	111,734
City of Guadalupe	42,532	-	14,510	57,041
City of Santa Maria	1,131,504	-	427,196	1,558,700
Southern California Water Co.	36,310	-	13,180	49,490
Vandenberg Air Force Base	411,545	-	145,000	556,545
City of Buellton	58,717	-	15,249	73,966
City of Solvang	117,627	-	39,519	157,146
Santa Ynez Imp. District #1	97,220	355,174	95,974	548,368
Goleta Water District	413,559	(284,162)	(140,944)	(11,547)
Morehart Land Co.	18,343	-	(14,154)	4,189
La Cumbre Mutual Water Co.	91,716	-	(70,772)	20,945
Raytheon (SBRC)	4,564	-	(3,535)	1,029
City of Santa Barbara	273,830	-	(212,097)	61,732
Montecito Water District	274,005	(13,569)	(203,643)	56,794
Carpinteria Valley Water District	182,553	(57,443)	(105,483)	19,627
TOTAL:	\$ 3,389,660	\$ 0	\$ 0	\$ 3,389,660

1. FY 1998/99 unadjusted operating expenses is equal to total operating expenses *minus* depreciation and amortization and interest income on the general operating fund for CCWA *plus* capital expenditures paid from operating assessments.
2. Exchange agreement modifications represent cost adjustments between the Santa Ynez River Water Conservation District, ID#1 and the South Coast project participants for Cachuma Project water.
3. Regional Water Treatment Plant modifications represents fixed and variable modifications pursuant to the Regional Water Treatment Plant Retreatment agreement.



TABLE 5

Deposits for Payments to the Department of Water Resources

Project Participant	Balance July 1, 1998	FY 1998/99 Project Participant Payments and DWR Credits	Payments to Department of Water Resources and Other Adjustments	Ending Balance 6-30-98
City of Guadalupe	\$ 361,969	\$ 755,354	\$ (752,709)	\$ 364,613
City of Santa Maria	10,992,491	12,119,336	(11,913,100)	11,198,727
Southern California Water Co.	377,527	378,137	(369,030)	386,634
Vandenberg Air Force Base	3,908,274	4,497,043	(4,377,300)	4,028,017
City of Buellton	414,357	491,346	(489,830)	415,873
Santa Ynez ID#1 (Solvang only)	1,030,395	1,059,347	(1,107,873)	981,869
Santa Ynez ID#1 (excluding Solvang)	458,662	518,891	(521,982)	455,571
Goleta Water District	3,529,982	3,882,135	(3,889,199)	3,522,918
Morehart Land Co.	129,375	151,096	(143,344)	137,127
La Cumbre Mutual Water Co.	708,121	776,213	(750,137)	734,197
Raytheon (SBRC)	36,940	47,402	(46,748)	37,593
City of Santa Barbara	2,032,792	2,019,526	(2,137,711)	1,914,607
Montecito Water District	2,059,272	2,048,205	(2,161,270)	1,946,207
Carpinteria Valley Water District	1,373,194	1,443,450	(1,470,122)	1,346,522
TOTAL:	\$ 27,413,348	\$ 30,187,482	\$ (30,130,355)	\$ 27,470,475

This table shows the project participant payments to the Authority for payment to DWR and the corresponding ending balance at June 30, 1999.



TABLE 6

FY 1998/99 Actual State Water Deliveries (acre feet)

Project Participant	Requested Deliveries	Exchange Agreement Deliveries	Net Deliveries
Chorro Valley Turnout	2,296		2,296
Lopez Turnout	1,297		1,297
City of Guadalupe	509		509
City of Santa Maria	11,351		11,351
Southern California Water Co.	174		174
Vandenberg Air Force Base	3,316		3,316
City of Buellton	580		580
City of Solvang	-		-
Santa Ynez Imp. Dist. #1	1,085	3,141	4,226
Morehart Land Co.	1		1
La Cumbre Mutual Water Co.	5		5
Raytheon (SBRC)	-		-
Goleta Water District	2,545	(2,513)	32
City of Santa Barbara	-		-
Montecito Water District	122	(120)	2
Carpinteria Valley Water District	508	(508)	-
TOTAL:	23,789	-	23,789

FY 1999/00 Requested State Water Deliveries (acre feet)

Project Participant	Requested Deliveries	Exchange Agreement Deliveries	Net Deliveries
Chorro Valley Turnout	2,274		2,274
Lopez Turnout	1,626		1,626
City of Guadalupe	605		605
City of Santa Maria	15,777		15,777
Southern California Water Co.	319		319
Vandenberg Air Force Base	6,050		6,050
City of Buellton	578		578
City of Solvang	-		-
Santa Ynez Imp. Dist. #1	750	2,774	3,524
Morehart Land Co.	88		88
La Cumbre Mutual Water Co.	400		400
Raytheon (SBRC)	55		55
Goleta Water District	4,500	(2,179)	2,321
City of Santa Barbara	-		-
Montecito Water District	317	(153)	164
Carpinteria Valley Water District	610	(442)	168
TOTAL:	33,949	-	33,949



TABLE 7

Selected Demographic Information

<u>Description</u>	<u>Santa Barbara County</u>
Reporting Period, March 1998	
Population	402,449
White	255,267
Black	11,270
Latino	115,995
Asian & Other	19,917
Male	202,831
Female	199,619
Population enrolled in primary and secondary schools	62,895
College and Universities	32,221
<u>Age</u>	
Less than 5 years	27,672
5 to 24	104,345
25 to 44	139,779
45 to 64	80,597
Greater than 64	40,796
Employed Population	196,338
<u>Median Family Income</u>	
United States	\$ 53,400
California	\$ 55,700
Santa Barbara County	\$ 49,300
Average Salary	\$ 27,385

Source: University of Santa Barbara Economic Forecast Project



TABLE 8

**Santa Barbara County
Civilian Labor Force, Employment and Unemployment
Annual Averages**
(Amounts in Thousands)

	1994	1995	1996	1997	1998
Civilian Labor Force ⁽¹⁾	196.89	193.33	192.74	195.58	195.67
Employment	182.77	180.37	181.78	185.83	187.03
Unemployment	14.12	12.97	10.96	9.72	8.64
Unemployment Rate	7.17%	6.71%	5.70%	4.99%	4.43%
Wage and Salary Employment ⁽²⁾					
Total, all Industries	157.02	156.85	161.16	166.10	167.82
Agriculture	13.28	13.04	14.57	14.73	13.10
Non-Agriculture	143.74	143.81	146.58	151.37	154.72
Mining	5.03	4.97	1.11	1.03	0.80
Construction	0.95	1.02	5.82	6.67	6.77
Manufacturing	17.26	16.57	16.20	17.08	17.82
Transportation & Public Utilities	4.91	4.92	5.33	5.42	5.24
Trade	34.47	34.94	34.97	36.55	37.41
Finance, Ins. & Real Estate	7.62	7.33	7.10	7.21	7.56
Services	44.05	44.04	46.42	46.52	47.25
Government	29.46	30.00	29.63	30.88	31.88
Federal Government	4.15	4.06	3.30	3.72	3.93

Notes:

⁽¹⁾ Based on place of residence.

⁽²⁾ Based on place of employment.

Source: Economic Sciences Corporation



TABLE 9

Santa Barbara County Largest Employers

Company	Location	Type of Business	Number of Employees
UCSB	Goleta	Education	8,660
Vandenberg Air Force Base	Lompoc	Defense	5,195
County of Santa Barbara	Santa Barbara	Government	4,285
Santa Barbara Cottage Hospital	Santa Barbara	Healthcare	1,712
Santa Barbara City College	Santa Barbara	Education	1,675
Allan Hancock College	Santa Maria & Lompoc	Education	1,100
Santa Maria-Bonita Schools	Santa Maria	Education	1,100
U.S. Postal Service	Santa Barbara County	Postal Service	1,083
Lompoc Unified School District	Lompoc	Education	1,061
Lockheed Martin	VAFB	VAFB Launch Support	1,046
Applied Magnetics	Goleta & Santa Maria	Manufacturer	1,046
City of Santa Barbara	Santa Barbara	Government	948
Raytheon Systems Company	Goleta	Infrared Components	944
Marian Medical Center	Santa Maria	Healthcare	935
Santa Barbara High School District	Santa Barbara	Education	920

Source: University of Santa Barbara Economic Forecast Project



TABLE 10
Miscellaneous Statistical Information

Form of government	Joint Powers Authority
Date of organization	August 1, 1991
Number of full-time equivalent positions	26.6
Polonio Pass Water Treatment Plant design capacity	43 million gallons per day
Authority pipeline (in miles)	42.50
Coastal Branch pipeline (in miles)	100.60
Number of water storage tanks	5
Number of turnouts	10

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

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



TABLE 11

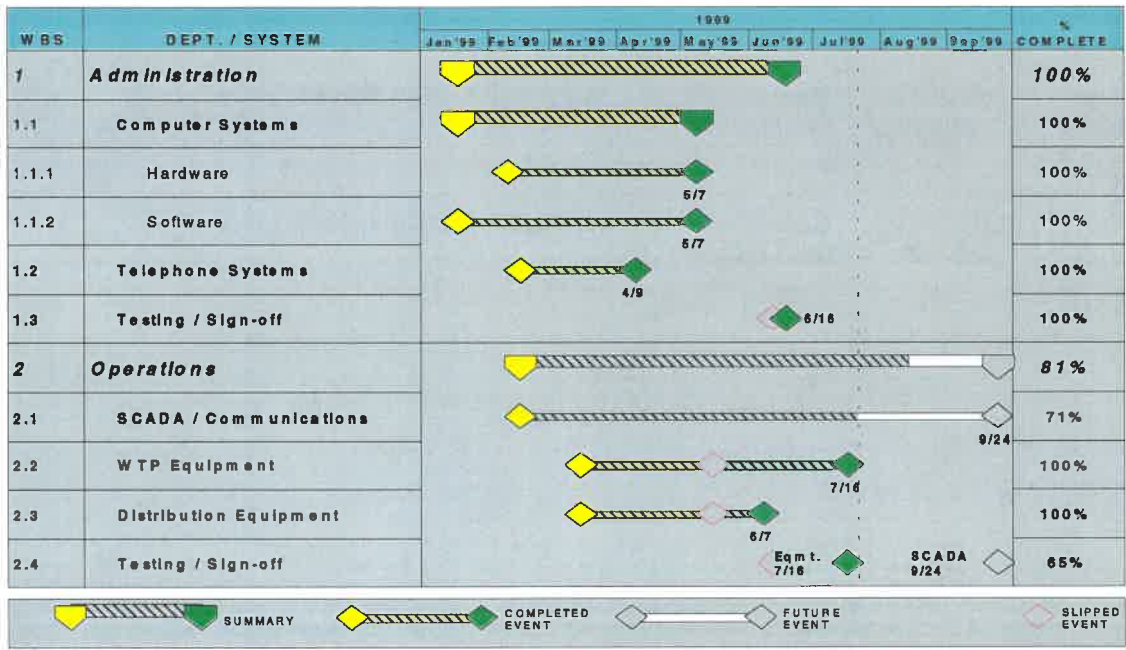
Schedule of Insurance
Valued June 30, 1999

<u>Company</u>	<u>Policy Period</u>	<u>Insurance Type</u>	<u>Limits</u>	<u>Coverages</u>
National Union Fire Insurance Company	4-1-99 to 4-1-00	Commercial Crime Coverage	\$ 1,000,000	Dishonesty and forgery coverage \$1,000,000 Faithful performance of duties to \$1,000,000
ACWA Joint Powers Insurance Authority	4-1-99 to 4-1-00	Property Insurance	\$ 45,147,600	Buildings (\$30,653,800); Personal property (\$954,500); Fixed Equipment (\$13,539,300)
ACWA Joint Powers Insurance Authority	10-1-98 to 10-1-99	General and Auto Liability	\$ 500,000	Liability JPIA pooled layer
Insurance Co. of the State of Pennsylvania #4198-4472	10-1-98 to 10-1-99	General and Auto Liability	\$ 4,500,000	Liability umbrella policy
Insurance Co. of the State of Pennsylvania #4198-4473	10-1-98 to 10-1-99	General and Auto Liability	\$ 35,000,000	Liability umbrella policy
AIU Insurance Co. # 3101437	10-1-98 to 10-1-99	General and Auto Liability	\$ 10,000,000	Liability umbrella policy



TABLE 12
Year 2000 Compliance

Most computer programs were designed to perform data computations using the last two digits of the numerical value of a year. When a computation referencing the year 2000 is performed, these systems may interpret "00" as the year 1900 and could either stop processing date-related computations or could process them incorrectly. Computations referencing the year 2000 might be invoked at any time, but are likely to begin occurring in the year 1999. Management believes the Authority's information systems are 2000 compliant and does not anticipate that it will incur material expenditures for resolving any year 2000 issues relating to either its own information systems, databases and programs, or its software products. However, the Authority could be adversely impacted by year 2000 issues faced by major distributors, suppliers, customers, vendors, and financial service organizations with which the Authority interacts.





Statistical Section

San Luis Obispo County Improvement District #1

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	215	\$ 71,646	206
1993	230	76,587	180
1994	232	81,696	190
1995	236	122,699	202
1996	237	134,483	203
1997	243	148,173	195
1998	236	122,088	136

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Shandon Unified School District	1,143	\$ 4,812
Caltrans	418	2,723
Shandon Park	487	2,047
Shandon Fire Station	230	1,016
Shandon Methodist Church	267	1,009
Residence	271	945
Residence	264	943
Residence	255	912
Residence	239	837
Residence	224	831
Total	3,798	\$ 16,075

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
1992	80,581	80,105	476	-	N/A
1993	97,421	101,349	(3,928)	9,598	-
1994	94,489	103,171	(8,682)	10,392	-
1995	126,520	84,536	41,984	25,382	1.65
1996	153,587	81,174	72,413	40,083	1.81
1997	173,729	70,536	103,193	42,461	2.43
1998	139,720	76,756	62,964	41,765	1.51

Source: San Luis Obispo County



Statistical Section

Avila Beach Community Services District

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	153	\$ 61,500	51
1993	153	62,500	57
1994	155	75,693	55
1995	155	76,627	54
1996	156	93,209	61
1997	157	88,922	54
1998	157	91,035	64

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Villa Avila	194	\$ 6,705
Surfside	158	5,964
Custom House	85	3,498
Port	70	2,642
Beach Prop.	64	2,519
Beach Prop.	62	2,322
Dun Sailing	60	2,282
Mr. Ricks	43	1,819
Port	40	2,006
Laundromat	40	1,669
Total	816	\$ 31,426

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
1992	71,745	61,844	9,901	-	N/A
1993	81,939	79,379	2,560	12,271	0.21
1994	94,364	88,760	5,604	10,589	0.53
1995	88,831	64,988	23,843	21,198	1.12
1996	101,209	70,129	31,080	51,600	0.60
1997	174,362	69,672	104,690	72,284	1.45
1998	160,191	79,974	80,217	81,619	0.98

Source: Avila Beach Community Services District



Statistical Section City of Pismo Beach

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	4,068	\$ 1,077,307	1,831
1993	4,147	1,192,029	1,822
1994	4,162	1,294,703	1,843
1995	4,227	1,312,946	1,742
1996	4,257	1,433,899	1,803
1997	4,250	1,410,581	1,873
1998	4,359	1,018,641	1,803

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Pismo Coast Village R.V. Parks	15,170	\$ 16,467
Pismo Beach Mobile Home Park	14,599	13,770
Hacienda del Pismo Mobile Home Park	12,284	12,779
Cliffs Hotel	12,001	10,914
Oxford Suites	7,186	9,267
Seacrest Motel	8,782	7,817
Shore Cliff Lodge	8,171	7,680
Motel 6	6,184	5,997
Whalers Inn	5,537	5,876
Kon Tiki Inn	5,026	5,140
Total	94,940	\$ 95,707

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Parity Debt	Coverage
1992	1,273,022	992,808	280,214	-	125,000	N/A
1993	1,402,310	1,000,975	401,335	119,005	125,000	1.64
1994	1,561,195	1,030,813	530,382	123,003	123,381	2.15
1995	1,660,079	1,009,780	650,299	374,526	123,544	1.31
1996	2,040,334	1,053,606	986,728	746,228	123,479	1.13
1997	2,232,597	1,192,153	1,040,444	894,779	-	1.16
1998	2,554,992	1,119,067	1,435,925	1,053,312	-	1.36

Source: City of Pismo Beach



Statistical Section City of Morro Bay

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	4,629	\$ 1,258,757	1,270
1993	4,722	1,433,350	1,375
1994	4,749	1,854,168	1,432
1995	4,810	2,355,151	1,409
1996	4,825	3,437,371	1,475
1997	4,887	3,606,969	1,546
1998	4,949	3,599,977	1,402

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
City of Morro Bay	2,251,300	\$ 205,637
San Luis Unified School District	1,482,700	157,180
Mission Linen	733,300	78,222
Pacific Care Center	910,000	71,364
Inn at Morro Bay	590,500	62,154
Department of Parks and Recreation	684,200	61,744
Silver City Manor	373,700	34,949
Motel 6	435,100	34,372
Morro Dunes Trailer Park	270,900	28,366
Embarcadero Inn	229,700	20,509
Total	7,961,400	\$ 754,497

(1) In cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Parity Debt	Coverage
1992	1,402,563	786,000	616,563	-	5,000	N/A
1993	1,592,350	828,000	764,350	-	5,000	N/A
1994	1,903,743	928,300	975,443	154,816	5,000	6.10
1995	2,424,026	979,967	1,444,059	279,470	5,000	5.08
1996	3,489,231	719,098	2,770,133	1,789,687	7,000	1.54
1997	3,673,481	746,430	2,927,051	1,676,152	-	1.75
1998	3,578,066	716,505	2,861,561	1,493,155	-	1.92

Source: City of Morro Bay



Statistical Section Oceano Community Services District

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	1,771	\$ 451,213	725
1993	1,757	573,268	799
1994	1,778	633,020	802
1995	1,811	655,289	767
1996	1,817	758,775	818
1997	1,830	958,169	828
1998	1,848	1,057,473	799

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Rancho Del Arroyo Mobile Home Park	11,496	\$ 33,445
Sand and Surf (Transient RV Park)	8,476	27,661
Lucia Mar Unified School District	7,455	25,037
Oceano 1 Condo Home Owners Assoc.	7,653	21,647
Duna Vista Mobile Home Park	6,371	20,912
Portico's Mobile Home Park	5,966	17,119
PTI Inc.	4,532	16,026
State of California (Park Facility)	3,446	15,275
Casa Del Rey Mobile Home Park	2,737	9,541
Pleasant Hill Mobile Home Manor	3,378	9,480
Total	61,510	\$ 196,143

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Parity Debt	Coverage
1992	1,503,864	475,220	-	1,028,644	-	85,914	N/A
1993	705,833	485,260	-	220,573	-	85,580	N/A
1994	735,953	540,650	-	195,303	74,397	114,243	1.04
1995	830,054	526,257	-	303,797	158,986	80,203	1.27
1996	1,026,334	512,893	-	513,441	387,646	79,953	1.10
1997	1,068,942	497,567	-	571,375	520,938	-	1.10
1998	1,250,157	567,195	35,112	718,074	614,936	-	1.17

Source: Oceano Community Services District



Statistical Section City of Guadalupe

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Municipal Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	1,579	\$ 260,751	598
1993	1,592	277,259	580
1994	1,637	375,331	541
1995	1,638	509,491	566
1996	1,705	573,212	562
1997	1,578	781,376	613
1998	1,577	809,553	730

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Apio Coller	20,279	\$ 65,906
Guadalupe Union School	5,256	17,081
Waller Flower Seed	2,968	9,645
Coastal Valley Packing	2,313	7,517
Lupe Alvarez	2,147	6,977
P&M Properties	2,080	6,759
Far Western Tavern	1,664	5,407
Simplot Soil Builders	1,332	4,328
Southern Pacific Co.	1,280	4,159
Playa, Inc.	855	2,778
Total	40,174	\$ 130,557

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
1992	322,649	222,975	-	99,674	58,847	1.69
1993	415,276	202,830	-	212,446	32,201	6.60
1994	402,334	189,326	-	213,008	60,044	3.55
1995	569,345	203,581	-	365,764	138,671	2.64
1996	649,169	274,814	-	374,355	258,396	1.45
1997	845,468	190,000	-	655,468	493,298	1.33
1998 ⁽¹⁾	877,834	131,288	18,389	764,935	491,491	1.56

(1) State water payment for FY 1997/98 excludes payments for FY 1998/99 paid by the City on June 1, 1998.

Source: City of Guadalupe



Statistical Section City of Santa Maria

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	15,372	\$ 5,336,584	11,925
1993	15,415	5,941,248	11,778
1994	15,655	7,475,162	12,124
1995	15,864	6,899,319	11,750
1996	16,006	8,797,200	12,999
1997	16,198	10,671,207	12,876
1998	16,406	11,577,701	11,003

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
City of Santa Maria	110,796	\$ 262,868
Santa Maria Elementary School	62,284	154,716
Casa Grande Mobile Homes	13,356	178,753
Allan Hancock College	8,267	110,108
R.I. Management	5,463	73,272
Pictsweet Frozen Foods	5,367	73,620
Marian Hospital	5,241	90,678
Mission Linen Supply	3,577	47,793
El Capitan Mobile Homes	2,621	35,498
Simplot	2,542	44,457
Total	219,514	\$ 1,071,763

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund	Net Revenues	State Water Payments	Coverage
1992	5,813,594	4,045,530	\$ -	1,768,064	367,562	4.81
1993	6,243,663	3,286,457	-	2,957,206	816,427	3.62
1994	7,881,235	3,372,763	-	4,508,472	2,153,735	2.09
1995	8,396,554	3,102,670	-	5,293,884	3,248,105	1.63
1996	13,075,742	4,608,906	-	8,466,836	5,082,855	1.67
1997	14,270,631	5,637,937	-	8,632,694	9,335,682	0.92
1998	18,527,735	4,544,329	2,862,780	16,846,186	11,789,392	1.43

Source: City of Santa Maria



Statistical Section City of Buellton

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	949	\$ 367,839	964
1993	947	404,290	959
1994	950	456,120	918
1995	950	601,372	870
1996	965	769,590	922
1997	993	1,063,140	992
1998	1,043	964,878	821

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Ranch Club Mobile Estates	21,976	\$ 64,018
Zaca Creek Golf Course	17,326	30,000
Flying Flags Recreation Park	9,730	20,015
Rancho S B Marriott	10,266	21,495
Rivergrove Mobile Home Park	7,696	22,808
Andersen's Restaurant	5,278	11,359
Buellton Union School District	6,203	12,875
Andersen's Inn	5,309	9,770
Windmill Motor Inn	3,652	8,463
Motel 6	4,191	8,678
Total	91,627	\$ 209,481

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
1992	\$ 322,649	\$ 222,975	\$ -	\$ 99,674	\$ 58,847	1.69
1993	415,276	202,830	0	212,446	32,201	6.60
1994	402,334	189,326	0	213,008	60,044	3.55
1995	569,345	203,581	0	365,764	138,671	2.64
1996	649,169	274,814	0	374,355	258,396	1.45
1997	1,285,504	345,222	0	940,282	638,885	1.47
1998 ⁽¹⁾	1,318,509	312,810	19,325	1,025,024	653,493	1.57

(1) State water payment for FY 1997/98 excludes payments for FY 1998/99 paid by the City on June 1, 1998.

Source: City of Buellton



Statistical Section

Santa Ynez River Water Conservation District, ID#1 (City of Solvang only)

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	1,704	\$ 780,631	1,917
1993	1,757	927,667	1,852
1994	1,778	942,899	1,807
1995	1,810	1,246,985	1,710
1996	1,821	1,459,267	1,611
1997	1,836	1,942,808	1,556
1998	1,854	1,764,735	1,275

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Alisal Guest Ranch	22,264	\$ 51,655
Rancho Santa Ynez Mobile Estate	23,217	51,634
Royal Scandinavian Inn	6,886	25,031
Luthern Home	7,606	23,199
Alisal Oak Apartments	5,132	19,053
Solvang School	6,353	14,812
Alisal Golf Courses	3,634	14,533
Oak Park Apartments	5,119	14,023
Danish County Inn	4,354	13,739
Quality Inn	4,280	12,218
Total	88,845	\$ 239,897

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
1992	830,478	591,550	238,928	-	N/A
1993	856,987	792,654	64,333	138,343	0.47
1994	1,074,895	759,676	315,219	186,670	1.69
1995	1,566,935	747,567	819,368	422,594	1.94
1996	1,526,135	897,583	628,552	642,551	0.98
1997	2,106,802	1,259,466	847,336	1,666,389	0.51
1998 ⁽¹⁾	1,897,791	524,837	1,372,954	1,682,460	0.82

(1) State water payment for FY 1997/98 excludes payments for FY 1998/99 paid by the City on June 1, 1998.

Source: City of Solvang



Statistical Section

Santa Ynez River Water Conservation District, ID#1 (Excluding City of Solvang)

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	2,103	\$ 1,198,864	5,644
1993	2,112	1,306,240	5,607
1994	2,160	1,524,806	5,750
1995	2,163	1,633,570	5,386
1996	2,157	1,926,000	5,979
1997	2,183	2,194,190	6,505
1998	2,220	2,370,258	4,542

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
City of Solvang ⁽²⁾	95	\$ 60,675
Ramirez Bros.	482	53,185
Gainey Ranch/Vineyard	222	34,421
Rancho Marcelino Water Company	61	32,103
Dunn School	60	23,146
Lupin Hill Farm	119	22,914
Indian Ditch Ranch	46	14,421
Douglas Herthel	74	12,870
Bautista Produce	115	11,666
S.Y. Valley Union High School	40	11,499
Total	1,314	\$ 276,900

(1) In acre-feet per year.

(2) Exclusive of Solvang's payments for State Water Project.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
1992	2,208,488	1,613,430	-	595,058	200,000	2.98
1993	2,456,342	1,707,708	-	748,634	167,786	4.46
1994	2,955,216	1,440,247	-	1,514,969	280,128	5.41
1995	4,639,999	1,357,614	-	3,282,385	347,539	9.44
1996	4,152,336	1,604,014	-	2,548,322	912,287	2.79
1997 ⁽¹⁾	3,896,090	2,716,430	-	1,179,660	1,476,671	0.80
1998 ^(1 & 2)	7,454,547	1,993,633	246,045	5,706,959	2,669,473	2.14

(1) Includes State water payments for the City of Solvang.

(2) State water payment for FY 1997/98 excludes payments for FY 1998/99 paid by the District on June 1, 1998.

Source: Santa Ynez Improvement District #1



Statistical Section Goleta Water District

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	14,338	\$ 9,643,479	9,076
1993	14,388	11,328,524	12,172
1994	14,280	11,561,508	11,773
1995	14,281	12,077,792	11,701
1996	14,442	12,372,767	12,345
1997	14,489	13,661,494	13,508
1998	14,582	13,010,036	12,947

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
University of California-Santa Barbara	780	\$ 941,879
County of Santa Barbara	308	365,460
Applied Magnetics	158	210,386
Glen Annie Golf Course	340	199,481
La Cumbre Mutual Water Co.	791	176,166
George Cavalletto	343	160,995
Sierra Pacific Farm	349	129,183
Francisco Torres	83	109,472
Glen Parks/Rancho Tres Canadas	246	93,906
La Cumbre Golf Course	110	77,384
Total	3,505	\$ 2,464,312

(1) In acre-feet per year.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
1992	10,119,612	6,087,982	-	4,031,630	558,102	7.22
1993	11,838,118	5,375,407	-	6,462,711	559,957	11.54
1994	12,221,845	5,215,154	-	7,006,691	510,533	13.72
1995	13,107,864	5,778,337	-	7,329,527	789,345	9.29
1996	14,089,421	7,316,341	-	6,773,080	1,523,313	4.45
1997	16,167,847	9,457,602	-	6,710,245	2,723,910	2.46
1998 ⁽¹⁾	21,635,460	7,383,382	1,497,654	15,749,732	5,686,052	2.77

(1) State water payment for FY 1997/98 excludes payments for FY 1998/99 paid by the District on June 1, 1998.



Statistical Section

La Cumbre Mutual Water Company

Historic Water Connections and Sales Revenues

Fiscal Year Ending Dec. 31	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1991	1,343	\$ 880,518	1,010
1992	1,357	898,358	1,270
1993	1,383	1,043,531	1,276
1994	1,388	1,115,247	1,334
1995	1,391	1,188,044	1,238
1996	1,391	1,492,547	1,375
1997	1,425	1,980,613	1,633

Largest Customers as of December 31, 1997

	Water Usage ⁽¹⁾	Annual Payment
La Cumbre Golf & County Club	24,150	\$ 56,739
ELK Trust	17,073	46,166
Barney Klinger	19,059	42,515
Laguna Blanca School	10,917	24,966
Aaron Kotler	8,406	24,284
Stephen Redding	7,103	19,357
Carriage Hill Association	5,335	16,278
William Foley	5,181	12,967
Christopher Conway	3,619	10,190
Godwin Pelissero	5,092	9,893
Total	105,935	\$ 263,355

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending Dec. 31	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
1991	1,046,539	1,021,241	-	25,298	66,853	0.38
1992	1,056,863	675,732	-	381,131	146,408	2.60
1993	1,219,519	667,019	-	552,500	88,301	6.26
1994	1,296,090	660,413	-	635,677	149,401	4.25
1995	1,426,908	641,474	-	785,434	233,241	3.37
1996	1,794,966	799,628	-	995,338	420,166	2.37
1997	2,209,613	715,858	308,434	1,802,189	945,127	1.91

Source: La Cumbre Mutual Water Co.



Statistical Section City of Santa Barbara

Historic Water Connections and Sales Revenues

<u>Fiscal Year Ending June 30</u>	<u>Average Connections</u>	<u>Sales Revenues</u>	<u>Water Deliveries (acre-feet per year)</u>
1992	24,473	\$ 14,017,897	9,520
1993	24,609	15,690,162	11,071
1994	24,653	15,841,994	11,438
1995	24,631	16,807,644	12,337
1996	24,702	17,979,681	13,055
1997	24,971	19,338,989	13,916
1998	25,076	18,220,227	13,124

Largest Customers as of June 30, 1998

	<u>Water Usage ⁽¹⁾</u>	<u>Annual Payment</u>
Cottage Hospital	41,858	\$ 163,177
Fess Parker's Red Lion Inn	29,122	112,204
S.B. Municipal Golf Course	64,463	90,371
Montecito County Club	49,824	73,212
S.B. Cottage Hospital	17,780	67,880
S.B. Zoo	14,670	55,646
AMB Inst. Realty (Apartments)	10,424	42,440
St. Francis Hospital	11,230	42,389
Mission Linen Supply	9,476	35,834
St. Francis Hospital	8,997	34,119
Total	257,844	\$ 717,272

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

<u>Fiscal Year Ending June 30</u>	<u>Total Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenues</u>	<u>State Water Payments</u>	<u>Parity Debt Service</u>	<u>Coverage</u>
1992	18,234,000	9,552,760	8,681,240	88,200	2,490,425	3.37
1993	24,501,675	10,743,067	13,758,608	278,068	2,492,090	4.97
1994	24,505,519	10,853,926	13,651,593	552,394	1,732,171	5.98
1995	25,304,124	11,800,957	13,503,167	526,222	2,637,835	4.27
1996	26,423,864	11,763,687	14,660,177	728,922	2,399,248	4.69
1997	26,725,375	12,313,251	14,412,124	1,445,632	2,457,398	3.69
1998 ⁽¹⁾	21,662,821	10,061,553	11,601,268	3,625,606	2,394,212	1.93

(1) State water payment for FY 1997/98 excludes payments for FY 1998/99 paid by the City on June 1, 1998.

Source: City of Santa Barbara



Statistical Section Montecito Water District

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	3,509	\$ 3,256,273	2,866
1993	3,559	4,055,272	3,640
1994	3,595	3,780,815	3,544
1995	3,640	3,887,695	3,695
1996	4,118	4,627,755	4,369
1997	4,199	5,282,394	4,974
1998	4,238	4,633,281	4,310

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Four Seasons Hotel	38,838	\$ 184,638
Birnam Wood Golf Club	60,025	107,046
Westmont College	32,354	85,059
Gawzner Corporation (Mirmar Hotel)	14,050	59,286
Valley Club of Montecito	34,272	57,167
Casa Dorinda	18,242	54,661
Alisos Ranch	40,178	50,981
Jackson Ranch	34,467	46,002
Popayan Ranch	27,728	37,997
SB Cemetary Assn.	11,640	32,041
Total	311,794	\$ 714,878

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
1992	\$ 4,239,831	\$ 2,734,657	-	\$ 1,505,174	\$ 126,918	11.86
1993	6,999,902	3,037,466	-	3,962,436	132,016	30.01
1994	5,190,442	2,410,016	-	2,780,426	320,726	8.67
1995	5,864,997	2,129,633	-	3,735,364	614,523	6.08
1996	6,219,739	2,585,257	-	3,634,482	1,284,698	2.83
1997	7,462,674	2,962,077	-	4,500,597	1,449,536	3.10
1998 ⁽¹⁾	7,169,644	2,743,341	767,671	5,193,974	2,706,621	1.92

(1) State water payment for FY 1997/98 excludes payments for FY 1998/99 paid by the District on June 1, 1998.

Source: Montecito Water District



Statistical Section Carpinteria Valley Water District

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
1992	3,991	\$ 1,773,358	3,974
1993	4,019	2,312,030	4,179
1994	4,019	2,583,104	4,249
1995	4,042	2,650,897	4,097
1996	4,036	3,096,261	4,177
1997	4,074	4,989,024	4,445
1998	4,083	5,023,009	4,038

Largest Customers as of June 30, 1998

	Water Usage ⁽¹⁾	Annual Payment
Ocean Breeze (Nursery)	71,492	\$ 116,553
Casitas Village (Home Owners' Assn)	29,771	93,304
B&H Flowers (Nursery)	60,515	90,666
Villa Del Mar (Home Owners' Assn)	29,342	86,494
Carpinteria School District	22,092	76,824
City of Carpinteria	20,757	66,444
Norman's Nursery	38,651	60,076
Sandpiper Village (Mobile Home Park)	25,861	59,377
H&M Roses (Nursery)	34,029	48,791
Westerley Roses (Nursery)	23,813	36,948
Total	356,323	\$ 735,479

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
1992	\$ 2,191,208	\$ 1,545,480		\$ 645,728	\$ 272,980	2.37
1993	2,990,475	1,722,886		1,267,589	138,491	9.15
1994	3,343,760	1,919,052		1,424,708	191,233	7.45
1995	3,699,032	1,825,006		1,874,026	316,275	5.93
1996	4,464,274	2,152,633		2,311,641	683,621	3.38
1997	5,518,056	2,413,360		3,104,696	1,673,411	1.86
1998 ⁽¹⁾	5,717,569	2,243,307	750,000	4,224,262	2,321,529	1.82

(1) State water payment for FY 1997/98 excludes payments for FY 1998/99 paid by the District on June 1, 1998.

Source: Carpinteria Valley Water District







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