

**A REGULAR MEETING OF THE FINANCE COMMITTEE ⁽¹⁾
of the
CENTRAL COAST WATER AUTHORITY**

will be held at 8:30 a.m., on Thursday, January 23, 2020
at 255 Industrial Way, Buellton, California

THE FOLLOWING ITEMS WILL BE DISCUSSED AT THE MEETING OF THE COMMITTEE AND A VOTE MAY BE TAKEN FOR THE PURPOSE OF RECOMMENDING ACTION BY THE BOARD OF DIRECTORS.



Eric Friedman
Chairman

Ed Andrisek
Vice Chairman

Ray A. Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
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

- I. Call to Order and Roll Call**
- II. Public Comment – (Any member of the public may address the Committee relating to any matter within the Committee’s jurisdiction. Individual Speakers may be limited to five minutes; all speakers to a total of fifteen minutes.)**
- III. * Minutes of the October 24, 2019 Meeting of the Finance Committee**
- IV. * FY 2019/20 Second Quarter Investment Report**
- V. ♦ FY Ended June 30, 2019 and 2018 Comprehensive Annual Financial Report**
- VI. * Ernst & Young Audit Report and Findings on the DWR Statement of Charges**
- VII. Reports from Committee Members for Information Only**
- VIII. Items for Next Regular Meeting Agenda**
 - A. CCWA FY 2020/21 Preliminary Budget**
- IX. Date of Next Regular Meeting: March 12, 2020
Joint Meeting with Operating Committee**
- X. Adjournment**

(1) The meeting is a committee meeting.

* Indicates attachment of document to agenda packet.

♦ Indicates enclosure of document with agenda packet.

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Buellton, CA 93427
(805) 688-2292
Fax (805) 686-4700
www.ccwa.com

Hard copies of the Comprehensive Annual Financial Report are included for the Board and Committee members, but are available to all interested parties upon request, or online at www.ccwa.com/Archives/CAFRs/2019CAFR.pdf.

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**MINUTES OF THE
CENTRAL COAST WATER AUTHORITY
MEETING OF THE FINANCE COMMITTEE**

October 24, 2019

I. Call to Order and Roll Call

Director Friedman called the October 24, 2019, meeting of the Central Coast Water Authority Finance Committee held at 255 Industrial Way, Buellton, California, to order at 8:45 a.m. Attachment No. 1 is a list of those in attendance.

Finance Committee members present were:

Farfalla Borah	Goleta Water District
Harlan Burchardi	Santa Ynez RWCD, ID #1
Eric Friedman	City of Santa Barbara

II. Public Comment

There was no public comment.

III. Minutes of the July 25, 2019 Finance and Special Board of Directors Meeting

Following correction, upon a motion by Director Borah, seconded by Director Burchardi and carried with all in favor and none opposed, the minutes of the July 25, 2019 Finance Committee Meeting were approved.

IV. FY 2019/20 First Quarter Investment Report

Lisa Long, CCWA Deputy Controller, reported that as of September 30, 2019 the investment portfolio totaled \$66.6 million and had an effective rate of return of 2.22% on an average daily balance for the month of September 2019 of about \$70.5 million. The investment were comprised do the State of California Local Agency investment Fund (LAIF), \$49 million), the Montecito Bank and Trust money market accounts (\$1.7 million), U.S. Treasury Notes held in a Charles Schwab Brokerage Account (\$6 million), and funds held by the CCWA revenue bond trustee for the October 1, 2019 bond principal and interest payment (\$9.9 million). The bond payment was made the following day.

All investments during the quarter complied with the CCWA investment policy provisions, and current pro forma projections indicate that the Authority will have sufficient cash with which to operate for the next six months.

Upon a motion by Director Burchardi, seconded by Director Borah and carried with all in favor and none opposed, the Committee recommended Board approval of the FY 2019/20 First Quarter Investment Report.

V. Resolution 19-01 Amending the CCWA Rules and Regulations Governing the Policy and Procedures for the Purchase of Services, Supplies and Equipment

Mr. Brady, CCWA Deputy Director, requested an amendment to Resolution 16-01, the current CCWA Resolution that authorized the rules and regulations for the Central Coast Water Authority governing the policies and procedures for the purchase of services,

supplies and equipment (“Rules and Regulations”) to allow the use of cooperative purchasing arrangements and programs with other public agencies.

The State of California Department of General Services has a program that which establishes multiple award agreements in accordance with Public Contract Code Sections 10290 et seq. and 12101.5 (effective January 1994). The California Multiple Award Schedules (CMAS) offers a wide variety of commodities through negotiated contracts for non-IT services and information technology products and services at prices which have been assessed to be fair, reasonable and competitive.

CCWA’s legal counsel drafted Resolution 19-01 to amend the Rules and Regulations to include the use of cooperative purchasing arrangements and programs, such as the California CMAS Program.

Director Borah asked what type of services, and if local businesses could be purchased using CMAS. Mr. Brady explained that generally items like automobiles and equipment would be purchased, but construction projects would still be governed by public works contracts. Local businesses would be offered the chance to provide services and goods, and in those cases CMAS could be used as a guideline for bids.

Upon a motion by Director Burchardi, seconded by Director Borah and approved with all in favor and none opposed the Committee recommended Board adoption of Resolution 19-01, which amends the Rules and Regulations Governing the Policy and Procedures for the Purchase of Services, Supplies and Equipment to include the use of cooperative purchasing arrangements and programs.

VI. Reports from Committee Members for Information Only

There were no reports from Committee Members.

VII. Items for Next Regular Meeting Agenda

A. FY 2019/20 Second Quarter Investment Report

I. Date of Next Regular Meeting: January 23, 2020

II. Adjournment

The meeting adjourned at 8:55 a.m.

Respectfully submitted,

Elizabeth Watkins
Secretary to the Board

CENTRAL COAST WATER AUTHORITY

Meeting: CCWA Finance Committee

Date: October 24, 2019

NAME	ORGANIZATION	TELEPHONE
Harlan Burchardi	SYRWCD ID,	688 6015
Farfalla Bryan	EWD	805-94-6761
Eric Friedman	City of SIB	805-564-5318
FLOYD E. WICKS	Montecito W.D.	805-455-1670
KAY STAB	CCWA	688-2292
Lisa Long	CCWA	" "
Shannon Sweeney	Guadalupe	805-356-3910
LAURA MATTHEWS	CCWA	805-688-2292
Patly Taylor	City of Santa Barbara	805-564-5571

Placing your name on this list is voluntary and is not required to attend this meeting.



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

January 15, 2020

TO: CCWA Finance Committee

FROM: Ray A. Stokes
Executive Director

SUBJECT: FY 2019/20 Second Quarter Investment Report

SUMMARY

Attached is the second quarter FY 2019/20 investment report covering the three-month period of October to December 2019. In accordance with the CCWA Statement of Investment Policy, the quarterly report includes a statement of compliance of the portfolio with the investment policy and confirmation of the Authority's ability to meet expenditure requirements for the next six months.

DISCUSSION

As of December 31, 2019 the investment portfolio totaled \$51.5 million and had an effective rate of return of 2.03% on an average daily balance for the month of December 2019 of about \$52.8 million. The investments were comprised of the State of California Local Agency Investment Fund (LAIF), (\$44.3 million), and Montecito Bank & Trust money market accounts (\$3.2 million), and U.S. Treasury Notes held in a Charles Schwab Brokerage Account (\$4 million).

All investments during the quarter complied with the CCWA investment policy provisions.

CASH MANAGEMENT PRO FORMA PROJECTIONS

Current pro forma projections indicate that the Authority will have sufficient cash with which to operate for the next six months.

RECOMMENDATION

That the Finance Committee recommends Board approval of the second quarter FY 2019/20 investment report.

RAS
Attachments



**Investment Portfolio
Portfolio Management
Portfolio Summary
December 31, 2019**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
CCWA-LAIF	44,294,895.20	44,294,895.20	44,294,895.20	85.95	1	1	2.015	2.043
Pool-Money Market Accounts	3,249,187.53	3,249,187.53	3,249,187.53	6.30	1	1	1.490	1.511
Bond Trustee-Money Market Accounts	520.45	520.45	520.45	0.00	1	1	0.001	0.001
Treasury Securities	4,000,000.00	3,999,375.00	3,991,611.23	7.75	365	143	2.161	2.191
Investments	51,544,603.18	51,543,978.18	51,536,214.41	100.00%	29	12	1.993	2.021

Cash and Accrued Interest
 Accrued Interest at Purchase
 Subtotal
Total Cash and Investments

88.32
 88.32
51,544,066.50

88.32
 88.32
51,536,302.73

Total Earnings
 Current Year
 December 31 Month Ending
 Fiscal Year To Date

91,079.52
 728,348.63

Average Daily Balance
 Effective Rate of Return

52,835,839.39
 2.03%

1/15/2020

Roy A. Stokes
 Roy A. Stokes, Executive Director/Treasurer

**Investment Portfolio
Portfolio Management
Portfolio Details - Investments
December 31, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
CCWA-LAIF												
90-42-006	10001	State of CA LAIF			44,294,895.20	44,294,895.20	44,294,895.20	2.043	AAA	2.043	1	
		Subtotal and Average	46,520,701.65		44,294,895.20	44,294,895.20	44,294,895.20	2.043		2.043	1	
Pool-Money Market Accounts												
SYS10023	10023	Montecito Bank & Trust			5.96	5.96	5.96	0.150		0.150	1	
SYS10041	10041	Montecito Bank & Trust			3,232,845.33	3,232,845.33	3,232,845.33	1.510		1.510	1	
SYS10024	10024	Rabobank			0.00	0.00	0.00	0.330		0.330	1	
SYS10056	10056	Charles Schwab			16,335.90	16,335.90	16,335.90	1.660		1.660	1	
SYS10057	10057	Charles Schwab			0.34	0.34	0.34	0.300		0.300	1	
22005532	10004	Wells Fargo Money Market Accou			0.00	0.00	0.00	0.215		0.215	1	
		Subtotal and Average	2,324,018.57		3,249,187.53	3,249,187.53	3,249,187.53	1.511		1.511	1	
Bond Trustee-Money Market Accounts												
SYS10010	10010	Bank of New York-Bond Trustee			520.45	520.45	520.45	0.001		0.001	1	
SYS10013	10013	Bank of New York-Bond Trustee			0.00	0.00	0.00	0.001		0.001	1	
		Subtotal and Average	520.41		520.45	520.45	520.45	0.001		0.001	1	
Treasury Securities												
912828X21	10066	U.S. Treasury		04/15/2019	2,000,000.00	1,999,375.00	1,994,710.55	1.500		2.439	105	04/15/2020
912828XH8	10068	U.S. Treasury		07/01/2019	2,000,000.00	2,000,000.00	1,996,900.68	1.625		1.943	181	06/30/2020
		Subtotal and Average	3,990,598.75		4,000,000.00	3,999,375.00	3,991,611.23	2.191		2.191	143	
		Total and Average	52,835,839.39		51,544,603.18	51,543,978.18	51,536,214.41	2.021		2.021	12	

**Investment Portfolio
Portfolio Management
Portfolio Details - Cash
December 31, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
		Average Balance	0.00	Accrued Interest at Purchase		88.32	88.32				0
				Subtotal		88.32	88.32				
		Total Cash and Investments	52,835,839.39		51,544,603.18	51,544,066.50	51,536,302.73			2.021	12



**Investment Pool
Total Return
Sorted by Issuer - Fund
December 1, 2019 - December 31, 2019
Yield on Time Weighted Value**

CUSIP	Investment #	Fund	Investment Class	Beginning Invested Value	Time Weighted Invested Value	Ending Invested Value	Maturity Date	Current Rate	Total Return	Interest Earned	Investment Adjustment in Value	Net Investment Income
Issuer: General Account												
SYS10.0000	10.0000	0000	Amortized	9,278,249.76	8,647,512.37	8,719,714.35		2.810	2.849	20,921.93	0.00	20,921.93
			Subtotal	9,278,249.76	8,647,512.37	8,719,714.35			2.849	20,921.93	0.00	20,921.93
Issuer: Avila Beach CSD												
SYS55.AVBCH	55.AVBCH	DEBT	Amortized	705.84	705.88	707.11		2.813	2.852	1.71	0.00	1.71
SYS45.AVBCH	45.AVBCH	NARES	Amortized	0.00	0.00	0.00		3.364		0.00	0.00	0.00
			Subtotal	705.84	705.88	707.11			2.852	1.71	0.00	1.71
Issuer: Avila Valley Mutual Water Co.												
SYS45.AVLWTR	45.AVLWTR	NARES	Amortized	0.00	0.00	0.00		3.576		0.00	0.00	0.00
			Subtotal	0.00	0.00	0.00				0.00	0.00	0.00
Issuer: City of Buellton												
SYS70.BUEL	70.BUEL	CREDIT	Amortized	-8.78	-8.77	-8.45		2.645	2.685	-0.02	0.00	-0.02
SYS55.BUEL	55.BUEL	DEBT	Amortized	15,662.30	15,663.22	15,690.68		2.809	2.848	37.89	0.00	37.89
SYS60.BUEL	60.BUEL	DWR	Amortized	367,054.37	373,425.83	353,618.54		2.810	2.849	903.47	0.00	903.47
SYS45.BUEL	45.BUEL	NARES	Amortized	45,065.39	45,065.74	45,076.09		2.810	2.849	109.03	0.00	109.03
35.BUEL	35.BUEL	O&M	Amortized	29,684.61	29,684.92	29,684.29		2.810	2.849	71.82	0.00	71.82
40.BUEL	40.BUEL	RATE	Amortized	279,274.93	279,277.85	279,365.39		2.810	2.849	675.69	0.00	675.69
			Subtotal	736,732.82	743,108.79	723,436.54			2.849	1,797.88	0.00	1,797.88
Issuer: CA Men's Colony												
SYS55.CAMC	55.CAMC	DEBT	Amortized	6,174.43	6,174.79	6,185.55		2.810	2.849	14.94	0.00	14.94
SYS45.CAMC	45.CAMC	NARES	Amortized	0.00	0.00	0.00		3.349		0.00	0.00	0.00
			Subtotal	6,174.43	6,174.79	6,185.55			2.849	14.94	0.00	14.94
Issuer: Carpinteria Valley Water Distr												
SYS70.CARP	70.CARP	CREDIT	Amortized	70,387.50	70,387.83	70,397.74		2.810	2.849	170.30	0.00	170.30
SYS55.CARP	55.CARP	DEBT	Amortized	60,887.62	60,891.15	60,986.92		2.810	2.848	147.31	0.00	147.31
SYS60.CARP	60.CARP	DWR	Amortized	1,481,441.41	1,459,061.33	1,366,268.78		2.810	2.849	3,530.08	0.00	3,530.08

**Investment Pool
Total Return
Sorted by Issuer - Fund**

CUSIP	Investment #	Fund	Investment Class	Beginning Invested Value	Time Weighted Invested Value	Ending Invested Value	Maturity Date	Current Rate	Total Return	Investment Income		
										Interest Earned	Adjustment in Value	Net Investment Income
Issuer: Carpinteria Valley Water Distr												
SYS45.CARP	45.CARP	NARES	Amortized	0.00	0.00	0.00		3.359		0.00	0.00	0.00
35.CARP	35.CARP	O&M	Amortized	104,006.32	104,007.41	104,040.03		2.810	2.849	251.64	0.00	251.64
40.CARP	40.CARP	RATE	Amortized	852,733.20	852,742.10	853,009.01		2.810	2.849	2,063.14	0.00	2,063.14
	Subtotal			2,569,456.05	2,547,089.82	2,454,702.48			2.849	6,162.47	0.00	6,162.47
Issuer: Chorro Valley Turnout												
SYS70.CHORRO	70.CHORRO	CREDIT	Amortized	34,798.92	34,799.11	34,804.73		2.810	2.849	84.19	0.00	84.19
	Subtotal			34,798.92	34,799.11	34,804.73			2.849	84.19	0.00	84.19
Issuer: Cuesta College												
SYS55.CUESTA	55.CUESTA	DEBT	Amortized	3,087.31	3,087.49	3,092.87		2.810	2.849	7.47	0.00	7.47
SYS45.CUESTA	45.CUESTA	NARES	Amortized	0.00	0.00	0.00		3.300		0.00	0.00	0.00
	Subtotal			3,087.31	3,087.49	3,092.87			2.849	7.47	0.00	7.47
Issuer: Goleta Water District												
SYS70.GOLETA	70.GOLETA	CREDIT	Amortized	158,684.58	158,685.33	158,707.68		2.810	2.849	383.93	0.00	383.93
SYS55.GOLETA	55.GOLETA	DEBT	Amortized	146,982.20	146,970.65	147,224.13		2.810	2.849	355.57	0.00	355.57
SYS60.GOLETA	60.GOLETA	DWR	Amortized	3,713,695.39	3,661,266.98	3,444,814.62		2.810	2.849	8,858.13	0.00	8,858.13
SYS45.GOLETA	45.GOLETA	NARES	Amortized	0.00	0.00	0.00		3.359		0.00	0.00	0.00
35.GOLETA	35.GOLETA	O&M	Amortized	234,014.93	234,017.98	234,090.77		2.810	2.849	566.19	0.00	566.19
	Subtotal			4,253,357.10	4,200,940.34	3,984,837.20			2.849	10,163.82	0.00	10,163.82
Issuer: City of Guadalupe												
SYS70.GUAD	70.GUAD	CREDIT	Amortized	0.17	0.17	0.17		2.358		0.00	0.00	0.00
SYS55.GUAD	55.GUAD	DEBT	Amortized	8,803.01	8,803.52	8,818.93		2.810	2.849	21.30	0.00	21.30
SYS60.GUAD	60.GUAD	DWR	Amortized	363,684.45	371,246.00	348,800.83		2.810	2.849	898.20	0.00	898.20
SYS45.GUAD	45.GUAD	NARES	Amortized	23,922.03	23,922.18	23,926.77		2.810	2.849	57.88	0.00	57.88
35.GUAD	35.GUAD	O&M	Amortized	28,246.60	28,246.90	28,255.81		2.810	2.849	68.34	0.00	68.34
40.GUAD	40.GUAD	RATE	Amortized	194,068.10	194,070.13	194,130.92		2.810	2.849	469.54	0.00	469.54
	Subtotal			618,724.36	626,288.90	603,933.43			2.849	1,515.26	0.00	1,515.26
Issuer: La Cumbre Mutual Water Co.												
SYS70.LACUMB	70.LACUMB	CREDIT	Amortized	-5.66	-5.65	-5.45		2.052	2.083	-0.01	0.00	-0.01
SYS55.LACUMB	55.LACUMB	DEBT	Amortized	32,410.68	32,412.56	32,468.87		2.810	2.849	78.42	0.00	78.42
SYS60.LACUMB	60.LACUMB	DWR	Amortized	751,011.41	740,173.61	695,240.67		2.810	2.849	1,790.79	0.00	1,790.79
SYS45.LACUMB	45.LACUMB	NARES	Amortized	68,543.26	68,543.71	68,557.17		2.810	2.849	165.84	0.00	165.84

Investment Pool
Total Return
Sorted by Issuer - Fund

CUSIP	Investment #	Fund	Investment Class	Beginning Invested Value	Time Weighted Invested Value	Ending Invested Value	Maturity Date	Current Rate	Total Return	Interest Earned	Investment Income	
											Adjustment in Value	Net Investment Income
Issuer: La Cumbre Mutual Water Co.												
35.LACUMB	35.LACUMB	O&M	Amortized	51,351.60	51,352.14	51,368.35		2.810	2.849	124.24	0.00	124.24
SYS50.LACUMB	50.LACUMB	PREPAY	Amortized	0.00	0.00	0.00		3.059		0.00	0.00	0.00
40.LACUMB	40.LACUMB	RATE	Amortized	406,756.58	406,760.83	406,888.24		2.810	2.849	984.12	0.00	984.12
	Subtotal			1,310,067.87	1,299,237.20	1,254,517.85			2.849	3,143.40	0.00	3,143.40
Issuer: Lopez Turnout												
SYS70.LOPEZ	70.LOPEZ	CREDIT	Amortized	39,821.83	39,822.03	39,828.04		2.810	2.849	96.35	0.00	96.35
	Subtotal			39,821.83	39,822.03	39,828.04			2.849	96.35	0.00	96.35
Issuer: Montecito Water District												
SYS70.MONT	70.MONT	CREDIT	Amortized	107,519.95	107,520.61	107,540.45		2.810	2.849	260.14	0.00	260.14
SYS55.MONT	55.MONT	DEBT	Amortized	106,577.69	106,583.88	106,769.48		2.810	2.849	257.86	0.00	257.86
SYS60.MONT	60.MONT	DWR	Amortized	2,698,667.70	2,669,848.52	2,548,969.99		2.810	2.849	6,459.48	0.00	6,459.48
SYS45.MONT	45.MONT	NARES	Amortized	0.00	0.00	0.00		3.359		0.00	0.00	0.00
35.MONT	35.MONT	O&M	Amortized	156,009.30	156,010.93	156,059.86		2.810	2.849	377.46	0.00	377.46
40.MONT	40.MONT	RATE	Amortized	1,481,703.73	1,481,719.19	1,482,182.98		2.810	2.849	3,584.90	0.00	3,584.90
	Subtotal			4,550,478.37	4,521,683.13	4,401,522.76			2.849	10,939.84	0.00	10,939.84
Issuer: City of Morro Bay												
SYS55.MORBAY	55.MORBAY	DEBT	Amortized	39,837.53	39,839.84	39,909.27		2.810	2.848	96.38	0.00	96.38
SYS45.MORBAY	45.MORBAY	NARES	Amortized	0.00	0.00	0.00		3.359		0.00	0.00	0.00
	Subtotal			39,837.53	39,839.84	39,909.27			2.848	96.38	0.00	96.38
Issuer: Morehart Land Co.												
SYS70.MORHRT	70.MORHRT	CREDIT	Amortized	-1.08	-1.08	-1.04		2.083		0.00	0.00	0.00
SYS55.MORHRT	55.MORHRT	DEBT	Amortized	6,856.64	6,857.03	6,868.82		2.810	2.849	16.59	0.00	16.59
SYS60.MORHRT	60.MORHRT	DWR	Amortized	122,643.95	122,930.25	114,176.10		2.810	2.849	297.42	0.00	297.42
SYS65.MORHRT	65.MORHRT	ESCROW	Amortized	411,079.07	411,083.28	411,209.56		2.810	2.849	994.58	0.00	994.58
SYS45.MORHRT	45.MORHRT	NARES	Amortized	18,816.86	18,817.00	18,821.24		2.810	2.849	45.53	0.00	45.53
35.MORHRT	35.MORHRT	O&M	Amortized	10,271.49	10,271.60	10,274.84		2.810	2.849	24.85	0.00	24.85
	Subtotal			569,656.93	569,958.08	561,349.52			2.849	1,378.97	0.00	1,378.97
Issuer: Oceano CSD												
SYS55.OCEANO	55.OCEANO	DEBT	Amortized	5,161.00	5,161.30	5,170.29		2.810	2.849	12.49	0.00	12.49
SYS45.OCEANO	45.OCEANO	NARES	Amortized	0.00	0.00	0.00		3.352		0.00	0.00	0.00
SYS60.OCEANO	50.OCEANO	PREPAY	Amortized	0.00	0.00	0.00		3.056		0.00	0.00	0.00

Investment Pool
Total Return
Sorted by Issuer - Fund

CUSIP	Investment #	Fund	Investment Class	Beginning Invested Value	Time Weighted Invested Value	Ending Invested Value	Maturity Date	Current Rate	Total Return	Interest Earned	Adjustment in Value	Net Investment Income
Issuer: Oceano CSD												
40.OCEANO	40.OCEANO	RATE	Amortized	-0.02	-0.02	-0.02		0.631		0.00	0.00	0.00
	Subtotal			5,160.98	5,161.28	5,170.27			2.849	12.49	0.00	12.49
Issuer: City of Pismo Beach												
SYS55.PISMO	55.PISMO	DEBT	Amortized	8,529.81	8,530.31	8,545.17		2.810	2.849	20.64	0.00	20.64
SYS45.PISMO	45.PISMO	NARES	Amortized	0.00	0.00	0.00		3.365		0.00	0.00	0.00
SYS50.PISMO	50.PISMO	PREPAY	Amortized	0.00	0.00	0.00		5.186		0.00	0.00	0.00
	Subtotal			8,529.81	8,530.31	8,545.17			2.849	20.64	0.00	20.64
Issuer: City of Santa Barbara												
SYS70.SBAR	70.SBAR	CREDIT	Amortized	-5.88	-5.87	-5.66		1.975	2.005	-0.01	0.00	-0.01
SYS55.SBAR	55.SBAR	DEBT	Amortized	90,342.83	90,348.02	90,503.85		2.810	2.849	218.58	0.00	218.58
SYS60.SBAR	60.SBAR	DWR	Amortized	2,892,782.18	2,862,096.16	2,734,700.69		2.810	2.849	6,924.60	0.00	6,924.60
SYS45.SBAR	45.SBAR	NARES	Amortized	182,792.55	182,793.65	182,826.70		2.810	2.849	442.26	0.00	442.26
35.SBAR	35.SBAR	O&M	Amortized	154,072.39	154,074.01	154,122.64		2.810	2.849	372.77	0.00	372.77
	Subtotal			3,319,984.07	3,289,305.97	3,162,148.22			2.849	7,958.20	0.00	7,958.20
Issuer: Raytheon Systems Co.												
SYS70.SBRC	70.SBRC	CREDIT	Amortized	-0.30	-0.30	-0.29		3.950		0.00	0.00	0.00
SYS55.SBRC	55.SBRC	DEBT	Amortized	1,471.95	1,472.04	1,474.69		2.809	2.847	3.56	0.00	3.56
SYS60.SBRC	60.SBRC	DWR	Amortized	33,690.86	34,184.32	32,111.48		2.810	2.849	82.71	0.00	82.71
SYS65.SBRC	65.SBRC	ESCROW	Amortized	109,614.21	109,615.33	109,649.05		2.810	2.849	265.21	0.00	265.21
SYS45.SBRC	45.SBRC	NARES	Amortized	4,900.58	4,900.62	4,901.71		2.810	2.849	11.86	0.00	11.86
35.SBRC	35.SBRC	O&M	Amortized	2,567.86	2,567.89	2,568.70		2.808	2.847	6.21	0.00	6.21
	Subtotal			152,245.16	152,739.90	150,705.34			2.849	369.55	0.00	369.55
Issuer: Shandon												
SYS70.SHAN	70.SHAN	CREDIT	Amortized	-1,774.80	-1,774.81	-1,775.07		2.807	2.846	-4.29	0.00	-4.29
SYS55.SHAN	55.SHAN	DEBT	Amortized	698.90	698.94	700.16		2.808	2.847	1.69	0.00	1.69
SYS45.SHAN	45.SHAN	NARES	Amortized	0.00	0.00	0.00		3.305		0.00	0.00	0.00
40.SHAN	40.SHAN	RATE	Amortized	15,450.43	15,450.59	15,455.44		2.810	2.849	37.38	0.00	37.38
	Subtotal			14,374.53	14,374.72	14,380.53			2.849	34.78	0.00	34.78
Issuer: SLO County Operations Center												
SYS70.SLOC	70.SLOC	CREDIT	Amortized	0.06	0.06	0.06		0.698		0.00	0.00	0.00
SYS55.SLOC	55.SLOC	DEBT	Amortized	6,577.04	6,577.42	6,588.88		2.809	2.848	15.91	0.00	15.91

Investment Pool
Total Return
Sorted by Issuer - Fund

CUSIP	Investment #	Fund	Investment Class	Beginning Invested Value	Time Weighted Invested Value	Ending Invested Value	Maturity Date	Current Rate	Total Return	Investment Income		
										Interest Earned	Adjustment in Value	Net Investment Income
Issuer: SLO Coounty Operations Center												
SYS45.SLOC	45.SLOC	NARES	Amortized	0.00	0.00	0.00		3.347		0.00	0.00	0.00
	Subtotal			6,577.10	6,577.48	6,588.94			2.848	15.91	0.00	15.91
Issuer: San Luis School												
SYS45.SLSCHL	45.SLSCHL	NARES	Amortized	0.00	0.00	0.00		2.931		0.00	0.00	0.00
	Subtotal			0.00	0.00	0.00			2.849	0.00	0.00	0.00
Issuer: City of Santa Maria												
SYS70.SMARIA	70.SMARIA	CREDIT	Amortized	-115.91	-115.77	-111.63		2.805	2.848	-0.28	0.00	-0.28
SYS60.SMARIA	60.SMARIA	DWR	Amortized	10,283,303.33	10,103,741.57	9,687,636.96		2.810	2.849	24,445.13	0.00	24,445.13
SYS45.SMARIA	45.SMARIA	NARES	Amortized	931,988.71	931,995.34	932,194.23		2.810	2.849	2,254.89	0.00	2,254.89
SYS50.SMARIA	50.SMARIA	O&M	Amortized	831,990.81	831,999.56	832,262.18		2.810	2.849	2,012.96	0.00	2,012.96
SYS50.SMARIA	50.SMARIA	PREPAY	Amortized	0.00	0.00	0.00		2.982		0.00	0.00	0.00
40.SMARIA	40.SMARIA	RATE	Amortized	5,081,585.87	5,083,231.76	5,083,231.76		2.810	2.849	12,294.61	0.00	12,294.61
	Subtotal			17,128,752.81	16,949,259.66	16,535,213.50			2.849	41,007.31	0.00	41,007.31
Issuer: San Miguelito Mutual Water Co.												
SYS45.SMGLTO	45.SMGLTO	NARES	Amortized	0.00	0.00	0.00		3.322		0.00	0.00	0.00
	Subtotal			0.00	0.00	0.00				0.00	0.00	0.00
Issuer: So. Calif. Water Company												
SYS70.SOCAL	70.SOCAL	CREDIT	Amortized	-4.43	-4.42	-4.23		2.621	2.662	-0.01	0.00	-0.01
SYS60.SOCAL	60.SOCAL	DWR	Amortized	313,409.54	317,859.83	302,082.92		2.810	2.849	769.03	0.00	769.03
SYS45.SOCAL	45.SOCAL	NARES	Amortized	37,183.50	37,183.75	37,191.14		2.810	2.849	89.96	0.00	89.96
35.SOCAL	35.SOCAL	O&M	Amortized	25,678.73	25,679.00	25,687.11		2.810	2.849	62.13	0.00	62.13
	Subtotal			376,267.34	380,718.16	364,956.94			2.849	921.11	0.00	921.11
Issuer: City of Solvang												
SYS70.SOLV	70.SOLV	CREDIT	Amortized	-20.58	-20.56	-19.84		2.821	2.864	-0.05	0.00	-0.05
SYS55.SOLV	55.SOLV	DEBT	Amortized	46,627.17	46,629.85	46,710.30		2.810	2.848	112.81	0.00	112.81
SYS60.SOLV	60.SOLV	DWR	Amortized	971,675.42	955,708.54	931,473.99		2.810	2.849	2,312.26	0.00	2,312.26
SYS45.SOLV	45.SOLV	NARES	Amortized	123,509.11	123,510.00	123,536.60		2.810	2.849	298.82	0.00	298.82
35.SOLV	35.SOLV	O&M	Amortized	77,036.20	77,037.01	77,061.33		2.810	2.849	186.38	0.00	186.38
40.SOLV	40.SOLV	RATE	Amortized	621,695.50	621,702.00	621,896.86		2.810	2.849	1,504.16	0.00	1,504.16
	Subtotal			1,840,522.82	1,824,566.84	1,800,659.24			2.849	4,414.38	0.00	4,414.38

**Investment Pool
Total Return
Sorted by Issuer - Fund**

CUSIP	Investment #	Fund	Investment Class	Beginning Invested Value	Time Weighted Invested Value	Ending Invested Value	Maturity Date	Current Rate	Total Return	Interest Earned	Investment Adjustment in Value	Net Investment Income
Issuer: SYID#1												
SYS70.SYNEZ	70.SYNEZ	CREDIT	Amortized	-20,436.52	-20,436.25	-20,428.15		2.809	2.848	-49.44	0.00	-49.44
SYS55.SYNEZ	55.SYNEZ	DEBT	Amortized	17,510.99	17,512.00	17,542.21		2.810	2.849	42.37	0.00	42.37
SYS60.SYNEZ	60.SYNEZ	DWR	Amortized	499,073.03	494,109.69	473,572.02		2.810	2.849	1,195.46	0.00	1,195.46
SYS45.SYNEZ	45.SYNEZ	NARES	Amortized	129,002.19	129,003.44	129,040.85		2.810	2.849	312.11	0.00	312.11
35.SYNEZ	35.SYNEZ	O&M	Amortized	26,000.75	26,001.02	26,009.17		2.810	2.849	62.91	0.00	62.91
40.SYNEZ	40.SYNEZ	RATE	Amortized	468,343.94	468,348.83	468,495.63		2.810	2.849	1,133.13	0.00	1,133.13
Subtotal				1,119,494.38	1,114,538.73	1,094,231.73			2.849	2,696.54	0.00	2,696.54
Issuer: Vandenberg Air Force Base												
SYS70.VAFB	70.VAFB	CREDIT	Amortized	407,774.32	407,777.84	407,883.41		2.810	2.849	986.56	0.00	986.56
SYS60.VAFB	60.VAFB	DWR	Amortized	5,016,153.90	4,993,172.35	4,747,185.45		2.810	2.849	12,080.56	0.00	12,080.56
SYS45.VAFB	45.VAFB	NARES	Amortized	0.00	0.00	0.00		3.359		0.00	0.00	0.00
35.VAFB	35.VAFB	O&M	Amortized	393,145.45	393,149.55	393,272.61		2.810	2.849	951.19	0.00	951.19
Subtotal				5,817,073.67	5,794,099.74	5,548,341.47			2.849	14,018.31	0.00	14,018.31
Total				53,800,141.79	52,820,120.56	51,519,483.05			2.849	127,793.83	0.00	127,793.83

Components of Return: Interest: 2.849
 Amortization:
 Market Value:



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

January 14, 2020

TO: CCWA Finance Committee

FROM: Lisa M. Long
Controller 

SUBJECT: FY Ended June 30, 2019 and 2018 Comprehensive Annual Financial Report

SUMMARY AND DISCUSSION

Included in the meeting materials is the CCWA Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2019 and 2018. Please refer to Management's Discussion and Analysis in the report for an overview and summary.

RECOMMENDATION

That the Finance Committee recommend Board approval of the CCWA Comprehensive Annual Financial Report for the fiscal years ended June 30, 2019 and 2018.

LML

Attachment



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

January 13, 2020

TO: CCWA Finance Committee

FROM: Ray A. Stokes
Executive Director 

SUBJECT: Ernst & Young Audit Report and Findings on the DWR Statement of Charges

DISCUSSION

CCWA and the San Luis Obispo County Flood Control and Water Conservation District (SLOCFCWCD) engaged the accounting firm of Ernst & Young to audit the calendar year 2020 Statement of Charges for both entities. SLOCFCWCD agreed to participate in this audit for 2020 because both entities share the same Coastal Branch facilities and so the benefits of the audit also apply to SLOCFCWCD.

The DRAFT audit report is attached to this report. Some of the main findings with the largest dollar amounts found in this years' audit are as follows:

1. Misallocation of Transportation Minimum Costs to CCWA totaling about \$129,000 which should have been allocated to other DWR financial reaches.
2. Misallocation of Coastal Branch Extension (Reaches 37 and 38) for debt service that should have been allocated to other State Water Project Contractors in the amount of \$420,933.
3. DWR has still failed to correct the Coastal Branch Extension debt service allocated to CCWA in the amount of \$1,167,334 as a result of refinancing Coastal Branch Extension debt service, but failing to update the amounts charged to CCWA with the updated actual debt service paid by DWR.

CCWA staff will provide an overview of these and other issues listed in the report at the CCWA Finance Committee and Board meeting.

RAS

Attachment

**SUMMARY OF 2019 PROCEDURES, FINDINGS,
AND RECOMMENDATIONS**

**Central Coast Water Authority
San Luis Obispo County Flood Control and Water Conservation District**

DRAFT



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To the Representatives of Central Coast Water Authority and San Luis Obispo County Flood Control and Water Conservation District

We have completed our engagement to perform procedures at the California Department of Water Resources (DWR or the "Department") on behalf of Central Coast Water Authority (CCWA) and San Luis Obispo County Flood Control (FC) and Water Conservation District (WCD) (collectively, "SLO"). Our engagement was performed in accordance with Exhibit C-1 dated August 13, 2019, to the Statement of Work dated June 28, 2019, and our procedures were limited to those described in that Exhibit C-1.

Our findings and recommendations resulting from our procedures are presented in the memoranda, summaries, and schedules included in the Summary of 2019 Procedures, Findings, and Recommendations (Report). The procedures were performed based on information obtained principally by inquiries of officials and other personnel of the DWR and inspection of certain accounting-related records and reports of the DWR. The specific sources of the various components of the information are indicated in the accompanying memoranda, summaries, and schedules. The information included in the Report, including the memoranda, summaries, and schedules, are solely those we received in response to our inquiries or obtained from documents furnished to us. Our work was limited in scope and time, and we stress that more detailed procedures may reveal findings that this engagement has not.

Except for ascertaining that certain information in tabulations and reports, received from the DWR, agreed with the accounting records (as specifically identified in the accompanying memoranda, summaries, and schedules), we were not requested to and did not perform procedures to evaluate the reliability or completeness of the information obtained. The procedures do not constitute an audit, a review, or other form of assurance in accordance with any generally accepted auditing, review, or other assurance standards, and accordingly we do not express any form of assurance. While we believe the information obtained is substantially responsive to your request, we are not in a position to assess its sufficiency for your purposes.

Restrictions on the use of our work product

This Report is intended solely for the information and use of CCWA and SLO and is not intended to be and should not be used by anyone other than these specified parties. Except where compelled by legal process (of which CCWA and SLO shall promptly inform EY and tender to EY, if EY so elects, the defense), CCWA and SLO may not disclose, orally or in writing, the Report or any portion, abstract or summary thereof, to make any reference to EY in connection therewith, to any third party without obtaining the prior written consent of EY. To the extent CCWA and SLO are permitted to disclose the written Report as set forth herein, it shall disclose the Report only in the original, complete, and unaltered form provided by EY, with all restrictive legends and other agreements intact.

CCWA and SLO shall, among other responsibilities with respect to the Report, (i) make all management decisions and perform all management functions, including applying independent business judgment to the Report, making implementation decisions and determining further courses of action in connections with the Report; (ii) assign a competent employee within senior management to make all management decision with respect to the Report; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Report.

January 31, 2020

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Executive Summary of 2019 Procedures

The transportation minimum component for CCWA and SLO (collectively the “Central Coast Contractors”) has seen extreme volatility. As an example, the transportation minimum calculated component from the 2019 Statement of Charges (SOC) for 2018 was \$11,331,753 and \$2,044,159 for CCWA and SLO, respectively, compared to the transportation minimum calculated component from the 2020 SOC for 2018 of \$13,718,041 and \$2,378,051 for CCWA and SLO, respectively. This is an increase of \$2,386,288 and \$333,892, or 21% and 16%, for CCWA and SLO, respectively, year over year.

This volatility is primarily caused by updates to the Central Coast Contractors’ allocation percentages through alpha allocation cycles. We performed procedures on the transportation minimum component, by analyzing the costs charged to reach 33A, which had an allocation of 90% and 10% for CCWA and SLO, respectively. These procedures included testing direct costs charged to reach 33A related to invoices, labor costs and indirect costs charged to reach 33A through the alpha allocation cycles. We performed an analysis of costs charged to reach 33A comparing the 2014 and 2017 costs to the 2018 costs for specific cost centers and projects. Direct labor costs were a main driver of the increase in these costs. The following table summarizes these changes.

Cost Center	Project	2014 Costs	2017 Costs	2018 Costs	Increase/(Decrease) in Costs (2017-2018)	Increase/ (Decrease) in Costs (2014-2018)
2300871500	Miscellaneous	\$ -	\$ -	\$ 198,670	\$ 198,670	\$ 198,670
2300871500	Preparation	\$ -	\$ 127,607	\$ 10,669	\$ (116,938)	\$ 10,669
2300871500	Repairs and Maintenance	\$ 14,863	\$ 11,916	\$ 109,134	\$ 97,218	\$ 94,271
2300871502	Fish Operating Plan	\$ 8,191	\$ 153,307	\$ 9,431	\$ (143,876)	\$ 1,240
2300871502	Inspection and Testing	\$ 5,648	\$ 213,923	\$ 170,875	\$ (43,048)	\$ 165,227
2300871502	Repairs and Maintenance	\$ 96,712	\$ 601,095	\$ 1,145,206	\$ 544,111	\$ 1,048,494
2300871503	Inspection and Testing	\$ 5,029	\$ 250,385	\$ 82,607	\$ (167,778)	\$ 77,578
2300871503	Repairs and Maintenance	\$ 262,869	\$ 759,250	\$ 1,265,951	\$ 506,701	\$ 1,003,082
2300871504	Annual Order	\$ 2,298	\$ 267,065	\$ 41,198	\$ (225,867)	\$ 38,900
2300871504	Repairs and Maintenance	\$ 302,891	\$ 833,230	\$ 772,158	\$ (61,072)	\$ 469,267
2300871504	Upgrades and Installations	\$ 75,607	\$ 186,892	\$ 15,911	\$ (170,981)	\$ (59,696)

The increase in direct labor costs charged to reach 33A also impacts the indirect cost allocations for the transportation minimum component, as these allocations are calculated based on direct labor hours. The following table summarizes these changes.

Alpha Allocation Cycle	2014 Allocation	2017 Allocation	2018 Allocation
FDL907	40.0%	72.0%	65.4%
FFN907	4.0%	17.0%	15.3%
FAD908	0.8%	3.8%	3.5%
FAD909	0.8%	3.8%	3.5%
SAA913	0.8%	3.2%	2.4%
SAA923	0.8%	3.2%	2.4%

On a sample basis, we made inquiries with the Department to identify the root cause of the direct labor increases for those employees that charged time to the selected IOs.

Our procedures related to analyzing invoices charged to specific IOs has led to specific findings referenced in the Detailed Discussion of 2019 Procedures section of this report. Such invoice related findings relate to costs charged to specific indirect cost allocations that appear to be more appropriately allocated to other indirect cost allocations based on the work being performed.

We have performed procedures over Coastal Branch Extension (CBX) debt service to ensure that CCWA properly received credits for reduced debt service payments as a result of bond series Q and W refinancing. We observed that the Department bills debt service in the SOC in advance of bond refinancing, and then does not subsequently adjust the billings to reflect the impact of the refinanced debt on CCWA. Approximately \$1.2 million has been overcharged to CCWA from 1998 to 2020.

DRAFT

Detailed Discussion of 2019 Procedures

Areas of Focus

- Transportation Minimum
- CBX Direct Debt Service

Findings and Recommendations Summary Tables

Throughout the report, summary tables are categorized as findings or recommendations. Findings specifically relate to observations with a dollar impact to CCWA and SLO. Recommendations are process improvements observed for the Department specifically identified through current year procedures for which no dollar impact to CCWA or SLO was determined.

The findings and recommendations summary tables throughout the report identify the risk of future occurrence. This risk rating provides CCWA and SLO with a meaningful measurement of the likelihood of similar findings in subsequent years if the finding is not addressed or corrected. CCWA and SLO have requested that we use the following risk rating definitions:

- High - it is highly likely (or probable) that the error or process failure will be repeated
- Medium - it is more likely than not that the error or process failure will be repeated
- Low - it is possible that the error or process failure will be repeated

Internal Control Impact Framework

The internal control categories presented in the findings and recommendation summary tables detail the root cause of the finding or recommendation. We have summarized all findings and recommendations into internal control categories, which are presented in the Internal Control Impact Framework.

1. Control Activities:

- a. Internal Controls on Reconciliations, Approvals, Assets, Segregation of Duties – Findings in this category are the result of errant internal control measures or practices. This includes approvals, verifications, reconciliations, segregation of duties.
- b. Internal Controls on Data Environment to Ensure Data Integrity – Findings in this category are the result of errant data control measures or practices. This includes practices that result in altered, damaged or errant data included in calculations or reporting.

2. Control Environment:

- a. Policy: Determination of Beneficiary – Findings in this category are the result of no policy or lack of compliance with policy regarding full reimbursement of cost and having a defined beneficiary prior to providing service.
- b. Policy: Determination of Cost Categorization – Findings in this category are the result of no policy or lack of compliance with policy regarding controls and approvals of cost classification/codification prior to posting into a system of record.
- c. Policy: Accounting Standards for Consistency – Findings in this category are the result of the DWR adopting an accounting principle, method or practice and not consistently following the principle, method or practice in future accounting periods.
- d. Policy: Accounting Standards for Timeliness – Findings in this category are the result of DWR not following the accounting principle of timeliness or the need for accounting information to be presented to the users in time to fulfill their decision making needs.
- e. Procedures: No Procedures – Findings in this category are the result of DWR not having established standardized processes or procedures.
- f. Procedures: Errant Procedures – Findings in this category are the result of DWR having errant standardized processes or procedures creating a weakness in internal control processes.
- g. Procedures: Procedures not Being Followed – Findings in this category are the result of DWR staff not following standardized processes or procedures creating a weakness in internal control processes.

Transportation Minimum

Procedures Performed

We performed the following detailed procedures on the transportation minimum component for Reach 33A:

- Transportation minimum direct allocation for Reach 33A:
 - Obtained a listing of IOs associated with costs of specific projects and performed an analysis comparing 2014 and 2017 to 2018.
 - Assessed a sample of IOs with the largest increase in costs and hours charged from specific projects resulting from the analysis completed in the preceding procedure.
 - Assessed a sample from the largest new groups and employees of like IOs in 2018.
- Transportation minimum indirect allocation for Reach 33A:
 - Selected the largest alpha allocation cycles causing the increase in indirect costs for the Statewide, San Joaquin Field Division, and Coastal Branch (CB) allocations:
 - Statewide: M-FAD908, M-FAD909, M-SAA913, M-SAA923
 - San Joaquin Field Division: M-FFN907
 - CB Field Division: M-FDL907
 - Obtained a listing of IOs associated with the costs for the alpha allocation cycles and the specific projects, and performed a fluctuation analysis between 2014 and 2017 to 2018.
 - Assessed a sample of IOs with the largest increase in costs and hours charged from specific projects resulting from the fluctuation analysis between 2014 and 2017 to 2018.
 - Assessed a sample from the largest new groups and employees of similar IOs in 2018.
- Downstream allocation for Reach 33A:
 - Investigated the increase in downstream expenses.
- CBX direct debt service:
 - Determined whether the refinanced bonds were credited to direct billed debt services for the CBX.
- Investigated any variances identified.

Findings and Recommendations

We performed a fluctuation analysis on transportation minimum direct allocation to Reach 33A and the largest alpha allocation cycles causing the increase in indirect costs for the Statewide, San Joaquin Field Division, and CB allocations between 2014 and 2017 to 2018. The results of this analysis is as follows:

Cost Center	Project	2014 Costs	2017 Costs	2018 Costs	Increase/ (Decrease) in Costs (2017-2018)	Increase/ (Decrease) in Costs (2014-2018)	Change Description
2300871500	Miscellaneous	\$ -	\$ -	\$ 198,670	\$ 198,670	\$ 198,670	The change in costs between 2014 and 2017 to 2018 primarily relates to a change in labor costs per the cost element description. The labor changed from 0 hours in 2014 and 2017 to 1,247 hours in 2018. The change in labor was primarily related to Devil's Den, Bluestone, and Polonio Pass pumping plants, nonspecific operations that were not performed during 2014 or 2017.
2300871500	Preparation	\$ -	\$ 127,607	\$ 10,669	\$ (116,938)	\$ 10,669	The change in costs between 2014 and 2017 to 2018 primarily relates to a change in labor costs per the cost element description. Labor changed from 0 hours in 2014 to 632 hours in 2017 to 4 hours in 2018. The change in labor was primarily related to costs to prepare for coastal outages.
2300871500	Repairs and Maintenance	\$ 14,863	\$ 11,916	\$ 109,134	\$ 97,218	\$ 94,271	The change in costs between 2014 and 2017 to 2018 primarily relates to labor and miscellaneous costs per the cost element description. Labor changed from 101 hours in 2014 to 24 hours in 2017 to 2,457 hours in 2018. The change in labor was primarily related to the refurbishment of motor bearings for Devil's Den, Bluestone, and Polonio Pass pumping plants and asphalt repairs.
2300871502	Fish Operating Plan	\$ 8,191	\$ 153,307	\$ 9,431	\$ (143,876)	\$ 1,240	The change in costs between 2014 and 2017 to 2018 primarily relates to labor and miscellaneous costs per the cost element description. Labor changed from 18 hours in 2014 to 503 hours in 2017 to 50 hours in 2018. The change in labor was primarily related to excitation troubleshooting at Devil's Den pumping plant.
2300871502	Inspection and Testing	\$ 5,648	\$ 213,923	\$ 170,875	\$ (43,048)	\$ 165,227	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 41 hours in 2014 to 1,645 hours in 2017 to 1,111 hours in 2018. The change in labor was primarily related to crane inspections and Devil's Den pumping plant tests.

Cost Center	Project	2014 Costs	2017 Costs	2018 Costs	Increase/ (Decrease) in Costs (2017-2018)	Increase/ (Decrease) in Costs (2014-2018)	Change Description
2300871502	Repairs and Maintenance	\$ 96,712	\$ 601,095	\$ 1,145,206	\$ 544,111	\$ 1,048,494	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 348 hours in 2014 to 3,851 hours in 2017 to 12,056 hours in 2018. The change in labor was primarily related to repairs and refurbishments of the Devi's Den pumping plan drain forebay, air chamber blast coating, and crane refurbishments.
2300871503	Inspection and Testing	\$ 5,029	\$ 250,385	\$ 82,607	\$ (167,778)	\$ 77,578	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 22 hours in 2014 to 1,603 hours in 2017 to 361 hours in 2018. The change in labor was primarily related to inspection and testing of the Motor Protection Relay systems.
2300871503	Repairs and Maintenance	\$ 262,869	\$ 759,250	\$ 1,265,951	\$ 506,701	\$ 1,003,082	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 892 hours in 2014 to 3,382 hours in 2017 to 6,200 hours in 2018. The change in labor was primarily related to repairs and rebuilds for the Bluestone pumping plant return line fabrication and pump rebuild.
2300871504	Annual Order	\$ 2,298	\$ 267,065	\$ 41,198	\$ (225,867)	\$ 38,900	The change in costs between 2014 and 2017 to 2018 primarily relates to the Polonio Pass pumping plant annual orders per the cost element description.
2300871504	Repairs and Maintenance	\$ 302,891	\$ 833,230	\$ 772,158	\$ (61,072)	\$ 469,267	The change in costs between 2014 and 2017 to 2018 primarily relates to crane refurbishments and Polonio Pass pumping plant forebay repairs and return line modifications.
2300871504	Upgrades and Installations	\$ 75,607	\$ 186,892	\$ 15,911	\$ (170,981)	\$ (59,696)	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 394 hours in 2014 to 1,239 hours in 2017 to 20 hours in 2018.
2280FDL907	Part Replacement	\$ 22,626	\$ 485,496	\$ 48,775	\$ (436,721)	\$ 26,149	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 459 hours in 2014 to 19,309 in 2017 to 1,149 hours in 2018. The change is also related to the change in Reach 33A's alpha allocation cycle percentage through FDL907 that changed from 40.0% in 2014 to 72.0% in 2017 to 65.4% in 2018 which is calculated based on actual direct labor charges.

Cost Center	Project	2014 Costs	2017 Costs	2018 Costs	Increase/ (Decrease) in Costs (2017-2018)	Increase/ (Decrease) in Costs (2014-2018)	Change Description
2300FDL907	Annual Order	\$ 1,265	\$ 302,927	\$ 264,592	\$ (38,335)	\$ 263,327	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 27 hours in 2014 to 3,124 hours in 2017 to 2,019 hours in 2018. The change in labor was primarily related to relay testing database management. The change is also related to the change in Reach 33A's alpha allocation cycle percentage through FDL907 that changed from 40.0% in 2014 to 72.0% in 2017 to 65.4% in 2018 which is calculated based on actual direct labor charges.
2300FDL907	General Time	\$ 298,448	\$ 661,738	\$ 388,179	\$ (273,559)	\$ 89,731	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 5,736 hours in 2014 to 5,891 hours in 2017 to 3,552 hours in 2018. The change in labor was primarily related to an increase in the rate per hour for labor involved in general operations at the San Juquin field division. The change is also related to the change in Reach 33A's alpha allocation cycle percentage through FDL907 that changed from 40.0% in 2014 to 72.0% in 2017 to 65.4% in 2018 which is calculated based on actual direct labor charges.
2300FDL907	Tooling	\$ 8,362	\$ 161,372	\$ 169,649	\$ 8,277	\$ 161,287	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 2,659 hours in 2014 to 5,917 hours in 2017 to 9,002 hours in 2018. The change in labor was primarily related to hand and power tools and safety supplies used in the division. The change is also related to the change in Reach 33A's alpha allocation cycle percentage through FDL907 that changed from 40.0% in 2014 to 72.0% in 2017 to 65.4% in 2018 which is calculated based on actual direct labor charges.
2300FDL907	Weed Removal	\$ 2,347	\$ 492,348	\$ 787,860	\$ 785,513	\$ 295,512	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 2 hours in 2014 to 5,678 hours in 2017 to 10,669 hours in 2018. The change is also related to the change in Reach 33A's alpha allocation cycle percentage through FDL907 that changed from 40.0% in 2014 to 72.0% in 2017 to 65.4% in 2018 which is calculated based on actual direct labor charges.

Cost Center	Project	2014 Costs	2017 Costs	2018 Costs	Increase/ (Decrease) in Costs (2017-2018)	Increase/ (Decrease) in Costs (2014-2018)	Change Description
2314FDL907	Right of Way	\$ -	\$ 146,956	\$ 99,633	\$ (47,323)	\$ 99,633	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs per the cost element description. Labor changed from 0 hours in 2014 to 1,208 hours in 2017 to 789 hours in 2018. The change in labor was primarily related to labor used in the development of right of way contracts. The change is also related to the change in Reach 33A's alpha allocation cycle percentage through FDL907 that changed from 40.0% in 2014 to 72.0% in 2017 to 65.4% in 2018 which is calculated based on actual direct labor charges.
2300FFN907	Annual Order	\$ 1,344	\$ 182,872	\$ 144,894	\$ (37,978)	\$ 143,550	The change in costs between 2014 and 2017 to 2018 primarily relates to labor costs for the annual apprentice training for the San Juaquin field division and the change in Reach 33A's alpha allocation cycle percentage through FFN907 that changed from 4.0% in 2014 to 17.0% in 2017 to 15.3% in 2018 which is calculated based on actual direct labor charges.
2300FFN907	Fish Operating Plan	\$ 75,860	\$ 316,784	\$ 329,557	\$ 12,773	\$ 253,697	The change in costs between 2014 and 2017 to 2018 primarily relates to miscellaneous costs such as security, janitorial services, and other facility operations and the change in Reach 33A's alpha allocation cycle percentage through FFN907 that changed from 4.0% in 2014 to 17.0% in 2017 to 15.3% in 2018 which is calculated based on actual direct labor charges.
2300FFN907	General Time	\$ 198,934	\$1,578,344	\$ 971,643	\$ (606,701)	\$ 772,709	The change in costs between 2014 and 2017 to 2018 primarily relates to electrical engineering costs and the change in Reach 33A's alpha allocation cycle percentage through FFN907 that changed from 4.0% in 2014 to 17.0% in 2017 to 15.3% in 2018 which is calculated based on actual direct labor charges.
2300FFN907	Repairs and Maintenance	\$ 16,084	\$ 225,972	\$ 217,719	\$ (8,253)	\$ 201,635	The change in costs between 2014 and 2017 to 2018 primarily relates to copper cable monitoring and repair and the change in Reach 33A's alpha allocation cycle percentage through FFN907 that changed from 4.0% in 2014 to 17.0% in 2017 to 15.3% in 2018 which is calculated based on actual direct labor charges.
2300FFN907	Training	\$ 8,453	\$ 373,059	\$ 366,111	\$ (6,948)	\$ 357,658	The change in costs between 2014 and 2017 to 2018 primarily relates to employee training in the San Juaquin field division and the change in Reach 33A's alpha allocation cycle percentage through FFN907 that changed from 4.0% in 2014 to 17.0% in 2017 to 15.3% in 2018 which is calculated based on actual direct labor charges.

Cost Center	Project	2014 Costs	2017 Costs	2018 Costs	Increase/ (Decrease) in Costs (2017-2018)	Increase/ (Decrease) in Costs (2014-2018)	Change Description
2300FFN907	Vehicle	\$ 111,808	\$ 578,509	\$ 517,603	\$ (60,906)	\$ 405,795	The change in costs between 2014 and 2017 to 2018 primarily relates to purchases of new vehicles and equipment and the change in Reach 33A's alpha allocation cycle percentage through FFN907 that changed from 4.0% in 2014 to 17.0% in 2017 to 15.3% in 2018 which is calculated based on actual direct labor charges.
2301FAD908	Operations and Maintenance	\$ -	\$ 8,185	\$ 62,601	\$ 54,416	\$ 62,601	The change in costs between 2014 and 2017 to 2018 primarily relates to external services used in operations and maintenance related to the phase B maintenance management strategy and the change in Reach 33A's alpha allocation cycle percentage through FAD908 that changed from 0.8% in 2014 to 3.8% in 2017 to 3.5% in 2018 which is calculated based on actual direct labor charges.
2310FAD908	Operations Control Office	\$ 49,140	\$ 478,353	\$ 496,789	\$ 18,436	\$ 447,649	The change in costs between 2014 and 2017 to 2018 primarily relates to operations control office training and the change in Reach 33A's alpha allocation cycle percentage through FAD908 that changed from 0.8% in 2014 to 3.8% in 2017 to 3.5% in 2018 which is calculated based on actual direct labor charges.
2311FAD908	Construction	\$ -	\$ 83,177	\$ 231,680	\$ 148,503	\$ 231,680	The change in costs between 2014 and 2017 to 2018 primarily relates to external services related to the version 5/6 implementation project and the change in Reach 33A's alpha allocation cycle percentage through FAD908 that changed from 0.8% in 2014 to 3.8% in 2017 to 3.5% in 2018 which is calculated based on actual direct labor charges.
2325FAD908	Statewide Activities Program	\$ 58,966	\$ 127,306	\$ 174,529	\$ 47,223	\$ 115,563	The change in costs between 2014 and 2017 to 2018 primarily relates to research, safety, environment, development, training, and vehicle purchases and the change in Reach 33A's alpha allocation cycle percentage through FAD908 that changed from 0.8% in 2014 to 3.8% in 2017 to 3.5% in 2018 which is calculated based on actual direct labor charges.
2330FAD908	Annual Order	\$ 51	\$ 31,547	\$ 52,143	\$ 20,596	\$ 52,092	The change in costs between 2014 and 2017 to 2018 primarily relates to electrical engineering work and the change in Reach 33A's alpha allocation cycle percentage through FAD908 that changed from 0.8% in 2014 to 3.8% in 2017 to 3.5% in 2018 which is calculated based on actual direct labor charges.

Cost Center	Project	2014 Costs	2017 Costs	2018 Costs	Increase/ (Decrease) in Costs (2017-2018)	Increase/ (Decrease) in Costs (2014-2018)	Change Description
2340FAD908	General Time	\$ 12,768	\$ 70,411	\$ 92,697	\$ 22,286	\$ 79,929	The change in costs between 2014 and 2017 to 2018 primarily relates to technical specialists for radio work and support and the change in Reach 33A's alpha allocation cycle percentage through FAD908 that changed from 0.8% in 2014 to 3.8% in 2017 to 3.5% in 2018 which is calculated based on actual direct labor charges.
2310FAD909	Operations Control Office	\$ 53,791	\$ 243,413	\$ 242,181	\$ (1,232)	\$ 188,390	The change in costs between 2014 and 2017 to 2018 primarily relates to general operations control office labor and the change in Reach 33A's alpha allocation cycle percentage through FAD909 that changed from 0.8% in 2014 to 3.8% in 2017 to 3.5% in 2018 which is calculated based on actual direct labor charges.
2350FAD909	Operations Control Office	\$ 22,188	\$ 105,662	\$ 119,097	\$ 13,435	\$ 96,909	The change in costs between 2014 and 2017 to 2018 primarily relates to water management and the change in Reach 33A's alpha allocation cycle percentage through FAD909 that changed from 0.8% in 2014 to 3.8% in 2017 to 3.5% in 2018 which is calculated based on actual direct labor charges.
2300SAA913	Pro Rata Charges Program	\$ -	\$ 765,875	\$ 559,899	\$ (205,976)	\$ 559,899	The change in costs between 2014 and 2017 to 2018 primarily relates to pro rata charges which are charges assessed from the State of California for state services and the change in Reach 33A's alpha allocation cycle percentage through SAA913 that changed from 0.8% in 2014 to 3.2% in 2017 to 2.4% in 2018 which is calculated based on actual direct labor charges.
2503SAA913	Debt	\$ 30,374	\$ 122,512	\$ 188,402	\$ 65,890	\$ 158,028	The change in costs between 2014 and 2017 to 2018 primarily relates to general accounting, analysis, and debt costs and the change in Reach 33A's alpha allocation cycle percentage through SAA913 that changed from 0.8% in 2014 to 3.2% in 2017 to 2.4% in 2018 which is calculated based on actual direct labor charges.

We selected a sample of 151 invoices charged to Reach 33A (74 charged direct to Reach 33A and 77 charged indirect to Reach 33A through an alpha allocation cycle) and tested for the following attributes:

1. We assessed whether they were classified as direct or indirect (through an alpha allocation cycle) to reach.
2. For invoices charged direct to reach, we assessed how they were assigned to the reach.
3. For invoices charged to multiple reaches, we assessed whether they were allocated to a statewide or field division alpha allocation cycle.
4. We assessed whether the invoice amount charged in the Financial Accounting System (an SAP module) PR5 reconciled to Utility Cost Allocation and Billing System (an SAP module) UCABS.
5. We assessed whether the invoice was recovered through the transportation minimum component.

Finding AUD-000442 - New	
Finding:	Claim number 1368419 includes work performed for the CB but had costs allocated directly to Devil's Den pumping plant (CB2-R33A).
Dollar Amount:	\$6,088
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to the CB (M-FDL907).
Department Response:	The Department will evaluate whether this invoice should be reallocated to the CB (M-FDL907) as part of the 2021 SOC.

During our procedures to determine whether amounts recovered through the transportation minimum component are supported through the inspection of invoices, we observed that claim number 1368419 includes work performed for the CB, but had costs incorrectly allocated to Devil's Den pumping plant (CB2-R33A). This results in a reallocation of costs among the Contractors, as follows:

Table SOC.1 - Reallocation to M-FDL907

Contractor	Current Allocation	Adjusted Allocation	Increase/(Decrease) in Charges
Alameda County FC and WCD Zone 7	\$ -	\$ 55	\$ 55
Coachella Valley Water District	-	114	114
Desert Water Agency	-	38	38
Future San Joaquin	-	106	106
Kern County Water Agency (KCWA) – Agricultural (Ag)	-	773	773
County of Kings	-	4	4
Mojave Water Agency	-	196	196
Napa County FC and WCD	-	13	13
San Luis Obispo County FC and WCD	615	624	9
Santa Barbara County FC and WCD	5,473	3,989	(1,484)
Santa Clarita Valley Water Agency	-	155	155
Solano County Water Agency	-	21	21
Total	\$ 6,088	\$ 6,088	\$ -

Finding AUD-000443 - Recurring	
Finding:	Claim numbers 1361042, 1363709, 1359922, 1368419, and 1355267 include work related to extraordinary minimum costs but had costs incorrectly charged through annual facilities operations and maintenance minimum cost centers.
Dollar Amount:	Overstatement of costs used to calculate the percentages for Reach 33A: 2018 - \$136,585 direct labor charges 2017 - \$156,225 direct labor charges 2016 - \$233,964 direct labor charges
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Control on Data Environment to Ensure Data Integrity
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should move these costs to an extraordinary minimum cost center to exclude these costs from the calculation of the F-series alpha allocation cycles.
Department Response:	The Department will evaluate an extraordinary minimum cost center to move these costs in order to exclude them from the calculation of the F-series alpha allocation cycles.

During our procedures to determine whether amounts recovered through the transportation minimum component are supported through the inspection of invoices, we observed that claim numbers 1361042, 1363709, 1359922, 1368419, and 1355267 included work related to extraordinary costs such as refurbishment and repairs, but these costs are being charged through annual facilities operations and maintenance minimum cost centers which are used in the calculation of the F-series alpha allocation cycles percentages. Including such costs overstates the allocation percentages for Reach 33A.

Finding AUD-000444 - New	
Finding:	Claim numbers 1367605, 1359429, 1366826 and 1369030 include work performed at Edmonston pumping plant (CA-R17E) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$31,629
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to Edmonston pumping plant (CA-R17E).
Department Response:	The Department will evaluate whether this invoice should be reallocated to the Edmonston pumping plant (CA-R17E) as part of the 2021 SOC.

During our procedures to determine whether amounts recovered through the transportation minimum component are supported through the inspection of invoices, we observed that claim numbers 1367605, 1359429, 1366826 and 1369030 included work performed at Edmonston pumping plant (CA-R17E), but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.2 - Reallocation to CA-R17E

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/Increase in Charges
Alameda County FC and WCD Zone 7	\$ 72	\$ -	\$ (72)
Antelope Valley-East Kern Water Agency	1,181	1,650	469
Coachella Valley Water District	1,327	1,661	334
Crestline-Lake Arrowhead Water Agency	51	72	21
Desert Water Agency	532	680	148
Dudley Ridge Water District (DRWD)	4	-	(4)
Future San Joaquin	130	-	(130)
KCWA – Ag	2,358	-	(2,358)
KCWA – Municipal and Industrial (M&I)	164	63	(101)
County of Kings	5	-	(5)
Littlerock Creek Irrigation District	18	26	8
Metropolitan Water District of Southern California	16,478	23,050	6,572
Mojave Water Agency	967	1,016	49
Napa County FC and WCD	17	-	(17)
Palmdale Water District	174	243	69
San Bernardino Valley Municipal Water District (MWD)	912	1,277	365
San Gabriel Valley MWD	251	351	100
San Geronio Pass Water Agency	154	215	61
San Luis Obispo County FC and WCD	762	-	(762)
Santa Barbara County FC and WCD	4,862	-	(4,862)
Santa Clarita Valley Water Agency	1,015	1,095	80
Solano County Water Agency	26	-	(26)
Tulare Lake Basin Water Storage District	4	-	(4)
Ventura County Watershed Protection District	165	230	65
Total	\$ 31,629	\$ 31,629	\$ -

Finding AUD-000445 - New	
Finding:	Claim numbers 1366263 and 1360961 includes work performed at Lost Hills (CA-11B), Buena Vista (CA-14A), Teerink (CA-15A), Chrisman (CA-16A), Edmonston (CA-17E), Las Perillas and Badger Hill (CA-R31A) pumping plants, but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$30,398
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to Lost Hills (CA-11B), Buena Vista (CA-14A), Teerink (CA-15A), Chrisman (CA-16A), Edmonston (CA-17E), Las Perillas and Badger Hill (CA-R31A) pumping plants.
Department Response:	The Department will evaluate whether this invoice should be reallocated to Lost Hills (CA-11B), Buena Vista (CA-14A), Teerink (CA-15A), Chrisman (CA-16A), Edmonston (CA-17E), Las Perillas and Badger Hill (CA-R31A) pumping plants as part of the 2021 SOC.

During our procedures to determine whether amounts recovered through the transportation minimum component are supported through the inspection of invoices, we observed that claim numbers 1366263 and 1360961 included work performed at Lost Hills (CA-11B), Buena Vista (CA-14A), Teerink (CA-15A), Chrisman (CA-16A), Edmonston (CA-17E), Las Perillas and Badger Hill (CA-R31A) pumping plants, but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.3 - Reallocation to CA-11B, CA-14A, CA-15A, CA-16A, CA-17E and CA-R31A

Contractor	Current Allocation	Adjusted Allocation	Increase/(Decrease) in Charges
Alameda County FC and WCD Zone 7	\$ 70	\$ 154	\$ 84
Antelope Valley-East Kern Water Agency	1,135	1,181	46
Coachella Valley Water District	1,275	1,447	172
Crestline-Lake Arrowhead Water Agency	50	52	2
Desert Water Agency	512	572	60
DRWD	4	-	(4)
Future San Joaquin	125	242	117
KCWA - Ag	2,266	4,336	2,070
KCWA - M&I	158	366	208
County of Kings	5	8	3
Littlerock Creek Irrigation District	18	19	1
Mojave Water Agency	929	1,174	245
Metropolitan Water District of Southern California	15,835	16,476	641
Napa County FC and WCD	16	35	19
Palmdale Water District	167	175	8
San Bernardino Valley MWD	877	912	35
San Gabriel Valley MWD	241	250	9
San Geronio Pass Water Agency	148	154	6
San Luis Obispo County FC and WCD	732	506	(226)
Santa Barbara County FC and WCD	4,673	933	(3,740)
Santa Clarita Valley Water Agency	975	1,187	212
Solano County Water Agency	25	54	29
Tulare Lake Basin Water Storage District	4	-	(4)
Ventura County Watershed Protection District	158	165	7
Total	\$ 30,398	\$ 30,398	\$ -

Finding AUD-000446 - New	
Finding:	Claim numbers 1364828 and 1359429 includes work performed at Chrisman pumping plant (CA-R16A) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$32,056
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to Chrisman pumping plant (CA-R16A).
Department Response:	The Department will evaluate whether this invoice should be reallocated to Chrisman pumping plants (CA-R16A) as part of the 2021 SOC.

During our procedures to determine whether amounts recovered through the transportation minimum component are supported through the inspection of invoices, we observed that claim numbers 1364828 and 1359429 included work performed at Chrisman pumping plant (CA-R16A), but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.4 - Reallocation to R16A

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/Increase in Charges
Alameda County FC and WCD Zone 7	\$ 73	\$ -	\$ (73)
Antelope Valley-East Kern Water Agency	1,198	1,609	411
Coachella Valley Water District	1,345	1,619	274
Crestline-Lake Arrowhead Water Agency	52	70	18
Desert Water Agency	540	663	123
DRWD	4	-	(4)
Future San Joaquin	132	-	(132)
KCWA – Ag	2,390	1,086	(1,304)
KCWA – M&I	166	208	42
County of Kings	5	-	(5)
Littlerock Creek Irrigation District	19	26	7
Mojave Water Agency	980	991	11
Metropolitan Water District of Southern California	16,699	22,460	5,761
Napa County FC and WCD	17	-	(17)
Palmdale Water District	176	237	61
San Bernardino Valley MWD	925	1,244	319
San Gabriel Valley MWD	254	342	88
San Geronio Pass Water Agency	156	210	54
San Luis Obispo County FC and WCD	772	-	(772)
Santa Barbara County FC and WCD	4,928	-	(4,928)
Santa Clarita Valley Water Agency	1,028	1,067	39
Solano County Water Agency	26	-	(26)
Tulare Lake Basin Water Storage District	4	-	(4)
Ventura County Watershed Protection District	167	224	57
Total	\$ 32,056	\$ 32,056	\$ -

Finding AUD-000447 - New	
Finding:	Claim number 1366263 includes work performed at Buena Vista (CA-14A), Teerink (CA-15A), Chrisman (CA-16A), Edmonston (CA-17E), Las Perillas and Badger Hills (CA-31A) pumping plants, but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.
Dollar Amount:	\$13,900
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to Buena Vista (CA-14A), Teerink (CA-15A), Chrisman (CA-16A), Edmonston (CA-17E), Las Perillas and Badger Hills (CA-31A) pumping plants.
Department Response:	The Department will evaluate whether this invoice should be reallocated to Buena Vista (CA-14A), Teerink (CA-15A), Chrisman (CA-16A), Edmonston (CA-17E), Las Perillas and Badger Hills (CA-31A) pumping plants as part of the 2021 SOC.

During our procedures to determine whether amounts recovered through the transportation minimum component are supported through the inspection of invoices, we observed that claim number 1366263 includes work performed at Buena Vista (CA-14A), Teerink (CA-15A), Chrisman (CA-16A), Edmonston (CA-17E), Las Perillas and Badger Hills (CA-31A) Pumping Plants, but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.5 - Reallocation to CA-14A, CA-15A, CA-16A, CA-R17E and CA-31A

Contractor	Current Allocation	Adjusted Allocation	Increase/(Decrease) in Charges
Alameda County FC and WCD Zone 7	\$ 32	\$ 32	\$ -
Antelope Valley-East Kern Water Agency	519	642	123
Santa Clarita Valley Water Agency	446	526	80
Coachella Valley Water District	583	712	129
Crestline-Lake Arrowhead Water Agency	23	28	5
Desert Water Agency	234	286	52
DRWD	2	-	(2)
Future San Joaquin	57	61	4
KCWA – Ag	1,036	798	(238)
KCWA – M&I	72	45	(27)
County of Kings	2	2	-
Littlerock Creek Irrigation District	8	10	2
Mojave Water Agency	425	508	83
Metropolitan Water District of Southern California	7,241	8,966	1,725
Napa County FC and WCD	7	8	1
Palmdale Water District	77	95	18
San Bernardino Valley MWD	401	497	96
San Gabriel Valley MWD	110	136	26
San Geronio Pass Water Agency	68	84	16
San Luis Obispo County FC and WCD	335	127	(208)
Santa Barbara County FC and WCD	2,137	235	(1,902)
Solano County Water Agency	11	12	1
Tulare Lake Basin Water Storage District	2	-	(2)
Ventura County Watershed Protection District	72	90	18
Total	\$ 13,900	\$ 13,900	\$ -

Finding AUD-000448 - New	
Finding:	Claim numbers 1366826, 1365679, 1359866, 1362138, 1359866, 1363452, 1369031, 1372110, 1363452, 1359866, 1365679, 1372109, 1359866, 1369030, 1362138, 1369030, 1372110, 1363453, 1363452, 1366826, 1359866, 1372109, 1379684, 1369059, 1369989, 1357148, 1359893, 1362918, 1362837, 1364990 and 1372109 include work performed at the San Joaquin Field Division but had costs incorrectly allocated to the CB through alpha cost center 2300FFN907.
Dollar Amount:	\$731,893
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	San Luis Obispo FC and WCD and Santa Barbara County FC and WCD
Recommendation:	The Department should charge the work performed for this claim to the San Joaquin Field Division (M-FDF907).
Department Response:	The Department will evaluate whether this invoice should be reallocated to the San Joaquin Field Division (M-FDF907) as part of the 2021 SOC.

During our procedures to determine whether amounts recovered through the transportation minimum component are supported through the inspection of invoices, we observed that claim numbers listed above include work performed at the San Joaquin Field Division, but had costs incorrectly allocated to the CB through alpha cost center 2300FFN907. This results in a reallocation of costs among the Contractors, as follows:

Table SOC.6 - Reallocation to M-FDF907

Contractor	Current Allocation	Adjusted Allocation	(Decrease)/Increase in Charges
Alameda County FC and WCD Zone 7	\$ 1,678	\$ 426	\$ (1,252)
Antelope Valley-East Kern Water Agency	27,318	34,418	7,100
Coachella Valley Water District	30,706	34,659	3,953
Crestline-Lake Arrowhead Water Agency	1,194	1,503	309
Desert Water Agency	12,321	14,172	1,851
DRWD	88	262	174
Empire West Side Irrigation District	2	1	(1)
Future San Joaquin	3,005	49	(2,956)
KCWA – Ag	54,567	64,211	9,644
KCWA – M&I	3,796	6,941	3,145
County of Kings	117	32	(85)
Littlerock Creek Irrigation District	437	550	113
Metropolitan Water District of Southern California	381,294	480,095	98,801
Mojave Water Agency	22,371	21,269	(1,102)
Napa County FC and WCD	388	49	(339)
Palmdale Water District	4,030	5,078	1,048
San Bernardino Valley MWD	21,115	26,580	5,465
San Gabriel Valley MWD	5,798	7,300	1,502
San Geronio Pass Water Agency	3,560	4,482	922
San Luis Obispo County FC and WCD	17,627	103	(17,524)
Santa Barbara County FC and WCD	112,502	188	(112,314)
Santa Clarita Valley Water Agency	23,481	24,483	1,002
Solano County Water Agency	601	69	(532)
Tulare Lake Basin Water Storage District	89	176	87
Ventura County Watershed Protection District	3,808	4,797	989
Total	\$ 731,893	\$ 731,893	\$ -

We investigated the change in downstream expenses from 2014 to 2017 to 2018.

2014 Costs	2017 Costs	2018 Costs	Decrease in Costs (2014-2018)	Decrease in Costs (2017-2018)
\$ 587,509	\$ 801,031	\$ 149,625	\$ (437,884)	\$ (651,406)

We observed the decrease in downstream costs from 2017 to 2018 is due to a decrease in operational losses and a decrease in water deliveries. Operational losses and water deliveries decreased by 6,380 acre-feet and 2,710 acre-feet, respectively. Operational losses and water deliveries, along with the increase in power costs of \$576,880, caused the unit rate per acre-foot to increase, however, as operational losses decreased by 6,380 acre-feet there was an overall decrease in downstream costs for Reach 33A. We reperformed the downstream calculation for the 2018 year and recalculated a balance of \$149,394 observing a variance of \$231 from the allocated downstream amount of \$149,625.

Coastal Branch Extension Direct Debt Service

Procedures Performed

Determined whether the refinanced bonds were credited to the direct billed debt service for the CBX.

Findings and Recommendations

We determined whether the refinanced bonds were credited to the direct billed debt service for the CB construction. The direct billed debt service reflected in the SOC relates to the CBX which appears as a separate line item. The CBX was originally funded by bond series Q and W. As interest rates have decreased over time, the Department has issued new debt and refinanced the older bonds to take advantage of the favorable interest rates. We observed that bond series Q and W were subsequently refinanced with several bond series and the CBX debt service schedule was adjusted for the new debt. Bond series Q and W were refinanced with bond series U, X, Z, AC, AD, AF, AH, AI, AJ, AK, AL, AN, AO, AS, AX, AY, and AZ. The Department bills debt service in the SOC in advance and did not subsequently adjust the billings to provide the benefit of the refinanced debt service to CCWA.

Finding AUD-000449 - Recurring	
Finding:	CBX direct billed debt service charged to CCWA is overstated as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series Q and W.
Dollar Amount:	Overstatement of costs of \$1,167,334 from 1998 to 2020 (amount does not reflect interest credits due to CCWA related to the overstatement)
Type:	Overstatement of costs to CCWA
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	Santa Barbara County FC and WCD
Recommendation:	The Department should provide a subsequent rebill to the SOC to reflect the benefits of the refinanced debt service to CCWA.
Department Response:	The Department will re-evaluate the direct billed debt service charged to CCWA as part of a future SOC.

We compared the debt service charged in the SOC from 1998 to 2020 with the CBX debt service schedule that reflects the refinanced debt service, and observed overstatement of costs to CCWA. The total overstatement for CCWA is \$1,167,334. It should be noted that this overstatement does not reflect interest credits due to CCWA related to the overstatement. The impact by year is as follows:

Table SOC.7 - CBX Refinanced Debt Service Compared to SOC

Year	CBX Refinanced Debt Service	Statement of Charges	(Decrease)/Increase in Charges
1998	\$ 2,285,925	\$ 2,285,925	\$ -
1999	2,259,813	2,285,925	(26,112)
2000	2,259,813	2,259,813	-
2001	2,259,813	2,259,813	-
2002	3,307,999	3,259,490	48,509
2003	3,194,281	3,261,363	(67,082)
2004	3,147,937	3,168,429	(20,492)
2005	3,084,504	3,169,241	(84,737)
2006	3,094,236	3,093,986	250
2007	4,050,968	4,050,969	(1)
2008	2,933,276	2,935,347	(2,071)
2009	2,678,204	2,930,704	(252,500)
2010	6,061,464	6,096,435	(34,971)
2011	3,799,064	4,012,131	(213,067)
2012	3,471,904	3,853,949	(382,045)
2013	3,578,768	3,997,065	(418,297)
2014	4,154,286	4,265,240	(110,954)
2015	4,607,232	4,622,529	(15,297)
2016	4,596,161	4,593,900	2,261
2017	4,348,882	4,346,621	2,261
2018	3,135,756	3,347,340	(211,584)
2019	3,051,232	2,432,637	618,595
Total	\$ 75,361,518	\$ 76,528,852	\$ (1,167,334)

Finding AUD-000434 - New	
Finding:	The CBX Refund Money Schedule for Series AZ was calculated using South Bay Enlargement balances.
Dollar Amount:	Overstatement of costs - \$368,906 for 2019 SOC Overstatement of costs - \$52,027 for 2020 SOC
Type:	Overstatement of costs to Santa Barbara FC and WCD
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment to Ensure Data Integrity
Contractors Affected:	Santa Barbara FC and WCD
Recommendation:	The Department should provide a subsequent rebill to the SOC to reflect the corrected debt service to the impacted Contractors.
Department Response:	The Department will correct the CBX Refund Money Schedule for Series AZ as part of the 2021 SOC.

During our procedures over debt service included in the SOC, it was observed that the CBX Refund Money Schedule for Series AZ was calculated using South Bay Enlargement balances. There was a clerical error in the manual spreadsheet in Excel that was used to allocate this debt service to the Contractors. The Department tracks the debt service requirements in Excel and any new or refinancing debt has to be manually updated in the spreadsheet. The Department should correct the Series AZ in order to properly allocate to the Contractors as follows:

Table SOC.8 - Series AZ Impact by Contractor

Contractor	Series AZ Original	Series AZ Corrected	(Decrease)/Increase in Charges
Alameda County FC and WCD Zone 7	\$ 2,394,958	\$ 1,842,832	\$ (552,126)
San Bernardino Valley MWD	\$ 227,148	\$ 843,493	\$ 616,345
San Geronio Pass Water Agency	\$ 131,463	\$ 488,177	\$ 356,714
Santa Barbara FC and WCD	\$ 928,853	\$ 507,920	\$ (420,933)

Update of Prior Year Findings

This section contains an update of prior year findings as described in the 2018 report to CCWA and SLO.

Control Number	Finding Description	Resolved	Additional Comments/Updates
Finding AUD-000351	The Contractors are being charged through a minimum cost center allocation (alpha cost center 2300FFN907) for capital costs related to asset purchases for years 2014, 2015, 2016, and 2017.	Yes	The Contractors are being charged capital costs through a minimum cost center allocation. This is being charged in accordance with the capitalization policy of the Department.
Finding AUD-000378	Claim numbers 1353731 and 1347698 include work performed for the CB but had costs allocated directly to Devil's Den Pumping Plant (CB2-R33A).	No	These claims continue to have costs incorrectly allocated.
Finding AUD-000379	Claim numbers 1352119, 1348033, 1343291, 1343290, 1338376, 1344922 include work related to extraordinary minimum costs but had costs incorrectly charged through annual facilities operations and maintenance minimum cost centers.	No	These claims continue to have costs incorrectly allocated.
Finding AUD-000380	Claim numbers 1341055 and 1356131 include work performed at Edmonston Pumping Plant (CA-R17E) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.	No	These claims continue to have costs incorrectly allocated.
Finding AUD-000381	Claim number 1356131 includes work performed at Las Perillas and Badger Hill Pumping Plants (CA-R31A) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.	No	This claim continues to have costs incorrectly allocated.
Finding AUD-000382	Claim number 1346694 includes work performed at Buena Vista Pumping Plant (CA-R14A) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.	No	This claim continues to have costs incorrectly allocated.
Finding AUD-000383	Claim numbers 1354895 and 1348454 include work performed at Edmonston Pumping Plant (CA-R17E) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.	No	These claims continue to have costs incorrectly allocated.
Finding AUD-000384	Claim numbers 1341056 and 1338070 include work performed at Edmonston, Chrisman, Teerink, and Buena Vista Pumping Plants (CA-R17E, CA-R16A, CA-R15A, and CA-R14A) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.	No	These claims continue to have costs incorrectly allocated.

Control Number	Finding Description	Resolved	Additional Comments/Updates
Finding AUD-000385	Claim numbers 1350631, 1351993, 1353757, 1354778, 1339213, 1340620, 1341715, 1342632, 1344121, 1346441, 1348151, 1348985, 1354895, 1359866, 1351787, 1352565, 1346633, 1342957, 1338630, 1344625, 1341012, 1348455, 1352356, 1352538, 1354092, 1352761, 1350712, and 1344743 include work performed at the San Joaquin Field Division but had costs incorrectly allocated to the CB through alpha cost center 2300FFN907.	No	These claims continue to have costs incorrectly allocated.
Finding AUD-000386	Claim numbers 1343368, 1341123, 1350993, and 1355617 include work performed at Teerink, Chrisman and Edmonston Pumping Plants (CA-R15A, CA-R16A, and CA-R17E) but had costs incorrectly allocated to the San Joaquin Field Division through alpha cost center 2300FFN907.	No	These claims continue to have costs incorrectly allocated.
Finding AUD-000387	Coastal Branch Extension (CBX) direct billed debt service charged to CCWA is overstated as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series Q and W. This results in an overstatement of costs of \$1,694,520 from 1998 to 2019 (amount does not reflect interest credits due to CCWA related to the overstatement).	No	The debt service amounts continue to be overcharged.

Appendix - Glossary

Ag	Agricultural
CA	California Aqueduct
CB	Coastal Branch
CBX	Coastal Branch Extension
CCWA	Central Coast Water Authority
Department or DWR	Department of Water Resources
DRWD	Dudley Ridge Water District
EY	Ernst & Young LLP
FC	Flood Control
IO	Internal Order
KCWA	Kern County Water Agency
M&I	Municipal and Industrial
MWD	Municipal Water District
PR5	Financial Accounting System (an SAP module)
R	Reach
Report	Summary of 2019 Procedures, Findings, and Recommendations
SAP	Department's Accounting Software
SLO	San Luis Obispo Flood Control and Water Conservation District
SOC	Statement of Charges
UCABS	Utility Cost Allocation and Billing System (an SAP module)
WCD	Water Conservation District