

Casitas Municipal Water District

*Comprehensive Annual Financial Report
for the
Fiscal Years Ended June 30, 2014 and 2013*



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Casitas Municipal Water District
Oak View, California

Comprehensive Annual Financial Report

Fiscal Years Ended
June 30, 2014 and 2013

Prepared by:

Denise Collin – Accounting Manager / Treasurer

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**Casitas Municipal Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2014 and 2013**

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Introductory Section



October 31, 2014

Board of Directors
Casitas Municipal Water District

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Casitas Municipal Water District (District) for the fiscal years ended June 30, 2014 and 2013, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

District Structure and Leadership

The Casitas Municipal Water District is a special district of the State of California that provides domestic and agricultural water services to the western portion of Ventura County. The District's Board of Directors is composed of five members who are elected in specified election divisions. The Directors serve terms of four years with an election held every two years for alternating divisions. The District also provides recreational activities at Lake Casitas. The water district and the lake activities are accounted for as an enterprise fund.

Formed in 1952, the District was the inspiration of area civic leaders, cattlemen, and citrus ranchers who were frustrated by a severe drought and subsequent water rationing. Between 1952 and 1956, when ground was broken for Casitas Dam, the District sought and obtained commitments for 50-year federal loans to construct Casitas Dam and the Robles-Casitas Diversion Canal. Engineers drilled through 1,800 feet of rock for the outlet tunnel, and built an earthen dam with 9.2 million cubic yards of earth. Final cost of the reservoir, dam and Lake Casitas Recreation Area was \$20 million.

Drawing from the 105-square mile watershed, Lake Casitas began to form in the Santa Ana Valley. In 1978, 19 years after the dam's completion, the lake overflowed for the first time. With a capacity of 254,000-acre feet, the reservoir has a shoreline of 35 miles and provides water to over 65,000 people.

Water quality is strictly controlled in the surrounding 3,200-acre Charles M. Teague Memorial Watershed. Since 1974, the federal government has spent more than \$25 million to purchase lands in the watershed to preserve water quality from the pollution of over development.

For the past forty-five years, Casitas Municipal Water District has been a strong proponent of watershed protection and lake management. The efforts to protect the Lake Casitas watershed and lake management practices developed by the District provide an excellent quality of water to the customers. Regulatory changes affecting surface waters had moved the District through considerations for filtration avoidance to the conclusion that construction of a water filtration plant was necessary to meet regulatory requirements. The Marion R. Walker Pressure Filtration Plant was designed and constructed to meet those requirements and became fully operational on November 6, 1997. Casitas was proud to receive a water supply permit from the Department of Health Services granting the District permission to supply water for domestic purposes after completion of the treatment plant.

Economic Condition and Outlook

The District offices are located in the Ojai Valley in Ventura County. Santa Barbara and Ventura counties have shown the healthiest economic growth in the region. The economic outlook for Southern California is one of cautious and slow growth.

California's water supply continues to be a concern due to projected population increases. This concern has increased interest in conservation and in irrigation methods and systems. The District has led the area in its conservation efforts and will continue to make strides in this area.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District's Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects.

The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors annually adopts an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, County of Ventura Pooled Money Investment Fund, U.S. Treasury Bills, Notes and Bonds, and institutional savings and checking accounts.

Water Rates and District Revenues

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge.

Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Charles Z. Fedak & Company, CPAs has conducted the audit of the District’s financial statements. Their unqualified Independent Auditor’s Report appears in the Financial Section.

Awards and Acknowledgements

For the year ended June 30, 2013, the District received for the 20th year the Government Finance Officers Association of the United States and Canada’s (GFOA) *Certificate of Achievement for Excellence in Financial Reporting*. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. (See Page 6)

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Casitas Municipal Water District’s fiscal policies.

Respectfully submitted,



Steve Wickstrum
General Manager



Denise Collin
Accounting Manager/Treasurer

Casitas Municipal Water District

Directory

July 1, 2013 – June 30, 2014

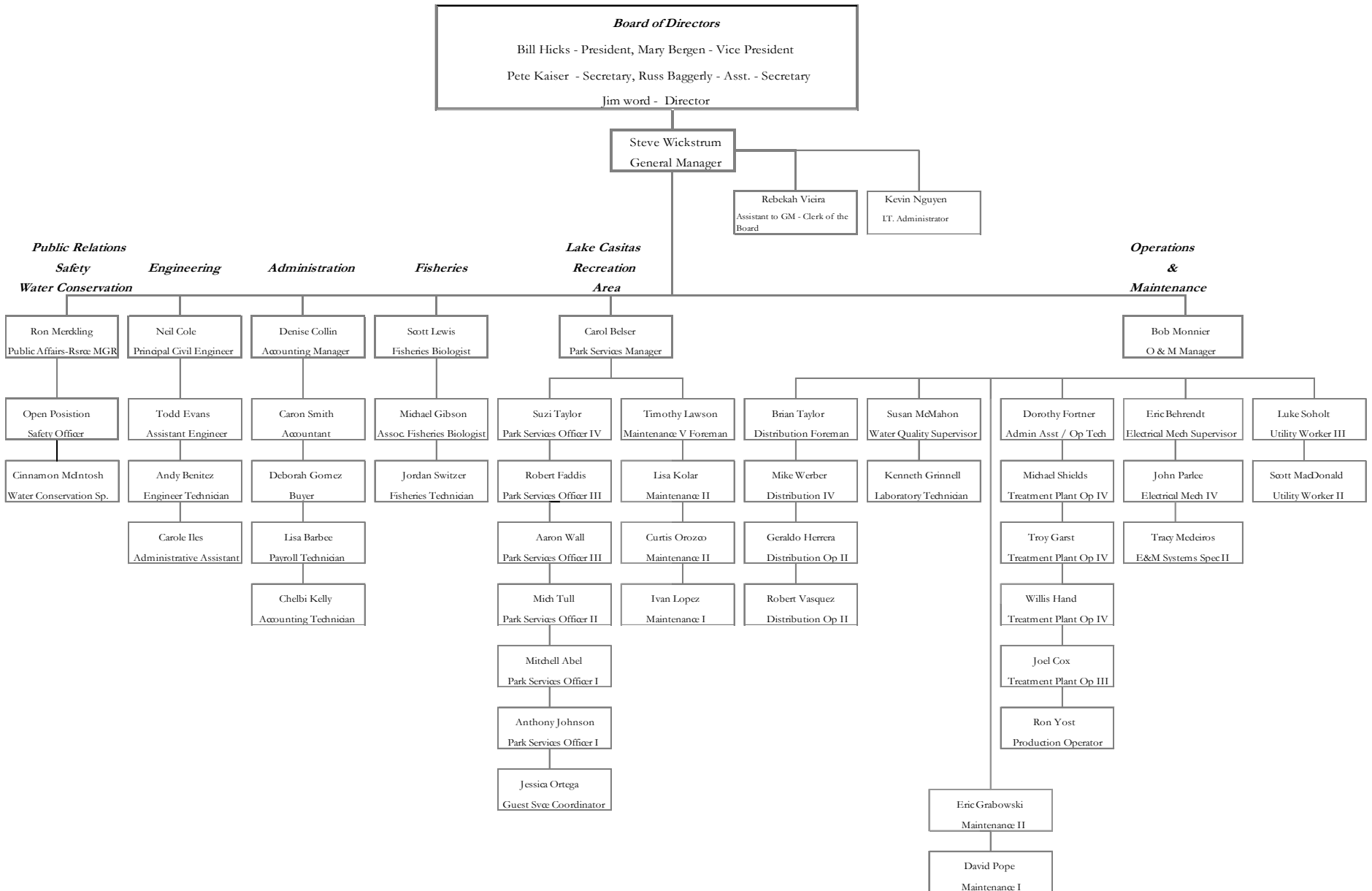
Board of Directors

Board Member	Division	Date of Original Election or Appointment	Ending Date of Term
Bill Hicks	Division 1	November, 1990	December, 2014
Jim Word	Division 2	May, 1997	December, 2016
Pete Kaiser	Division 3	November, 2002	December, 2016
Mary Bergen	Division 4	November, 2010	December, 2014
Russ Baggerly	Division 5	November, 2004	December, 2016

Staff

Steve Wickstrum	General Manager
Rebekah Vieira	Assistant to the General Manager and Clerk of the Board
Neil Cole	Principal Civil Engineer
Carol Belser	Park Services Manager
Denise Collin	Accounting Manager / Treasurer
Bob Monnier	Treatment Plant Manager
Ron Merckling	Water Conservation / PR
Scott Lewis	Fisheries Biologist
Open Position	Safety Officer

Casitas Municipal Water District Organizational Chart





Government Finance Officers Association

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

Presented to

**Casitas Municipal Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

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Independent Auditor's Report

Board of Directors
Casitas Municipal Water District
Oak View, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Casitas Municipal Water District (District) as of and for the years ended June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprises the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casitas Municipal Water District as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 13 and the required supplementary information on page 40 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 6, the supplementary information of combining schedules on pages 41 through 50, and the statistical section on pages 52 through 65 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information of combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 66 and 67.

Charles Z Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPA's – An Accountancy Corporation

Cypress, California

October 31, 2014

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Casitas Municipal Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2014, the District's net position increased 0.71% or \$579,622, from \$81,209,259 to \$81,788,881. In 2013, the District's net position decreased 0.87% or \$711,076, from \$81,920,335 to \$81,209,259.
- In 2014, the District's operating revenue increased 12.9% or \$1,710,744 primarily due to a \$1,287,479 increase in retail water consumption revenue and a \$327,981 increase in wholesale water sales. In 2013, the District's operating revenue increased 13.5% or \$1,566,951 primarily due to a \$1,793,489 increase in retail water consumption revenue and a \$382,206 decrease in wholesale water sales.
- In 2014, the District's operating expenses increased 4.4% or \$599,415 primarily due to a \$372,418 increase in pumping expenses and a \$478,084 increase in water treatment expenses. In 2013, the District's operating expenses increased 13.2% or \$1,592,010 primarily due to a \$460,430 increase in source of supply expenses and a \$627,440 increase in general and administrative expenses.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

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

Statement of Net Position

	Condensed Statements of Net Position				
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Assets:					
Current assets	\$ 37,464,389	33,757,560	3,706,829	32,466,841	1,290,719
Capital assets, net	<u>58,881,559</u>	<u>56,930,970</u>	<u>1,950,589</u>	<u>58,241,716</u>	<u>(1,310,746)</u>
Total assets	<u>96,345,948</u>	<u>90,688,530</u>	<u>5,657,418</u>	<u>90,708,557</u>	<u>(20,027)</u>
Liabilities:					
Current liabilities	1,939,378	1,514,803	424,575	1,685,999	(171,196)
Non-current liabilities	<u>12,617,689</u>	<u>7,964,468</u>	<u>4,653,221</u>	<u>7,102,223</u>	<u>862,245</u>
Total liabilities	<u>14,557,067</u>	<u>9,479,271</u>	<u>5,077,796</u>	<u>8,788,222</u>	<u>691,049</u>
Net position:					
Net investment in capital assets	53,612,183	54,428,683	(816,500)	55,501,696	(1,073,013)
Restricted for debt service	153,708	180,151	(26,443)	199,890	(19,739)
Unrestricted	<u>28,022,990</u>	<u>26,600,425</u>	<u>1,422,565</u>	<u>26,218,749</u>	<u>381,676</u>
Total net position	<u>81,788,881</u>	<u>81,209,259</u>	<u>579,622</u>	<u>81,920,335</u>	<u>(711,076)</u>
Total liabilities and net position	<u>\$ 96,345,948</u>	<u>90,688,530</u>	<u>5,657,418</u>	<u>90,708,557</u>	<u>(20,027)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$81,788,881 and \$81,209,259 as of June 30, 2014 and 2013, respectively.

One of the largest portions of the District's net position (65% and 67% as of June 30, 2014 and 2013, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2014 and 2013, the District showed a positive balance in its unrestricted net position of \$28,022,990 and \$26,600,425, respectively.

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 14,923,271	13,212,527	1,710,744	11,645,576	1,566,951
Non-operating revenues	3,096,836	2,539,563	557,273	4,072,198	(1,532,635)
Total revenues	<u>18,020,107</u>	<u>15,752,090</u>	<u>2,268,017</u>	<u>15,717,774</u>	<u>34,316</u>
Expenses:					
Operating expenses	14,238,444	13,639,029	599,415	12,047,019	1,592,010
Depreciation and amortization	3,152,038	3,084,521	67,517	3,097,495	(12,974)
Non-operating expenses	539,074	730,142	(191,068)	519,796	210,346
Total expenses	<u>17,929,556</u>	<u>17,453,692</u>	<u>475,864</u>	<u>15,664,310</u>	<u>1,789,382</u>
Net income before capital contributions	90,551	(1,701,602)	1,792,153	53,464	(1,755,066)
Capital contributions	489,071	990,526	(501,455)	232,755	757,771
Change in net position	579,622	(711,076)	1,290,698	286,219	1,004,479
Net position, beginning of year	81,209,259	81,920,335	(711,076)	81,634,116	286,219
Net position, end of year	<u>\$ 81,788,881</u>	<u>81,209,259</u>	<u>579,622</u>	<u>81,920,335</u>	<u>1,290,698</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by \$579,622 in fiscal year 2014 and decreased by \$711,076 in fiscal year ended June 30, 2013

Total Revenues

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Operating revenues:					
Retail water consumption	\$ 7,054,465	5,766,986	1,287,479	3,973,497	1,793,489
Wholesale water sales	2,041,254	1,713,273	327,981	2,095,479	(382,206)
Monthly water service charge	1,996,560	1,981,097	15,463	1,875,582	105,515
Recreation revenue	3,625,800	3,637,050	(11,250)	3,599,744	37,306
Other water charges and services	205,192	114,121	91,071	101,274	12,847
Total operating revenues	<u>14,923,271</u>	<u>13,212,527</u>	<u>1,710,744</u>	<u>11,645,576</u>	<u>1,566,951</u>
Non-operating revenues:					
Property taxes	2,192,072	2,147,033	45,039	2,025,655	121,378
Property tax assessment for SWP	566,610	462,896	103,714	1,554,698	(1,091,802)
Mira Monte assessment	31,797	19,783	12,014	17,630	2,153
Oak View availability charge	-	232	(232)	293	(61)
Interest and investment earnings	281,851	(164,338)	446,189	449,707	(614,045)
Other non-operating revenues, net	24,506	73,957	(49,451)	24,215	49,742
Total non-operating revenues	<u>3,096,836</u>	<u>2,539,563</u>	<u>557,273</u>	<u>4,072,198</u>	<u>(1,532,635)</u>
Total revenue	<u>\$ 18,020,107</u>	<u>15,752,090</u>	<u>2,268,017</u>	<u>15,717,774</u>	<u>34,316</u>

The District's total revenues increased 14.4% or \$2,268,017 in 2014 primarily due to an increase in retail water sales of \$1,287,479 along with an increase in wholesale water sales of \$327,981 and an increase in investment earnings of \$446,189.

The District's total revenues increased \$34,316 in 2013 primarily due to an increase in retail water sales of \$1,793,489 along with a decrease in the Clean Water Act surcharge of \$1,091,802 and a decrease in investment earnings of \$614,045.

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Total Expenses

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Operating expenses:					
Source of supply	\$ 1,421,801	1,958,838	(537,037)	1,498,408	460,430
Pumping	1,685,967	1,313,549	372,418	1,194,225	119,324
Water treatment	1,783,448	1,305,364	478,084	1,184,305	121,059
Transmission and distribution	762,346	640,781	121,565	527,004	113,777
Telemetry	332,776	309,327	23,449	294,816	14,511
Customer accounts	400,493	412,021	(11,528)	387,735	24,286
Recreation expenses	3,939,152	3,662,878	276,274	3,551,695	111,183
General and administrative	<u>3,912,461</u>	<u>4,036,271</u>	<u>(123,810)</u>	<u>3,408,831</u>	<u>627,440</u>
Total operating expenses	<u>14,238,444</u>	<u>13,639,029</u>	<u>599,415</u>	<u>12,047,019</u>	<u>1,592,010</u>
Depreciation and amortization	<u>3,152,038</u>	<u>3,084,521</u>	<u>67,517</u>	<u>3,097,495</u>	<u>(12,974)</u>
Non-operating expenses:					
State water project expense	451,590	517,749	(66,159)	382,908	134,841
Tax collection expense	8,360	31,284	(22,924)	30,158	1,126
Interest expense – long-term debt	79,124	87,015	(7,891)	94,969	(7,954)
Amortization of deferred charges	<u>-</u>	<u>94,094</u>	<u>(94,094)</u>	<u>11,761</u>	<u>82,333</u>
Total non-operating expense	<u>539,074</u>	<u>730,142</u>	<u>(191,068)</u>	<u>519,796</u>	<u>210,346</u>
Total expenses	<u>\$ 17,929,556</u>	<u>17,453,692</u>	<u>475,864</u>	<u>15,664,310</u>	<u>1,789,382</u>

The District's total expenses increased 2.7% or \$1,789,382 in 2014 primarily due to a \$372,418 increase in pumping expenses and a \$478,084 increase in water treatment expenses.

The District's total expenses increased 11.4% or \$1,789,382 in 2014 primarily due to a \$460,430 increase in source of supply expenses and a \$627,440 increase in general and administrative expenses.

Capital Asset Administration

At the end of fiscal years 2014 and 2013, the District's investment in capital assets amounted to \$58,881,559 and \$56,930,970, respectively, (net of accumulated depreciation). This investment in capital assets includes land, land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. There were numerous capital asset additions in fiscal years 2014 and 2013. See further detailed information in Note 4.

Changes in capital asset amounts for 2014 were as follows:

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Capital assets:				
Non-depreciable assets	\$ 6,222,973	1,944,659	(1,696,767)	6,470,865
Depreciable assets	101,466,636	4,854,735	(103,975)	106,217,396
Accumulated depreciation	<u>(50,758,639)</u>	<u>(3,152,038)</u>	<u>103,975</u>	<u>(53,806,702)</u>
Total capital assets, net	<u>\$ 56,930,970</u>	<u>3,647,356</u>	<u>(1,696,767)</u>	<u>58,881,559</u>

Changes in capital asset amounts for 2013 were as follows:

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>
Capital assets:				
Non-depreciable assets	\$ 6,510,012	1,776,290	(2,063,329)	6,222,973
Depreciable assets	99,405,821	2,060,815	-	101,466,636
Accumulated depreciation	<u>(47,674,117)</u>	<u>(3,084,522)</u>	<u>-</u>	<u>(50,758,639)</u>
Total capital assets, net	<u>\$ 58,241,716</u>	<u>752,583</u>	<u>(2,063,329)</u>	<u>56,930,970</u>

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Debt Administration

In 2014 and 2013, long-term debt decreased by \$244,809 and \$237,733, respectively, due to regular principal payments on the District's outstanding debts. See further detailed information in Note 7.

Changes in long-term debt amounts for 2014 were as follows:

	Balance 2013	Additions	Principal Payments	Balance 2014
Long-term debt:				
Special assessment bonds	\$ 134,500	-	(14,000)	120,500
State Water loan payable	<u>2,367,787</u>	<u>-</u>	<u>(230,809)</u>	<u>2,136,978</u>
Total long-term debt	<u>\$ 2,502,287</u>	<u>-</u>	<u>(244,809)</u>	<u>2,257,478</u>

Changes in long-term debt amounts for 2013 were as follows:

	Balance 2012	Additions	Principal Payments	Balance 2013
Long-term debt:				
Special assessment bonds	\$ 148,500	-	(14,000)	134,500
State Water loan payable	<u>2,591,520</u>	<u>-</u>	<u>(223,733)</u>	<u>2,367,787</u>
Total long-term debt	<u>\$ 2,740,020</u>	<u>-</u>	<u>(237,733)</u>	<u>2,502,287</u>

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Accounting Manager/Treasurer at 1055 Ventura Avenue, Oak View, CA 93022 or by phone (805) 649-2251 x 103.

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Basic Financial Statements

Casitas Municipal Water District
Statements of Net Position
June 30, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents (note 2)	\$ 9,141,298	4,609,512
Investments (note 2)	15,129,592	16,093,230
Accrued interest receivable	76,918	75,246
Accounts receivable – water sales and services	1,113,022	1,208,645
Accounts receivable – special assessments	153,708	180,151
Accounts receivable – property taxes	60,757	58,427
Accounts receivable – other	427,942	297,819
Water-in-storage inventory (note 3)	11,025,928	11,025,928
Materials and supplies inventory	93,862	87,074
Prepaid expenses and other deposits	241,362	121,528
Total current assets	37,464,389	33,757,560
Non-current assets:		
Capital assets, not being depreciated (note 4)	6,470,865	6,222,973
Depreciable capital assets, net (note 4)	52,410,694	50,707,997
Total non-current assets	58,881,559	56,930,970
Total assets	\$ 96,345,948	90,688,530
<i>Liabilities and Net Position</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 860,270	658,422
Accrued salaries and related benefits	136,220	118,876
Customer deposits	40,294	38,895
Unearned revenue	3,031	5,739
Accrued interest payable	17,216	19,075
Long-term liabilities – due within one year:		
Compensated absences (note 5)	474,605	428,987
Reimbursement agreement (note 6)	154,456	-
Bonds payable (note 7)	15,000	14,000
Loans payable (note 7)	238,286	230,809
Total current liabilities	1,939,378	1,514,803
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	474,606	428,988
Reimbursement agreement (note 6)	2,857,442	-
Other post-employment benefits payable (note 8)	7,281,449	5,278,002
Bonds payable (note 7)	105,500	120,500
Loans payable (note 7)	1,898,692	2,136,978
Total non-current liabilities	12,617,689	7,964,468
Total liabilities	14,557,067	9,479,271
Net position: (note 9)		
Net investment in capital assets	53,612,183	54,428,683
Restricted for debt service	153,708	180,151
Unrestricted	28,022,990	26,600,425
Total net position	81,788,881	81,209,259
Total liabilities and net position	\$ 96,345,948	90,688,530

See accompanying notes to the basic financial statements

Casitas Municipal Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Retail water consumption	\$ 7,054,465	5,766,986
Wholesale water sales	2,041,254	1,713,273
Monthly water service charge	1,996,560	1,981,097
Recreation revenue	3,625,800	3,637,050
Other water charges and services	205,192	114,121
Total operating revenues	14,923,271	13,212,527
Operating expenses:		
Source of supply	1,421,801	1,958,838
Pumping	1,685,967	1,313,549
Water treatment	1,783,448	1,305,364
Transmission and distribution	762,346	640,781
Telemetry	332,776	309,327
Customer accounts	400,493	412,021
Recreation expenses	3,939,152	3,662,878
General and administrative	3,912,461	4,036,271
Total operating expenses	14,238,444	13,639,029
Operating income(loss) before depreciation	684,827	(426,502)
Depreciation – water department – capital recovery	(2,831,449)	(2,781,305)
Depreciation – recreation department – capital recovery	(320,589)	(303,216)
Operating loss	(2,467,211)	(3,511,023)
Non-operating revenue(expense):		
Property taxes – ad valorem	2,134,473	2,048,309
Redevelopment agency property tax increment	57,599	98,724
Property tax assessment for State Water Project	566,610	462,896
State water project expense	(451,590)	(517,749)
Mira Monte assessment	31,797	19,783
Oak View availability charge	-	232
Tax collection expense	(8,360)	(31,284)
Interest and investment earnings	492,219	386,611
Change in fair-value of investments	(210,368)	(550,949)
Interest expense – long-term debt	(79,124)	(87,015)
Amortization of deferred charges	-	(94,094)
Other non-operating revenues/(expenses), net	24,506	73,957
Total non-operating revenues, net	2,557,762	1,809,421
Net income(loss) before capital contributions	90,551	(1,701,602)
Capital contributions:		
Federal, state and local capital grants	489,071	990,526
Change in net position	579,622	(711,076)
Net position, beginning of year	81,209,259	81,920,335
Net position, end of year	\$ 81,788,881	81,209,259

See accompanying notes to the basic financial statements

Casitas Municipal Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 14,888,771	12,737,394
Cash paid to vendors and suppliers for materials and services	(7,487,102)	(8,063,802)
Cash paid to employees for salaries and wages	(4,992,482)	(5,079,639)
Net cash provided(used) by operating activities	2,409,187	(406,047)
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	2,806,232	2,677,374
Net cash provided by non-capital financing activities	2,806,232	2,677,374
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,090,729)	(1,773,776)
Proceeds from capital grants	489,071	990,526
Principal paid on long-term debt	(244,809)	(237,733)
Interest paid on long-term debt	(81,832)	(85,933)
Net cash used in capital and related financing activities	(1,928,299)	(1,106,916)
Cash flows from investing activities:		
Proceeds from sale of investments	4,531,885	658,953
Purchases of investments, net	(3,777,766)	(4,686,778)
Interest and investment earnings	490,547	375,213
Net cash provided(used) by investing activities	1,244,666	(3,652,612)
Net increase(decrease) in cash and cash equivalents	4,531,786	(2,488,201)
Cash and cash equivalents, beginning of year	4,609,512	7,097,713
Cash and cash equivalents, end of year	\$ 9,141,298	4,609,512

Continued on next page

See accompanying notes to the basic financial statements

Casitas Municipal Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash provided(used) by operating activities:		
Operating loss	\$ <u>(2,467,211)</u>	<u>(3,511,023)</u>
Adjustments to reconcile operating loss to net cash provided(used) by operating activities:		
Depreciation and amortization	3,152,038	3,084,521
State water project expense	(451,590)	(517,749)
Other non-operating revenues, net	24,506	73,957
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	95,623	(375,146)
Accounts receivable – other	(130,123)	(99,987)
Materials and supplies inventory	(6,788)	8,206
Prepaid expenses and other deposits	(119,834)	647
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	201,848	(171,761)
Accrued salaries and wages	17,344	(1,437)
Customer deposits	1,399	(2,301)
Unearned revenue	(2,708)	1,082
Compensated absences	91,236	(4,220)
Other post-employment benefits payable	<u>2,003,447</u>	<u>1,109,164</u>
Total adjustments	<u>4,876,398</u>	<u>3,104,976</u>
Net cash provided(used) by operating activities	<u>\$ 2,409,187</u>	<u>(406,047)</u>

See accompanying notes to the basic financial statements

Casitas Municipal Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

Established in 1952, the Casitas Municipal Water District provides domestic and agricultural water to the western portion of Ventura County. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales & recreational charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

The District has adopted an investment policy directing the Accounting Manager/Treasurer to deposit funds in financial institutions.

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When customers are delinquent in payment, the District will shut-off service and send amounts to a collection agency. As such, when management deems customer accounts uncollectible, the District uses the direct write-off method.

5. Federal and State Capital and Operating Grants

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

6. Water-In-Storage Inventory

The value of water inventory is determined based upon the quantity of water in storage and rates estimated based on the maintenance of the District-owned reservoir facilities.

7. Materials and Supplies Inventory

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

8. Prepaid Expenses

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

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Position, continued

9. Restricted Assets

Certain assets of the District are restricted in use by ordinance or debt covenant and, accordingly are shown as restricted assets on the accompanying statement of net position. Special assessments, and related receivables, are set aside from other assets since they are collected solely for the repayment of the District's Special Assessment bonds. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

10. Capital Assets

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

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

11. State Water Project Participation Rights

The District participates in the State Water Project (Project) entitling it to certain water rights. The District's participation in the Project is through cash payments. Monies used for the construction of capital assets, such as pipelines, pumping facilities, storage facilities, etc., are recorded as participation rights and amortized over the life of the agreements. Certain projects also require payments for on-going maintenance; those payments are charged to expenses as incurred.

12. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

13. Customer Deposits

Based on a customer's credit-worthiness, the District may require a deposit deemed reasonable by the District. These deposits are held to pay-off close out bills or to cover delinquent payments.

14. Other Post Employment Retirement Benefits

The District provides certain health care benefits for all retired employees that meet eligibility requirements. The District's share of the estimated costs that will be paid after retirement is being accounted for on a pay-as-you-go basis.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Position, continued

15. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

16. Water Sales

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

17. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

18. Economic Dependency

The District receives approximately one-third of its water sales revenue from the City of Ventura. The District's top ten customers represent approximately one-half of the total water sales revenue received. The District would lose a significant amount of its revenue if these major customers obtained water services from another source.

19. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(2) Cash and Investments

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

	2014	2013
Cash and cash equivalents	\$ 9,141,298	4,609,512
Investments	15,129,592	16,093,230
Total cash and investments	\$ 24,270,890	20,702,742

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

	2014	2013
Cash on hand	\$ 4,400	4,400
Deposits with financial institutions	5,977,686	2,404,685
Deposits in money market accounts	982,528	31,367
Deposits in the Local Agency Investment Fund (LAIF)	445	444
Deposits in the Ventura County Pooled Investment Fund (VCPIF)	2,176,239	2,168,616
Investments	15,129,592	16,093,230
Total cash and investments	\$ 24,270,890	20,702,742

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Money Market Mutual Funds	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(2) Cash and Investments, continued

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

Ventura County Pooled Investment Fund

The District is a voluntary participant in the VCPIF and the District determines the amount and term of its investment. The County Treasurer makes investments in accordance with a Statement of Investment Policy reviewed and approved annually by the Board of Supervisors. The Treasury Investment Oversight Committee comprised of the County Treasurer, a representative of the Board of Supervisors, the County Investment Manager, a representative of the County Superintendent of Schools and other Treasury Department support staff meets semi-annually to review the activities of the Treasurer and provide a report to the Board of Supervisors. The County's Treasurer has indicated to the District that as of June 30, 2014 that the value of the County's portfolio was approximately \$1.9 billion.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(2) Cash and Investments, continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Investments at June 30, 2014:		Remaining Maturity			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	>60 Months
Investment Type	Total				
Government sponsored entities securities	\$ 9,803,811	4,060,623	742,658	3,170,941	1,829,589
U.S. Treasury securities	3,893,517	705,936	-	1,201,128	1,986,453
Negotiable certificates-of-deposit	1,432,264	-	-	1,432,264	-
Total	<u>\$ 15,129,592</u>	<u>4,766,559</u>	<u>742,658</u>	<u>5,804,333</u>	<u>3,816,042</u>

Investments at June 30, 2013:		Remaining Maturity			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	>60 Months
Investment Type	Total				
Government sponsored entities securities	\$ 12,434,089	3,366,053	4,160,424	2,617,799	2,289,813
U.S. Treasury securities	3,659,141	704,760	718,620	-	2,235,761
Total	<u>\$ 16,093,230</u>	<u>4,070,813</u>	<u>4,879,044</u>	<u>2,617,799</u>	<u>4,525,574</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investments at June 30, 2014:		Minimum Legal Rating	Exempt From Disclosure	Rating at Year End
				AAA - A1
Investment Type	Total			
Government sponsored entities securities	\$ 9,803,811	A1	\$ -	9,803,811
U.S. Treasury securities	3,893,517	A1	-	3,893,517
Negotiable certificates-of-deposit	1,432,264	N/A	1,432,264	-
Total	<u>\$ 15,129,592</u>		<u>\$ 1,432,264</u>	<u>13,697,328</u>

Investments at June 30, 2013:		Minimum Legal Rating	Exempt From Disclosure	Rating at Year End
				AAA - A1
Investment Type	Total			
Government sponsored entities securities	\$ 12,434,089	A1	\$ -	12,434,089
U.S. Treasury securities	3,659,141	A1	-	3,659,141
Total	<u>\$ 16,093,230</u>		<u>\$ -</u>	<u>16,093,230</u>

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(3) Water-In-Storage Inventory

The following schedule notes the change in the cost of the water held-in-storage in Casitas Lake. The increase or decrease in the water storage valuation balance denotes a way of accounting for water diversion expenses in future years when the water in the lake is transmitted to the District's customers.

Changes in water-in-storage inventory were as follows:

	<u>2014</u>	<u>2013</u>
Beginning balance – water-in-storage	\$ 11,025,928	11,025,928
Water storage valuation	-	-
Ending balance – water-in-storage	<u>\$ 11,025,928</u>	<u>11,025,928</u>

(4) Capital Assets

Construction-In-Process

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

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Reservoir roads patch and/or slurry seal	\$ 146,364	-	-
Fairview pumping plant rehabilitation	273,480	-	-
3M pumping plant upgrade	-	-	265,901
Lake Casitas recreation area front gate	-	28,661	38,527
Various other minor projects	<u>42,233</u>	<u>146,377</u>	<u>118,502</u>
Construction-in-process	<u>\$ 462,077</u>	<u>175,038</u>	<u>422,930</u>

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(4) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land and land rights	\$ 6,047,935	-	-	6,047,935
Construction-in-process	175,038	1,944,659	(1,696,767)	422,930
Total non-depreciable assets	<u>6,222,973</u>	<u>1,944,659</u>	<u>(1,696,767)</u>	<u>6,470,865</u>
Depreciable assets:				
State water project entitlement	2,880,437	-	-	2,880,437
Transmission and distribution system	38,816,284	3,114,809	-	41,931,093
Pumping plant	10,031,352	105,476	-	10,136,828
Water treatment plant	25,830,587	1,133,868	-	26,964,455
Buildings and structures	1,901,154	27,816	-	1,928,970
Equipment	4,073,479	182,318	(103,975)	4,151,822
Fish ladder	8,270,495	-	-	8,270,495
Recreation assets	7,726,943	290,448	-	8,017,391
Alternate swimming facility	1,935,905	-	-	1,935,905
Total depreciable assets	<u>101,466,636</u>	<u>4,854,735</u>	<u>(103,975)</u>	<u>106,217,396</u>
Accumulated depreciation:				
State water project entitlement	(1,786,340)	(37,057)	-	(1,823,397)
Transmission and distribution system	(17,715,982)	(615,318)	-	(18,331,300)
Pumping plant	(4,871,342)	(432,068)	-	(5,303,410)
Water treatment plant	(13,890,913)	(1,168,977)	-	(15,059,890)
Buildings and structures	(1,133,041)	(59,433)	-	(1,192,474)
Equipment	(2,190,051)	(178,965)	103,975	(2,265,041)
Fish ladder	(3,163,619)	(336,923)	-	(3,500,542)
Recreation assets	(5,232,990)	(226,502)	-	(5,459,492)
Alternate swimming facility	(774,361)	(96,795)	-	(871,156)
Total accumulated depreciation	<u>(50,758,639)</u>	<u>(3,152,038)</u>	<u>103,975</u>	<u>(53,806,702)</u>
Total depreciable assets, net	<u>50,707,997</u>	<u>1,702,697</u>	<u>-</u>	<u>52,410,694</u>
Total capital assets, net	<u>\$ 56,930,970</u>	<u>3,647,356</u>	<u>(1,696,767)</u>	<u>58,881,559</u>

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(4) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2012</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2013</u>
Non-depreciable assets:				
Land and land rights	\$ 6,047,935	-	-	6,047,935
Construction-in-process	462,077	1,776,290	(2,063,329)	175,038
Total non-depreciable assets	<u>6,510,012</u>	<u>1,776,290</u>	<u>(2,063,329)</u>	<u>6,222,973</u>
Depreciable assets:				
State water project entitlement	2,880,437	-	-	2,880,437
Transmission and distribution system	38,570,053	246,231	-	38,816,284
Pumping plant	9,199,564	831,788	-	10,031,352
Water treatment plant	25,141,310	689,277	-	25,830,587
Buildings and structures	1,901,154	-	-	1,901,154
Equipment	3,982,037	91,442	-	4,073,479
Fish ladder	8,270,495	-	-	8,270,495
Recreation assets	7,524,866	202,077	-	7,726,943
Alternate swimming facility	1,935,905	-	-	1,935,905
Total depreciable assets	<u>99,405,821</u>	<u>2,060,815</u>	<u>-</u>	<u>101,466,636</u>
Accumulated depreciation:				
State water project entitlement	(1,748,769)	(37,571)	-	(1,786,340)
Transmission and distribution system	(17,131,275)	(584,707)	-	(17,715,982)
Pumping plant	(4,444,320)	(427,022)	-	(4,871,342)
Water treatment plant	(12,741,223)	(1,149,690)	-	(13,890,913)
Buildings and structures	(1,074,999)	(58,042)	-	(1,133,041)
Equipment	(2,011,835)	(178,216)	-	(2,190,051)
Fish ladder	(2,820,269)	(343,350)	-	(3,163,619)
Recreation assets	(5,023,861)	(209,129)	-	(5,232,990)
Alternate swimming facility	(677,566)	(96,795)	-	(774,361)
Total accumulated depreciation	<u>(47,674,117)</u>	<u>(3,084,522)</u>	<u>-</u>	<u>(50,758,639)</u>
Total depreciable assets, net	<u>51,731,704</u>	<u>(1,023,707)</u>	<u>-</u>	<u>50,707,997</u>
Total capital assets, net	<u>\$ 58,241,716</u>	<u>752,583</u>	<u>(2,063,329)</u>	<u>56,930,970</u>

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(4) Capital Assets, continued

State Water Project Entitlement

In 1963, the Ventura County Flood Control District contracted with the State of California (State) for 20,000 acre-feet per year of water from the State Water Project (SWP). The SWP conveys water from Northern California to Southern California through a system of reservoirs, canals, pumps stations and power generation facilities. In 1971, the administration of the State Water Contract with the State was assigned to the District. Of the 20,000 acre-feet per year contracted, the District is assigned 5,000 acre-feet per year, United Water Conservation District is assigned 5,000 acre-feet per year, and the City of Ventura is assigned 10,000 acre-feet per year. Currently, only United Water Conservation District is receiving water from the SWP.

The District is one of many participants contracting with the State of California for a system to provide water throughout California. Under the terms of the State Water Contract, as amended, the District is obligated to pay allocable portions of the cost of construction of the system and ongoing operations and maintenance costs through at least the year 2035, regardless of the quantities of water available from the project. The District and the other contractors may also be responsible to the State for certain obligations by any contractor who defaults on its payments to the State.

Management's present intention is to exercise the District's option to extend the contractual period to at least 2052, under substantially comparable terms. This corresponds to an estimated 80-year service life for the original facilities. The State is obligated to provide specific quantities of water throughout the life of the contract, subject to certain conditions.

In addition to system on-aqueduct power facilities, the State has, either on its own or through joint venture, financed certain off-aqueduct power facilities (OAPF). The power generated is utilized by the system for water transportation purposes. Power generated in excess of system needs is marketed to various utilities and California's power market. The District is entitled to a proportionate share of the revenues resulting from sales of excess power. The District and the other water contractors are responsible for repaying the capital and operating costs of the OAPF regardless of the amount of power generated.

The District capitalizes its share of system construction costs as participation rights in state water facilities when such costs are billed by the State. Unamortized participation rights essentially represent a prepayment for future water deliveries through the State system. The District's share of system operations and maintenance costs is charged to expense.

The District amortizes a portion of capitalized participation rights each year using a formula that considers the total estimated cost of the project, estimated useful life and estimated production capacity of the assets based upon information provided by the State of California.

(5) Compensated Absences

Changes to the compensated absences balance at June 30, 2014, were as follows:

<u>Balance 2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2014</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$ 857,975	399,153	(307,917)	949,211	474,605	474,606

Changes to the compensated absences balance at June 30, 2013, were as follows:

<u>Balance 2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2013</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$ 862,195	368,235	(372,455)	857,975	428,987	428,988

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(6) Reimbursement Agreement

Casitas Dam Project – Seismic Safety of Casitas Dam

The United States Bureau of Reclamation (USBR) has undertaken and completed a project to strengthen Casitas Dam to better withstand seismic activity. Under Federal Law, the District is required to pay 15% of those costs. The District and the USBR have completed negotiations on the District's share of the cost of the project which is \$3,011,898. The District is to reimburse the USBR \$77,228 each February 1st until February 1, 2052 as follows:

Fiscal Year	Amount
2014*	\$ 77,228
2015	77,228
2016	77,228
2017	77,228
2018	77,228
2019	77,228
2020-2024	386,141
2025-2029	386,141
2030-2034	386,141
2035-2039	386,141
2040-2044	386,141
2045-2049	386,141
2050-2052	231,684
Total	\$ 3,011,898
Less current portion	(154,456)
Total non-current	\$ 2,857,442

* The District did not make its February 1, 2014 payment to the USBR until after June 30, 2014.

(7) Long-term Debt

Changes in long-term debt amounts for 2014 were as follows:

	Balance 2013	Additions	Principal Payments	Balance 2014	Current Portion
Long-term debt:					
Special assessment bonds	\$ 134,500	-	(14,000)	120,500	15,000
State Water loan payable	2,367,787	-	(230,809)	2,136,978	238,286
Total long-term debt	\$ 2,502,287	-	(244,809)	2,257,478	253,286

Changes in long-term debt amounts for 2013 were as follows:

	Balance 2012	Additions	Principal Payments	Balance 2013	Current Portion
Long-term debt:					
Special assessment bonds	\$ 148,500	-	(14,000)	134,500	14,000
State Water loan payable	2,591,520	-	(223,733)	2,367,787	230,809
Total long-term debt	\$ 2,740,020	-	(237,733)	2,502,287	244,809

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(7) Long-term Debt, continued

Bonds Payable:

Mira Monte Special Assessment Bonds Payable

The special assessment bonds payable were incurred to repay the District for upgrading the Mira Monte Water System in order to meet the District's standards for water delivery systems. The bonds payable bear interest at an effective rate of 5% and is payable in annual installments of graduated amounts ranging from \$3,000 to \$19,500 through the year 2021. Debt service payments on the special assessment bonds are provided by assessments of property owners. Annual debt service requirements on the special assessment bonds payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 15,000	6,375	21,375
2016	16,000	5,650	21,650
2017	16,000	4,875	20,875
2018	17,000	4,075	21,075
2019	18,000	3,250	21,250
2020-2021	<u>38,500</u>	<u>3,825</u>	<u>42,325</u>
Total	\$ 120,500	<u>28,050</u>	<u>148,550</u>
Less current portion	<u>(15,000)</u>		
Total non-current	\$ <u>105,500</u>		

Loans Payable:

1991 California Department of Water Resources Loan

In 1991 the District contracted with the California Department of Water Resources for a \$5,203,965 30-year loan to assist in financing the construction of the treatment plant. The loan is scheduled to mature in 2022. Interest and principle are payable annually on March 20th each year at a rate of 3.2136%. Annual debt service requirements on the 1991 California Department of Water Resources Loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 238,286	66,782	305,068
2016	245,888	59,180	305,068
2017	254,079	50,989	305,068
2018	262,202	42,866	305,068
2019	270,694	34,374	305,068
2020-2022	<u>865,829</u>	<u>49,375</u>	<u>915,204</u>
Total	\$ 2,136,978	<u>303,566</u>	<u>2,440,544</u>
Less current portion	<u>(238,286)</u>		
Total non-current	\$ <u>1,898,692</u>		

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(8) Other Post-Employment Benefits Payable

During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Plan Description – Eligibility

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District.

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

	2014	2013	2012
Active plan members	53	49	48
Retirees and beneficiaries receiving benefits	43	43	43
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	96	92	91

Plan Description – Benefits

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District’s CalPERS medical. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 49.7% of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual Cost

For the year ended June 30, 2014, the District’s ARC cost is \$2,480,054. The District’s net OPEB payable obligation amounted to \$7,281,449 for the year ended June 30, 2014. The District contributed \$558,632 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2014.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(8) Other Post-Employment Benefits Payable, continued

The balance at June 30, consists of the following:	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 2,480,054	1,587,438	1,571,721
Interest on net OPEB obligation	131,950	104,221	76,751
Interest earnings on irrevocable trust balance	-	-	-
Adjustment to annual required contribution	<u>(49,925)</u>	<u>(50,796)</u>	<u>(49,068)</u>
Total annual OPEB expense	<u>2,562,079</u>	<u>1,640,863</u>	<u>1,599,404</u>
Contributions made:			
Contributions made to irrevocable trust	-	-	-
Retiree benefit payments paid outside of a trust	<u>(558,632)</u>	<u>(531,699)</u>	<u>(500,592)</u>
Total contributions made	<u>(558,632)</u>	<u>(531,699)</u>	<u>(500,592)</u>
Total change in net OPEB payable obligation	2,003,447	1,109,164	1,098,812
OPEB payable - beginning of year	<u>5,278,002</u>	<u>4,168,838</u>	<u>3,070,026</u>
OPEB payable - end of year	<u>\$ 7,281,449</u>	<u>5,278,002</u>	<u>4,168,838</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2014	\$ 2,562,079	558,632	21.80%	\$ 7,281,449
2013	1,640,863	531,699	32.40%	\$ 5,278,002
2012	1,599,404	500,592	31.30%	4,168,838

The most recent valuation (dated June 30, 2014) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$33,059,340. There are no plan assets because the District funds on a pay-as-you-go basis. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2014 was \$4,992,482. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 662.18%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(8) Other Post-Employment Benefits Payable, continued

Actuarial Methods and Assumptions, continued

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

Valuation date	June 30, 2013	
Actuarial cost method	Entry age normal cost method, open	
Amortization method	Level percent of payroll amortization	
Remaining amortization period	25 Years as of the valuation date	
Asset valuation method	5 Year smoothed market	
Actuarial assumptions:		
Investment rate of return	2.50%	
Projected salary increase	1.00%	
Inflation - discount rate	2.50%	
Health care - trend rate	<u>Year</u>	<u>Percentage</u>
	2014	7.00%
	2015	6.00%
	2016	6.00%
	2017	5.00%
	2018	5.00%
	2019+	4.00%

See Page 41 for the Schedule of Funding Status

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(9) Net Position

Calculation of net position as of June 30, were as follows:

	2014	2013
Net investment in capital assets:		
Capital assets, not being depreciated	\$ 6,470,865	6,222,973
Depreciable capital assets, net	52,410,694	50,707,997
Current:		
Reimbursement agreement	(154,456)	-
Bonds payable	(15,000)	(14,000)
Loans payable	(238,286)	(230,809)
Non-current:		
Reimbursement agreement	(2,857,442)	-
Bonds payable	(105,500)	(120,500)
Loans payable	(1,898,692)	(2,136,978)
Total net investment in capital assets	53,612,183	54,428,683
Restricted net position:		
Accounts receivable – special assessments	153,708	180,151
Total restricted net position	153,708	180,151
Unrestricted net position:	2014	2013
Non-spendable net position:		
Water-in-storage inventory	11,025,928	11,025,928
Materials and supplies inventory	93,862	87,074
Prepaid expenses and other deposits	241,362	121,528
Total non-spendable net position	11,361,152	11,234,530
Spendable net position are designated as follows:		
Debt service funds reserve	7,715,413	7,150,526
Capital facilities reserve	1,854,692	1,730,638
Safe drinking water reserve	60,000	60,000
Flexible storage reserve	34,056	30,272
Safety of dams reserve	238,659	118,866
Storm damage reserve	1,850,000	1,500,000
Variation in water sales reserve	1,500,000	1,500,000
Cash flow reserve	3,000,000	3,000,000
Operating reserve	409,018	275,593
Total spendable net position	16,661,838	15,365,895
Total unrestricted net position	28,022,990	26,600,425
Total net position	\$ 81,788,881	81,209,259

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(10) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust by Nationwide at June 30, 2014 was \$1,780,653 and ICMA was \$1,486,565.

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

(11) Defined Benefit Pension Plan

Plan Description

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

The contribution rate for plan members in the CalPERS 2.0% at 60 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2014, 2013 and 2012 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

California Public Employees Pension Reform Act of 2013

On September 12, 2013, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Second-Tier – Beginning January 1, 2013

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.25% of their annual covered wages. District employees contribute 6.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer and member contribution rate is 6.25% for a combined rate of 12.50% which will be in effect until June 30, 2015.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(11) Defined Benefit Pension Plan, continued

For fiscal years 2014, 2013 and 2012, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2011-2012	\$ 312,713	100%	-	8.197%
2012-2013	326,356	100%	-	8.406%
2013-2014	330,845	100%	-	8.486%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits. See Page 40 for the Schedule of Funding Status.

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

(12) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for the first \$25,000 of general and auto liabilities for each occurrence, and the excess (up to \$10,000,000 per occurrence and in the aggregate) is covered through the purchase of an insurance policy. Employment practices liability coverage is self-insured for the \$25,000, and the excess (up to \$5,000,000 per occurrence and in the aggregate) is covered through the insurance policy.

The District is a member CSAC Excess Insurance Authority (Authority) for its workers' compensation coverage. The District is self-insured for the first \$125,000 of each occurrence, and the Authority finances \$5,000,000 per occurrence. The District purchased additional excess coverage layers of \$95 million which increases the limits set forth by the Authority.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2014, 2013 and 2012. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2014, 2013 and 2012.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(13) Commitments and Contingencies

State Water Contract

Estimates of the District's share of the project fixed costs of the State Water Project (SWP) are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates and inflation.

During the next five years payments under the State Water Contract, exclusive of variable power costs, are currently estimated by the State to be as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 1,022,592
2016	978,856
2017	924,475
2018	870,095
2019	815,715

As of June 30, 2014, the District has expended \$20,507,672 since the District started participating in the State Water Contract.

According to the State's latest estimates, the District's long-term obligations (25% share) under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2035, are as follows:

	<u>State Water Contract</u> <u>Long-term Obligations</u>
Transportation facilities	\$ 16,455,443
Conservation facilities	5,759,531
Off-aqueduct power facilities	77,288
Revenue bond surcharge	<u>1,629,566</u>
Total long-term SWP contract obligations	<u><u>\$ 23,921,828</u></u>

The amounts shown above do not contain any escalation for inflation and are subject to significant variation over time because the amounts are based on a number of assumptions and are contingent on future events. Accordingly, none of the estimated long-term obligations are recorded as liabilities in the accompanying basic financial statements.

Bay/Delta Regulatory and Planning Activities. The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to the District and other water users by means of public proceedings leading to regulations and decisions. In 1995, the State Board adopted a Water Quality Control Plan establishing water quality standards and flow improvements in the Bay/Delta watershed.

In August 2000, the California Federal (CALFED) Bay/Delta Program Record of Decision (Decision) was approved with mandates to improve water quality, enhance water supply reliability, augment ecosystem restoration, and assure long-term protection for Delta levees. During its first three years, CALFED has invested more than \$2.0 billion in hundreds of local and regional projects to meet these program goals.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(13) Commitments and Contingencies

State Water Contract, continued

In May 2004, a Delta Improvement Package was proposed to facilitate implementation of the Decision. Funding is expected to be provided by state and federal appropriations and contributions from local users, including the District. CALFED's objective is to allocate project costs based on a beneficiaries pay policy that is new costs would be commensurate with benefits received. At this time, the exact allocation of costs between the federal, state, and local users has not been determined, and therefore, the District cannot estimate the extent of timing of its contributions at this time.

There are other pending actions that may adversely impact the District's ability to control the sale of water transported through the SWP into its service area. The impact on future revenues of such actions cannot be determined.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(14) Subsequent Events

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2014, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2014 and 2013

(15) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 68

In June 2013, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

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Required Supplementary Information

Casitas Municipal Water District
Schedule of Funding Status
For the Years Ended June 30, 2014 and 2013

(1) Defined Benefit Pension Plan – Tier I - Classic

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2.0% at 60 yrs. Risk Pool	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
1. Plan's accrued liability	\$ 26,151,797	27,075,304	28,159,018
2. Plan's side fund	(36,484)	-	-
3. Pool's accrued liability	682,375,804	736,231,913	798,282,602
4. Pool's side fund	1,499,824	2,948,645	13,568,129
5. Pool's actuarial value of assets (AVA) including receivables	639,237,247	701,224,211	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	24,410,697	25,685,088	N/A
7. Pool's market value of assets (MVA) including receivables	572,006,330	589,970,009	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	21,843,335	21,609,899	23,742,456

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (a)</u>	<u>Share of Pool's Market Value of Assets (MVA) (b)</u>	<u>Plan's Share of Pool's Unfunded Liability (a-b)</u>	<u>Funded Ratio MVA (b/a)</u>	<u>Annual Covered Payroll</u>
June 30, 2011	\$ 26,151,797	21,843,335	4,308,462	83.53%	\$ 3,643,785
June 30, 2012	27,075,304	21,609,899	5,465,405	79.81%	3,738,797
June 30, 2013	28,159,018	23,742,456	4,416,562	84.32%	3,753,868

(2) Defined Benefit Pension Plan – Tier II - PEPRA

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2.0% at 62 yrs. Risk Pool	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
1. Plan's accrued liability	\$ N/A	N/A	2,138
2. Plan's side fund	N/A	N/A	-
3. Pool's accrued liability	N/A	N/A	1,063,294
4. Pool's side fund	N/A	N/A	-
5. Pool's actuarial value of assets (AVA) including receivables	N/A	N/A	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	N/A	N/A	N/A
7. Pool's market value of assets (MVA) including receivables	N/A	N/A	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	N/A	N/A	2,869

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (a)</u>	<u>Share of Pool's Market Value of Assets (MVA) (b)</u>	<u>Plan's Share of Pool's Unfunded Liability (a-b)</u>	<u>Funded Ratio MVA (b/a)</u>	<u>Annual Covered Payroll</u>
June 30, 2011	*	-	-	0.00%	\$ -
June 30, 2012	*	-	-	0.00%	-
June 30, 2013	\$ 2,138	2,869	(731)	134.19%	51,943

* This Plan began on January 1, 2013.

**Casitas Municipal Water District
Schedule of Funding Status
For the Years Ended June 30, 2014 and 2013**

(3) Other Post-Employment Benefits Payable

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2014	\$ -	33,059,340	33,059,340	0.00%	\$ 4,992,482	662.18%
June 30, 2013	-	18,832,580	18,832,580	0.00%	\$ 5,079,639	370.75%
June 30, 2012	-	18,832,580	18,832,580	0.00%	4,830,682	389.85%

Funded Status and Funding Progress of the Plan

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed annually on the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2014 based on the year ending June 30, 2014.

Supplementary Information

Casitas Municipal Water District
Schedule of Revenues, Expenses, and Changes in Net Position – Budget to Actual
For the Fiscal Year Ended June 30, 2014

	<u>Adopted Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Operating revenues:					
Retail water consumption	\$ 4,084,739	-	4,084,739	7,054,465	2,969,726
Wholesale water consumption	1,807,650	-	1,807,650	2,041,254	233,604
Monthly water service charge	1,988,117	-	1,988,117	1,996,560	8,443
Recreation revenue	3,595,083	-	3,595,083	3,625,800	30,717
Other water charges and services	88,486	-	88,486	205,192	116,706
Total operating revenues	<u>11,564,075</u>	<u>-</u>	<u>11,564,075</u>	<u>14,923,271</u>	<u>3,359,196</u>
Operating expenses:					
Source of supply	1,693,390	-	1,693,390	1,421,801	271,589
Pumping	1,235,519	-	1,235,519	1,685,967	(450,448)
Water Treatment	1,165,347	-	1,165,347	1,783,448	(618,101)
Transmission and distribution	822,006	-	822,006	762,346	59,660
Telemetry	227,484	-	227,484	332,776	(105,292)
Customer accounts	438,402	-	438,402	400,493	37,909
Recreation expenses	4,089,407	-	4,089,407	3,939,152	150,255
General and administrative	6,187,349	-	6,187,349	3,912,461	2,274,888
Total operating expenses	<u>15,858,904</u>	<u>-</u>	<u>15,858,904</u>	<u>14,238,444</u>	<u>1,620,460</u>
Operating income before depreciation	(4,294,829)	-	(4,294,829)	684,827	1,738,736
Depreciation – water department	-	-	-	(2,831,449)	(2,831,449)
Depreciation – recreation department	-	-	-	(320,589)	(320,589)
Operating loss	<u>(4,294,829)</u>	<u>-</u>	<u>(4,294,829)</u>	<u>(2,467,211)</u>	<u>(1,413,302)</u>
Non-operating revenue/(expense)					
Property taxes	1,985,803	-	1,985,803	2,192,072	206,269
Property tax assessment for State Water Project	-	-	-	566,610	566,610
Mira Monte assessment	-	-	-	31,797	31,797
Oak View availability charge	-	-	-	-	-
State water project expense	-	-	-	(451,590)	(451,590)
Tax collection expense	(25,332)	-	(25,332)	(8,360)	16,972
Interest and investment earnings	298,000	-	298,000	281,851	(16,149)
Interest expense – long-term debt	(74,258)	-	(74,258)	(79,124)	(4,866)
Deferred charges amortization	-	-	-	-	-
Other non-operating revenues/(expenses), net	20,000	-	20,000	24,506	4,506
Total non-operating revenues, net	<u>2,204,213</u>	<u>-</u>	<u>2,204,213</u>	<u>2,557,762</u>	<u>353,549</u>
Net loss before capital contributions	<u>(2,090,616)</u>	<u>-</u>	<u>(2,090,616)</u>	<u>90,551</u>	<u>(1,059,753)</u>
Capital contributions:					
Federal, state and local capital grants	367,884	-	367,884	489,071	121,187
Capital contributions	<u>367,884</u>	<u>-</u>	<u>367,884</u>	<u>489,071</u>	<u>121,187</u>
Change in net position	<u>\$ (1,722,732)</u>	<u>-</u>	<u>(1,722,732)</u>	<u>579,622</u>	<u>(938,566)</u>
Net position, beginning of year	<u>81,209,259</u>		<u>81,209,259</u>	<u>81,209,259</u>	
Net position, end of year	<u>\$ 79,486,527</u>		<u>79,486,527</u>	<u>81,788,881</u>	

Casitas Municipal Water District
Combining Schedule of Net Position
June 30, 2014

<i>Assets</i>	Operating Fund	Financing Fund	Improvement Assessment Fund	Eliminations for Financial Reporting	Total
Current assets:					
Cash and cash equivalents	\$ 9,141,298	-	-	-	9,141,298
Investments	15,129,592	-	-	-	15,129,592
Accrued interest receivable	76,918	-	-	-	76,918
Accounts receivable – water sales and services	1,113,022	-	-	-	1,113,022
Accounts receivable – special assessments	-	-	153,708	-	153,708
Accounts receivable – property taxes	60,757	-	-	-	60,757
Accounts receivable – other	427,942	-	-	-	427,942
Due from other funds	84,789	7,715,412	-	(7,800,201)	-
Water-in-storage inventory	11,025,928	-	-	-	11,025,928
Materials and supplies inventory	93,862	-	-	-	93,862
Prepaid expenses and other deposits	241,362	-	-	-	241,362
Total current assets	37,395,470	7,715,412	153,708	(7,800,201)	37,464,389
Non-current assets:					
Capital assets, not being depreciated	6,470,865	-	-	-	6,470,865
Depreciable capital assets, net	52,410,694	-	-	-	52,410,694
Total non-current assets	58,881,559	-	-	-	58,881,559
Total assets	96,277,029	7,715,412	153,708	(7,800,201)	96,345,948
Liabilities and Net Position					
Current liabilities:					
Accounts payable and accrued expenses	860,270	-	-	-	860,270
Accrued salaries and wages	136,220	-	-	-	136,220
Customer deposits	40,294	-	-	-	40,294
Unearned revenue	3,031	-	-	-	3,031
Accrued interest payable	17,216	-	-	-	17,216
Due to other funds	7,715,412	-	84,789	(7,800,201)	-
Long-term liabilities – due within one year:					
Compensated absences	474,605	-	-	-	474,605
Reimbursement agreement	154,456	-	-	-	154,456
Bonds payable	-	-	15,000	-	15,000
Loans payable	238,286	-	-	-	238,286
Total current liabilities	9,639,790	-	99,789	(7,800,201)	1,939,378
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	474,606	-	-	-	474,606
Reimbursement agreement	2,857,442	-	-	-	2,857,442
Other post-employment benefits payable	7,281,449	-	-	-	7,281,449
Bonds payable	-	-	105,500	-	105,500
Loans payable	1,898,692	-	-	-	1,898,692
Total non-current liabilities	12,512,189	-	105,500	-	12,617,689
Total liabilities	22,151,979	-	205,289	(7,800,201)	14,557,067
Net position:					
Net investment in capital assets	56,744,581	-	(120,500)	-	56,624,081
Restricted for debt service	-	-	153,708	-	153,708
Unrestricted	17,380,469	7,715,412	(84,789)	-	25,011,092
Total net position	74,125,050	7,715,412	(51,581)	-	81,788,881
Total liabilities and net position	\$ 96,277,029	7,715,412	153,708	(7,800,201)	96,345,948

Casitas Municipal Water District
Combining Schedule of Net Position
June 30, 2013

<i>Assets</i>	Operating Fund	Financing Fund	Improvement Assessment Fund	Eliminations for Financial Reporting	Total
Current assets:					
Cash and cash equivalents	\$ 4,609,512	-	-	-	4,609,512
Investments	16,093,230	-	-	-	16,093,230
Accrued interest receivable	75,246	-	-	-	75,246
Accounts receivable – water sales and services	1,208,645	-	-	-	1,208,645
Accounts receivable – special assessments	-	-	180,151	-	180,151
Accounts receivable – property taxes	58,427	-	-	-	58,427
Accounts receivable – other	297,819	-	-	-	297,819
Due from other funds	47,353	7,150,526	-	(7,197,879)	-
Water-in-storage inventory	11,025,928	-	-	-	11,025,928
Materials and supplies inventory	87,074	-	-	-	87,074
Prepaid expenses and other deposits	121,528	-	-	-	121,528
Total current assets	33,624,762	7,150,526	180,151	(7,197,879)	33,757,560
Non-current assets:					
Capital assets, not being depreciated	6,222,973	-	-	-	6,222,973
Depreciable capital assets, net	50,707,997	-	-	-	50,707,997
Total non-current assets	56,930,970	-	-	-	56,930,970
Total assets	90,555,732	7,150,526	180,151	(7,197,879)	90,688,530
Liabilities and Net Position					
Current liabilities:					
Accounts payable and accrued expenses	658,422	-	-	-	658,422
Accrued salaries and wages	118,876	-	-	-	118,876
Customer deposits	38,895	-	-	-	38,895
Unearned revenue	5,739	-	-	-	5,739
Accrued interest payable	19,075	-	-	-	19,075
Due to other funds	7,150,526	-	47,353	(7,197,879)	-
Long-term liabilities – due within one year:					
Compensated absences	428,987	-	-	-	428,987
Bonds payable	-	-	14,000	-	14,000
Loans payable	230,809	-	-	-	230,809
Total current liabilities	8,651,329	-	61,353	(7,197,879)	1,514,803
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	428,988	-	-	-	428,988
Other post-employment benefits payable	5,278,002	-	-	-	5,278,002
Bonds payable	-	-	120,500	-	120,500
Loans payable	2,136,978	-	-	-	2,136,978
Total non-current liabilities	7,843,968	-	120,500	-	7,964,468
Total liabilities	16,495,297	-	181,853	(7,197,879)	9,479,271
Net position:					
Net investment in capital assets	54,563,183	-	(134,500)	-	54,428,683
Restricted for debt service	-	-	180,151	-	180,151
Unrestricted	19,497,252	7,150,526	(47,353)	-	26,600,425
Total net position	74,060,435	7,150,526	(1,702)	-	81,209,259
Total liabilities and net position	\$ 90,555,732	7,150,526	180,151	(7,197,879)	90,688,530

Casitas Municipal Water District
Combining Schedule of Revenues and Expenses
For the Fiscal Year Ended June 30, 2014

	Water Fund	Recreation Fund	2014 Total
Operating revenues:			
Retail water consumption	\$ 7,054,465	-	7,054,465
Wholesale water consumption	2,041,254	-	2,041,254
Monthly water service charge	1,996,560	-	1,996,560
Recreation revenue	-	3,625,800	3,625,800
Other water charges and services	205,192	-	205,192
Total operating revenues	11,297,471	3,625,800	14,923,271
Operating expenses:			
Source of supply	1,421,801	-	1,421,801
Pumping	1,685,967	-	1,685,967
Water treatment	1,783,448	-	1,783,448
Transmission and distribution	762,346	-	762,346
Telemetry	332,776	-	332,776
Customer accounts	400,493	-	400,493
Recreation expenses	-	3,939,152	3,939,152
General and administrative	3,912,461	-	3,912,461
Total operating expenses	10,299,292	3,939,152	14,238,444
Operating income(loss) before depreciation	998,179	(313,352)	684,827
Depreciation – water department	(2,831,449)	-	(2,831,449)
Depreciation – recreation department	-	(320,589)	(320,589)
Operating income(loss)	(1,833,270)	(633,941)	(2,467,211)
Non-operating revenue(expense)			
Property taxes	2,192,072	-	2,192,072
Property tax assessment for State Water Project	566,610	-	566,610
Mira Monte assessment	31,797	-	31,797
State water project	(451,590)	-	(451,590)
Tax collection expense	(8,360)	-	(8,360)
Interest and investment earnings	281,851	-	281,851
Interest expense – long-term debt	(79,124)	-	(79,124)
Other non-operating revenues/(expenses), net	24,506	-	24,506
Total non-operating revenues, net	2,557,762	-	2,557,762
Net income(loss) before capital contributions	724,492	(633,941)	90,551
Capital contributions:			
Federal, state and local capital grants	71,105	417,966	489,071
Change in net position	795,597	(215,975)	579,622
Adjustment for noncash items:			
Depreciation – water department	2,831,449	-	2,831,449
Depreciation – recreation department	-	320,589	320,589
Other post-employment benefits payable	2,003,447	-	2,003,447
Total	\$ 5,630,493	104,614	5,735,107

Casitas Municipal Water District
Combining Schedule of Revenues and Expenses
For the Fiscal Year Ended June 30, 2013

	Water Fund	Recreation Fund	2014 Total
Operating revenues:			
Retail water consumption	\$ 7,054,465	-	7,054,465
Wholesale water consumption	2,041,254	-	2,041,254
Monthly water service charge	1,996,560	-	1,996,560
Recreation revenue	-	3,625,800	3,625,800
Other water charges and services	205,192	-	205,192
Total operating revenues	11,297,471	3,625,800	14,923,271
Operating expenses:			
Source of supply	1,421,801	-	1,421,801
Pumping	1,685,967	-	1,685,967
Water treatment	1,783,448	-	1,783,448
Transmission and distribution	762,346	-	762,346
Telemetry	332,776	-	332,776
Customer accounts	400,493	-	400,493
Recreation expenses	-	3,939,152	3,939,152
General and administrative	3,912,461	-	3,912,461
Total operating expenses	10,299,292	3,939,152	14,238,444
Operating income(loss) before depreciation	998,179	(313,352)	684,827
Depreciation – water department	(2,831,449)	-	(2,831,449)
Depreciation – recreation department	-	(320,589)	(320,589)
Operating income(loss)	(1,833,270)	(633,941)	(2,467,211)
Non-operating revenue(expense)			
Property taxes	2,192,072	-	2,192,072
Property tax assessment for State Water Project	566,610	-	566,610
Mira Monte assessment	31,797	-	31,797
State water project	(451,590)	-	(451,590)
Tax collection expense	(8,360)	-	(8,360)
Interest and investment earnings	281,851	-	281,851
Interest expense – long-term debt	(79,124)	-	(79,124)
Other non-operating revenues/(expenses), net	24,506	-	24,506
Total non-operating revenues, net	2,557,762	-	2,557,762
Net income(loss) before capital contributions	724,492	(633,941)	90,551
Capital contributions:			
Federal, state and local capital grants	71,105	417,966	489,071
Change in net position	795,597	(215,975)	579,622
Adjustment for noncash items:			
Depreciation – water department	2,831,449	-	2,831,449
Depreciation – recreation department	-	320,589	320,589
Other post-employment benefits payable	2,003,447	-	2,003,447
Total	\$ 5,630,493	104,614	5,735,107

Casitas Municipal Water District
Detail Schedule of Operating Expenses – Water Department
For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Source of supply:		
Advertising and legal notices	\$ 365	-
Books and publications	34	517
Clothing and personal supplies	337	1,118
Communications	3,553	4,086
Computer upgrades – hardware and software	4,828	2,161
Costs applied	1	1,424
District equipment	6,622	10,308
Education and training	5,719	4,743
Insurance – Aflac service fee	104	22
Insurance – EAP	164	170
Licenses and permits	26,311	19,292
Memberships and dues	42,280	7,454
Office supplies	64	254
Other professional services	15,643	31,052
Outside contracts	123,449	748,551
Postage	11,284	10,346
Printing and binding	6,473	8,281
Private vehicle mileage	944	636
Purchased water	916	985
Salaries and benefits	1,081,111	1,014,547
Services and supplies	68,153	70,067
Small tools	41	290
Travel expense	19,180	18,294
Utilities	4,225	4,240
Total source of supply	<u>1,421,801</u>	<u>1,958,838</u>
Pumping:		
Communications	1,588	1,616
Outside contracts	21,806	5,230
Power purchased for pumping	1,430,727	1,071,501
Salaries and benefits	169,773	164,899
Service and supplies	58,854	70,053
Small tools	3,121	165
Travel	98	85
Total pumping	<u>1,685,967</u>	<u>1,313,549</u>
Water treatment:		
Ammonia	35,536	29,509
Caustics	104,605	62,392
Chlorine	89,460	74,430
Clothing and personal supplies	818	981
Communications	3,122	1,567
Education and training	990	2,586
Ferric	13,794	15,952
Licenses and permits	1,266	745
Outside contracts	92,736	51,746
Polymer	30,744	27,863
Postage	50	24
Private vehicle mileage	122	-
Salaries and benefits	1,218,637	878,134
Service and supplies	63,490	68,283
Small tools	4,482	600
Travel	430	-
Utilities	123,166	90,552
Total water treatment	<u>\$ 1,783,448</u>	<u>1,305,364</u>

Continued on next page

Casitas Municipal Water District
Detail Schedule of Operating Expenses – Water Department, continued
For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Transmission and distribution:		
Books and publications	\$ 108	223
Communications	467	669
Computer upgrades – hardware and software	1,969	328
Education and training	2,806	410
Licenses and permits	7,228	10,658
Other operating expenses	26,443	19,937
Outside contracts	116,360	97,417
Salaries and benefits	466,041	410,359
Service and supplies	132,622	94,960
Small tools	7,473	5,527
Travel expense	829	293
Total transmission and distribution	<u>762,346</u>	<u>640,781</u>
Telemetering:		
Communications	985	913
Outside contracts	27,978	24,706
Postage	355	-
Salaries and benefits	257,894	237,316
Service and supplies	21,400	19,674
Small tools	437	-
Utilities	23,727	26,718
Total telemetering	<u>332,776</u>	<u>309,327</u>
Customer accounts:		
Bad debt provision	6,938	8,886
Clothing and personal supplies	454	1,074
Communications	456	473
Computer upgrades – hardware and software	5,213	-
Education and training	1,104	1,795
Leak relief expense	8,070	2,828
Licenses and permits	270	100
Outside contracts	14,522	13,833
Postage	2,562	1,297
Printing and binding	-	501
Private vehicle mileage	-	367
Salaries and benefits	336,998	337,947
Service and supplies	22,855	42,343
Small tools	106	175
Travel expense	945	402
Total customer accounts	<u>\$ 400,493</u>	<u>412,021</u>

Continued on next page

Casitas Municipal Water District
Detail Schedule of Operating Expenses – Water Department, continued
For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
General and administrative:		
Advertising and legal notices	\$ 934	1,001
Bank charges	20,324	11,556
Books and publications	4,285	4,669
Clothing and personal supplies	4,652	5,344
Communications	41,594	37,767
Computer upgrades – hardware and software	12,865	13,186
Directors election fees	-	14,606
District equipment	133,740	131,204
Education and training	24,539	11,740
Gains/losses on inventory	(32,366)	11,046
Insurance – Aflac	828	310
Insurance – EAP	1,171	1,388
Insurance – liability	65,423	56,167
Licenses and permits	12,848	10,089
Memberships and dues	34,096	82,716
Office equipment maintenance	1,283	1,184
Office supplies	11,564	9,079
Other professional services	164,063	304,326
Outside contracts	338,899	525,114
Petty cash over/short	13	1
Postage	1,331	997
Printing and binding	1,380	4,241
Private vehicle mileage	7,961	9,005
Safety program	5,470	3,675
Salaries and benefits	3,858,013	3,456,532
Service and supplies	89,409	66,440
Small tools	186	161
Travel expense	6,870	4,479
Utilities	58,715	54,846
Vehicle costs direct	123,637	115,823
Workers' compensation	102,065	88,543
Costs applied	(161,455)	(159,478)
Administrative overhead burden	(1,021,876)	(841,486)
Total general and administrative	<u>3,912,461</u>	<u>4,036,271</u>
Depreciation expense:		
Water department	<u>2,831,449</u>	<u>2,781,305</u>
Total depreciation expense	<u>2,831,449</u>	<u>2,781,305</u>
Total operating expenses – water dept.	<u>\$ 13,130,741</u>	<u>12,757,456</u>

Casitas Municipal Water District
Detail Schedule of Operating Revenues & Expenses – Recreation Department, continued
For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Recreation revenue:		
Animal permit	\$ 24,105	19,659
Bad debt collection recovery	1,437	-
Boat fees - annual	44,539	54,111
Boat fees - daily	11,448	13,625
Boat fees - overnight	1,270	1,790
Boat inspection fees - Quagga	4,435	7,706
Boat lock revenue - Quagga	3,715	5,066
Boat rental - concession	72,895	84,070
Cafe - concession	24,738	29,882
Cafe pass fee	24,845	26,065
Cafe pass reimbursement	(24,073)	(23,002)
Camping fees	1,677,532	1,587,177
Commercials	15,550	7,097
Donation vouchers	(300)	-
Event reimbursement	-	450
Events	32,229	38,238
Gift cards and certificates	75	(443)
Guest pass	(370)	(205)
Kayak and canoes annual	3,270	4,364
Kayak and canoes daily	3	128
Miscellaneous revenue	1,269	7,465
Over / short - recreation	267	(103)
Over / short - water park	(23)	2
Park store	41,579	39,646
Rain checks	(2,185)	(4,623)
Reservations	126,503	113,901
Shower facility fees	24,063	21,357
Snow bird pumping	2,260	-
Trailer storage fees	179,806	177,361
Vehicle fees - daily	336,140	393,102
Violation ordinance fees	13,982	9,065
Visitor cards	126,834	144,302
Visitor cards - Quagga refunds	-	(83)
Water park - donation voucher	-	(60)
Water park - group pass fee	(9,464)	(10,170)
Water park - guest pass	(444)	-
Water park - junior lifeguard	8,100	5,740
Water park - late day pass fee	72,957	79,435
Water park - lifeguard training	1,480	3,120
Water park - locker fee	1,200	1,059
Water park - next day pass fee	(1,707)	(2,342)
Water park - promotion	(523)	720
Water park - rain checks	(2,014)	(2,908)
Water park - reservation fee	22,267	19,110
Water park - season pass fee	28,304	23,614
Water park - shade rental fee	6,055	8,925
Water park - shower facility fee	17,126	17,233
Water park - single splash fee	699,594	721,985
Water park - water fitness - fee	8,370	7,950
Water park snack bar	6,661	6,469
Total recreation revenue	\$ 3,625,800	3,637,050

Continued on next page

Casitas Municipal Water District
Detail Schedule of Operating Revenues & Expenses – Recreation Department, continued
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Recreation expenses:		
Administrative overhead burden	\$ 1,021,876	841,486
Advertising and legal notices	5,561	3,386
Bad debt provision	3,829	31,050
Bank charges	3,856	2,599
Books and publications	-	3,377
Chemicals – water playground	3,817	3,163
Chlorine	22,989	25,678
Clothing and personal supplies	16,377	12,891
Communications	13,810	13,894
Computer upgrades – hardware and software	8,020	1,020
Credit card fees	50,653	50,953
District equipment	123,294	128,839
Education and training	3,503	1,698
Fish purchases	-	29,995
Licenses and permits	6,736	6,459
Memberships and dues	1,310	1,284
Office supplies	7,820	4,560
Other operating expenses	-	1,852
Outside contracts	216,248	260,365
Postage	1,651	941
Printing and binding	12,748	13,342
Private vehicle mileage	39	-
Public information program	9,491	8,451
Purchased water	71,049	68,442
Safety program	2,243	2,669
Salaries and benefits	2,006,160	1,881,255
Service and supplies	178,019	141,419
Small tools	2,405	2,322
Travel expense	780	788
Utilities	144,868	118,700
	Total	3,939,152
	3,939,152	3,662,878
Recreation operating loss before depreciation	(313,352)	(25,828)
Depreciation – recreation department	(320,589)	(303,216)
Recreation operating loss	\$ (633,941)	(329,044)

NOTE: Please see Page 45 and 46 for further information about the Recreation Fund and the Capital Contributions received for the fiscal years presented.

Statistical Section

**Casitas Municipal Water District
Statistical Section**

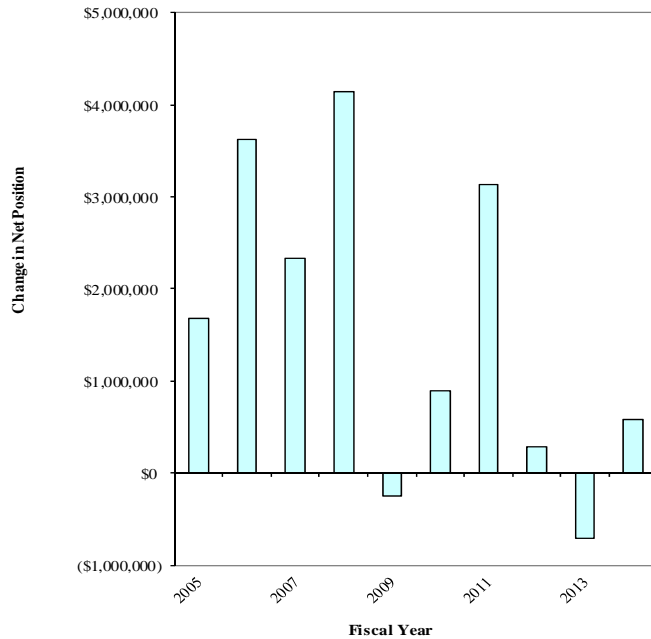
This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

Table of Contents

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	53-56
Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales.	57-61
Debt Capacity These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	62-63
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	64
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	65

Casitas Municipal Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

	Fiscal Year				
	2005	2006	2007	2008	2009
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 9,688,724	11,258,803	13,291,119	13,805,964	12,129,996
Operating expenses (see Schedule 3)	(8,378,443)	(8,262,068)	(10,289,724)	(10,107,124)	(13,384,114)
Depreciation and amortization	(2,495,930)	(2,363,709)	(4,207,595)	(2,975,653)	(2,834,977)
Operating income(loss)	(1,185,649)	633,026	(1,206,200)	723,187	(4,089,095)
Non-operating revenues(expenses)					
Property taxes	525,019	526,622	1,734,216	1,831,087	1,982,172
Clean Water Act surcharge	1,070,545	1,085,494	1,006,501	1,071,637	1,685,062
Mira Monte assessment	9,549	20,307	18,605	19,657	18,914
Oak View availability charge	7,579	7,754	7,439	7,862	6,992
Property tax collection expense	(13,854)	(15,707)	(13,448)	(28,261)	(29,433)
Investment income/(loss)	138,716	269,336	404,167	463,786	213,695
Water-in-storage valuation	-	-	-	-	-
Satate water project expense	-	-	-	-	-
Federal grants	-	-	-	-	-
Capital facilities charges	-	-	-	-	-
Gain/(Loss) on sale/disposition of assets	(5,566)	-	-	-	-
Interest expense	(159,437)	(131,650)	(129,810)	(123,440)	(116,361)
Other revenue/(expense), net	(51,559)	204,592	46,646	31,307	14,460
Total non-operating revenues(expenses), net	1,520,992	1,966,748	3,074,316	3,273,635	3,775,501
Net income before capital contributions	335,343	2,599,774	1,868,116	3,996,822	(313,594)
Capital contributions	1,342,081	1,016,530	458,002	146,880	63,784
Changes in net position	\$ 1,677,424	3,616,304	2,326,118	4,143,702	(249,810)
Net assets by component:					
Invested in capital assets, net of related debt	\$ 55,377,759	55,808,167	54,099,748	54,636,436	55,408,560
Restricted	226,563	91,941	103,054	75,088	67,343
Unrestricted	12,166,821	15,487,339	19,510,763	23,145,743	22,131,554
Total net position	\$ 67,771,143 ⁽¹⁾	71,387,447	73,713,565	77,857,267	77,607,457



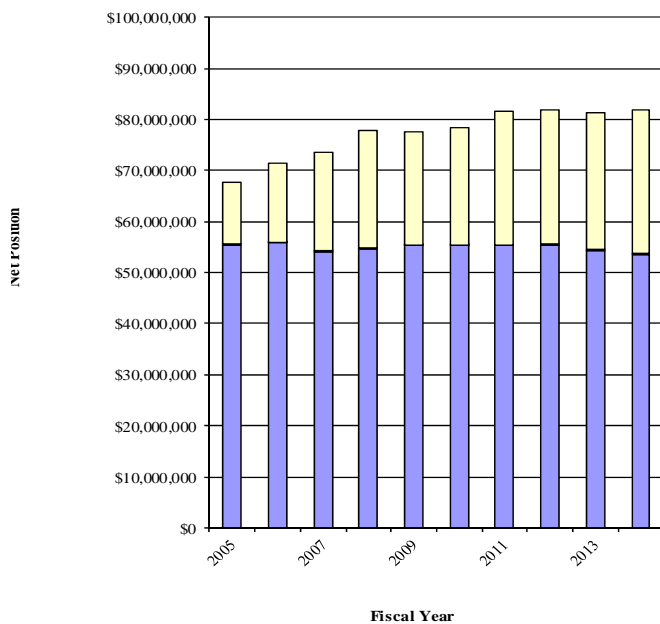
Notes:

(1) The District made a prior period adjustment of \$796,383.

Source: Casitas Municipal Water District Accounting Department

Schedule 1

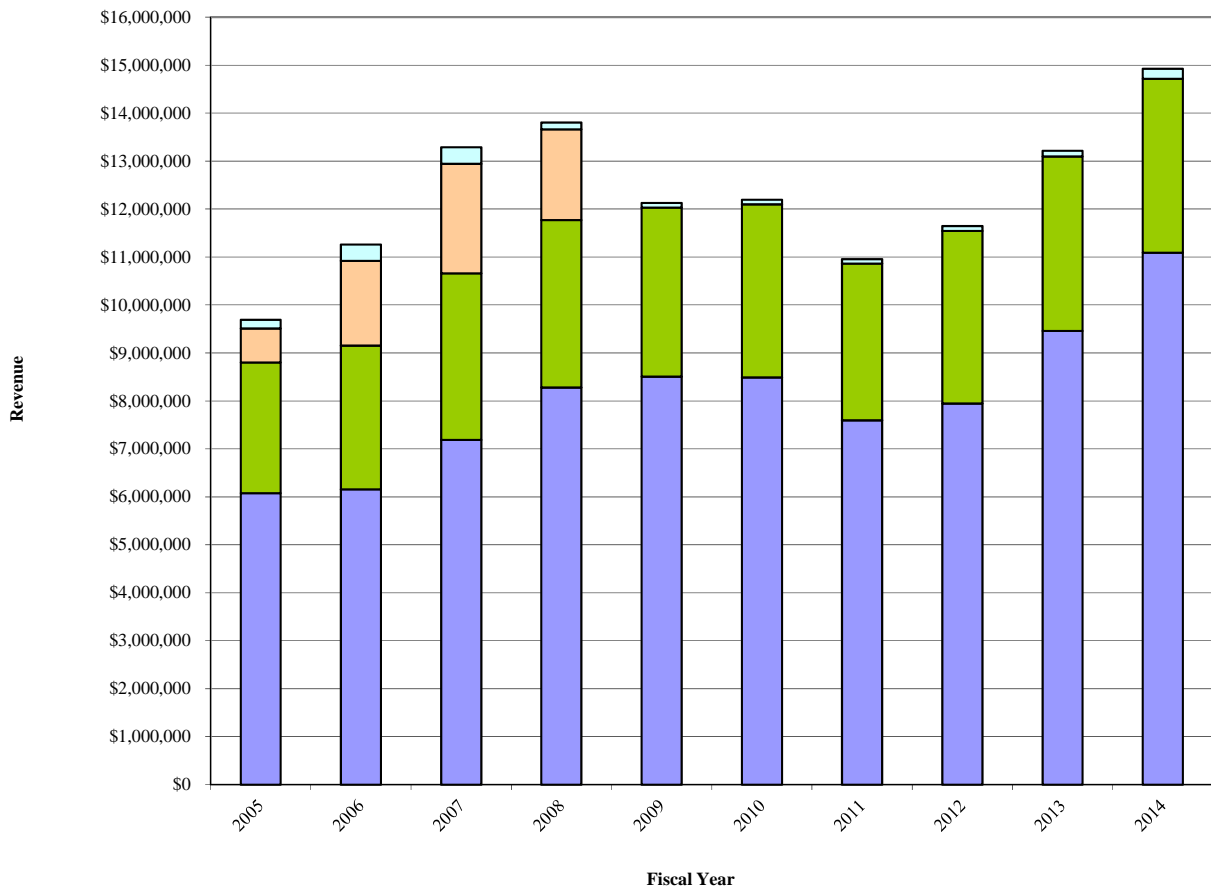
Fiscal Year				
2010	2011	2012	2013	2014
12,194,917	10,956,600	11,645,576	13,212,527	14,923,271
(11,171,141)	(11,587,130)	(12,047,019)	(13,639,029)	(14,238,444)
(2,863,329)	(3,037,340)	(3,097,495)	(3,084,521)	(3,152,038)
(1,839,553)	(3,667,870)	(3,498,938)	(3,511,023)	(2,467,211)
1,959,850	2,012,458	2,025,655	2,147,033	2,192,072
1,290,042	1,682,991	1,554,698	462,896	566,610
18,601	17,113	17,630	19,783	31,797
7,709	7,657	293	232	-
(30,416)	(31,158)	(30,158)	(31,284)	(8,360)
129,472	402,229	449,707	(164,338)	281,851
-	3,318,094	-	-	-
(666,442)	(787,665)	(382,908)	(517,749)	(451,590)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(106,239)	(102,295)	(94,969)	(87,015)	(79,124)
(6,638)	213,445	12,454	(20,137)	24,506
2,595,939	6,732,869	3,552,402	1,809,421	2,557,762
756,386	3,064,999	53,464	(1,701,602)	90,551
131,179	74,095	232,755	990,526	489,071
887,565	3,139,094	286,219	(711,076)	579,622
55,277,544	55,261,613	55,501,696	54,428,683	53,612,183
60,922	217,413	199,890	180,151	153,708
23,156,556	26,155,090	26,218,749	26,600,425	28,022,990
78,495,022	81,634,116	81,920,335	81,209,259	81,788,881



**Casitas Municipal Water District
Operating Revenue by Source
Last Ten Fiscal Years**

Schedule 2

Fiscal Year	Water Sales and Service	Recreation Revenue	Water Storage Valuation	Other Operating Revenue	Total Operating Revenue
2005	\$ 6,075,618	2,728,679	704,148	180,279	9,688,724
2006	6,157,482	2,996,915	1,768,645	335,761	11,258,803
2007	7,188,942	3,469,248	2,282,734	350,195	13,291,119
2008	8,282,482	3,487,877	1,890,639	144,966	13,805,964
2009	8,507,054	3,526,264	-	96,678	12,129,996
2010	8,488,083	3,611,110	-	95,724	12,194,918
2011	7,592,767	3,269,377	-	94,456	10,956,600
2012	7,944,558	3,599,744	-	101,274	11,645,576
2013	9,461,356	3,637,050	-	114,121	13,212,527
2014	11,092,279	3,625,800	-	205,192	14,923,271

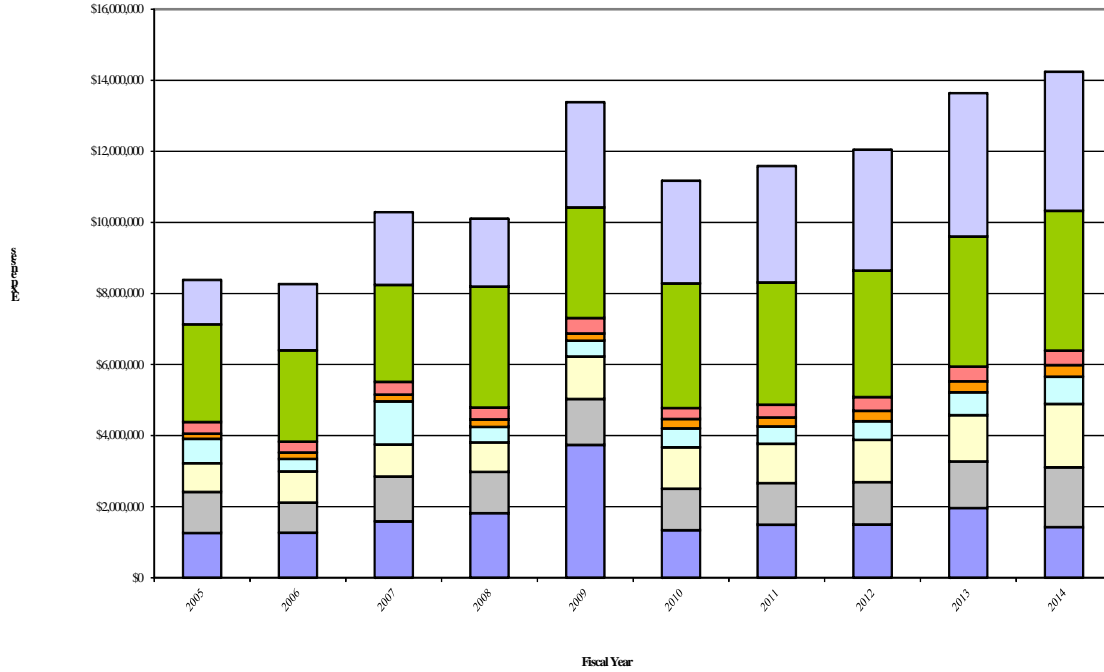


Source: Casitas Municipal Water District Accounting Department

Casitas Municipal Water District Operating Expenses by Activity Last Ten Fiscal Years

Schedule 3

Fiscal Year	Source of Supply	Pumping	Water Treatment	Transmission and Distribution	Telemetering	Customer Accounts	Recreation Area	General and Administrative	Total Operating Expenses
2005	\$ 1,260,178	1,151,358	810,650	687,261	142,260	331,338	2,747,871	1,247,527	8,378,443
2006	1,266,305	844,456	876,220	358,083	174,943	308,137	2,570,736	1,863,188	8,262,068
2007	1,584,516	1,261,227	898,454	1,221,291	185,521	359,407	2,730,670	2,048,638	10,289,724
2008	1,815,132	1,160,984	831,760	435,705	209,198	335,952	3,401,609	1,916,784	10,107,124
2009	3,735,269	1,292,700	1,197,050	448,678	197,119	436,851	3,113,058	2,963,389	13,384,114
2010	1,338,079	1,166,950	1,165,052	530,798	266,133	308,364	3,504,726	2,891,029	11,171,141
2011	1,493,036	1,168,939	1,107,391	488,434	251,534	362,054	3,436,849	3,278,893	11,587,130
2012	1,498,408	1,194,225	1,184,305	527,004	294,816	387,735	3,551,695	3,408,831	12,047,019
2013	1,958,838	1,313,549	1,305,364	640,781	309,327	412,021	3,662,878	4,036,271	13,639,029
2014	1,421,801	1,685,967	1,783,448	762,346	332,776	400,493	3,939,152	3,912,461	14,238,444

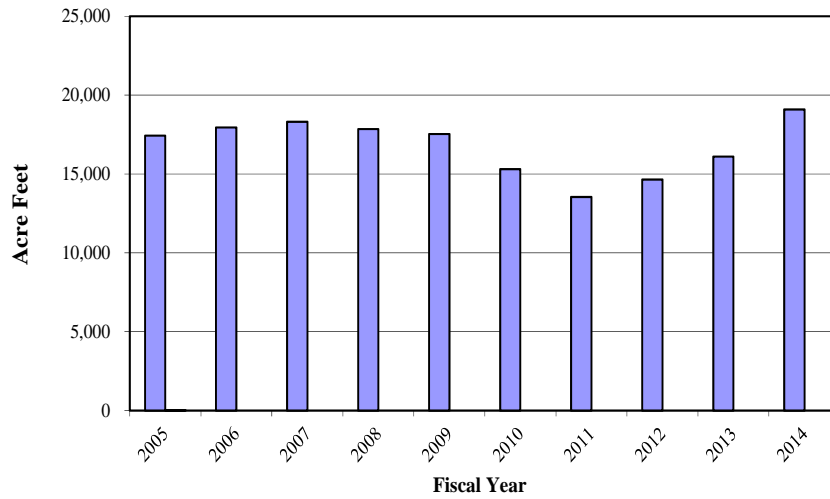


Source: Casitas Municipal Water District Accounting Department

**Casitas Municipal Water District
Revenue Base
Last Ten Fiscal Years**

Schedule 4

Fiscal Year	Water Sales (Acre Feet)
2005	17,425
2006	17,952
2007	18,318
2008	17,844
2009	17,533
2010	15,307
2011	13,549
2012	14,655
2013	16,106
2014	19,093



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

Source: Casitas Municipal Water District Accounting Department

Casitas Municipal Water District Revenue Rates⁽¹⁾ Last Ten Fiscal Years

Schedule 5

Gravity Zone Water Consumption (per HCF)										
Categories	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential:										
0-10 HCF	\$ 0.621	0.640	0.659	0.699	0.720	0.742	0.835	0.835	0.868	0.888
11-17 HCF	0.992	1.022	1.053	1.118	1.152	1.187	1.322	1.322	1.369	1.389
18+ HCF	1.379	1.420	1.463	1.552	1.598	1.646	1.825	1.825	1.888	1.908
Business	0.646	0.665	0.685	0.727	0.749	0.771	0.832	0.832	0.897	0.958
Industrial	0.608	0.626	0.645	0.684	0.704	0.725	0.783	0.783	0.856	0.958
Resale	0.374	0.385	0.397	0.421	0.434	0.447	0.474	0.474	0.545	0.709
Other	0.627	0.646	0.665	0.706	0.727	0.749	0.808	0.808	0.883	0.958
Temporary	1.958	2.017	2.078	2.204	2.270	2.338	2.493	2.493	2.686	2.706
Recreation	N/A	0.900	0.927	0.984	1.014	1.044	1.121	1.121	1.121	0.958
Irrigation	0.298	0.307	0.316	0.335	0.345	0.355	0.398	0.398	0.448	0.717

Pumped Zone Water Consumption (per HCF) ⁽²⁾										
Categories	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential:										
0-10 HCF	\$ 0.846	0.871	0.898	1.053	1.069	1.001	1.094	1.094	1.127	1.127
11-17 HCF	1.216	1.254	1.292	1.472	1.501	1.446	1.581	1.581	1.628	1.628
18+ HCF	1.605	1.652	1.702	1.906	1.947	1.905	2.084	2.084	2.147	2.147
Business	0.871	0.897	0.924	1.081	1.098	1.030	1.091	1.091	1.156	1.197
Industrial	0.832	0.858	0.884	1.038	1.053	0.984	1.042	1.042	1.115	1.197
Resale	0.846	0.871	0.897	1.036	1.044	0.967	1.109	1.109	1.275	1.275
Other	0.852	0.878	0.904	1.060	1.076	1.008	1.067	1.067	1.142	1.197
Temporary	2.184	2.249	2.317	2.558	2.619	2.597	2.752	2.752	2.945	2.945
Recreation	0.874	0.900	0.927	1.338	1.363	1.303	1.380	1.380	1.380	1.197
Irrigation	0.298	0.307	0.316	0.450	0.455	0.375	0.418	0.418	0.468	0.717

Water Service Charges (monthly)										
Meter Size	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential:										
5/8" - 1"	\$ 10.72	11.04	11.37	12.06	12.42	12.79	14.01	14.01	15.30	15.99
1 1/2" - 2"	32.91	33.90	34.92	37.05	38.16	39.30	43.03	43.03	46.99	49.1
2 1/2" - 3"	70.08	72.18	74.35	78.88	81.25	83.69	91.64	91.64	100.07	104.57
4"	148.75	153.21	157.81	167.42	172.44	177.61	194.48	194.48	212.37	221.93
6"	439.12	452.29	465.86	494.24	509.07	524.34	574.15	574.15	626.97	655.18
Businesses:										
5/8" - 1"	19.42	20.00	20.60	21.86	22.52	23.20	24.59	24.59	26.85	28.06
1 1/2" - 2"	59.56	61.35	63.19	67.04	69.05	71.12	75.39	75.39	82.33	86.03
2 1/2" - 3"	126.93	130.74	134.66	142.86	147.15	151.56	160.65	160.65	175.43	183.32
4"	269.39	277.47	285.79	303.19	312.29	321.66	340.96	340.96	372.33	389.08
6"	795.19	819.05	843.62	895.00	921.85	949.51	1,006.48	1,006.48	1,099.08	1,148.54
Industrial:										
5/8" - 1"	14.49	14.92	15.37	16.30	16.79	17.29	18.06	18.06	19.72	20.61
1 1/2" - 2"	44.45	45.78	47.15	50.02	51.52	53.07	55.43	55.43	60.53	63.25
2 1/2" - 3"	94.70	97.54	100.47	106.58	109.78	113.07	118.12	118.12	128.99	134.79
4"	200.99	207.02	213.23	226.22	233.01	240.00	250.70	250.70	273.76	286.08
6"	593.86	611.68	630.03	668.40	688.45	709.10	740.71	740.71	808.86	845.26
Irrigation:										
5/8" - 1"	23.88	24.60	25.34	26.88	27.69	28.52	31.94	31.94	34.88	36.45
1 1/2" - 2"	73.20	75.40	77.66	82.39	84.86	87.41	97.90	97.90	106.91	111.72
2 1/2" - 3"	155.96	160.64	165.46	175.53	180.80	186.22	208.57	208.57	227.76	238.01
4"	331.03	340.96	351.19	372.58	383.76	395.27	442.70	442.70	483.43	505.18
6"	977.17	1,006.49	1,036.68	1,099.81	1,132.80	1,166.78	1,306.79	1,306.79	1,427.01	1,491.23
Resale (Gravity):										
5/8" - 1"	40.61	41.83	43.09	45.71	47.08	48.49	51.40	51.40	56.13	58.66
1 1/2" - 2"	124.56	128.30	132.15	140.19	144.40	148.73	157.65	157.65	172.15	179.7
2 1/2" - 3"	265.38	273.34	281.54	298.69	307.65	316.88	335.89	335.89	388.63	406.12
4"	563.27	580.17	597.58	633.98	653.00	672.59	712.95	712.95	778.54	813.57
6"	1,662.70	1,712.58	1,763.96	1,871.39	1,927.53	1,985.36	2,104.48	2,104.48	2,298.09	2,401.5
Resale (Pumped):										
5/8" - 1"	15.71	16.18	16.67	17.69	18.22	18.77	21.59	21.59	23.58	24.64
1 1/2" - 2"	48.17	49.62	51.11	54.22	55.85	57.53	66.16	66.16	72.25	75.5
2 1/2" - 3"	102.59	105.67	108.84	115.47	118.93	122.50	140.88	140.88	153.84	160.76
4"	217.76	224.29	231.02	245.09	252.44	260.01	299.01	299.01	326.52	341.21
6"	642.81	662.09	681.95	723.48	745.18	767.54	882.67	882.67	963.88	1,007.25
Other:										
5/8" - 1"	16.21	16.70	17.20	18.25	18.80	19.36	20.52	20.52	22.41	23.42
1 1/2" - 2"	49.72	51.21	52.75	55.96	57.64	59.37	62.93	62.93	68.72	71.81
2 1/2" - 3"	105.90	109.08	112.35	119.19	122.77	126.51	143.12	143.12	154.45	160.5
4"	224.77	231.51	238.46	252.98	260.57	268.39	284.49	284.49	310.66	324.64
6"	663.47	683.37	703.87	746.74	769.14	792.21	839.74	839.74	914.00	958.27
Temporary:										
1 1/2" - 2"	45.11	46.46	47.85	50.77	52.29	53.86	57.09	57.09	62.34	65.15
2 1/2" - 3"	96.12	99.00	101.97	108.18	111.43	114.77	121.66	121.66	132.85	138.83
Recreation:										
5/8" - 1"	20.72	21.34	21.98	23.32	24.02	24.74	26.22	26.22	28.63	
1 1/2" - 2"	63.57	65.48	67.44	71.54	73.69	75.90	80.45	80.45	87.85	
2 1/2" - 3"	135.46	139.52	143.71	152.46	157.03	161.74	171.44	171.44	187.21	
4"	287.47	296.09	304.97	323.54	333.25	343.25	363.85	363.85	397.32	
6"	848.60	874.06	900.28	952.02	980.58	1,010.00	1,070.60	1,070.60	1,169.10	

Notes:
(1) Rates as of June 30 of each fiscal year.
(2) Rates are net of applicable energy surcharges.

Source: Casitas Municipal Water District Board of Directors approved rate ordinances and resolutions

Casitas Municipal Water District Revenue Rates

Schedule 5-1

In fiscal year 2009, the District changed its rate structure as follows:

RATE SCHEDULE - CLASS 1 SERVICE				Rate per Unit **	
				GRAVITY	PUMPED
Residential					
	Bi-Monthly Lifeline	0-20 Units		\$ 0.567	\$ 0.831
	Bi-Monthly Usage	21-34 Units		\$ 1.003	\$ 1.267
	Bi-Monthly Usage	35-100 units		\$ 1.404	\$ 1.668
	Bi-Monthly Usage	101 units +		\$ 2.200	\$ 2.464
Business					
	Industrial			\$ 1.259	\$ 1.524
	Resale			\$ 0.780	\$ 1.403
	Other			\$ 1.259	\$ 1.524
	Temporary			\$ 1.419	\$ 1.683
	Recreation			\$ 1.259	\$ 1.524
RATE SCHEDULE - CLASS 3 SERVICE				Rate per Unit **	
				GRAVITY	PUMPED
Ag-Residential					
	Monthly Lifeline	0-10 Units		\$ 0.567	\$ 0.831
	Monthly Usage	11-17 Units		\$ 1.003	\$ 1.267
	Monthly Usage	18 -50 Units		\$ 1.404	\$ 1.668
	Irrigation (AG)	51 units +		\$ 0.588	\$ 0.852
** One unit equals 100 cubic feet (748 gallons)					
	Cost per AF (example)	Irrigation	per AF = \$.588 x 435.6 =	\$ 256.13	gravity
			per AF = \$.852 x 435.6 =	\$ 371.13	pumped

METER SIZE		5/8"-3/4"	1"	1-1/2"	2"	2-1/2"	3"	4"	6"	Over 6"	
MAX CAPACITY		20-30	50	120	160	TEMP 300	320	1000	2000	over 2000	
RESIDENTIAL	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm
BUSINESS	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm
INDUSTRIAL	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm
IRRIGATION/ AG	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm
RESALE(G)	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm
RESALE(P)	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm
OTHER	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm
TEMPORARY	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm
RECREATION	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2,667.46	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5,334.92	per gpm

Casitas Municipal Water District Revenue Rates

Schedule 5-2

In fiscal year 2013, the District changed its rate structure as follows:

9.3.1 RATE SCHEDULE - CLASS 1 SERVICE				Rate per Unit **	
				GRAVITY	PUMPED
Residential					
	Bi-Monthly Lifeline	0-20 Units		\$ 0.584	\$ 0.856
	Bi-Monthly Usage	21-34 Units		\$ 1.033	\$ 1.305
	Bi-Monthly Usage	35-100 units		\$ 1.446	\$ 1.718
	Bi-Monthly Usage	101 units +		\$ 2.266	\$ 2.538
Business				\$ 1.297	\$ 1.570
Industrial				\$ 1.297	\$ 1.570
Resale				\$ 0.803	\$ 1.445
Other				\$ 1.297	\$ 1.570
Temporary				\$ 1.462	\$ 1.733
Recreation				\$ 1.297	\$ 1.570
9.3.3 RATE SCHEDULE - CLASS 3 SERVICE				Rate per Unit **	
				GRAVITY	PUMPED
Ag-Residential					
	Monthly Lifeline	0-10 Units		\$ 0.584	\$ 0.856
	Monthly Usage	11-17 Units		\$ 1.033	\$ 1.305
	Monthly Usage	18 -50 Units		\$ 1.446	\$ 1.718
	Irrigation (AG)	51 units +		\$ 0.606	\$ 0.878

**** One unit equals 100 cubic feet (748 gallons)**

Cost per AF (example)	Irrigation	per AF = \$.606 x 435.6 =	\$ 263.97	gravity
		per AF = \$.878 x 435.6 =	\$ 382.46	pumped

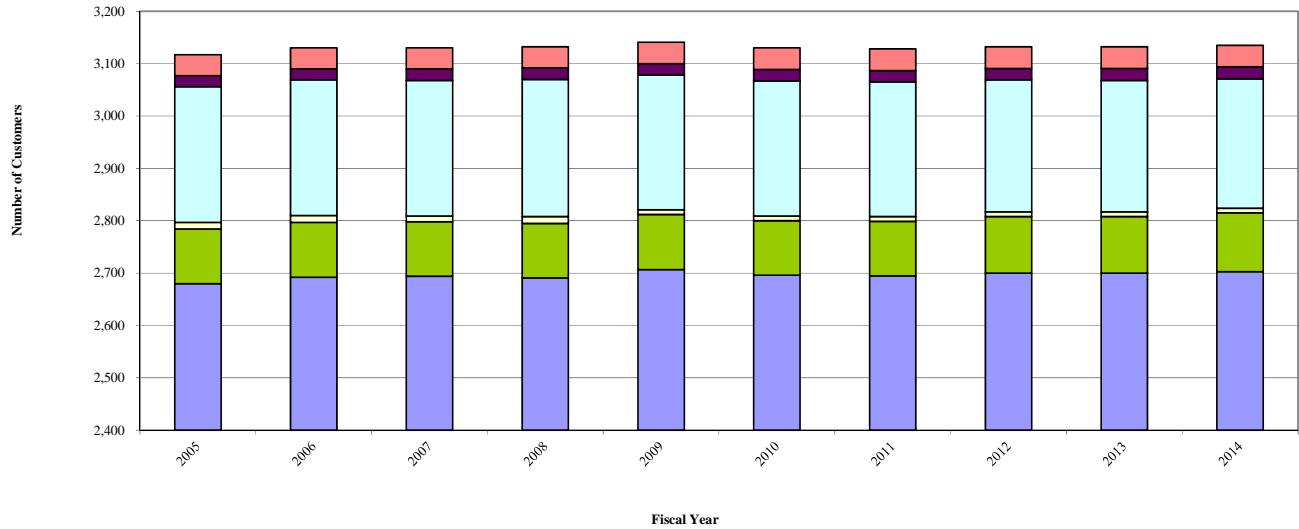
9.3.4 COMBINATION (CLASS C) SERVICE. Where more than one class of water service or use is provided through a single connection, the General Manager shall make an equitable proration of rates and fees, such proration shall be conclusive unless appealed within 30 days by the customer to the Board, in which case the determination of the Board shall be conclusive.

METER SIZE		5/8"-3/4"	1"	1-1/2"	2"	2-1/2"	3"	4"	6"	Over 6"	
MAX CAPACITY		GPM	20-30	50	120	160	TEMP 300	320	1000	2000	over 2000
RESIDENTIAL	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm
BUSINESS	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm
INDUSTRIAL	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm
IRRIGATION/ AG	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm
RESALE(G)	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm
RESALE(P)	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm
OTHER	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm
TEMPORARY	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm
RECREATION	Monthly	\$ 23.34	\$ 34.86	\$ 63.66	\$ 98.22	\$ 150.05	\$ 207.65	\$ 368.92	\$ 812.42	\$ 2,827.51	per gpm
	Bi-Monthly	\$ 40.62	\$ 63.66	\$ 121.25	\$ 190.38	N/A	\$ 409.23	\$ 731.78	\$ 1,618.76	\$ 5,655.02	per gpm

Casitas Municipal Water District Customers by Type Last Ten Fiscal Years

Schedule 6

Fiscal Year	Customer Type						Total
	Residential	Business	Industrial	Agricultural	Wholesale	Other	
2005	2,680	104	13	259	21	40	3,117
2006	2,692	105	13	259	21	40	3,130
2007	2,694	104	11	259	22	40	3,130
2008	2,691	104	13	262	22	40	3,132
2009	2,707	105	9	257	22	41	3,141
2010	2,696	104	9	258	22	41	3,130
2011	2,695	104	9	257	22	41	3,128
2012	2,700	108	9	252	22	41	3,132
2013	2,700	108	9	251	23	41	3,132
2014	2,703	112	9	247	23	41	3,135



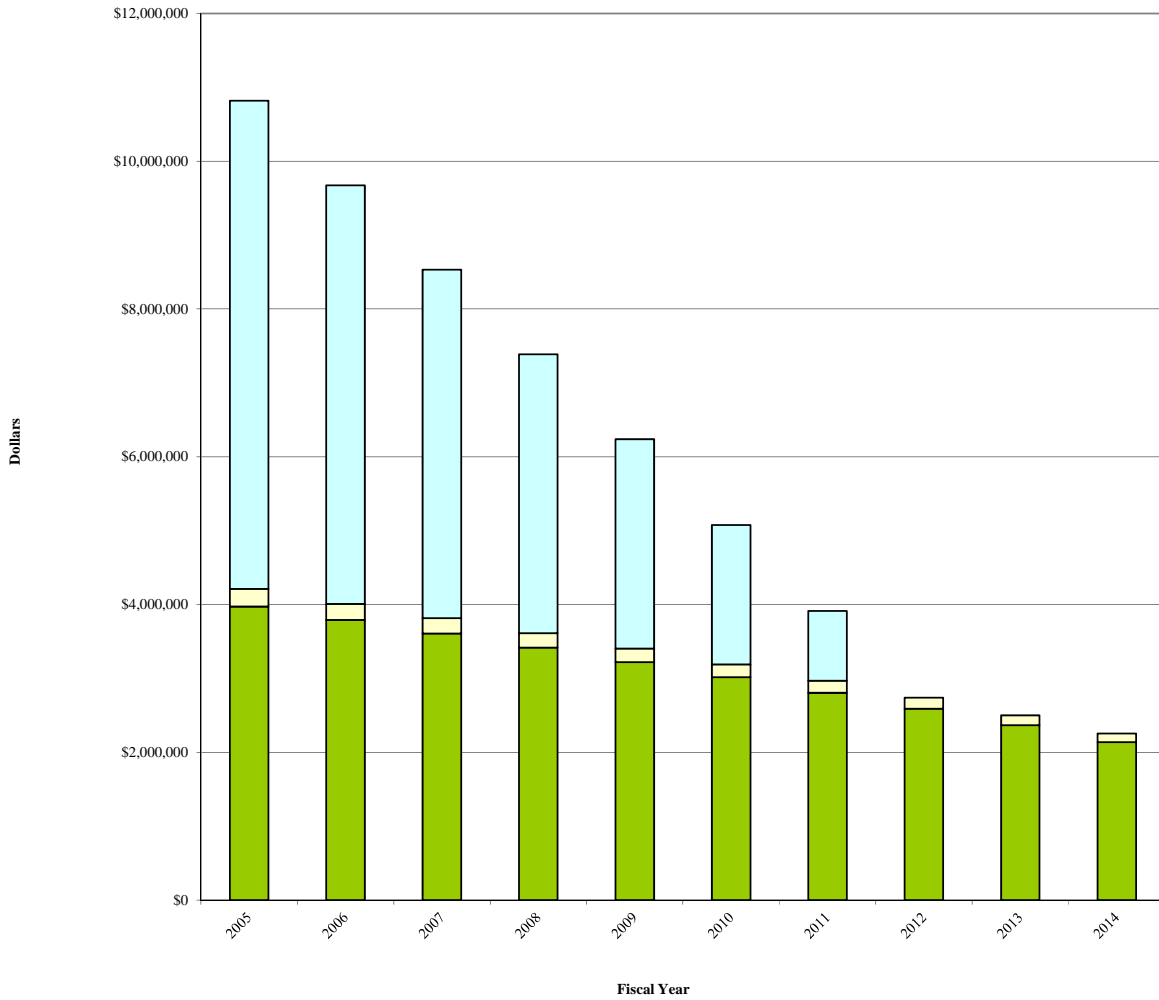
Note: Number of customers as of June 30 of fiscal year.

Source: Casitas Municipal Water District Accounting Department

Casitas Municipal Water District Ratio of Outstanding Debt Last Ten Fiscal Years

Schedule 7

Fiscal Year	Loans Payable	Bonds Payable	Note Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2005	\$ 3,973,120	240,500	6,605,522	10,819,142	15.11	0.05%
2006	3,792,883	217,500	5,661,876	9,672,259	13.49	0.05%
2007	3,608,238	207,500	4,718,230	8,533,968	11.68	0.04%
2008	3,417,845	196,500	3,774,584	7,388,929	9.96	0.03%
2009	3,220,825	185,500	2,830,938	6,237,263	8.28	0.01%
2010	3,017,650	173,500	1,887,292	5,078,442	6.57	0.01%
2011	2,807,893	161,500	943,646	3,913,039	5.02	0.01%
2012	2,591,520	148,500	-	2,740,020	3.46	0.01%
2013	2,367,787	134,500	-	2,502,287	3.12	0.01%
2014	2,136,978	120,500	-	2,257,478	2.78	0.01%



Source: Casitas Municipal Water District Accounting Department

**Casitas Municipal Water District
Debt Coverage
Last Ten Fiscal Years**

Schedule 8

Fiscal Year	Net Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal	Interest		
2005	\$ 10,183,504	(8,378,443)	1,805,061	1,125,602	159,437	1,285,039	1.40
2006	13,990,227	(8,262,068)	5,728,159	1,132,484	131,650	1,264,134	4.53
2007	16,508,693	(10,289,724)	6,218,969	1,138,291	129,810	1,268,101	4.90
2008	17,231,300	(10,107,124)	7,124,176	1,145,039	124,805	1,269,844	5.61
2009	17,172,474	(12,382,370)	4,790,104	1,151,666	118,147	1,269,813	3.77
2010	15,605,715	(10,169,397)	5,436,318	1,158,821	107,098	1,265,919	4.29
2011	15,304,255	(9,614,381)	5,689,874	1,165,403	96,491	1,261,894	4.51
2012	15,717,774	(10,948,207)	4,769,567	237,733	89,085	326,818	14.59
2013	15,752,090	(11,998,166)	3,753,924	244,809	81,334	326,143	11.51
2014	18,020,107	(12,234,997)	5,785,110	253,286	73,157	326,443	17.72

Notes:

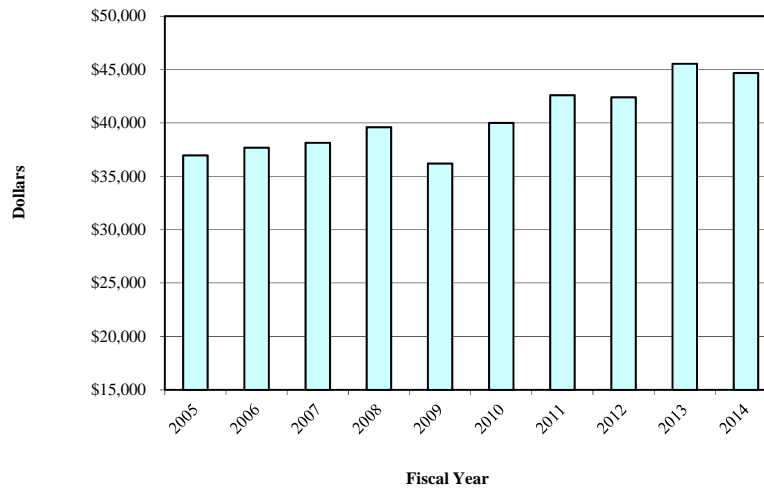
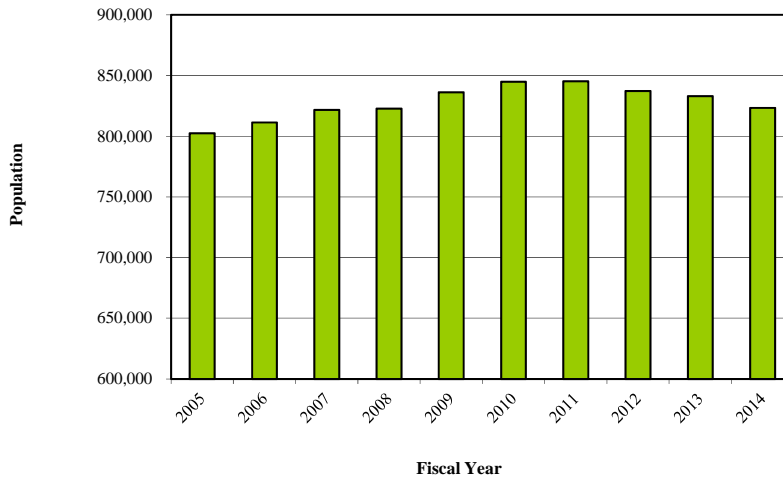
(1) Operating expenses exclude depreciation expense and OPEB accrued liability amount.

Source: Casitas Municipal Water District Accounting Department

**Casitas Municipal Water District
Demographics and Economics Statistics – County of Ventura⁽¹⁾
Last Ten Fiscal Years**

Schedule 9

Year	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2005	4.6%	802,436	29,666,223	36,970
2006	4.6%	811,405	30,568,744	37,674
2007	4.3%	821,669	31,332,963	38,133
2008	4.6%	822,654	32,564,897	39,585
2009	9.2%	836,080	30,258,987	36,191
2010	10.0%	844,713	33,800,000	40,014
2011	11.0%	845,222	36,000,000	42,592
2012	9.2%	837,145	35,500,000	42,406
2013	7.4%	832,970	37,925,000	45,530
2014	6.2%	823,318	36,775,000	44,667



Sources: California Department of Finance and CaliforniaLaborMarketInfo

Notes:

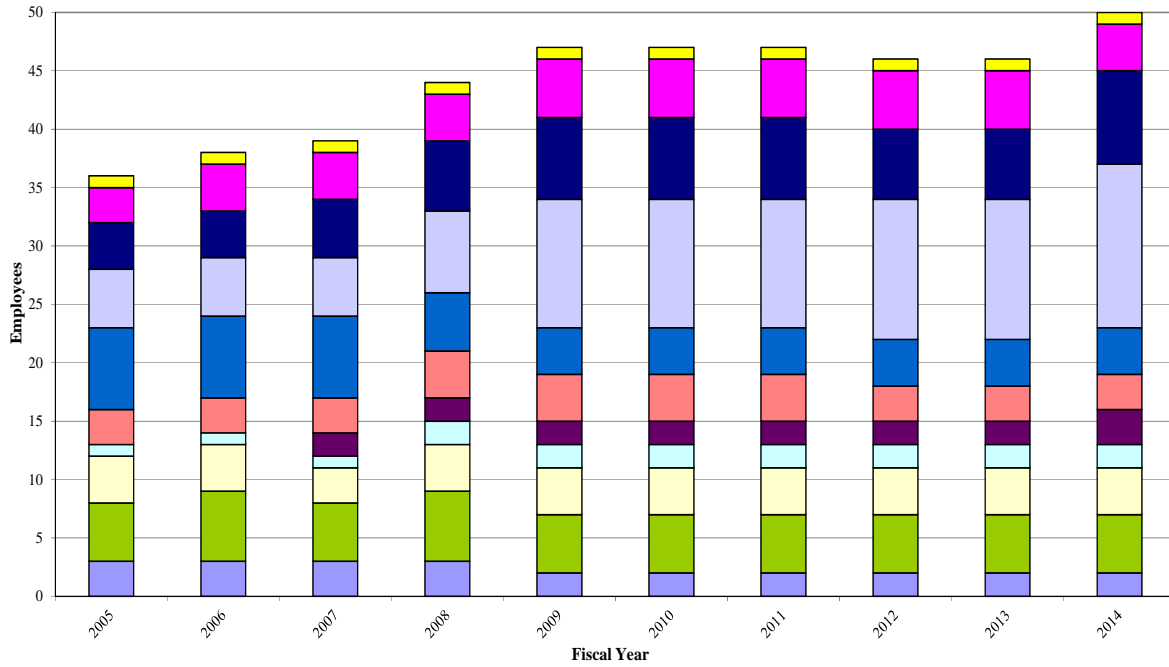
(1) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

Casitas Municipal Water District Operating and Capacity Indicators Last Ten Fiscal Years

Schedule 10

Paid - Full Time Positions

Department	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Management	3	3	3	3	2	2	2	2	2	2
Administration	5	6	5	6	5	5	5	5	5	5
Engineering	4	4	3	4	4	4	4	4	4	4
Water Quality Lab	1	1	1	2	2	2	2	2	2	2
Fisheries	0	0	2	2	2	2	2	2	2	3
Electrical and Mechanical	3	3	3	4	4	4	4	3	3	3
Distribution	7	7	7	5	4	4	4	4	4	4
Conservation and Treatment	5	5	5	7	11	11	11	12	12	14
Information Technology	1	1	1	1	1	1	1	1	1	1
Recreation Operations	4	4	5	6	7	7	7	6	6	8
Recreation Maintenance	3	4	4	4	5	5	5	5	5	4
Total	36	38	39	44	47	47	47	46	46	50



Other Operating and Capacity Indicators

Fiscal Year	Miles of Pipeline	Lake Storage Capacity (AF)	Lake Level at Year-End (AF)	Percentage of Lake Capacity	Daily System Capacity (MGD)
2005	105.7	254,000	230,891	90.9%	65
2006	105.7	254,000	229,546	90.4%	65
2007	105.7	254,000	221,174	87.1%	65
2008	105.7	254,000	222,528	87.6%	65
2009	105.7	254,000	199,851	78.7%	65
2010	105.7	254,000	194,405	76.5%	65
2011	105.7	254,000	218,328	86.0%	65
2012	105.7	254,000	197,199	77.6%	65
2013	105.7	254,000	171,748	67.6%	65
2014	105.7	254,000	145,253	57.2%	65

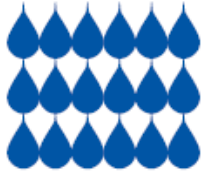
N/A - Data not available for these years

AF - Acre Feet

MGD - Millions of Gallons per Day

Sources: Casitas Municipal Water District Operations and Accounting Departments

Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Casitas Municipal Water District
Oak View, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Casitas Municipal Water District (District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles Z. Fedak: Company CPAs - An Accountancy Corporation

Charles Z. Fedak and Company, CPAs – An Accountancy Corporation
Cypress, California
October 31, 2014