

**CASITAS MUNICIPAL WATER DISTRICT
OAK VIEW, CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 AND 2009**

Issued By:

Steve Wickstrum
General Manager

Denise Collin
Accounting Manager/Treasurer

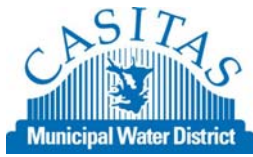
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INTRODUCTORY SECTION



November 29, 2010

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, 2010 and 2009, 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) require 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 Auditor's 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, cattleman, 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 acres 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 44 years, the 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, 1995. 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 GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognized 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 and Bonds managed by Morgan Stanley, Smith Barney 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 Brown Armstrong Accountancy Corporation has conducted the audit of the District's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

Risk Management

The District has purchased insurance for the purpose of protecting itself against general and auto liabilities in performing the District's services. The District is also a member of CSAC Excess Insurance Authority (Authority) for its workers' compensation coverage. The purpose of the Authority is to purchase excess insurance coverage.

Awards and Acknowledgements

For the year ended June 30, 2009, the District received for the 16th 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 GAAP and applicable legal requirements.

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, 2009 – JUNE 30, 2010**

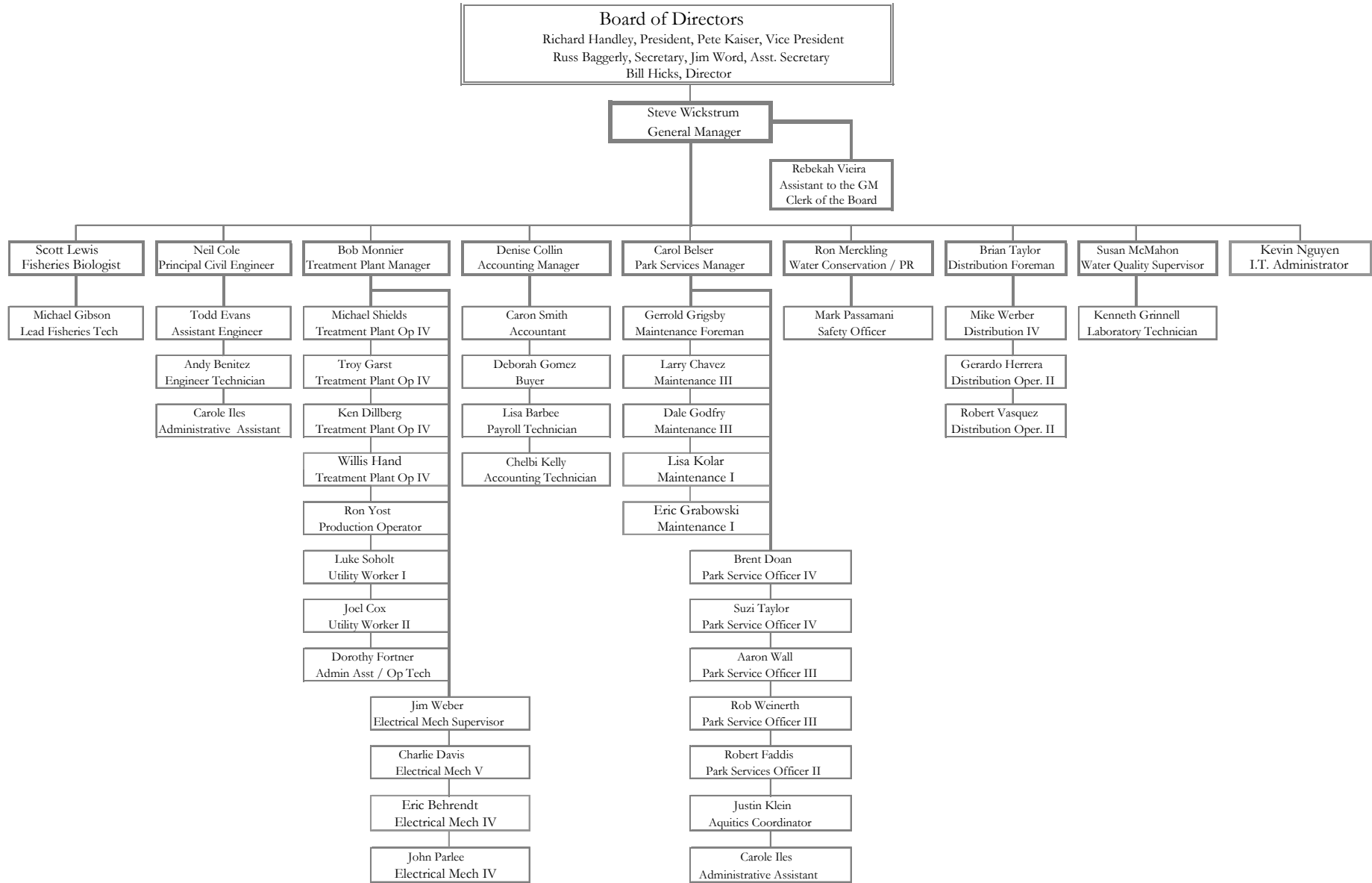
BOARD OF DIRECTORS

Board Member	Division	Date of Original Election or Appointment	Ending Date of Term
Bill Hicks	Division 1	November 1990	December 2010
Jim Word	Division 2	May 1997	December 2012
Pete Kaiser	Division 3	November 2002	December 2012
Richard Handley	Division 4	November 2006	December 2010
Russ Baggerly	Division 5	November 2004	December 2012

STAFF

Steve Wickstrum	General Manager
Rebekah Vieira	Assistant to the General Manager 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

CASITAS MUNICIPAL WATER DISTRICT ORGANIZATION CHART



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, 2009

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

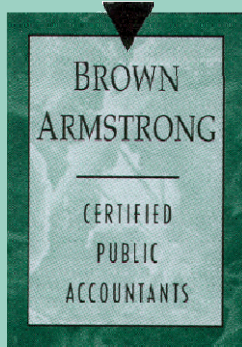


President

Executive Director

FINANCIAL SECTION

Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Steven R. Starbuck, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, CPA, MBA
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Casitas Municipal Water District
Oak View, California

We have audited the accompanying financial statements of Casitas Municipal Water District (District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of the District as of June 30, 2009, were audited by other auditors, whose report dated October 15, 2009, on those statements was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Casitas Municipal Water District as of June 30, 2010, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and RSI in accordance with audit 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 financial statements, and other knowledge we obtained during our audit of the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Introductory Section; Schedule of Revenues, Expenses and Changes in Net Assets – Budget to Actual; Combining Balance Sheets; Detail Schedules of Operating Expenses – Utility Department; Detail Schedules of Operating Revenues and Expenses – Recreation Department; and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Balance Sheets, the Detail Schedules of Operating Expenses – Utility Department, and the Detail Schedules of Operating Revenues and Expenses – Recreation Department 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 as a whole. The Introductory Section; Schedule of Revenues, Expenses, and Changes in Net Assets – Budget to Actual; and Statistical Section 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
November 29, 2010

**CASITAS MUNICIPAL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009**

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, 2010 and 2009. 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 2010, the District's net assets increased 1.1% or \$887,565, from \$77,607,457 to \$78,495,022. In 2009, the District's net assets decreased 0.3% or \$249,810, from \$77,857,267 to \$77,607,457.
- The District's total revenues decreased 2.8% or \$445,570 in 2010 primarily due to a wet water season and current economic conditions and decreased 6.8% or \$1,180,009 in 2009 primarily due to change in the water storage valuation calculation increase of \$1,890,639 in 2008.
- The District's total expenses decreased 9% or \$1,515,550 in 2010 due primarily to the water storage valuation calculation in 2009. The District's total expenses increased 23.6% or \$3,130,407 in 2009 due primarily to a change in the water storage valuation calculation of \$2,282,736 and the implementation of GASB No. 45 other post-employment benefits expense of \$1,387,879.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; 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 Assets 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 revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. 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, noncapital 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 Assets and the Statement of Revenues, Expenses, and Changes in Net Assets 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.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets – 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 assets 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 Assets

Condensed Statements of Net Assets					
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>2008</u>	<u>Change</u>
Assets:					
Current assets	\$ 26,707,835	\$ 26,663,814	\$ 44,021	\$ 24,340,555	\$ 2,323,259
Non-current assets	117,618	129,379	(11,761)	141,141	(11,762)
Capital assets, net	<u>60,182,486</u>	<u>61,460,323</u>	<u>(1,277,837)</u>	<u>61,828,865</u>	<u>(368,542)</u>
Total assets	<u>\$ 87,007,939</u>	<u>\$ 88,253,516</u>	<u>\$ (1,245,577)</u>	<u>\$ 86,310,561</u>	<u>\$ 1,942,955</u>
Liabilities:					
Current liabilities	\$ 2,246,946	\$ 4,189,075	\$ (1,942,129)	\$ 1,853,194	\$ 2,335,881
Non-current liabilities	<u>6,265,971</u>	<u>6,456,984</u>	<u>(191,013)</u>	<u>6,600,100</u>	<u>(143,116)</u>
Total liabilities	<u>8,512,917</u>	<u>10,646,059</u>	<u>(2,133,142)</u>	<u>8,453,294</u>	<u>2,192,765</u>
Net assets:					
Net invested in capital assets	55,277,544	55,408,560	(131,016)	54,636,436	772,124
Restricted for debt service	60,922	67,343	(6,421)	75,088	(7,745)
Unrestricted	<u>23,156,556</u>	<u>22,131,554</u>	<u>1,025,002</u>	<u>23,145,743</u>	<u>(1,014,189)</u>
Total net assets	<u>78,495,022</u>	<u>77,607,457</u>	<u>887,565</u>	<u>77,857,267</u>	<u>(249,810)</u>
Total liabilities and net assets	<u>\$ 87,007,939</u>	<u>\$ 88,253,516</u>	<u>\$ (1,245,577)</u>	<u>\$ 86,310,561</u>	<u>\$ 1,942,955</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$78,495,022 and \$77,607,457 as of June 30, 2010 and 2009, respectively.

One of the largest portions of the District's net assets (70% and 71% as of June 30, 2010 and 2009, respectively) reflects the District's investment in capital assets (net of accumulated depreciation and amortization) 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 2010 and 2009, the District showed a positive balance in its unrestricted net assets of \$23,156,556 and \$22,131,554, respectively.

Statement of Revenues, Expenses, and Changes in Net Assets

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	2010	2009	Change	2008	Change
Revenues:					
Operating revenues	\$ 12,194,919	\$ 12,129,996	\$ 64,923	\$ 13,805,964	\$ (1,675,968)
Non-operating revenues	3,410,802	3,921,295	(510,493)	3,425,336	495,959
Total revenues	15,605,721	16,051,291	(445,570)	17,231,300	(1,180,009)
Expenses:					
Operating expenses	11,836,729	13,384,114	(1,547,385)	10,107,124	3,276,990
Depreciation and amortization	2,875,092	2,834,977	40,115	2,975,653	(140,676)
Non-operating expenses	137,514	145,794	(8,280)	151,701	(5,907)
Total expenses	14,849,335	16,364,885	(1,515,550)	13,234,478	3,130,407
Net income (loss) before capital contributions	756,386	(313,594)	1,069,980	3,996,822	(4,310,416)
Capital contributions	131,179	63,784	67,395	146,880	(83,096)
Change in net assets	887,565	(249,810)	1,137,375	4,143,702	(4,393,512)
Net assets, beginning of year	77,607,457	77,857,267	(249,810)	73,713,565	4,143,702
Net assets, end of year	\$ 78,495,022	\$ 77,607,457	\$ 887,565	\$ 77,857,267	\$ (249,810)

The Statement of Revenues, Expenses, and Changes in Net Assets shows how the District's net assets changed during the fiscal years. In the case of the District, net assets increased by \$887,565 in fiscal year ended June 30, 2010, and decreased by \$249,810 in fiscal year ended June 30, 2009.

Total Revenues

	2010	2009	Change	2008	Change
Operating revenues:					
Retail water consumptions	\$ 6,419,989	\$ 6,787,853	\$ (367,864)	\$ 5,680,411	\$ 1,107,442
Wholesale water consumption	2,068,095	1,719,201	348,894	2,652,340	(933,139)
Recreation revenue	3,611,111	3,526,264	84,847	3,487,877	38,387
Water storage valuation	-	-	-	1,890,639	(1,890,639)
Other water charges and services	95,724	96,678	(954)	94,697	1,981
Total operating revenues	12,194,919	12,129,996	64,923	13,805,964	(1,675,968)
Non-operating revenues:					
Property taxes	1,959,849	1,982,172	(22,323)	1,831,087	151,085
Clean Water Act surcharge	1,290,043	1,685,062	(395,019)	1,071,637	613,425
Mira Monte assessment	18,603	18,914	(311)	19,657	(743)
Oak View availability charge	7,709	6,992	717	7,862	(870)
Interest and investment earnings	129,471	213,695	(84,224)	463,786	(250,091)
Other non-operating revenues	5,127	14,460	(9,333)	31,307	(16,847)
Total non-operating revenues	3,410,802	3,921,295	(510,493)	3,425,336	495,959
Total revenues	\$ 15,605,721	\$ 16,051,291	\$ (445,570)	\$ 17,231,300	\$ (1,180,009)

The District's total revenues decreased 2.8% or \$445,570 in 2010 primarily due to a wet season and current economic conditions and decreased 6.8% or \$1,180,009 in 2009 primarily due to change in the water storage valuation calculation increase of \$1,890,639 in 2008.

Total Expenses

	2010	2009	Change	2008	Change
Operating expenses:					
Source of supply	\$ 1,338,080	\$ 1,140,134	\$ 197,946	\$ 1,143,887	\$ (3,753)
Water storage valuation	-	2,282,736	(2,282,736)	-	2,282,736
State water project	666,442	281,896	384,546	671,245	(389,349)
Pumping	1,166,950	1,292,700	(125,750)	1,160,984	131,716
Water treatment	1,165,064	1,227,553	(62,489)	831,760	395,793
Transmission and distribution	531,191	448,678	82,513	435,705	12,973
Telemetry	265,739	197,119	68,620	209,198	(12,079)
Customer accounts	308,365	436,851	(128,486)	335,952	100,899
Recreation expenses	3,504,653	3,265,572	239,081	3,401,609	(136,037)
General and administrative	2,890,245	2,810,875	79,370	1,916,784	894,091
Depreciation and amortization	2,875,092	2,834,977	40,115	2,975,653	(140,676)
Total operating expenses	14,711,821	16,219,091	(1,507,270)	13,082,777	3,136,314
Non-operating expenses:					
Tax collection expense	30,416	29,433	983	28,261	1,172
Interest expense - long-term debt	107,098	116,361	(9,263)	123,440	(7,079)
Total non-operating expenses	137,514	145,794	(8,280)	151,701	(5,907)
Total expenses	\$ 14,849,335	\$ 16,364,885	\$ (1,515,550)	\$ 13,234,478	\$ 3,130,407

The District's total expenses decreased 9% or \$1,515,550 in 2010 due primarily to water storage valuation calculation in 2009. The District's total expenses increased 23.6% or \$3,130,407 in 2009 due primarily to a change in the water storage valuation calculation of \$2,282,736 and the implementation of GASB No. 45 other post-employment benefits expense of \$1,387,879.

Capital Asset Administration

At the end of fiscal years 2010 and 2009, the District's net invested in capital assets amounted to \$55,277,544 and \$55,408,560, respectively (net of accumulated depreciation and amortization). This investment in capital assets includes land, land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles, construction-in-process, intangible participation rights, etc. There were numerous capital asset additions in fiscal years 2010 and 2009. See further detailed information in Note 5.

Changes in capital asset amounts for 2010 were as follows:

	Balance 2009	Additions	Transfers/ Deletions	Balance 2010
Capital assets:				
Non-depreciable assets	\$ 7,068,683	\$ 583,474	\$ (100,408)	\$ 7,551,749
Depreciable and amortizable assets	93,480,113	1,102,427	(396,702)	94,185,838
Accumulated depreciation and amortization	(39,088,473)	(2,863,330)	396,702	(41,555,101)
Total capital assets, net	\$ 61,460,323	\$ (1,177,429)	\$ (100,408)	\$ 60,182,486

Changes in capital asset amounts for 2009 were as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2009</u>
Capital assets:				
Non-depreciable assets	\$ 6,195,930	\$ 914,836	\$ (42,083)	\$ 7,068,683
Depreciable and amortizable assets	92,119,999	1,644,619	(284,505)	93,480,113
Accumulated depreciation and amortization	<u>(36,487,064)</u>	<u>(2,879,881)</u>	<u>278,472</u>	<u>(39,088,473)</u>
Total capital assets, net	<u>\$ 61,828,865</u>	<u>\$ (320,426)</u>	<u>\$ (48,116)</u>	<u>\$ 61,460,323</u>

Debt Administration

In 2010 and 2009, long-term debt decreased by \$1,158,821 and \$1,151,666, 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 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2010</u>
Long-term debt:				
Special assessment bonds payable	\$ 185,500	\$ -	\$ (12,000)	\$ 173,500
State Water loan payable	3,220,825	-	(203,175)	3,017,650
Note payable to U.S. Bureau of Reclamation	<u>2,830,938</u>	<u>-</u>	<u>(943,646)</u>	<u>1,887,292</u>
Total long-term debt	<u>\$ 6,237,263</u>	<u>\$ -</u>	<u>\$ (1,158,821)</u>	<u>\$ 5,078,442</u>

Changes in long-term debt amounts for 2009 were as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2009</u>
Long-term debt:				
Special assessment bonds payable	\$ 196,500	\$ -	\$ (11,000)	\$ 185,500
State Water loan payable	3,417,845	-	(197,020)	3,220,825
Note payable to U.S. Bureau of Reclamation	<u>3,774,584</u>	<u>-</u>	<u>(943,646)</u>	<u>2,830,938</u>
Total long-term debt	<u>\$ 7,388,929</u>	<u>\$ -</u>	<u>\$ (1,151,666)</u>	<u>\$ 6,237,263</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 assets, 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.

BASIC FINANCIAL STATEMENTS

**CASITAS MUNICIPAL WATER DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

ASSETS	2010	2009
Current assets:		
Cash and cash equivalents (note 2)	\$ 13,808,587	\$ 7,409,876
Investments (note 2)	3,462,915	8,990,285
Accrued interest receivable	78,396	22,808
Accounts receivable - water sales and services	1,011,144	1,020,206
Accounts receivable - special assessments	234,422	252,843
Accounts receivable - property taxes	94,555	127,819
Accounts receivable - other	10,988	895,411
Water-in-storage inventory (note 3)	7,707,834	7,707,834
Materials and supplies inventory	92,731	95,930
Prepaid expenses and other deposits	206,263	140,802
	26,707,835	26,663,814
Total current assets		
Non-current assets:		
Deferred charges, net (note 4)	117,618	129,379
Capital assets, not being depreciated (note 5)	7,551,749	7,068,683
Depreciable and amortizable capital assets, net (note 5)	52,630,737	54,391,640
	60,300,104	61,589,702
Total non-current assets		
	\$ 87,007,939	\$ 88,253,516
LIABILITIES AND NET ASSETS		
Current liabilities - payable from unrestricted current assets:		
Accounts payable and accrued expenses	\$ 423,913	\$ 2,333,015
Accrued salaries and wages	196,060	222,236
Customer deposits	60,537	53,194
Deferred revenue	-	19,232
Accrued interest payable	20,851	25,779
Long-term liabilities - due within one year:		
Compensated absences (note 6)	380,182	376,798
Special assessment bonds payable - current portion (note 7)	12,000	12,000
Loans and notes payable - current portion (note 7)	1,153,403	1,146,821
	2,246,946	4,189,075
Total current liabilities		
Non-current liabilities:		
Long-term liabilities - due in more than one year:		
Compensated absences (note 6)	380,183	376,798
Other post-employment benefits payable (note 8)	1,972,749	1,001,744
Special assessment bonds payable (note 7)	161,500	173,500
Loans and notes payable (note 7)	3,751,539	4,904,942
	6,265,971	6,456,984
Total non-current liabilities		
Total liabilities		
	8,512,917	10,646,059
Net assets: (note 9)		
Net invested in capital assets	55,277,544	55,408,560
Restricted for debt service	60,922	67,343
Unrestricted	23,156,556	22,131,554
	78,495,022	77,607,457
Total net assets		
	\$ 87,007,939	\$ 88,253,516
Total liabilities and net assets		

See accompanying notes to the basic financial statements.

**CASITAS MUNICIPAL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Operating revenues:		
Retail water consumption	\$ 6,419,989	\$ 6,787,853
Wholesale water consumption	2,068,095	1,719,201
Recreation revenue	3,611,111	3,526,264
Other water charges and services	95,724	96,678
Total operating revenues	12,194,919	12,129,996
Operating expenses:		
Source of supply	1,338,080	1,140,134
Water storage valuation (note 3)	-	2,282,736
State Water Project	666,442	281,896
Pumping	1,166,950	1,292,700
Water treatment	1,165,064	1,227,553
Transmission and distribution	531,191	448,678
Telemetry	265,739	197,119
Customer accounts	308,365	436,851
Recreation expenses	3,504,653	3,265,572
General and administrative	2,890,245	2,810,875
Total operating expenses	11,836,729	13,384,114
Operating income (loss) before depreciation and amortization	358,190	(1,254,118)
Depreciation and amortization - utility department	(2,582,357)	(2,524,725)
Depreciation - recreation department	(292,735)	(310,252)
Operating loss	(2,516,902)	(4,089,095)
Non-operating revenues (expenses)		
Property taxes	1,959,849	1,982,172
Clean Water Act surcharge	1,290,043	1,685,062
Mira Monte assessment	18,603	18,914
Oak View availability charge	7,709	6,992
Tax collection expense	(30,416)	(29,433)
Interest and investment earnings	129,471	213,695
Interest expense - long-term debt	(107,098)	(116,361)
Other non-operating revenues	5,127	14,460
Total non-operating revenues, net	3,273,288	3,775,501
Net income (loss) before capital contributions	756,386	(313,594)
Capital contributions:		
Federal, state, and local capital grants	131,179	63,784
Change in net assets	887,565	(249,810)
Net assets, beginning of year	77,607,457	77,857,267
Net assets, end of year	\$ 78,495,022	\$ 77,607,457

See accompanying notes to the basic financial statements.

**CASITAS MUNICIPAL WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 13,120,857	\$ 11,538,047
Cash paid to vendors and suppliers for material and services	(6,605,649)	(2,393,580)
Cash paid to employees for salaries and benefits	(7,231,197)	(6,332,408)
Other operating cash receipts and disbursements	982,766	1,013,506
Net cash provided by operating activities	266,777	3,825,565
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	3,276,204	3,693,140
Other non-operating revenues	5,127	14,460
Other non-operating expenses	(30,416)	(29,433)
Net cash provided by non-capital financing activities	3,250,915	3,678,167
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,585,494)	(2,466,435)
Proceeds from capital grants	131,179	63,784
Principal paid on long-term debt	(1,158,821)	(1,151,666)
Interest paid on long-term debt	(107,098)	(116,361)
Net cash used by capital and related financing activities	(2,720,234)	(3,670,678)
Cash flows from investing activities:		
Sale of investments	9,000,000	2,016,659
Purchases of investments	(3,462,915)	(8,984,100)
Interest and investment earnings	64,168	230,272
Net cash provided (used) by investing activities	5,601,253	(6,737,169)
Net increase (decrease) in cash and cash equivalents	6,398,711	(2,904,115)
Cash and cash equivalents, beginning of year	7,409,876	10,313,991
Cash and cash equivalents, end of year	\$ 13,808,587	\$ 7,409,876

See accompanying notes to the basic financial statements.

**CASITAS MUNICIPAL WATER DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (2,516,902)	\$ (4,089,095)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	2,875,092	2,834,977
Changes in assets and liabilities:		
(Increase) decrease in net assets:		
Accounts receivable	945,170	(549,836)
Water-in-storage inventory	-	2,282,736
Materials and supplies inventory	3,199	(8,867)
Prepaid expenses	(65,461)	(543)
Deferred charges	-	11,761
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,909,104)	2,161,276
Other liabilities	(10,219)	195,605
Deferred revenue	(19,232)	(42,113)
Compensated absences	(6,771)	27,920
Other post-employment benefits payable	971,005	1,001,744
	2,783,679	7,914,660
Total adjustments		
	\$ 266,777	\$ 3,825,565
Net cash provided by operating activities	\$ 266,777	\$ 3,825,565

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, 2010 AND 2009**

NOTE 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 (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 Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). 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. The District has no blended or discretely-presented component units.

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 and 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 are presented in conformance with the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses, and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

C. Financial Reporting (Continued)

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

D. Assets, Liabilities, and Net Assets

1. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported changes in net assets 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 assets and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses, and changes in net assets.

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.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

D. Assets, Liabilities, and Net Assets (Continued)

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

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 assets. 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 lives of the agreements. Certain projects also require payments for on-going maintenance; those payments are charged to expenses as incurred.

12. Deferred Charges

The deferred charges are from bond issuance costs that will be amortized using the straight-line method over the remaining life of the respective debt service.

13. 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.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

D. Assets, Liabilities, and Net Assets (Continued)

14. 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.

15. 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.

16. Net Assets

The basic financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Invested in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and amortization and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets 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 Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

17. 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.

18. 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.

19. 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.

20. 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.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

D. Assets, Liabilities, and Net Assets (Continued)

21. Reclassifications

Certain reclassifications have been made to the 2009 basic financial statements as previously presented to be consistent and comparable to the 2010 presentation. Net income and net assets remain unchanged due to these reclassifications.

22. Implementation of New Accounting Pronouncement

The District implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as of June 30, 2010 (refer to Note 5).

NOTE 2 – CASH AND INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 13,808,587	\$ 7,409,876
Investments	<u>3,462,915</u>	<u>8,990,285</u>
Total cash and investments	<u>\$ 17,271,502</u>	<u>\$ 16,400,161</u>

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

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 3,200	\$ 3,200
Deposits with financial institutions	553,680	2,753,764
Cash equivalents and investments	<u>16,714,622</u>	<u>13,643,197</u>
Total cash and investments	<u>\$ 17,271,502</u>	<u>\$ 16,400,161</u>

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	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

NOTE 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. The District had deposits with bank balances of \$493,265 and \$2,643,339 as of June 30, 2010 and 2009, respectively. Of the bank balances, up to \$250,000 for 2010 and 2009 is federally insured and the remaining balance is collateralized in accordance with the California Government 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 basic 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.

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, 2010		
Investment Type	Total	Remaining Maturity 12 Months or Less
U.S. Treasury Obligations	\$ 3,462,915	\$ 3,462,915
Local Agency Investment Fund (LAIF)	703,129	703,129
Money Market	8,438,573	8,438,573
Ventura County Pooled Money Investment Account	4,110,005	4,110,005
Total	\$ 16,714,622	\$ 16,714,622

NOTE 2 – CASH AND INVESTMENTS (Continued)**Interest Rate Risk (Continued)**

Investments at June 30, 2009

Investment Type	Total	Remaining Maturity 12 Months or Less
U.S. Treasury Obligations	\$ 8,990,285	\$ 8,990,285
Local Agency Investment Fund (LAIF)	3,100,262	3,100,262
Ventura County Pooled Money Investment Account	1,552,650	1,552,650
Total	\$ 13,643,197	\$ 13,643,197

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, 2010

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
U.S. Treasury Obligations	\$ 3,462,915	N/A	\$ 3,462,915	\$ -	\$ -
Local Agency Investment Fund (LAIF)	703,129	N/A	-	-	703,129
Money Market	8,438,573	N/A	-	-	8,438,573
Ventura County Pooled Money Investment Account	4,110,005	N/A	-	-	4,110,005
Total	\$ 16,714,622		\$ 3,462,915	\$ -	\$ 13,251,707

Investments at June 30, 2009

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
U.S. Treasury Obligations	\$ 8,990,285	N/A	\$ 8,990,285	\$ -	\$ -
Local Agency Investment Fund (LAIF)	3,100,262	N/A	-	-	3,100,262
Ventura County Pooled Money Investment Account	1,552,650	N/A	-	-	1,552,650
Total	\$ 13,643,197		\$ 8,990,285	\$ -	\$ 4,652,912

NOTE 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 are as follows:

	2010	2009
Beginning balance - water-in-storage	\$ 7,707,834	\$ 9,990,570
Water storage valuation	-	(2,282,736)
Ending balance - water-in-storage	\$ 7,707,834	\$ 7,707,834

NOTE 4 – DEFERRED CHARGES

The deferred charges balance relates to the originating loan fees for the 1991 California Department of Water Resources Loan for the water treatment plant. The balance is being amortized over a twenty-year period. The deferred charges net balances are as follows:

The balance at June 30 consists of the following:

	<u>2010</u>	<u>2009</u>
Deferred charges	\$ 247,808	\$ 247,808
Accumulated amortization	<u>(130,190)</u>	<u>(118,429)</u>
Deferred charges, net	<u>\$ 117,618</u>	<u>\$ 129,379</u>

NOTE 5 – CAPITAL ASSETS

Intangible Asset – Participation Rights

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 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. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by their scope provisions be classified as capital assets. Accordingly, the participation rights have been included with the District's capital assets as shown in the schedule of changes in capital assets.

NOTE 5 – CAPITAL ASSETS (Continued)

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>2008</u>	<u>2009</u>	<u>2010</u>
Installation of well pump	\$ 26,880	\$ -	\$ -
Rincon pump plant rehabilitation	81,666	888,950	1,142,400
Patrol boat refurbishing	22,358	42,523	-
Ojai 4M reservoir upgrade	-	-	268,825
Various other minor projects	<u>17,091</u>	<u>89,275</u>	<u>92,589</u>
Construction-in-process	<u>\$ 147,995</u>	<u>\$ 1,020,748</u>	<u>\$ 1,503,814</u>

NOTE 5 – CAPITAL ASSETS (Continued)

Changes in capital assets for the year are as follows:

	Balance 2009	Reclass and Adjustments	Adjusted Balance 2009	Additions/ Transfers	Deletions/ Transfers	Balance 2010
Non-depreciable assets:						
Land and land rights	\$ 6,047,935	\$ -	\$ 6,047,935	\$ -	\$ -	\$ 6,047,935
Construction-in-process	1,020,748	-	1,020,748	583,474	(100,408)	1,503,814
Total non-depreciable assets	7,068,683	-	7,068,683	583,474	(100,408)	7,551,749
Depreciable and amortizable assets:						
Intangible asset - participation rights	2,880,437	-	2,880,437	-	-	2,880,437
Transmission and distribution system	37,242,149	-	37,242,149	9,689	-	37,251,838
Pumping plant	7,461,973	-	7,461,973	264	(73,127)	7,389,110
Water treatment plant	22,804,852	5,571	22,810,423	822,083	(6,902)	23,625,604
Buildings and structures	1,819,887	(5,571)	1,814,316	46,958	-	1,861,274
Equipment	3,743,778	(57,738)	3,686,040	170,588	(184,802)	3,671,826
Fish ladder	8,212,757	57,738	8,270,495	-	-	8,270,495
Recreation assets	7,378,375	-	7,378,375	52,845	(131,871)	7,299,349
Alternate swimming facility	1,935,905	-	1,935,905	-	-	1,935,905
Total depreciable and amortizable assets	93,480,113	-	93,480,113	1,102,427	(396,702)	94,185,838
Accumulated depreciation and amortization:						
Intangible asset - participation rights	(1,606,501)	-	(1,606,501)	(53,147)	-	(1,659,648)
Transmission and distribution system	(15,535,641)	-	(15,535,641)	(519,692)	-	(16,055,333)
Pumping plant	(3,284,994)	-	(3,284,994)	(358,145)	73,127	(3,570,012)
Water treatment plant	(9,571,338)	-	(9,571,338)	(975,352)	6,902	(10,539,788)
Buildings and structures	(903,990)	-	(903,990)	(56,049)	-	(960,039)
Equipment	(1,506,109)	-	(1,506,109)	(227,623)	184,802	(1,548,930)
Fish ladder	(1,737,194)	-	(1,737,194)	(369,863)	-	(2,107,057)
Recreation assets	(4,555,525)	-	(4,555,525)	(206,664)	131,871	(4,630,318)
Alternate swimming facility	(387,181)	-	(387,181)	(96,795)	-	(483,976)
Total accumulated depreciation and amortization	(39,088,473)	-	(39,088,473)	(2,863,330)	396,702	(41,555,101)
Total depreciable and amortizable assets, net	54,391,640	-	54,391,640	(1,760,903)	-	52,630,737
Total capital assets, net	\$ 61,460,323	\$ -	\$ 61,460,323	\$ (1,177,429)	\$ (100,408)	\$ 60,182,486

In 2010, major capital assets additions during the year include upgrades of the District's water treatment plant, equipment, and recreation assets.

Depreciation and amortization expense for the years ended June 30, 2010 and 2009, was \$2,810,183 and \$53,147 and \$2,828,906 and \$50,975, respectively.

NOTE 5 – CAPITAL ASSETS (Continued)

Changes in capital assets for the year are as follows:

	Balance 2008	Additions/ Transfers	Deletions/ Transfers	Balance 2009
Non-depreciable assets:				
Land and land rights	\$ 6,047,935	\$ -	\$ -	\$ 6,047,935
Construction-in-process	147,995	914,836	(42,083)	1,020,748
Total non-depreciable assets	6,195,930	914,836	(42,083)	7,068,683
Depreciable and amortizable assets:				
Intangible asset-participation rights	2,820,448	59,989	-	2,880,437
Transmission and distribution system	37,180,761	68,919	(7,531)	37,242,149
Pumping plant	7,439,321	22,652	-	7,461,973
Water treatment plant	21,867,134	943,289	(5,571)	22,804,852
Buildings and structures	1,524,783	313,251	(18,147)	1,819,887
Equipment	3,903,745	93,290	(253,257)	3,743,778
Fish ladder	8,180,625	32,132	-	8,212,757
Recreation assets	7,267,277	111,098	-	7,378,375
Alternate swimming facility	1,935,905	-	-	1,935,905
Total depreciable and amortizable assets	92,119,999	1,644,620	(284,506)	93,480,113
Accumulated depreciation and amortization:				
Intangible asset - participation rights	(1,555,526)	(50,975)	-	(1,606,501)
Transmission and distribution system	(15,044,512)	(498,660)	7,531	(15,535,641)
Pumping plant	(2,893,175)	(391,819)	-	(3,284,994)
Water treatment plant	(8,679,526)	(894,673)	2,861	(9,571,338)
Buildings and structures	(867,953)	(54,184)	18,147	(903,990)
Equipment	(1,446,587)	(309,455)	249,933	(1,506,109)
Fish ladder	(1,367,331)	(369,863)	-	(1,737,194)
Recreation assets	(4,342,068)	(213,457)	-	(4,555,525)
Alternate swimming facility	(290,386)	(96,795)	-	(387,181)
Total accumulated depreciation and amortization	(36,487,064)	(2,879,881)	278,472	(39,088,473)
Total depreciable and amortizable assets, net	55,632,935	(1,235,261)	(6,034)	54,391,640
Total capital assets, net	\$ 61,828,865	\$ (320,425)	\$ (48,117)	\$ 61,460,323

In 2009, major capital assets additions during the year include upgrades of the District's water treatment plant, equipment, and recreation assets.

Depreciation and amortization expense for the years ended June 30, 2009 and 2008, was \$2,828,906 and \$50,975 and \$2,934,091 and \$48,651, respectively.

NOTE 6 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation leave, sick leave, and compensating time off which are accrued when benefits are fully vested. The District's liability for compensated absences is determined annually.

NOTE 6 – COMPENSATED ABSENCES (Continued)

Changes to the compensated absences balance at June 30, 2010, are as follows:

<u>Balance 2009</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2010</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
<u>\$ 753,596</u>	<u>\$ 349,928</u>	<u>\$ (343,159)</u>	<u>\$ 760,365</u>	<u>\$ 380,182</u>	<u>\$ 380,183</u>

Changes to the compensated absences balance at June 30, 2009, are as follows:

<u>Balance 2008</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2009</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
<u>\$ 664,783</u>	<u>\$ 426,531</u>	<u>\$ (337,718)</u>	<u>\$ 753,596</u>	<u>\$ 376,798</u>	<u>\$ 376,798</u>

NOTE 7 – LONG-TERM DEBT

Changes in long-term debt amounts for 2010 are as follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2010</u>	<u>Due Within One Year</u>
Long-term debt:					
Special assessment bonds payable	\$ 185,500	\$ -	\$ (12,000)	\$ 173,500	\$ 12,000
State Water loan payable	3,220,825	-	(203,175)	3,017,650	209,757
Note payable to U.S. Bureau of Reclamation	2,830,938	-	(943,646)	1,887,292	943,646
Total long-term debt	<u>\$ 6,237,263</u>	<u>\$ -</u>	<u>\$ (1,158,821)</u>	<u>\$ 5,078,442</u>	<u>\$ 1,165,403</u>

Changes in long-term debt amounts for 2009 are as follows:

	<u>Balance 2008</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2009</u>	<u>Due Within One Year</u>
Long-term debt:					
Special assessment bonds payable	\$ 196,500	\$ -	\$ (11,000)	\$ 185,500	\$ 12,000
State Water loan payable	3,417,845	-	(197,020)	3,220,825	203,175
Note payable to U.S. Bureau of Reclamation	3,774,584	-	(943,646)	2,830,938	943,646
Total long-term debt	<u>\$ 7,388,929</u>	<u>\$ -</u>	<u>\$ (1,151,666)</u>	<u>\$ 6,237,263</u>	<u>\$ 1,158,821</u>

NOTE 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, in the original amount of \$374,300, bear interest at an effective rate of 5% and are 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:

Fiscal Year	Principal	Interest	Total
2011	\$ 12,000	\$ 8,675	\$ 20,675
2012	13,000	8,075	21,075
2013	14,000	7,425	21,425
2014	14,000	6,725	20,725
2015	15,000	6,025	21,025
2016-2020	86,000	18,175	104,175
2021	19,500	975	20,475
Total	173,500	<u>\$ 56,075</u>	<u>\$ 229,575</u>
Less current portion	<u>(12,000)</u>		
Total non-current	<u>\$ 161,500</u>		

Loans Payable:**1991 California Department of Water Resources Loan**

In 1991, the District contracted with the California Department of Water Resources for a \$5,000,000 30-year loan to assist in financing the construction of the treatment plant. The loan is scheduled to mature in 2022. Interest and principal 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:

Fiscal Year	Principal	Interest	Total
2011	\$ 209,757	\$ 95,310	\$ 305,067
2012	216,374	88,694	305,068
2013	223,732	81,336	305,068
2014	230,810	74,258	305,068
2015	238,286	66,781	305,067
2016-2020	1,312,278	213,029	1,525,307
2021-2022	586,413	23,732	610,145
Total	3,017,650	<u>\$ 643,140</u>	<u>\$ 3,660,790</u>
Less current portion	<u>(209,757)</u>		
Total non-current	<u>\$ 2,807,893</u>		

NOTE 7 – LONG-TERM DEBT (Continued)

United States Bureau of Reclamation Loan Payable

The note payable in the original amount of \$27,500,000 to the United States Bureau of Reclamation (USBR) was incurred to construct the dam and main distribution system for Casitas Reservoir. The note is payable in decreasing annual installments ranging from \$260,000 to \$1,000,000 through the year 2012. Only the non-irrigation portion of the note bears interest at a rate of 2.6%, and that portion was paid-off in 2000. Debt service payments on the note payable to the USBR are provided by the USBR note surcharge on parcels within the District. Annual debt service requirements on the Bureau of Reclamation note payable are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 943,646
2012	943,646
Total	1,887,292
Less current portion	<u>(943,646)</u>
Total non-current	<u>\$ 943,646</u>

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PAYABLE

During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, 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 consists of the following members as of June 30:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Active plan members	49	49	47
Retirees and beneficiaries receiving benefits	43	42	42
Separated plan members entitled to but not yet receiving benefits	<u>-</u>	<u>-</u>	<u>-</u>
Total plan membership	<u>92</u>	<u>91</u>	<u>89</u>

Plan Description – Benefits

The District's plan is a single-employer plan that 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.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PAYABLE (Continued)

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 31.1% 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, 2010, the District's ARC cost is \$1,387,879. The District's net OPEB payable obligation amounted to \$1,972,749 for the year ended June 30, 2010. The District contributed \$437,757 of actual contributions for current retiree OPEB premiums for the year ended June 30, 2010.

The balance at June 30 consists of the following:

	2010	2009	2008
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 1,387,879	\$ 1,387,879	\$ -
Interest on net OPEB obligation	20,883	-	-
Adjustment to annual required contribution	-	-	-
Total annual OPEB expense	1,408,762	1,387,879	-
Change in net OPEB payable obligation:			
Contributions made	(437,757)	(386,135)	-
Total change in net OPEB payable obligation	971,005	1,001,744	-
OPEB payable - beginning of year	1,001,744	-	-
OPEB payable - end of year	\$ 1,972,749	\$ 1,001,744	\$ -

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 2010 and the two preceding years are as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
2010	\$ 1,408,762	\$ 437,757	31.08%	\$ 1,972,749
2009	1,387,879	386,135	27.82%	1,001,744
2008	-	-	0.00%	-

Fiscal year 2008-09 was the year of implementation of GASB Statement No. 45 and the District has elected to implement prospectively. Therefore, 2008 comparative data is unavailable. In future years, three-year trend information will be presented.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PAYABLE (Continued)

Funded Status and Funding Progress of the Plan

Required Supplemental Information - Schedule of Funding Progress

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)
6/30/2009	\$ -	\$ 19,842,800	\$ 19,842,800	0.00%	\$ 4,169,365	475.92%
6/30/2010	-	19,842,800	19,842,800	0.00%	4,455,913	445.31%

The most recent valuation (dated June 30, 2010) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$19,842,800. There are no plan assets because the District funds on a pay-as-you-go basis. No trend information is reported because the year ended June 30, 2009, was the first year the District implemented GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2010, was \$4,455,913. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 445.31%. The schedule of funding progress presented as Required Supplementary Information following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

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

Valuation date	June 30, 2010
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	29 years as of the valuation date; closed
Asset valuation method	30 year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50%
Projected salary increase	1.00%
Inflation – discount rate	2.50%
Individual salary growth	District annual cost-of-living adjustment

The District's post-employment plan does not have separate audited financial statements.

NOTE 9 – NET ASSETS

Calculation of net assets as of June 30 is as follows:

	<u>2010</u>	<u>2009</u>
Net investment in capital assets:		
Capital assets, not being depreciated	\$ 7,551,749	\$ 7,068,683
Depreciable and amortizable capital assets, net	52,630,737	54,391,640
Current:		
Loans and notes payable	(1,153,403)	(1,146,821)
Non-current:		
Loans and notes payable	<u>(3,751,539)</u>	<u>(4,904,942)</u>
Total net investment in capital assets	<u>55,277,544</u>	<u>55,408,560</u>
Restricted net assets:		
Accounts receivable - special assessments	234,422	252,843
Current:		
Special assessment bonds payable	(12,000)	(12,000)
Non-current:		
Special assessment bonds payable	<u>(161,500)</u>	<u>(173,500)</u>
Total restricted net assets	<u>60,922</u>	<u>67,343</u>
Unrestricted net assets:		
Non-spendable net assets:		
Water-in-storage inventory	7,707,834	7,707,834
Materials and supplies inventory	92,731	95,930
Prepaid expenses and other deposits	206,263	140,802
Deferred charges, net	<u>117,618</u>	<u>129,379</u>
Total non-spendable net assets	<u>8,124,446</u>	<u>8,073,945</u>
Spendable net assets are designated as follows:		
Debt service funds reserve	5,350,668	4,993,926
Capital facilities reserve	1,650,795	1,626,244
Safe drinking water reserve	60,000	60,000
Flexible storage reserve	18,920	15,136
Storm damage reserve	1,500,000	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	<u>1,951,727</u>	<u>1,362,303</u>
Total spendable net assets	<u>15,032,110</u>	<u>14,057,609</u>
Total unrestricted net assets	<u>23,156,556</u>	<u>22,131,554</u>
Total net assets	<u>\$ 78,495,022</u>	<u>\$ 77,607,457</u>

NOTE 10 – 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, CalPERS, and the District. Copies of CalPERS' annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

Funding Policy

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 2010, 2009, and 2008 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.

Three Years CalPERS Trend 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>
2007-2008	\$ 183,330	100%	\$ -	6.490%
2008-2009	205,649	100%	-	6.689%
2009-2010	247,149	100%	-	6.944%

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost

For 2010 and 2009, the District's annual pension cost of \$196,618 and \$205,649, respectively, for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (1) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary from 3.25% to 14.45% by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Initial plan unfunded liabilities are amortized over a closed period equal to the average amortization period at the plan's date of entry into the CalPERS Risk Pool.

Required Supplementary Information

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Overfunded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2003	\$ 430,371,544	\$ 429,814,105	\$ 557,439	99.9%	\$ 159,238,690	0.4%
6/30/2004	437,494,341	428,025,075	9,469,266	97.8%	159,135,314	6.0%
6/30/2005	484,351,523	459,996,995	24,354,528	95.0%	174,127,476	14.0%
6/30/2006	478,122,215	454,602,459	23,519,756	95.1%	170,458,082	13.8%
6/30/2007	498,934,859	479,520,670	19,414,189	96.1%	171,052,819	11.3%

NOTE 11 – 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, 2010 and 2009, was \$1,337,768 and \$1,143,204 and ICMA was \$838,376 and \$711,770, respectively.

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 assets.

NOTE 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, 2010, 2009, and 2008. 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, 2010, 2009, and 2008.

NOTE 13 – FUTURE GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District has elected not to early implement GASB Statement No. 54 and has not determined its effect on the District's basic financial statements.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement is related to the frequency and timing of measurements that are effective for actuarial valuations first used to report funded status information in Other Post-employment Benefits (OPEB) plan financial statements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011. The District has not determined its full effect on the District's basic financial statements.

In December 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement establishes retroactive application for all prior periods presented during which a government was in bankruptcy. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The District has determined it is not applicable to the District's basic financial statements.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

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 may be required to pay 15% of those costs. The District and the USBR are negotiating the District's share of the cost of the project. The District may be responsible for approximately \$6,000,000 of the project's anticipated costs. The amount paid as of June 30, 2010 and 2009, is \$2,125,765 and \$2,125,765, respectively, which is the Municipal and Industrial portion or 42.5% of the cost attributable to the District. The amount that is attributable to Agricultural Customers or 57.5% of the cost is still to be resolved. The project is complete.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

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>
2011	\$ 1,207,061
2012	1,164,604
2013	1,113,715
2014	1,062,724
2015	1,011,626

As of June 30, 2010, the District has expended \$18,173,347 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 Long-Term Obligations</u>
Transportation facilities	\$ 24,881,439
Conservation facilities	5,027,756
Off-aqueduct power facilities	1,665,621
Revenue bond surcharge	1,230,477
Total long-term SWP contract obligations	<u>\$ 32,805,293</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.

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.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

State Water Contract (Continued)

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.

REQUIRED SUPPLEMENTARY INFORMATION

**CASITAS MUNICIPAL WATER DISTRICT
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN
JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded or (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	\$ -	\$ 19,842,800	\$ 19,842,800	0.00%	\$ 4,169,365	475.92%
June 30, 2010	-	19,842,800	19,842,800	0.00%	4,455,913	445.31%

SUPPLEMENTARY INFORMATION

**CASITAS MUNICIPAL WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS – BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Adopted Budget	Budget Adjustments	Final Budget	Actual	Variance with Final Budget
Operating revenues:					
Retail water consumption	\$ 6,828,338	\$ -	\$ 6,828,338	\$ 6,419,989	\$ (408,349)
Wholesale water consumption	2,071,633	-	2,071,633	2,068,095	(3,538)
Recreation revenue	3,607,241	-	3,607,241	3,611,111	3,870
Other water charges and services	72,738	-	72,738	95,724	22,986
Total operating revenues	12,579,950	-	12,579,950	12,194,919	(385,031)
Operating expenses:					
Source of supply	944,716	-	944,716	1,338,080	(393,364)
State Water Project	-	-	-	666,442	(666,442)
Pumping	1,595,271	-	1,595,271	1,166,950	428,321
Water treatment	1,047,848	-	1,047,848	1,165,064	(117,216)
Transmission and distribution	665,141	-	665,141	531,191	133,950
Telemetry	265,364	-	265,364	265,739	(375)
Customer accounts	366,532	-	366,532	308,365	58,167
Recreation expenses	3,664,668	-	3,664,668	3,504,653	160,015
General and administrative	6,177,448	-	6,177,448	2,890,245	3,287,203
Total operating expenses	14,726,988	-	14,726,988	11,836,729	2,890,259
Operating income before depreciation and amortization	(2,147,038)	-	(2,147,038)	358,190	2,505,228
Depreciation and amortization - utility department	-	-	-	(2,582,357)	(2,582,357)
Depreciation - recreation department	-	-	-	(292,735)	(292,735)
Operating loss	(2,147,038)	-	(2,147,038)	(2,516,902)	(369,864)
Non-operating revenues (expenses)					
Property taxes	1,794,651	-	1,794,651	1,959,849	165,198
Clean Water Act surcharge	-	-	-	1,290,043	1,290,043
Mira Monte assessment	19,500	-	19,500	18,603	(897)
Oak View availability charge	7,510	-	7,510	7,709	199
Tax collection expense	(10,320)	-	(10,320)	(30,416)	(20,096)
Interest and investment earnings	95,000	-	95,000	129,471	34,471
Interest expense - long-term debt	(101,892)	-	(101,892)	(107,098)	(5,206)
Other non-operating revenues	58,586	-	58,586	5,127	(53,459)
Total non-operating revenues, net	1,863,035	-	1,863,035	3,273,288	1,410,253
Net income (loss) before capital contributions	(284,003)	-	(284,003)	756,386	1,040,389
Capital contributions:					
Federal, state, and local capital grants	488,462	-	488,462	131,179	(357,283)
Total capital contributions	488,462	-	488,462	131,179	(357,283)
Change in net assets	204,459	\$ -	204,459	887,565	\$ 683,106
Net assets, beginning of year	77,607,457		77,607,457	77,607,457	
Net assets, end of year	\$ 77,811,916		\$ 77,811,916	\$ 78,495,022	

**CASITAS MUNICIPAL WATER DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2010**

ASSETS	Operating Fund	Financing Fund	Improvement Assessment Fund	Eliminations for Financial Reporting	Total
Current assets:					
Cash and cash equivalents	\$ 13,808,587	\$ -	\$ -	\$ -	\$ 13,808,587
Investments	3,462,915	-	-	-	3,462,915
Accrued interest receivable	78,396	-	-	-	78,396
Accounts receivable - water sales and services	1,011,144	-	-	-	1,011,144
Accounts receivable - special assessments	-	-	234,422	-	234,422
Accounts receivable - property taxes	94,555	-	-	-	94,555
Accounts receivable - other	10,988	-	-	-	10,988
Due from other funds	1,947	5,348,721	-	(5,350,668)	-
Water-in-storage inventory	7,707,834	-	-	-	7,707,834
Materials and supplies inventory	92,731	-	-	-	92,731
Prepaid expenses and other deposits	206,263	-	-	-	206,263
Total current assets	26,475,360	5,348,721	234,422	(5,350,668)	26,707,835
Non-current assets:					
Deferred charges, net	117,618	-	-	-	117,618
Capital assets, not being depreciated	7,551,749	-	-	-	7,551,749
Depreciable and amortizable capital assets, net	52,630,737	-	-	-	52,630,737
Total non-current assets	60,300,104	-	-	-	60,300,104
Total assets	\$ 86,775,464	\$ 5,348,721	\$ 234,422	\$ (5,350,668)	\$ 87,007,939
LIABILITIES AND NET ASSETS					
Current liabilities - payable from unrestricted current assets:					
Accounts payable and accrued expenses	\$ 423,913	\$ -	\$ -	\$ -	\$ 423,913
Accrued salaries and wages	196,060	-	-	-	196,060
Customer deposits	60,537	-	-	-	60,537
Accrued interest payable	20,851	-	-	-	20,851
Due to other funds	5,348,721	-	1,947	(5,350,668)	-
Compensated absences	380,182	-	-	-	380,182
Special assessment bonds payable	-	-	12,000	-	12,000
Loans and notes payable	209,757	943,646	-	-	1,153,403
Total current liabilities	6,640,021	943,646	13,947	(5,350,668)	2,246,946
Non-current liabilities:					
Long-term liabilities - due in more than one year:					
Compensated absences	380,183	-	-	-	380,183
Other post-employment benefits payable	1,972,749	-	-	-	1,972,749
Special assessment bonds payable	-	-	161,500	-	161,500
Loans and notes payable	3,751,539	-	-	-	3,751,539
Total non-current liabilities	6,104,471	-	161,500	-	6,265,971
Total liabilities	12,744,492	943,646	175,447	(5,350,668)	8,512,917
Net assets:					
Net investment in capital assets	56,221,190	(943,646)	-	-	55,277,544
Restricted for debt service	-	-	60,922	-	60,922
Unrestricted	17,809,782	5,348,721	(1,947)	-	23,156,556
Total net assets	74,030,972	4,405,075	58,975	-	78,495,022
Total liabilities and net assets	\$ 86,775,464	\$ 5,348,721	\$ 234,422	\$ (5,350,668)	\$ 87,007,939

**CASITAS MUNICIPAL WATER DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2009**

ASSETS	Operating Fund	Financing Fund	Improvement Assessment Fund	Eliminations for Financial Reporting	Total
Current assets:					
Cash and cash equivalents	\$ 7,409,876	\$ -	\$ -	\$ -	\$ 7,409,876
Investments	8,990,285	-	-	-	8,990,285
Accrued interest receivable	22,808	-	-	-	22,808
Accounts receivable - water sales and services	1,020,206	-	-	-	1,020,206
Accounts receivable - special assessments	-	-	252,843	-	252,843
Accounts receivable - property taxes	127,819	-	-	-	127,819
Accounts receivable - other	895,411	-	-	-	895,411
Due from other funds	13,719	5,007,645	-	(5,021,364)	-
Water-in-storage inventory	7,707,834	-	-	-	7,707,834
Materials and supplies inventory	95,930	-	-	-	95,930
Prepaid expenses and other deposits	140,802	-	-	-	140,802
Total current assets	26,424,690	5,007,645	252,843	(5,021,364)	26,663,814
Non-current assets:					
Deferred charges, net	129,379	-	-	-	129,379
Intangible asset - participation rights, net	1,273,936	-	-	-	1,273,936
Capital assets, not being depreciated	7,068,683	-	-	-	7,068,683
Depreciable and amortizable capital assets, net	53,117,704	-	-	-	53,117,704
Total non-current assets	61,589,702	-	-	-	61,589,702
Total assets	\$ 88,014,392	\$ 5,007,645	\$ 252,843	\$ (5,021,364)	\$ 88,253,516
LIABILITIES AND NET ASSETS					
Current liabilities - payable from unrestricted current assets:					
Accounts payable and accrued expenses	\$ 2,333,015	\$ -	\$ -	\$ -	\$ 2,333,015
Accrued salaries and wages	222,236	-	-	-	222,236
Customer deposits	53,194	-	-	-	53,194
Deferred revenue	19,232	-	-	-	19,232
Accrued interest payable	25,779	-	-	-	25,779
Due to other funds	5,007,645	-	13,719	(5,021,364)	-
Compensated absences - current portion	376,798	-	-	-	376,798
Special assessment bonds payable - current portion	-	-	12,000	-	12,000
Loans and notes payable - current portion	203,175	943,646	-	-	1,146,821
Total current liabilities	8,241,074	943,646	25,719	(5,021,364)	4,189,075
Non-current liabilities:					
Long-term liabilities - due in more than one year:					
Compensated absences	376,798	-	-	-	376,798
Other post-employment benefits payable	1,001,744	-	-	-	1,001,744
Special assessment bonds payable	-	-	173,500	-	173,500
Loans and notes payable	4,904,942	-	-	-	4,904,942
Total non-current liabilities	6,283,484	-	173,500	-	6,456,984
Total liabilities	14,524,558	943,646	199,219	(5,021,364)	10,646,059
Net assets:					
Net investment in capital assets	56,352,206	(943,646)	-	-	55,408,560
Restricted for debt service	-	-	67,343	-	67,343
Unrestricted	17,137,628	5,007,645	(13,719)	-	22,131,554
Total net assets	73,489,834	4,063,999	53,624	-	77,607,457
Total liabilities and net assets	\$ 88,014,392	\$ 5,007,645	\$ 252,843	\$ (5,021,364)	\$ 88,253,516

**CASITAS MUNICIPAL WATER DISTRICT
 DETAIL SCHEDULES OF OPERATING EXPENSES – UTILITY DEPARTMENT
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Source of supply:		
Salaries and benefits	\$ 793,819	\$ 722,660
District equipment	3,217	2,385
Services and supplies	63,183	72,004
Utilities	8,575	5,516
Computer upgrades - hardware and software	3,191	4,602
Purchased water	979	970
Outside contracts	161,502	187,660
Clothing and personal supplies	1,490	711
Communications	4,614	4,473
Memberships and dues	8,095	8,809
Printing and binding	10,240	11,612
Books and publications	497	424
Office supplies	428	325
Postage	9,666	10,799
Other professional services	218,216	16,284
Licenses and permits	13,923	20,548
Advertising and legal notices	-	216
Small tools	178	288
Safety program	220	2,775
Private vehicle mileage	1,318	900
Travel expense	16,210	11,089
Education and training	8,424	11,875
Rent - Matilija Dam	-	23,887
Insurance - EAP	127	125
Insurance - other	1,302	-
Administrative overhead burden	8,666	19,197
	<u>1,338,080</u>	<u>1,140,134</u>
Water storage valuation	<u>-</u>	<u>2,282,736</u>
State Water Project costs	<u>666,442</u>	<u>281,896</u>
Pumping:		
Salaries and benefits	235,071	182,989
Service and supplies	24,963	18,536
Power purchased for pumping	848,985	914,097
Outside contracts	55,886	175,375
Communications	1,585	1,553
Small tools	460	150
	<u>1,166,950</u>	<u>1,292,700</u>

**CASITAS MUNICIPAL WATER DISTRICT
 DETAIL SCHEDULES OF OPERATING EXPENSES – UTILITY DEPARTMENT (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Water treatment:		
Salaries and benefits	\$ 778,363	\$ 767,667
Service and supplies	52,122	51,056
Utilities	97,167	118,696
Chlorine	64,725	62,983
Polymer	22,684	20,195
Ferric	16,451	20,703
Ammonia	20,825	30,527
Caustics	75,171	136,797
Computer upgrades - hardware and software	935	1,134
Office supplies	-	37
Outside contracts	2,829	11,236
Clothing and personal supplies	566	1,108
Communications	2,129	3,146
Postage	63	8
Safety program	-	291
Other professional fees	25,200	-
Licenses and permits	210	525
Travel	161	140
Small tools	4,300	681
Education and training	1,163	623
	<hr/>	<hr/>
Total water treatment	1,165,064	1,227,553
	<hr/>	<hr/>
Transmission and distribution:		
Salaries and benefits	357,955	287,200
Service and supplies	84,535	52,530
Computer upgrades - hardware and software	2,164	2,847
Outside contracts	52,033	75,085
Clothing and personal supplies	690	336
Communications	2,528	2,282
Printing and binding	75	-
Books and publications	47	153
Licenses and permits	2,958	3,543
Small tools	7,848	3,674
Travel expense	628	936
Private vehicle mileage	-	87
Education and training	1,309	1,260
Other operating expenses	18,421	18,745
	<hr/>	<hr/>
Total transmission and distribution	531,191	448,678
	<hr/>	<hr/>

**CASITAS MUNICIPAL WATER DISTRICT
 DETAIL SCHEDULES OF OPERATING EXPENSES – UTILITY DEPARTMENT (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Telemetrying:		
Salaries and benefits	\$ 211,619	\$ 142,163
Service and supplies	8,294	10,766
Utilities	23,439	25,426
Outside contracts	20,719	17,275
Clothing and personal supplies	29	-
Communications	1,255	1,092
Books and publications	-	85
Postage	-	78
Small tools	248	224
Private vehicle mileage	96	-
Travel	40	10
	<u>265,739</u>	<u>197,119</u>
 Total telemetrying		
Customer accounts:		
Salaries and benefits	244,569	359,573
District equipment	-	-
Service and supplies	28,583	21,503
Computer upgrades - hardware and software	-	3,735
Leak relief expense	3,594	8,432
Bad debt provision	12,011	7,128
Clothing and personal supplies	446	854
Communications	-	625
Outside contracts	13,216	18,897
Printing and binding	278	266
Postage	2,411	14,278
Licenses and permits	90	125
Small tools	826	760
Travel expense	538	423
Education and training	1,803	252
	<u>308,365</u>	<u>436,851</u>
 Total customer accounts		

**CASITAS MUNICIPAL WATER DISTRICT
 DETAIL SCHEDULES OF OPERATING EXPENSES – UTILITY DEPARTMENT (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
General and administrative:		
Salaries and wages:		
Board and management	\$ 517,039	\$ 459,701
Administration	292,527	294,033
Engineering	218,373	181,249
Operations and maintenance	275,103	345,213
Employee benefits:		
Retirement - CalPERS	166,009	145,351
Social Security	74,333	65,602
Medicare insurance	19,114	17,376
OPEB expense	888,241	888,242
Group insurance	483,583	462,798
District equipment:		
Board and management	592	-
Administration	13,953	34,182
Engineering	6,710	7,339
Operations and maintenance	62,844	73,886
Service and supplies:		
Board and management	12,419	9,290
Administration	21,785	23,295
Engineering	8,925	12,041
Operations and maintenance	48,291	40,671
Utilities	48,513	49,449
Bad debt expense	265	4,902
Computer upgrades - hardware and software	22,013	28,129
Vehicle costs direct	64,892	70,042
Outside contracts	162,811	193,854
Clothing and personal supplies	8,635	5,742
Communications	29,709	31,629
Office equipment maintenance	1,468	2,011
Memberships and dues	80,312	33,122
Printing and binding	2,747	1,965
Books and publications	3,971	3,086
Office supplies	11,757	11,118
Postage	2,762	3,780
Other professional services	100,622	160,758
Licenses and permits	10,654	11,626
Advertising and legal notices	578	2,003
Small tools	616	2,111
Safety program	8,056	8,956
Private vehicle mileage	7,730	9,358
Travel expense	7,541	16,178
Directors election fees	-	13,558
Education and training	16,929	15,359
(Gains) losses on inventory	3,053	(2,673)
Insurance - liability	54,983	54,935
Petty cash over/short	70	-
Workers' compensation	65,329	58,916
Insurance - EAP	1,842	1,353
Bank charges	26,563	18,245
Other operating expenses	-	21,861

**CASITAS MUNICIPAL WATER DISTRICT
 DETAIL SCHEDULES OF OPERATING EXPENSES – UTILITY DEPARTMENT (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
General and administrative: (Continued)		
Administrative overhead burden:		
Benefits applied	\$ (860,082)	\$ (909,648)
Salaries and wages applied	(16)	(2,388)
Services and supplies applied	(103,919)	(168,731)
Total general and administrative	2,890,245	2,810,875
Depreciation and amortization:		
Source of supply	270,002	267,653
Pumping	357,426	392,411
Water treatment	831,244	797,662
Fish ladder	369,863	369,863
Transmission and distribution	352,747	301,108
General and administrative	336,166	393,280
Amortization - deferred charges	11,762	11,762
Amortization - participation rights	53,147	(9,014)
Total depreciation and amortization	2,582,357	2,524,725
Total operating expenses - utility department	\$ 10,914,433	\$ 12,643,267

**CASITAS MUNICIPAL WATER DISTRICT
 DETAIL SCHEDULES OF OPERATING REVENUES AND
 EXPENSES – RECREATION DEPARTMENT
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Recreation revenues:		
Animal permits	\$ 24,153	\$ 28,234
Annual boat fees	59,085	56,776
Annual kayak and canoes	4,525	2,370
Bicycle rental concession fee	6,513	8,609
Boat rental concession fee	73,274	98,744
Camping fees	1,574,296	1,545,979
Collection overages/shortages	(686)	(16,861)
Commercials	13,100	14,750
Daily boat charges	15,280	12,904
Daily kayak and canoes	30	75
Daily vehicle charges	420,475	400,482
Donation voucher	(790)	(637)
Event reimbursement	2,869	1,000
Events	42,043	39,331
Frequent visitor cards	141,823	135,074
Gasoline concession fee	102	101
Gift certificates	(204)	153
Miscellaneous income (loss)	52,482	20,739
Nontaxable concession sales	39,267	35,628
Overnight boat storage	2,105	1,671
Park store	35,377	43,528
Quagga - fees and locks	21,054	30,981
Rain checks	(5,144)	(5,582)
Reservations	118,252	122,582
Shower facilities	23,493	19,188
Snack bar concession fee	22,578	30,141
Taxable concession sales	16,167	21,196
Telephone	65	116
Trailer rental concession agreement	-	4,929
Trailer storage fees	176,292	166,202
Water park group reservations	57,260	59,110
Water park reservations	9,315	8,242
Water playground tickets	666,300	638,859
Waterpark promotions	-	155
Waterpark special events	360	1,495
	<u>3,611,111</u>	<u>3,526,264</u>
Total recreation revenues		

**CASITAS MUNICIPAL WATER DISTRICT
 DETAIL SCHEDULES OF OPERATING REVENUES AND
 EXPENSES – RECREATION DEPARTMENT (Continued)
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Recreation expenses:		
Salaries and benefits	\$ 1,689,032	\$ 1,501,306
District equipment	96,235	124,270
Service and supplies	166,326	157,245
Utilities	132,036	129,630
Chlorine	24,504	23,456
Water playground chemicals	1,907	1,331
Computer upgrades - hardware and software	9,941	3,342
Purchased water	70,003	69,062
Bad debt provision	303	2,660
Fish purchases	49,980	44,906
Outside contracts	208,221	90,417
Clothing and personal supplies	15,087	14,835
Communications	24,021	26,237
Office equipment maintenance	-	17
Memberships and dues	907	1,023
Printing and binding	12,804	17,646
Books and publications	70	67
Office supplies	8,240	4,479
Postage	1,535	1,042
Other professional services	12,212	25,272
Licenses and permits	2,509	2,194
Advertising and legal notices	5,055	5,788
Small tools	7,520	6,375
Public information program	167	4,472
Safety program	8,733	8,068
Private vehicle mileage	1,150	829
Travel expense	5,464	4,874
Education and training	3,737	3,413
Credit card fees	57,887	53,288
Workers' compensation	28,428	28,021
Insurance	557	359
Administrative overhead burden	860,082	909,648
	3,504,653	3,265,572
Total		
Depreciation - recreation department	292,735	310,252
Total recreation expenses	3,797,388	3,575,824
Net recreation income (loss)	\$ (186,277)	\$ (49,560)

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 basic financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

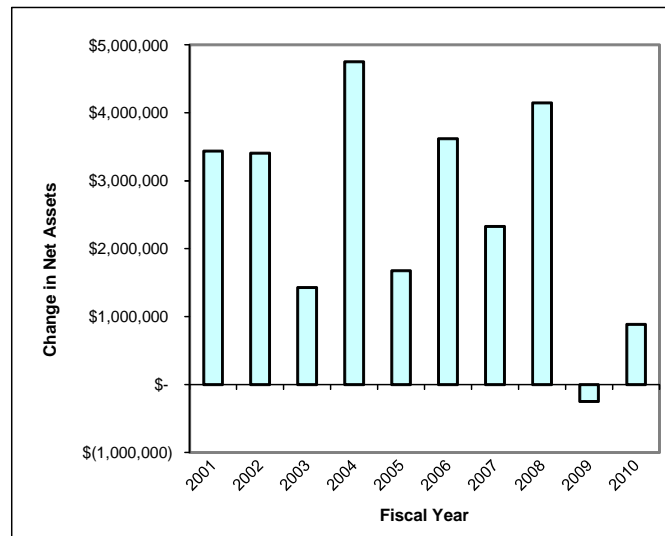
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	<u>Page</u>
Financial Trends	52-55
These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	56-60
These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	
Debt Capacity	61-62
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.	
Demographic Information	63
This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	64
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.	

**CASITAS MUNICIPAL WATER DISTRICT
CHANGES IN NET ASSETS AND NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS**

Schedule 1

	Fiscal Year				
	2001	2002	2003	2004	2005
Changes in net assets:					
Operating revenues (see Schedule 2)	\$ 7,249,115	\$ 8,850,451	\$ 8,417,164	\$ 8,854,143	\$ 9,688,724
Operating expenses (see Schedule 3)	(6,040,830)	(6,778,848)	(8,212,939)	(7,866,167)	(8,378,443)
Depreciation and amortization	(1,315,265)	(1,670,777)	(1,693,885)	(1,722,585)	(2,495,930)
Operating income (loss)	(106,980)	400,826	(1,489,660)	(734,609)	(1,185,649)
Non-operating revenues (expenses)					
Property taxes	2,677,581	2,325,808	2,698,760	2,467,821	525,019
Clean Water Act surcharge	-	-	-	-	1,070,545
Mira Monte assessment	-	-	-	-	9,549
Oak View availability charge	-	-	-	-	7,579
Property tax collection expense	-	-	-	(26,535)	(13,854)
Investment income	767,526	495,218	240,699	73,851	138,716
Federal grants	-	55,330	-	-	-
Capital facilities charges	118,790	134,426	93,002	-	-
Gain (loss) on sale/disposition of assets	-	-	-	7,386	(5,566)
Interest expense	(82,731)	(61,144)	(250,890)	(151,058)	(159,437)
Other revenue (expense)	58,902	52,550	137,214	22,771	(51,559)
Total non-operating revenues	3,540,068	3,002,188	2,918,785	2,394,236	1,520,992
Net income (loss) before capital contributions	3,433,088	3,403,014	1,429,125	1,659,627	335,343
Capital contributions	6,051	2,445	-	3,090,000	1,342,081
Changes in net assets	\$ 3,439,139	\$ 3,405,459	\$ 1,429,125	\$ 4,749,627	\$ 1,677,424
Net assets by component:					
Invested in capital assets, net of related debt	\$ 35,127,923	\$ 39,484,283	\$ 44,631,416	\$ 52,913,400	\$ 55,377,759
Restricted	4,253,606	4,938,887	284,778	235,244	226,563
Unrestricted	16,331,596	14,695,414	15,631,515	12,945,075	12,166,821
Total net assets	\$ 55,713,125	\$ 59,118,584	\$ 60,547,709	\$ 66,093,719	\$ 67,771,143 ⁽¹⁾



Notes:

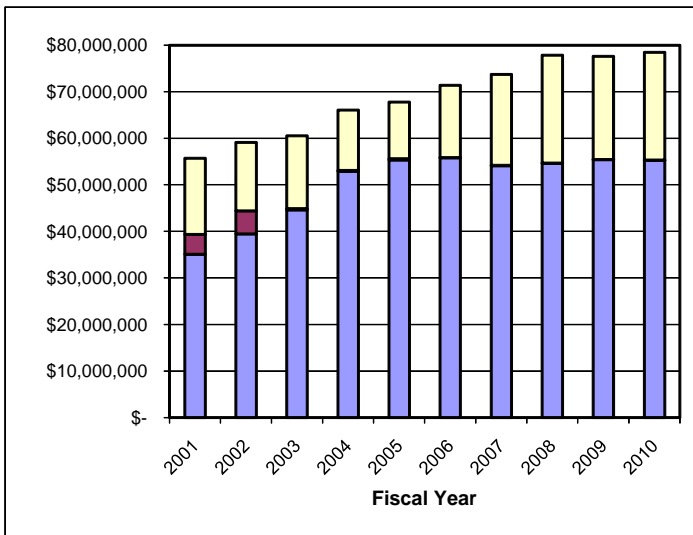
⁽¹⁾ The District made a prior period adjustment of \$796,383.

Source: Casitas Municipal Water District Accounting Department

**CASITAS MUNICIPAL WATER DISTRICT
CHANGES IN NET ASSETS AND NET ASSETS BY COMPONENT (Continued)
LAST TEN FISCAL YEARS**

Schedule 1

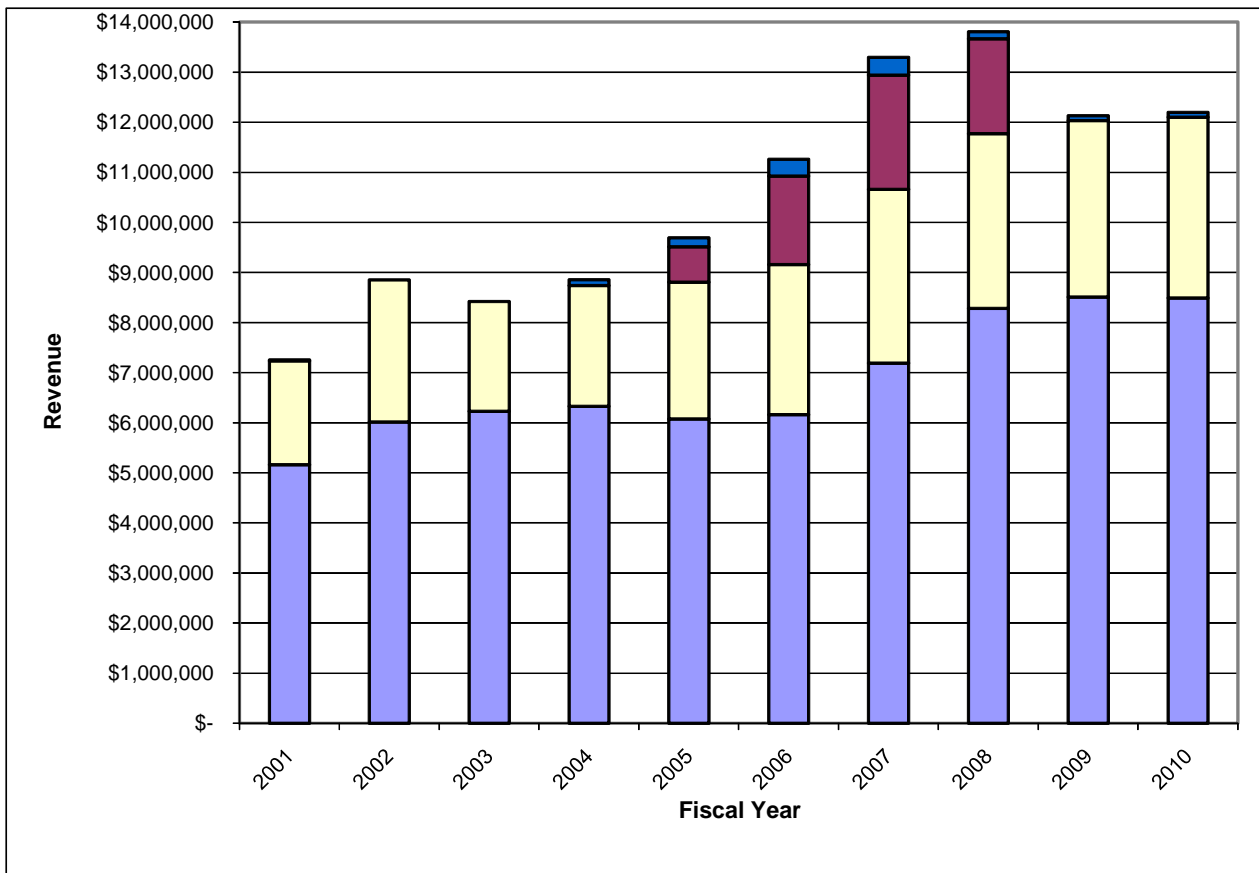
Fiscal Year				
2006	2007	2008	2009	2010
\$ 11,258,803	\$ 13,291,119	\$ 13,805,964	\$ 12,129,996	12,194,919
(8,262,068)	(10,289,724)	(10,107,124)	(13,384,114)	(11,836,729)
(2,363,709)	(4,207,595)	(2,975,653)	(2,834,977)	(2,875,092)
<u>633,026</u>	<u>(1,206,200)</u>	<u>723,187</u>	<u>(4,089,095)</u>	<u>(2,516,902)</u>
526,622	1,734,216	1,831,087	1,982,172	1,959,849
1,085,494	1,006,501	1,071,637	1,685,062	1,290,043
20,307	18,605	19,657	18,914	18,603
7,754	7,439	7,862	6,992	7,709
(15,707)	(13,448)	(28,261)	(29,433)	(30,416)
269,336	404,167	463,786	213,695	129,471
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(131,650)	(129,810)	(123,440)	(116,361)	(107,098)
<u>204,592</u>	<u>46,646</u>	<u>31,307</u>	<u>14,460</u>	<u>5,127</u>
<u>1,966,748</u>	<u>3,074,316</u>	<u>3,273,635</u>	<u>3,775,501</u>	<u>3,273,288</u>
2,599,774	1,868,116	3,996,822	(313,594)	756,386
<u>1,016,530</u>	<u>458,002</u>	<u>146,880</u>	<u>63,784</u>	<u>131,179</u>
<u>\$ 3,616,304</u>	<u>\$ 2,326,118</u>	<u>\$ 4,143,702</u>	<u>\$ (249,810)</u>	<u>\$ 887,565</u>
\$ 55,808,167	\$ 54,099,748	\$ 54,636,436	\$ 55,408,560	\$ 55,277,544
91,941	103,054	75,088	67,343	60,922
<u>15,487,339</u>	<u>19,510,763</u>	<u>23,145,743</u>	<u>22,131,554</u>	<u>23,156,556</u>
<u>\$ 71,387,447</u>	<u>\$ 73,713,565</u>	<u>\$ 77,857,267</u>	<u>\$ 77,607,457</u>	<u>\$ 78,495,022</u>



**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
2001	\$ 5,162,660	\$ 2,073,030	\$ 13,425	\$ -	\$ 7,249,115
2002	6,014,499	2,835,952	-	-	8,850,451
2003	6,226,072	2,191,092	-	-	8,417,164
2004	6,325,927	2,412,902	-	115,314	8,854,143
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	8,488,084	3,611,111	-	95,724	12,194,919

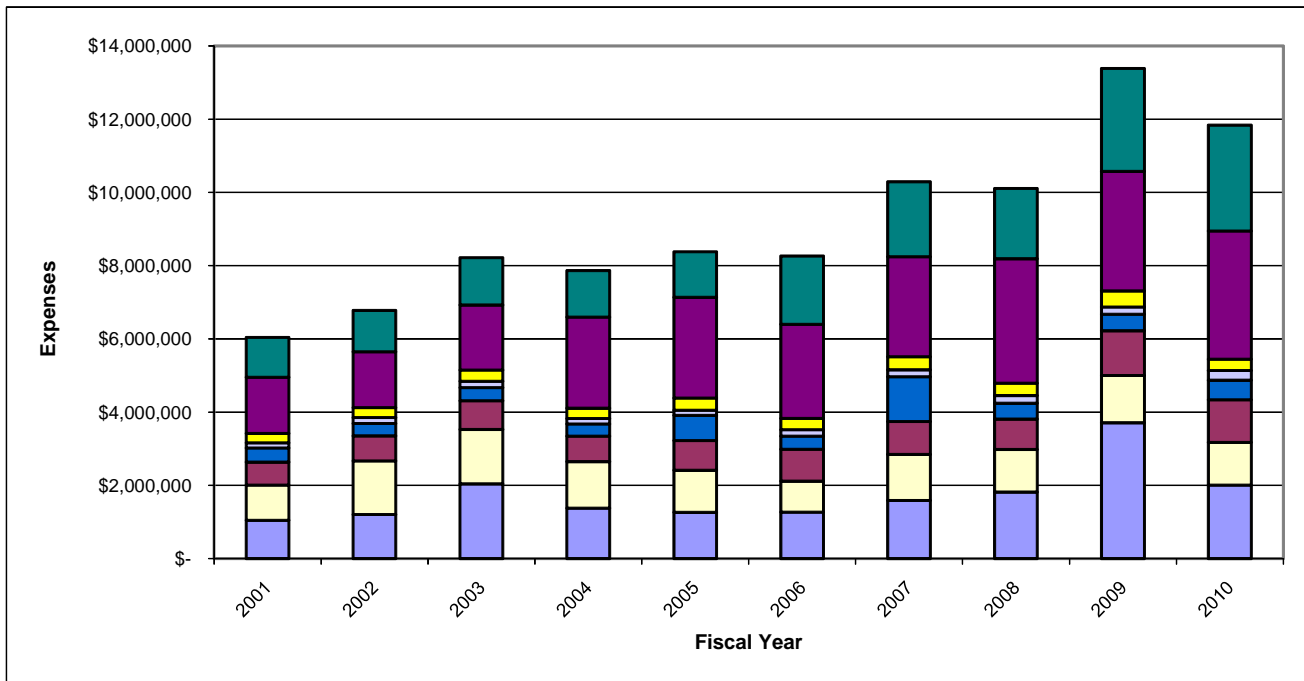


Source: Casitas Municipal Water District Accounting Department

**CASITAS MUNICIPAL WATER DISTRICT
OPERATING EXPENSES BY ACTIVITY
LAST TEN FISCAL YEARS**

Schedule 3

Fiscal Year	Source of Supply and State Water Project	Pumping	Water Treatment	Transmission and Distribution	Telemetry	Customer Accounts	Recreation Area	General and Administrative	Total Operating Expenses
2001	\$ 1,044,119	\$ 959,261	\$ 628,580	\$ 389,044	\$ 141,110	\$ 252,638	\$ 1,534,277	\$ 1,091,801	\$ 6,040,830
2002	1,201,900	1,466,859	683,599	332,816	162,744	269,114	1,533,782	1,128,034	6,778,848
2003	2,038,776	1,486,079	785,332	356,064	179,509	302,980	1,773,929	1,290,270	8,212,939
2004	1,373,555	1,272,672	694,784	331,412	150,053	282,828	2,488,759	1,272,104	7,866,167
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	3,704,766	1,292,700	1,227,553	448,678	197,119	436,851	3,265,572	2,810,875	13,384,114
2010	2,004,522	1,166,950	1,165,064	531,191	265,739	308,365	3,504,653	2,890,245	11,836,729

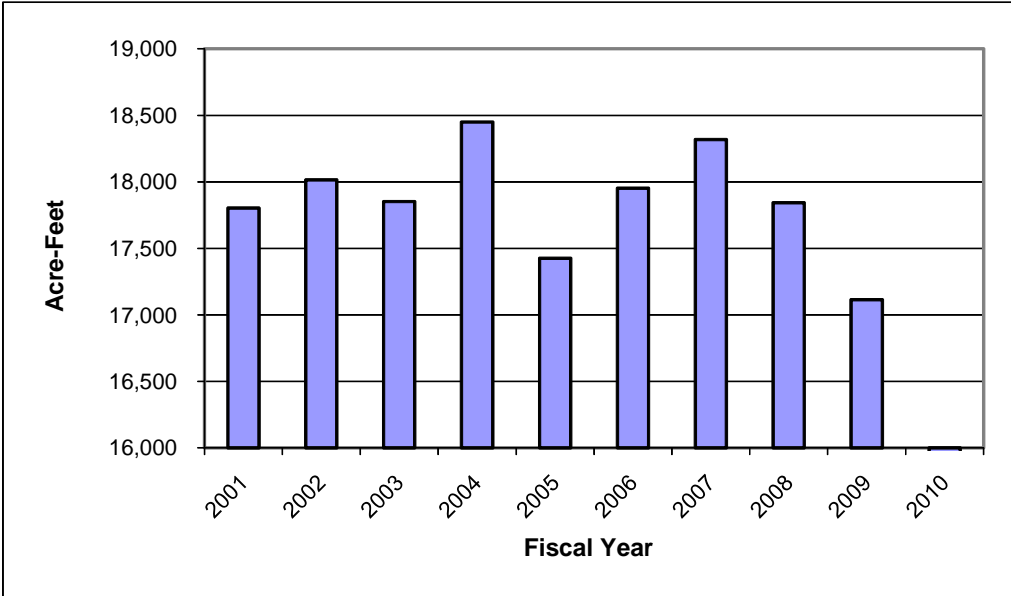


Source: Casitas Municipal Water District Accounting Department

**CASITAS MUNICIPAL WATER DISTRICT
REVENUE BASE
LAST TEN FISCAL YEARS**

Schedule 4

Fiscal Year	Water Sales (Acre-Feet)
2001	17,802
2002	18,014
2003	17,852
2004	18,450
2005	17,425
2006	17,952
2007	18,318
2008	17,844
2009	17,113
2010	15,307



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

Categories	Gravity Zone Water Consumption (per HCF)									
	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Residential:										
0 - 10 HCF	\$ 0.640	\$ 0.659	\$ 0.699	\$ 0.720	\$ 0.742	\$ 0.835	\$ 0.835	\$ 0.868	\$ 0.888	\$ 0.567
11 - 17 HCF	1.022	1.053	1.118	1.152	1.187	1.322	1.322	1.369	1.389	1.003
18+ HCF	1.420	1.463	1.552	1.598	1.646	1.825	1.825	1.888	1.908	1.404
Business	0.665	0.685	0.727	0.749	0.771	0.832	0.832	0.897	0.958	1.259
Industrial	0.626	0.645	0.684	0.704	0.725	0.783	0.783	0.856	0.958	1.259
Resale	0.385	0.397	0.421	0.434	0.447	0.474	0.474	0.545	0.709	0.780
Other	0.646	0.665	0.706	0.727	0.749	0.808	0.808	0.883	0.958	1.259
Temporary	2.017	2.078	2.204	2.270	2.338	2.493	2.493	2.686	2.706	1.419
Recreation	0.900	0.927	0.984	1.014	1.044	1.121	1.121	1.121	0.958	1.259
Irrigation	0.307	0.316	0.335	0.345	0.355	0.398	0.398	0.448	0.717	0.588

Categories	Pumped Zone Water Consumption (per HCF) ⁽²⁾									
	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Residential:										
0 - 10 HCF	\$ 0.871	\$ 0.898	\$ 1.053	\$ 1.069	\$ 1.001	\$ 1.094	\$ 1.094	\$ 1.127	\$ 1.127	\$ 0.831
11 - 17 HCF	1.254	1.292	1.472	1.501	1.446	1.581	1.581	1.628	1.628	1.267
18+ HCF	1.652	1.702	1.906	1.947	1.905	2.084	2.084	2.147	2.147	1.668
Business	0.897	0.924	1.081	1.098	1.030	1.091	1.091	1.156	1.197	1.524
Industrial	0.858	0.884	1.038	1.053	0.984	1.042	1.042	1.115	1.197	1.524
Resale	0.871	0.897	1.036	1.044	0.967	1.109	1.109	1.275	1.275	1.403
Other	0.878	0.904	1.060	1.076	1.008	1.067	1.067	1.142	1.197	1.524
Temporary	2.249	2.317	2.558	2.619	2.597	2.752	2.752	2.945	2.945	1.683
Recreation	0.900	0.927	1.338	1.363	1.303	1.380	1.380	1.380	1.197	1.524
Irrigation	0.307	0.316	0.450	0.455	0.375	0.418	0.418	0.468	0.717	0.852

Meter Size	Water Service Charges (monthly)									
	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Residential:										
5/8" - 1"	\$ 11.04	\$ 11.37	\$ 12.06	\$ 12.42	\$ 12.79	\$ 14.01	\$ 14.01	\$ 15.30	\$ 15.99	\$ 38.47
1 1/2" - 2"	33.90	34.92	37.05	38.16	39.30	43.03	43.03	46.99	49.10	76.36
2 1/2" - 3"	72.18	74.35	78.88	81.25	83.69	91.64	91.64	100.07	104.57	168.73
4"	153.21	157.81	167.42	172.44	177.61	194.48	194.48	212.37	221.93	258.39
6"	452.29	465.86	494.24	509.07	524.34	574.15	574.15	626.97	655.18	766.43
Over 6"										
Businesses:										
5/8" - 1"	20.00	20.60	21.86	22.52	23.20	24.59	24.59	26.85	28.06	38.47
1 1/2" - 2"	61.35	63.19	67.04	69.05	71.12	75.39	75.39	82.33	86.03	76.36
2 1/2" - 3"	130.74	134.66	142.86	147.15	151.56	160.65	160.65	175.43	183.32	168.73
4"	277.47	285.79	303.19	312.29	321.66	340.96	340.96	372.33	389.08	258.39
6"	819.05	843.62	895.00	921.85	949.51	1,006.48	1,006.48	1,099.08	1,148.54	766.43
Industrial:										
5/8" - 1"	14.92	15.37	16.30	16.79	17.29	18.06	18.06	19.72	20.61	38.47
1 1/2" - 2"	45.78	47.15	50.02	51.52	53.07	55.43	55.43	60.53	63.25	76.36
2 1/2" - 3"	97.54	100.47	106.58	109.78	113.07	118.12	118.12	128.99	134.79	168.73
4"	207.02	213.23	226.22	233.01	240.00	250.70	250.70	273.76	286.08	258.39
6"	611.68	630.03	668.40	688.45	709.10	740.71	740.71	808.86	845.26	766.43
Irrigation:										
5/8" - 1"	24.60	25.34	26.88	27.69	28.52	31.94	31.94	34.88	36.45	38.47
1 1/2" - 2"	75.40	77.66	82.39	84.86	87.41	97.90	97.90	106.91	111.72	76.36
2 1/2" - 3"	160.64	165.46	175.53	180.80	186.22	208.57	208.57	227.76	238.01	168.73
4"	340.96	351.19	372.58	383.76	395.27	442.70	442.70	483.43	505.18	258.39
6"	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	766.43
Resale (Gravity):										
5/8" - 1"	41.83	43.09	45.71	47.08	48.49	51.40	51.40	56.13	58.66	38.47
1 1/2" - 2"	128.30	132.15	140.19	144.40	148.73	157.65	157.65	172.15	179.70	76.36
2 1/2" - 3"	273.34	281.54	298.69	307.65	316.88	335.89	335.89	388.63	406.12	168.73
4"	580.17	597.58	633.98	653.00	672.59	712.95	712.95	778.54	813.57	258.39
6"	1,712.58	1,763.96	1,871.39	1,927.53	1,985.36	2,104.48	2,104.48	2,298.09	2,401.50	766.43
Resale (Pumped):										
5/8" - 1"	16.18	16.67	17.69	18.22	18.77	21.59	21.59	23.58	24.64	38.47
1 1/2" - 2"	49.62	51.11	54.22	55.85	57.53	66.16	66.16	72.25	75.50	76.36
2 1/2" - 3"	105.67	108.84	115.47	118.93	122.50	140.88	140.88	153.84	160.76	168.73
4"	224.29	231.02	245.09	252.44	260.01	299.01	299.01	326.52	341.21	258.39
6"	662.09	681.95	723.48	745.18	767.54	882.67	882.67	963.88	1,007.25	766.43
Other:										
5/8" - 1"	16.70	17.20	18.25	18.80	19.36	20.52	20.52	22.41	23.42	38.47
1 1/2" - 2"	51.21	52.75	55.96	57.64	59.37	62.93	62.93	68.72	71.81	76.36
2 1/2" - 3"	109.08	112.35	119.19	112.77	116.15	123.12	123.12	134.45	140.50	168.73
4"	231.51	238.46	252.98	260.57	268.39	284.49	284.49	310.66	324.64	258.39
6"	683.37	703.87	746.74	769.14	792.21	839.74	839.74	914.00	958.27	766.43
Temporary:										
1 1/2" - 2"	46.46	47.85	50.77	52.29	53.86	57.09	57.09	62.34	65.15	76.36
2 1/2" - 3"	99.00	101.97	108.18	111.43	114.77	121.66	121.66	132.85	138.83	168.73
Recreation:										
5/8" - 1"	21.34	21.98	23.32	24.02	24.74	26.22	26.22	28.63	-	38.47
1 1/2" - 2"	65.48	67.44	71.54	73.69	75.90	80.45	80.45	87.85	-	76.36
2 1/2" - 3"	139.52	143.71	152.46	157.03	161.74	171.44	171.44	187.21	-	168.73
4"	296.09	304.97	323.54	333.25	343.25	363.85	363.85	397.32	-	258.39
6"	874.06	900.28	952.02	980.58	1,010.00	1,070.60	1,070.60	1,169.10	-	766.43

Notes:

⁽¹⁾ Rates as of June 30 of each fiscal year.

⁽²⁾ Rates are net of applicable energy surcharges.

**CASITAS MUNICIPAL WATER DISTRICT
REVENUE RATES
FISCAL YEAR 2010**

Schedule 5-1

In fiscal year 2010, the District changed its rate structure as follows:

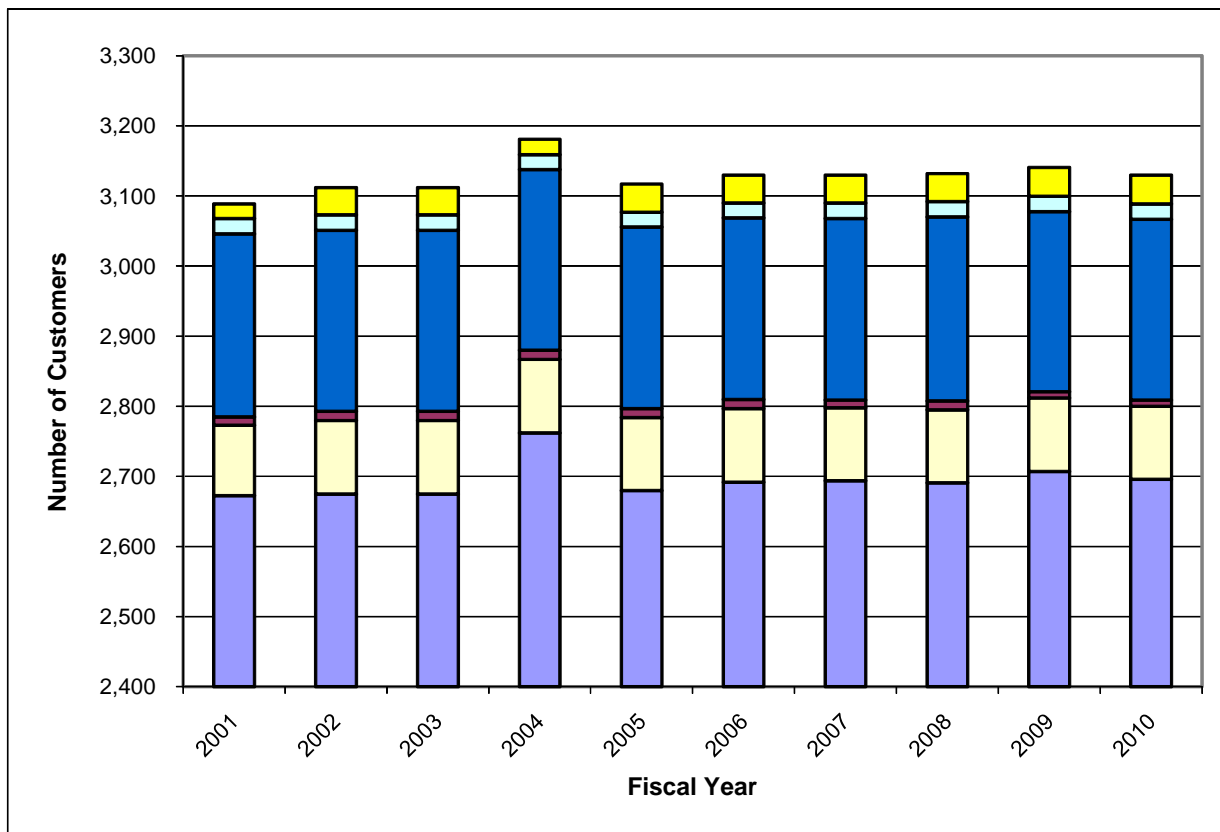
RATE SCHEDULE - CLASS 1 SERVICE				Rate per Unit **	
				GRAVITY	PUMPED
Residential					
Bi-Monthly Lifeline	0 - 20 Units	\$ 0.567		\$ 0.831	
Bi-Monthly Usage	21 - 34 Units	1.003		1.267	
Bi-Monthly Usage	35 - 100 Units	1.404		1.668	
Bi-Monthly Usage	101 Units +	2.200		2.464	
Business				1.259	1.524
Industrial				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		0.085	
** 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"	5"	Over 6"	
MAX CAPACITY	GPM	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	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	per gpm
BUSINESS	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	per gpm
INDUSTRIAL	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	per gpm
IRRIGATION/AG	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	per gpm
RESALE(G)	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	per gpm
RESALE(P)	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	per gpm
OTHER	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	per gpm
TEMPORARY	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	per gpm
RECREATION	Monthly	\$ 22.02	\$ 32.89	\$ 60.06	\$ 92.66	\$ 141.56	\$ 195.90	\$ 348.04	\$ 766.43	\$ 2.67	per gpm
	Bi-Monthly	\$ 38.32	\$ 60.06	\$ 114.39	\$ 179.60	N/A	\$ 386.07	\$ 690.36	\$ 1,527.13	\$ 5.33	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	
2001	2,673	100	12	261	22	21	3,089
2002	2,675	105	13	258	22	39	3,112
2003	2,675	105	13	258	22	39	3,112
2004	2,762	105	13	258	21	22	3,181
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



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

Source: Casitas Municipal Water District Accounting Department

**CASITAS MUNICIPAL WATER DISTRICT
PRINCIPAL CUSTOMERS
CURRENT FISCAL YEAR AND NINE YEARS AGO**

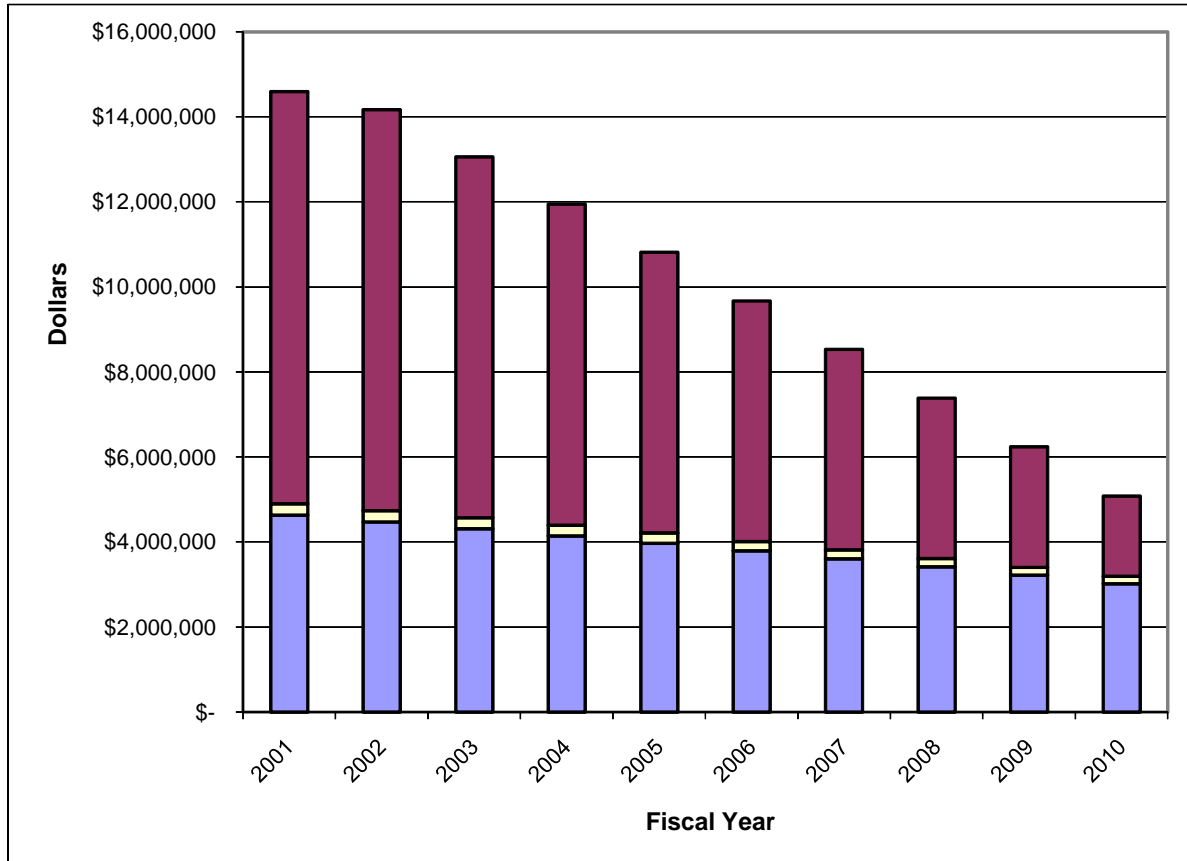
Schedule 7

<u>Customer</u>	<u>2010</u>		<u>2001</u>	
	<u>Water Consumed (AF)</u>	<u>Percentage of Total</u>	<u>Water Consumed (AF)</u>	<u>Percentage of Total</u>
City of Ventura	5,961	38.94%	6,387	35.88%
Hermitage Mutual Water	519	3.39%	635	3.57%
Golden State Water (formerly Southern California Water)	555	3.63%	451	2.53%
Topa Topa Ranch Nursery	404	2.64%	392	2.20%
McGhan Ranch	289	1.89%	266	1.49%
Ojai Valley Inn	-	0.00%	287	1.61%
Vista Punta Gorda	420	2.74%	-	0.00%
Mary Bergen (formerly Rancho Dos Rios/Bergen)	274	1.79%	221	1.24%
JLB Rancho La Vista	-	0.00%	-	0.00%
Senior Canyon Mutual Water	362	2.36%	393	2.21%
James P. Finch	305	2.00%	382	2.15%
John Delwiche	385	2.52%	-	0.00%
Total	9,475	61.90%	9,414	52.88%
Total Water Consumed (Acre-Feet)	15,307	100.00%	17,802	100.00%

**CASITAS MUNICIPAL WATER DISTRICT
RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS**

Schedule 8

Fiscal Year	Loans Payable	Bonds Payable	Notes Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2001	\$ 4,632,504	\$ 267,500	\$ 9,694,348	\$ 14,594,352	\$ 19.38	0.06%
2002	4,475,112	261,500	9,436,460	14,173,072	18.32	0.06%
2003	4,312,620	255,500	8,492,814	13,060,934	16.74	0.05%
2004	4,146,576	249,000	7,549,168	11,944,744	15.09	0.04%
2005	3,973,120	240,500	6,605,522	10,819,142	13.48	0.04%
2006	3,792,883	217,500	5,661,876	9,672,259	11.92	0.03%
2007	3,608,238	207,500	4,718,230	8,533,968	10.39	0.03%
2008	3,417,845	196,500	3,774,584	7,388,929	8.98	0.02%
2009	3,220,825	185,500	2,830,938	6,237,263	7.46	0.02%
2010	3,017,650	173,500	1,887,292	5,078,442	6.04	0.01%



Source: Casitas Municipal Water District Accounting Department

**CASITAS MUNICIPAL WATER DISTRICT
DEBT COVERAGE
LAST TEN FISCAL YEARS**

Schedule 9

Fiscal Year	Net Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2001	\$ 10,764,934	\$ (6,040,830)	\$ 4,724,104	\$ 416,376	\$ 82,731	\$ 499,107	\$ 9.47
2002	12,314,609	(6,778,848)	5,535,761	421,280	61,144	482,424	11.47
2003	10,097,179	(8,212,939)	1,884,240	1,112,138	250,890	1,363,028	1.38
2004	10,664,828	(7,866,167)	2,798,661	1,116,190	151,058	1,267,248	2.21
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	17,226,479	(10,107,124)	7,119,355	1,145,039	123,440	1,268,479	5.61
2009	17,223,399	(13,384,114)	3,839,285	1,151,666	116,361	1,268,027	3.77
2010	15,599,386	(11,836,729)	3,762,657	1,158,821	107,098	1,265,919	2.97

Notes:

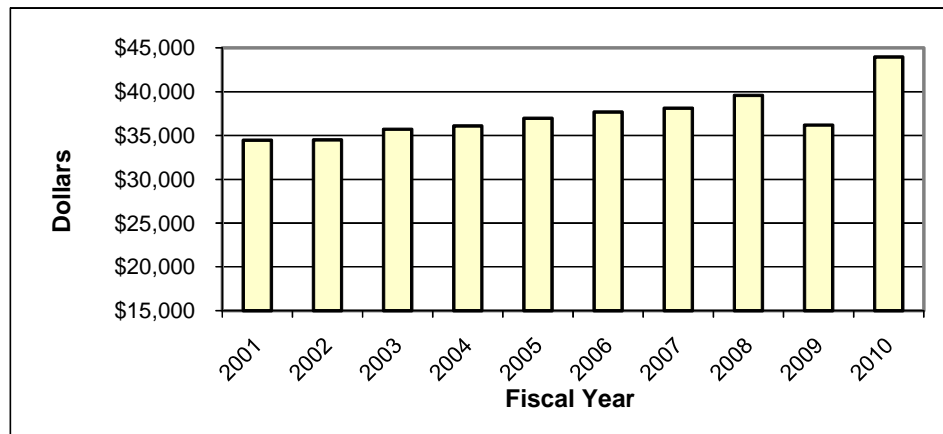
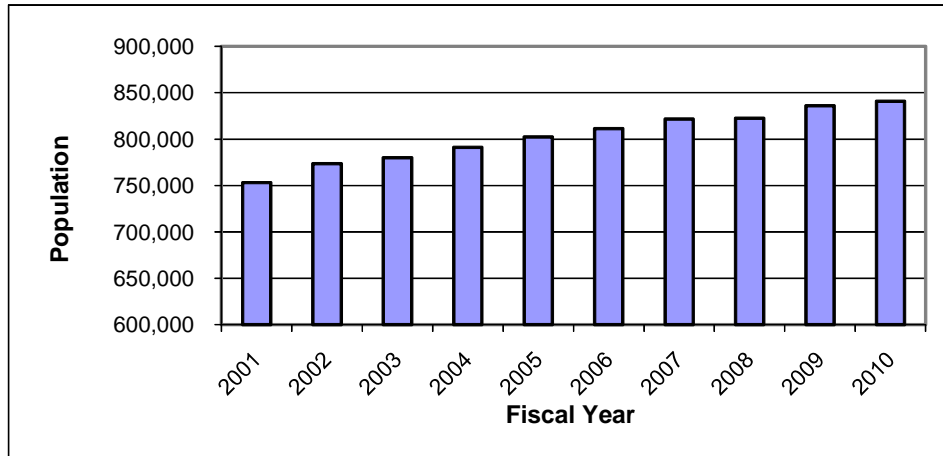
⁽¹⁾ Operating expenses exclude depreciation expense.

Source: Casitas Municipal Water District Accounting Department

**CASITAS MUNICIPAL WATER DISTRICT
DEMOGRAPHICS AND ECONOMIC STATISTICS – COUNTY OF VENTURA ⁽¹⁾
LAST TEN FISCAL YEARS**

Schedule 10

Year	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2001	4.5%	753,197	\$ 25,964,280	\$ 34,472
2002	5.6%	773,539	26,676,989	34,487
2003	5.3%	780,089	27,860,349	35,714
2004	4.8%	791,310	28,562,451	36,095
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	11.2%	841,001	36,961,664	43,950



Notes:

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

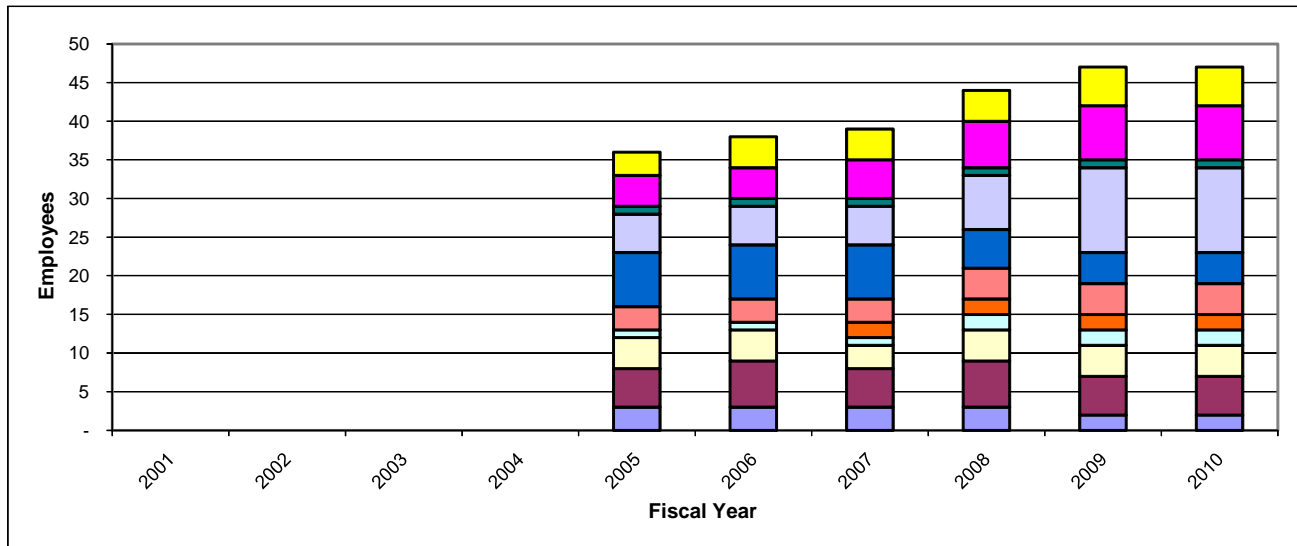
Sources: California Department of Finance and California Labor Market Info

**CASITAS MUNICIPAL WATER DISTRICT
OPERATING AND CAPACITY INDICATORS
LAST TEN FISCAL YEARS**

Schedule 11

Paid - Full Time Positions

Department	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Management	N/A	N/A	N/A	N/A	3	3	3	3	2	2
Administration	N/A	N/A	N/A	N/A	5	6	5	6	5	5
Engineering	N/A	N/A	N/A	N/A	4	4	3	4	4	4
Water Quality Lab	N/A	N/A	N/A	N/A	1	1	1	2	2	2
Fisheries	N/A	N/A	N/A	N/A	-	-	2	2	2	2
Electrical and Mechanical	N/A	N/A	N/A	N/A	3	3	3	4	4	4
Distribution	N/A	N/A	N/A	N/A	7	7	7	5	4	4
Conservation and Treatment	N/A	N/A	N/A	N/A	5	5	5	7	11	11
Information Technology	N/A	N/A	N/A	N/A	1	1	1	1	1	1
Recreation Operations	N/A	N/A	N/A	N/A	4	4	5	6	7	7
Recreation Maintenance	N/A	N/A	N/A	N/A	3	4	4	4	5	5
Total	N/A	N/A	N/A	N/A	36	38	39	44	47	47



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)
2001	105.7	254,000	223,233	87.9%	65
2002	105.7	254,000	195,172	76.8%	65
2003	105.7	254,000	179,219	70.6%	65
2004	105.7	254,000	167,988	66.1%	65
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

N/A - Data not available for these years.

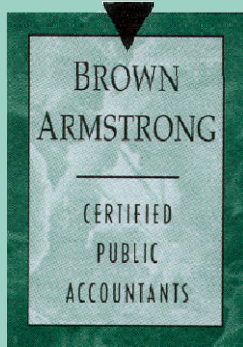
AF - Acre-Feet

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 THE BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Casitas Municipal Water District
Oak View, California

We have audited the basic financial statements of Casitas Municipal Water District (District), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 audit 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*.

We noted certain matters that we reported to management of the District in a separate letter dated November 29, 2010.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
November 29, 2010