

Casitas Municipal Water District

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2015*



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Casitas Municipal Water District
Oak View, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

Prepared by:

Denise Collin – Accounting Manager / Treasurer

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**Casitas Municipal Water District
Comprehensive Annual Financial Report
For the Year Ended June 30, 2015**

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INTRODUCTORY SECTION

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December 31, 2015

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 year ended June 30, 2015, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

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

District Structure and Leadership

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

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

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

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

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

Economic Condition and Outlook

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

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

Internal Control Structure

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

Budgetary Control

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

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

Investment Policy

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

Water Rates and District Revenues

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

Audit and Financial Reporting

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

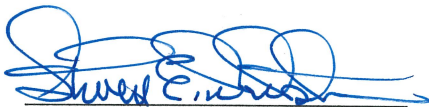
Awards and Acknowledgements

For the year ended June 30, 2014, the District received for the 21st year the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting*. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. (See Page 6)

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

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

Respectfully submitted,



Steve Wickstrum
General Manager



Denise Collin
Accounting Manager/Treasurer ,

Casitas Municipal Water District

Directory

July 1, 2014 – June 30, 2015

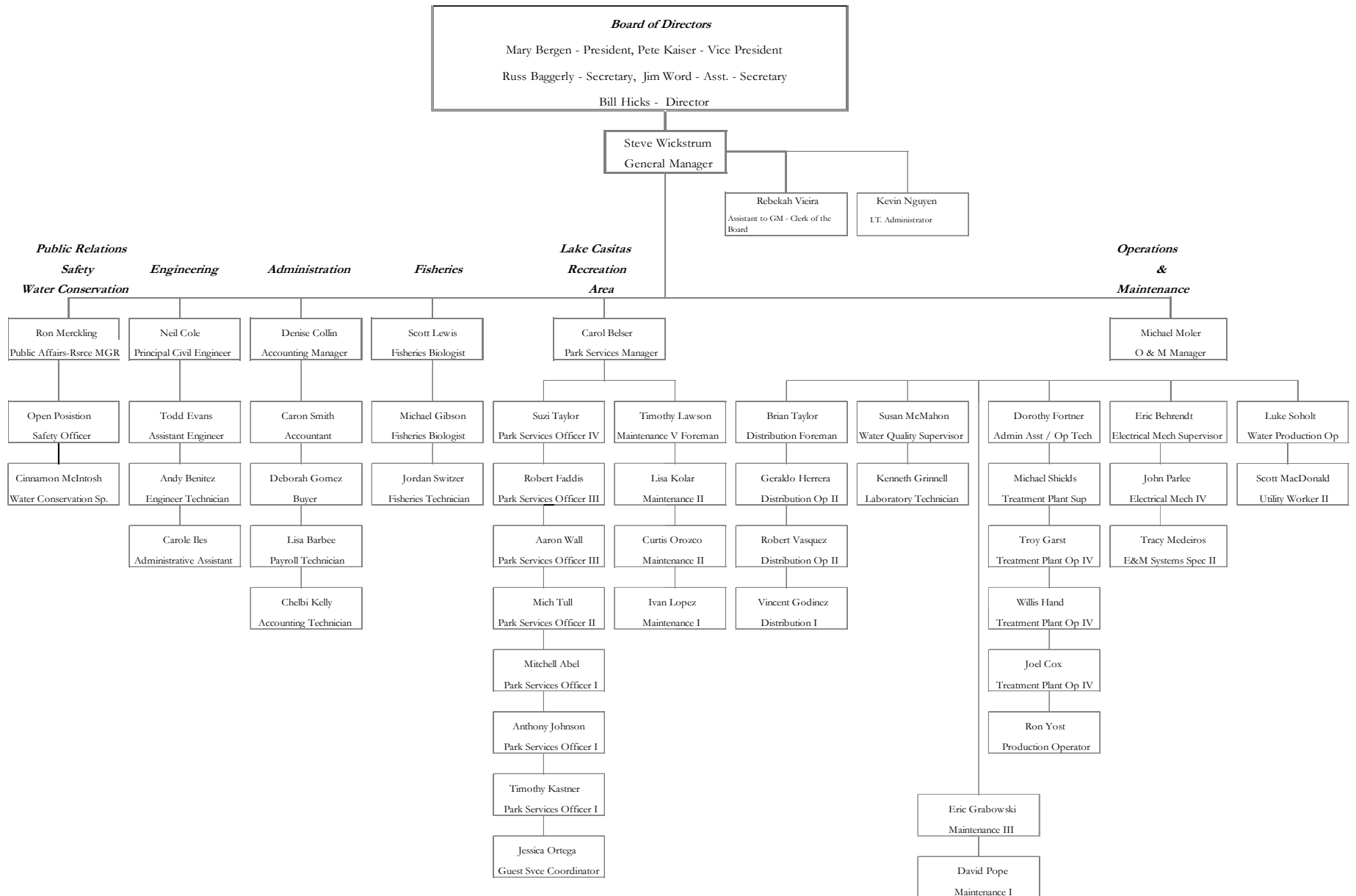
Board of Directors

| Board Member | Division | Date of Original Election or Appointment | Ending Date of Term |
|---------------|------------|--|---------------------|
| Bill Hicks | Division 1 | November, 1990 | December, 2018 |
| Jim Word | Division 2 | May, 1997 | December, 2016 |
| Pete Kaiser | Division 3 | November, 2002 | December, 2016 |
| Mary Bergen | Division 4 | November, 2010 | December, 2018 |
| Russ Baggerly | Division 5 | November, 2004 | December, 2016 |

Staff

| | |
|-----------------|---|
| Steve Wickstrum | General Manager |
| Rebekah Vieira | Assistant to the General Manager and Clerk of the Board |
| Neil Cole | Principal Civil Engineer |
| Carol Belser | Park Services Manager |
| Denise Collin | Accounting Manager / Treasurer |
| Michael Moler | O&M Manager |
| Ron Merckling | Public Affairs Resource Manager |
| Scott Lewis | Fisheries Biologist |
| Open Position | Safety Officer |

Casitas Municipal Water District Organizational Chart





Government Finance Officers Association

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

Presented to

**Casitas Municipal Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Casitas Municipal Water District
Oak View, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Casitas Municipal Water District (District), which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
of the Casitas Municipal Water District
Oak View, California

Emphasis of Matter

Implementation of GASB Statements No. 68 and 71

As discussed in Notes 1 and 9 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 12 to the basic financial statements. In addition, the Net Pension Liability is reported in the Balance Sheet in the amount of \$5,352,928 as of June 30, 2014, the measurement date. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the District's June 30, 2014 net position. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 18 and the Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions – Pension Plans, and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 51 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 supplementary information on pages 57 through 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
of the Casitas Municipal Water District
Oak View, California

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory and the statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
December 31, 2015



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Board of Directors
of the Casitas Municipal Water District
Oak View, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Casitas Municipal Water District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

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To the Board of Directors
of the Casitas Municipal Water District
Oak View, California

Purpose of this Report

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

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 31, 2015

Casitas Municipal Water District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

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 year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District incurred a net loss of \$(170,750) and a net income \$579,622 for fiscal years ended June 30, 2015 and 2014, respectively. Also, the District recorded a prior period adjustment of \$(10,684,160) to account for the implementation of GASB Nos. 68 and 71 to record the District's net pension liability on the balance sheet and to account for the change in water-in-storage valuation. (See Note 12 for further information)
- Total revenues decreased by 1.5% or \$(263,285) from \$18,020,107 to \$17,756,822, from the prior year, primarily due to the decrease in retail water consumption of \$(428,161).
- Total expenses for the District's operations before depreciation expense decreased by 6.8% or \$(961,158) from \$14,238,444 to \$13,277,286, from the prior year, primarily due to the decrease in water treatment expenses of \$(331,546) and general and administrative expenses of \$(622,712).

Required Financial Statements

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

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

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "*Is the District better off or worse off as a result of this year's activities?*" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Casitas Municipal Water District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Fiscal Year Ended June 30, 2015

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

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.

Balance Sheet

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Change</u> |
|---|----------------------|----------------------|-----------------------|
| Assets: | | | |
| Current assets | \$ 29,120,364 | \$ 26,438,461 | \$ 2,681,903 |
| Non-current assets | 6,163,728 | 11,025,928 | (4,862,200) |
| Capital assets, net | <u>58,504,721</u> | <u>58,881,559</u> | <u>(376,838)</u> |
| Total assets | <u>93,788,813</u> | <u>96,345,948</u> | <u>(2,557,135)</u> |
| Deferred outflows of resources | <u>434,390</u> | <u>-</u> | <u>434,390</u> |
| Total assets and deferred outflows of resources | <u>\$ 94,223,203</u> | <u>\$ 96,345,948</u> | <u>\$ (2,122,745)</u> |
| Liabilities: | | | |
| Current liabilities | \$ 2,686,351 | \$ 1,939,378 | \$ 746,973 |
| Non-current liabilities | <u>18,518,230</u> | <u>12,617,689</u> | <u>5,900,541</u> |
| Total liabilities | <u>21,204,581</u> | <u>14,557,067</u> | <u>6,647,514</u> |
| Deferred inflows of resources | <u>2,084,651</u> | <u>-</u> | <u>2,084,651</u> |
| Net position: | | | |
| Net investment in capital assets | 53,488,631 | 53,612,183 | (123,552) |
| Restricted | 134,267 | 153,708 | (19,441) |
| Unrestricted | <u>17,311,073</u> | <u>28,022,990</u> | <u>(10,711,917)</u> |
| Total net position | <u>70,933,971</u> | <u>81,788,881</u> | <u>(10,854,910)</u> |
| Total liabilities, deferred outflows of resources and net position | <u>\$ 94,223,203</u> | <u>\$ 96,345,948</u> | <u>\$ (2,122,745)</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$70,933,971 and \$81,788,881 as of June 30, 2015 and 2014, respectively.

The District's net position (75% as of June 30, 2015 and 66% as of June 30, 2014) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

The District implemented GASB Statements No. 68 and 71, which the District recognized a net pension liability of \$5,352,928 as of June 30, 2015.

At the end of fiscal years 2015 and 2014, the District showed a positive balance in its unrestricted net position of \$17,311,073 and \$28,022,990, respectively, which may be utilized in future years.

Casitas Municipal Water District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Fiscal Year Ended June 30, 2015

Statement of Revenues, Expenses and Change in Net Position

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Change</u> |
|--|----------------------|----------------------|------------------------|
| Operating revenues | \$ 14,530,148 | \$ 14,923,271 | \$ (393,123) |
| Operating expenses | <u>(13,277,286)</u> | <u>(14,238,444)</u> | <u>961,158</u> |
| Operating income before depreciation | 1,252,862 | 684,827 | 568,035 |
| Depreciation expense | <u>(3,164,097)</u> | <u>(3,152,038)</u> | <u>(12,059)</u> |
| Operating income(loss) | (1,911,235) | (2,467,211) | 555,976 |
| Non-operating revenues(expenses), net | <u>1,255,811</u> | <u>2,557,762</u> | <u>(1,301,951)</u> |
| Net loss before capital contributions | (655,424) | 90,551 | (745,975) |
| Capital contributions | <u>484,674</u> | <u>489,071</u> | <u>(4,397)</u> |
| Change in net position | (170,750) | 579,622 | (750,372) |
| Net position: | | | |
| Beginning of year | 81,788,881 | 81,209,259 | 579,622 |
| Prior period adjustment | <u>(10,684,160)</u> | <u>-</u> | <u>(10,684,160)</u> |
| End of year | <u>\$ 70,933,971</u> | <u>\$ 81,788,881</u> | <u>\$ (10,854,910)</u> |

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position decreased by \$(170,750) and increased \$579,622 for the fiscal years ended June 30, 2015 and 2014, respectively.

A closer examination of the sources of changes in net position reveals that:

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Increase (Decrease)</u> |
|--|----------------------|----------------------|--------------------------------|
| Operating revenues: | | | |
| Retail water consumption | \$ 6,626,304 | \$ 7,054,465 | \$ (428,161) |
| Wholesale water sales | 2,058,219 | 2,041,254 | 16,965 |
| Monthly water service charge | 2,183,531 | 1,996,560 | 186,971 |
| Recreation revenue | 3,443,089 | 3,625,800 | (182,711) |
| Other water charges and services | <u>219,005</u> | <u>205,192</u> | <u>13,813</u> |
| Total operating revenues | <u>14,530,148</u> | <u>14,923,271</u> | <u>(393,123)</u> |
| Non-operating: | | | |
| Property taxes – ad valorem | 2,240,433 | 2,134,473 | 105,960 |
| Redevelopment agency property tax | 68,837 | 57,599 | 11,238 |
| Property tax assessment for SWP | 490,989 | 566,610 | (75,621) |
| Mira Monte assessment | 19,434 | 31,797 | (12,363) |
| Interest and investment earnings | 427,897 | 492,219 | (64,322) |
| Change in fair-value of investments | (200,414) | (210,368) | 9,954 |
| Other non-operating revenues/(expenses), net | <u>179,498</u> | <u>24,506</u> | <u>154,992</u> |
| Total non-operating | <u>3,226,674</u> | <u>3,096,836</u> | <u>129,838</u> |
| Total revenues | <u>\$ 17,756,822</u> | <u>\$ 18,020,107</u> | <u>\$ (263,285)</u> |

In 2015, total revenues decreased by 1.5% or \$(263,285) from \$18,020,107 to \$17,756,822, from the prior year, primarily due to the decrease in retail water consumption of \$(428,161).

**Casitas Municipal Water District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Fiscal Year Ended June 30, 2015**

Statement of Revenues, Expenses and Change in Net Position (Continued)

| | <u>June 30, 2015</u> | <u>June 30, 2014</u> | <u>Increase (Decrease)</u> |
|---|----------------------|----------------------|--------------------------------|
| Operating expenses: | | | |
| Source of supply | \$ 1,430,475 | \$ 1,421,801 | \$ 8,674 |
| Pumping | 1,634,202 | 1,685,967 | (51,765) |
| Water treatment | 1,451,902 | 1,783,448 | (331,546) |
| Transmission and distribution | 646,868 | 762,346 | (115,478) |
| Telemetry | 272,594 | 332,776 | (60,182) |
| Customer accounts | 399,383 | 400,493 | (1,110) |
| Recreation expenses | 4,140,358 | 3,939,152 | 201,206 |
| General and administrative | <u>3,301,504</u> | <u>3,912,461</u> | <u>(610,957)</u> |
| Operating expenses before depreciation | 13,277,286 | 14,238,444 | (961,158) |
| Depreciation | <u>3,164,097</u> | <u>3,152,038</u> | <u>12,059</u> |
| Total operating expenses | <u>16,441,383</u> | <u>17,390,482</u> | <u>(949,099)</u> |
| Non-operating expenses: | | | |
| State water project expense | 696,576 | 451,590 | 244,986 |
| Change in water-in-storage inventory | 1,171,790 | - | 1,171,790 |
| Tax collection expense | 31,610 | 8,360 | 23,250 |
| Interest expense – long-term debt | <u>70,887</u> | <u>79,124</u> | <u>(8,237)</u> |
| Total non-operating | <u>1,970,863</u> | <u>539,074</u> | <u>1,431,789</u> |
| Total expenses | <u>\$ 18,412,246</u> | <u>\$ 17,929,556</u> | <u>\$ 482,690</u> |

In 2015, total expenses for the District's operations before depreciation expense decreased by 6.8% or \$(961,158) from \$14,238,444 to \$13,277,286, from the prior year, primarily due to the decrease in water treatment expenses of \$(331,546) and general and administrative expenses of \$(622,712).

Capital Asset Administration

| | <u>Balance June 30, 2015</u> | <u>Balance June 30, 2014</u> |
|----------------------------------|----------------------------------|----------------------------------|
| Capital assets: | | |
| Non-depreciable assets | \$ 6,230,088 | \$ 6,470,865 |
| Depreciable assets | 109,187,029 | 106,217,396 |
| Accumulated depreciation | <u>(56,912,396)</u> | <u>(53,806,702)</u> |
| Total capital assets, net | <u>\$ 58,504,721</u> | <u>\$ 58,881,559</u> |

At the end of fiscal year 2015 and 2014, the District's investment in capital assets amounted to \$58,504,721 and \$58,881,559 (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, structures, building, operating equipment and office equipment. See Note 4 for further information.

**Casitas Municipal Water District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Fiscal Year Ended June 30, 2015**

Debt Administration

The long-term debt position of the District is summarized below:

| Long-term debt: | Balance July 1, 2014 | Additions | Transfers/ Deletions | Balance June 30, 2015 |
|-------------------------|---------------------------------|------------------|---------------------------------|----------------------------------|
| Reimbursement agreement | \$ 3,011,898 | \$ - | \$ - | \$ 3,011,898 |
| Loans payable | 2,136,978 | - | (238,286) | 1,898,692 |
| Revenue bonds payable | 120,500 | - | 15,000 | 135,500 |
| Total | \$ 5,269,376 | \$ - | \$ (223,286) | \$ 5,046,090 |

Structured long-term debt items decreased by \$(223,286) for the fiscal year ended June 30, 2015, due to regular principal payments on the District's structured long-term debt items. See Notes 6 and 7 for further information.

Conditions Affecting Current Financial Position

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

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, California 93022 – (805) 649-2251 x 103.

BASIC FINANCIAL STATEMENTS

Casitas Municipal Water District
Balance Sheet
June 30, 2015

ASSETS AND
DEFERRED OUTFLOWS OF RESOURCES

Current assets:

| | |
|---|--------------------------|
| Cash and cash equivalents (note 2) | \$ 6,361,181 |
| Investments (note 2) | 19,026,345 |
| Accrued interest receivable | 109,375 |
| Accounts receivable – customers | 1,805,980 |
| Accounts receivable – special assessments | 134,267 |
| Accounts receivable – property taxes | 61,803 |
| Accounts receivable – other | 1,137,751 |
| Materials and supplies inventory | 88,704 |
| Prepaid items | 394,958 |
| Total current assets | <u>29,120,364</u> |

Non-current assets:

| | |
|--|--------------------------|
| Water-in-storage inventory (note 3) | 6,163,728 |
| Capital assets – not being depreciated (note 4) | 6,230,088 |
| Capital assets – being depreciated, net (note 4) | 52,274,633 |
| Total non-current assets | <u>64,668,449</u> |
| Total assets | <u>93,788,813</u> |

Deferred outflows of resources:

| | |
|---|-----------------------------|
| Employer contributions to pension plan made after the measurement date (note 9) | 311,168 |
| Recognized portion of adjustment due to differences in proportions (note 9) | 123,222 |
| Total deferred outflows of resources | <u>434,390</u> |
| Total assets and deferred outflows of resources | <u>\$ 94,223,203</u> |

Casitas Municipal Water District
Balance Sheet (Continued)
June 30, 2015

**LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND NET POSITION**

Current liabilities:

| | |
|--|------------------|
| Accounts payable and accrued expenses | \$ 1,303,366 |
| Deposits and unearned revenue | 521,071 |
| Accrued interest payable | 15,297 |
| Long-term liabilities – due within one year: | |
| Compensated absences (note 5) | 353,045 |
| Reimbursement agreement (note 6) | 231,684 |
| Loans payable (note 7) | 245,888 |
| Special assessment bonds payable (note 7) | 16,000 |
| Total current liabilities | 2,686,351 |

Non-current liabilities:

| | |
|---|-------------------|
| Long-term liabilities – due in more than one year: | |
| Compensated absences (note 5) | 529,568 |
| Reimbursement agreement (note 6) | 2,780,214 |
| Loans payable (note 7) | 1,652,804 |
| Special assessment bonds payable (note 7) | 89,500 |
| Net other post-employment benefits payable (note 8) | 8,113,216 |
| Net pension liability (note 9) | 5,352,928 |
| Total non-current liabilities | 18,518,230 |
| Total liabilities | 21,204,581 |

Deferred inflows of resources:

| | |
|---|------------------|
| Recognized net differences between projected and actual earnings on pension plan investments (note 9) | 1,798,832 |
| Changes in employer contributions and differences between proportionate share of pension expense (note 9) | 285,819 |
| Total deferred inflows of resources | 2,084,651 |

Net position:

| | |
|--|----------------------|
| Net investment in capital assets (note 10) | 53,488,631 |
| Restricted for debt service (note 11) | 134,267 |
| Unrestricted | 17,311,073 |
| Total net position | 70,933,971 |
| Total liabilities, deferred inflows of resources and net position | \$ 94,223,203 |

Casitas Municipal Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

| | |
|---|-----------------------------|
| Operating revenues: | |
| Retail water consumption | \$ 6,626,304 |
| Wholesale water sales | 2,058,219 |
| Monthly water service charge | 2,183,531 |
| Recreation revenue | 3,443,089 |
| Other water charges and services | 219,005 |
| Total operating revenues | <u>14,530,148</u> |
| Operating expenses: | |
| Source of supply | 1,430,475 |
| Pumping | 1,634,202 |
| Water treatment | 1,451,902 |
| Transmission and distribution | 646,868 |
| Telemetry | 272,594 |
| Customer accounts | 399,383 |
| Recreation expenses | 4,140,358 |
| General and administrative | 3,301,504 |
| Total operating expenses | <u>13,277,286</u> |
| Operating income(loss) before depreciation expense | 1,252,862 |
| Depreciation expense – water department | (2,832,048) |
| Depreciation expense – recreation department | (332,049) |
| Operating (loss) | <u>(1,911,235)</u> |
| Non-operating revenues(expenses): | |
| Property taxes – ad valorem | 2,240,433 |
| Redevelopment agency property tax increment | 68,837 |
| Property tax assessment for State Water Project | 490,989 |
| State water project expense | (696,576) |
| Change in water-in-storage inventory (note 3) | (1,171,790) |
| Mira Monte assessment | 19,434 |
| Tax collection expense | (31,610) |
| Interest and investment earnings | 427,897 |
| Change in fair-value of investments | (200,414) |
| Interest expense – long-term debt | (70,887) |
| Other non-operating revenues/(expenses), net | 179,498 |
| Total non-operating revenue(expense), net | <u>1,255,811</u> |
| Net (loss) before capital contributions | <u>(655,424)</u> |
| Capital contributions: | |
| Federal, state and local grants | 484,674 |
| Total capital contributions | <u>484,674</u> |
| Change in net position | <u>(170,750)</u> |
| Net position: | |
| Beginning of year, as previously reported | 81,788,881 |
| Prior period adjustments (note 12) | (10,684,160) |
| End of year | <u><u>\$ 70,933,971</u></u> |

Casitas Municipal Water District
Statement of Cash Flows
For the Year Ended June 30, 2015

| | |
|--|---------------------|
| Cash flows from operating activities: | |
| Cash receipts from customers and others | \$ 13,784,625 |
| Cash paid to employees for salaries and wages | (5,288,876) |
| Cash paid to vendors and suppliers for materials and services | (7,783,550) |
| Net cash provided by operating activities | 712,199 |
| Cash flows from non-capital financing activities: | |
| Proceeds from property taxes and assessments | 2,818,472 |
| Net cash provided by non-capital financing activities | 2,818,472 |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | (2,787,259) |
| Proceeds from capital grants | 484,674 |
| Principal paid on long-term debt | (253,286) |
| Interest paid on long-term debt | (72,806) |
| Net cash (used in) capital and related financing activities | (2,628,677) |
| Cash flows from investing activities: | |
| Proceeds from the sale or maturity of investments | 7,180,697 |
| Purchases of investments, net | (11,258,248) |
| Investment earnings | 395,440 |
| Net cash (used in) investing activities | (3,682,111) |
| Net (decrease) in cash and cash equivalents | (2,780,117) |
| Cash and cash equivalents: | |
| Beginning of year | 9,141,298 |
| End of year | \$ 6,361,181 |

Casitas Municipal Water District
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2015

| | |
|--|----------------------------|
| Reconciliation of operating (loss) to net cash provided by operating activities: | |
| Operating (loss) | <u>\$ (1,911,235)</u> |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities: | |
| Depreciation | 3,164,097 |
| State water project expense | (696,576) |
| Tax collection expense | (31,610) |
| Other non-operating revenues/(expenses), net | 179,498 |
| Change in assets – (increase)decrease: | |
| Accounts receivable – customers | (692,958) |
| Accounts receivable – other | (709,809) |
| Materials and supplies inventory | 5,158 |
| Prepaid items | (153,596) |
| Change in deferred outflows of resources – (increase)decrease | |
| Employer contributions to pension plan made after the measurement date | 397,004 |
| Recognized portion of adjustment due to differences in proportions | (123,222) |
| Change in liabilities – increase(decrease): | |
| Accounts payable and accrued expenses | 306,876 |
| Deposits and unearned revenue | 477,746 |
| Compensated absences | (66,598) |
| Net other post-employment benefits payable | 831,767 |
| Net pension liability | (1,961,097) |
| Change in deferred inflows of resources – increase(decrease) | |
| Recognized net differences between projected and actual earnings on pension plan investments | 1,798,832 |
| Changes in employer contributions and differences between proportionate share of pension expense | <u>(102,078)</u> |
| Total adjustments | <u>2,623,434</u> |
| Net cash provided by operating activities | <u><u>\$ 712,199</u></u> |
| Non-cash investing, capital and financing transactions: | |
| Change in fair-value of investments | <u><u>\$ (200,414)</u></u> |

Casitas Municipal Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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

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

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (GASB) commonly referred to as accounting principles generally accepted in the United States of America (U.S. GAAP). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements (i.e., the balance sheet, the statement of revenues, expenses and change in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June, 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as *operating income* in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Accounting Changes

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Notes 9 and 12 for the net pension liability and the prior period adjustment, respectively, as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Notes 9 and 12 for the net pension liability and the prior period adjustment, respectively, as a result of implementation.

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Cash and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by organizations for services rendered in the regular course of business operations. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts. As of June 30, 2015, no allowance for doubtful accounts has been recorded as the District deems all accounts receivable balances collectable.

Property Taxes and Assessments

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Ventura, California (County) bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy properties at 1% of full market value (at time of purchase) and can increase the property tax rate at no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978. Property taxes are recognized in the fiscal year for which the taxes have been levied.

Property assessments are extended on the property tax bills and are collected by the County and distributed to the District throughout the year.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid expenses.

Water-In-Storage Inventory

The value of water inventory is determined based upon the quantity of water in storage in Lake Casitas and the costs to divert the water into the lake.

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

| | |
|--------------------------------------|----------------|
| Transmission and distribution system | 50 to 75 years |
| Pumping plant | 10 to 30 years |
| Water treatment plant | 10 to 30 years |
| Buildings and structures | 10 to 30 years |
| Equipment | 5 to 10 years |
| Fish ladder | 5 years |
| Recreation assets | 7 years |
| Alternate swimming facility | 2 to 5 years |

Major outlays for capital assets are capitalized as construction in progress until fully constructed. Once the construction is completed the capital asset is transferred and depreciated based on its useful life.

State Water Project Participation Rights

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

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.

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.

Net Other Post Employment Retirement Benefits

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

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2013 |
| Measurement Date | June 30, 2014 |
| Measurement Period | July 1, 2013 to June 30, 2014 |

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. There was no restricted net position as of June 30, 2015.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

| Description | Balance |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 6,361,181 |
| Investments | 19,026,345 |
| Total | <u>\$ 25,387,526</u> |

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

| Description | Balance |
|---|----------------------|
| Cash on hand | \$ 4,500 |
| Deposits held with financial institutions | 6,324,756 |
| Investments | 19,058,270 |
| Total | <u>\$ 25,387,526</u> |

Authorized Deposits and Investments

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Of Portfolio | Maximum Investment in One Issuer |
|-------------------------------------|---------------------|---------------------------------------|--|
| U.S. Treasury Obligations | 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 |

Investment in California State Investment Pool – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

Investment in California State Investment Pool – Local Agency Investment Fund (LAIF)

The District's investments with LAIF at June 30, 2015, included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2015, the District had \$446 invested in LAIF, which had invested 2.08% of the pool investment funds in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

Investment in Ventura County Pooled Investment Fund (VCPIF)

The District is a voluntary participant in the VCPIF and the District determines the amount and term of its investment. The County Treasurer makes investments in accordance with a Statement of Investment Policy reviewed and approved annually by the Board of Supervisors. The Treasury Investment Oversight Committee comprised of the County Treasurer, a representative of the Board of Supervisors, the County Investment Manager, a representative of the County Superintendent of Schools and other Treasury Department support staff meets semi-annually to review the activities of the Treasurer and provide a report to the Board of Supervisors. The County's Treasurer has indicated to the District that as of June 30, 2015 that the value of the County's portfolio was approximately \$2.2 billion. The VCPIF is rated AAAs by Standard & Poor's.

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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. Of the bank balance, up to \$250,000 is federally insured.

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. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. 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.

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

| <u>Type of Investments</u> | <u>Credit Rating</u> | <u>Fair Value</u> | <u>Maturity</u> | | |
|--|----------------------|----------------------|--------------------------|------------------------|-------------------------|
| | | | <u>12 Months or Less</u> | <u>13 to 24 Months</u> | <u>25 to 60+ Months</u> |
| Government sponsored entities securities | AA to A1+ | \$ 19,026,345 | \$ 712,152 | \$ 696,737 | \$ 17,617,456 |
| Money market mutual funds | Exempt | 30,513 | 30,513 | - | - |
| Local Agency Investment Fund (LAIF) | Not Rated | 446 | 446 | - | - |
| Ventura County Pooled Investment Fund | AAAF | 966 | 966 | - | - |
| Total investments | | <u>\$ 19,058,270</u> | <u>\$ 744,077</u> | <u>\$ 696,737</u> | <u>\$ 17,617,456</u> |

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 above table that shows the distribution of the District’s investments by maturity date.

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 above is the credit 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.

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 for the year ended June 30, 2015 were as follows:

| | |
|---|-----------------------|
| | <u>Balance</u> |
| Beginning balance – water-in-storage | \$ 11,025,928 |
| Prior period adjustment (note 12) | (3,690,410) |
| Current year water-in-storage valuation | <u>(1,171,790)</u> |
| Ending balance – water-in-storage | <u>\$ 6,163,728</u> |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 4 – Capital Assets

Summary changes in capital asset balances for the year ended June 30, 2015 were as follows:

| Description | Balance July 1, 2014 | Additions | Deletions/ Transfers | Balance June 30, 2015 |
|---------------------------------------|-------------------------|---------------------|-------------------------|--------------------------|
| Non-depreciable assets: | | | | |
| Land | 6,047,935 | \$ - | \$ - | \$ 6,047,935 |
| Construction-in-process | 422,930 | 166,838 | (407,615) | 182,153 |
| Total non-depreciable assets | 6,470,865 | 166,838 | (407,615) | 6,230,088 |
| Depreciable assets: | | | | |
| State water project entitlement | 2,880,437 | 70,563 | - | 2,951,000 |
| Transmission and distribution system | 41,931,093 | 191,876 | - | 42,122,969 |
| Pumping plant | 10,136,828 | 432,540 | - | 10,569,368 |
| Water treatment plant | 26,964,455 | 436,485 | - | 27,400,940 |
| Buildings and structures | 1,928,970 | 880,407 | - | 2,809,377 |
| Equipment | 4,151,822 | 180,048 | (58,403) | 4,273,467 |
| Fish ladder | 8,270,495 | - | - | 8,270,495 |
| Recreation assets | 8,017,391 | 428,502 | 407,615 | 8,853,508 |
| Alternate swimming facility | 1,935,905 | - | - | 1,935,905 |
| Total depreciable assets | 106,217,396 | 2,620,421 | 349,212 | 109,187,029 |
| Accumulated depreciation: | | | | |
| State water project entitlement | (1,823,397) | (42,580) | - | (1,865,977) |
| Transmission and distribution system | (18,331,300) | (551,770) | - | (18,883,070) |
| Pumping plant | (5,303,410) | (449,222) | - | (5,752,632) |
| Water treatment plant | (15,059,890) | (1,176,544) | - | (16,236,434) |
| Buildings and structures | (1,192,474) | (87,521) | - | (1,279,995) |
| Equipment | (2,265,041) | (184,781) | 58,403 | (2,391,419) |
| Fish ladder | (3,500,542) | (336,923) | - | (3,837,465) |
| Recreation assets | (5,459,492) | (237,961) | - | (5,697,453) |
| Alternate swimming facility | (871,156) | (96,795) | - | (967,951) |
| Total accumulated depreciation | (53,806,702) | (3,164,097) | 58,403 | (56,912,396) |
| Total depreciable assets, net | 52,410,694 | (543,676) | 407,615 | 52,274,633 |
| Total capital assets, net | \$ 58,881,559 | \$ (376,838) | \$ - | \$ 58,504,721 |

State Water Project Entitlement

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

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

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 4 – Capital Assets

State Water Project Entitlement (Continued)

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

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

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

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

Note 5 – Compensated Absences

Summary changes in compensated absences balances for the year ended June 30, 2015 were as follows:

| <u>Balance July 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2015</u> | <u>Due Within One Year</u> | <u>Due in More Than One Year</u> |
|---------------------------------|------------------|------------------|----------------------------------|--------------------------------|--------------------------------------|
| \$ 949,211 | \$ 334,196 | \$ (400,794) | \$ 882,613 | \$ 353,045 | \$ 529,568 |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 6 – Reimbursement Agreement

Casitas Dam Project – Seismic Safety of Casitas Dam

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

| Fiscal Year | Amount |
|----------------------|--------------|
| 2014* | \$ 77,228 |
| 2015* | 77,228 |
| 2016 | 77,228 |
| 2017 | 77,228 |
| 2018 | 77,228 |
| 2019 | 77,228 |
| 2020-2024 | 386,141 |
| 2025-2029 | 386,141 |
| 2030-2034 | 386,141 |
| 2035-2039 | 386,141 |
| 2040-2044 | 386,141 |
| 2045-2049 | 386,141 |
| 2050-2052 | 231,684 |
| Total | 3,011,898 |
| Less current portion | (231,684) |
| Total non-current | \$ 2,780,214 |

* The District did not make its February 1, 2014 and 2015 payment to the USBR until after June 30, 2015.

Note 7 – Long-Term Debt

Changes in long-term debt amounts for the year ended June 30, 2015 were as follows:

| Long-Term Debt | Balance July 1, 2014 | Additions/ Adjustments | Payments/ Amortization | Balance June 30, 2015 |
|----------------------------------|-------------------------|---------------------------|---------------------------|--------------------------|
| Loans payable | \$ 2,136,978 | \$ - | \$ (238,286) | \$ 1,898,692 |
| Special assessment bonds payable | 120,500 | - | (15,000) | 105,500 |
| Total long-term debt | 2,257,478 | \$ - | \$ (253,286) | 2,004,192 |
| Less current portion | (253,286) | | | (261,888) |
| Non-current portion | \$ 2,004,192 | | | \$ 1,742,304 |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Long-Term Debt (Continued)

Loans Payable:

1991 California Department of Water Resources Loan

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|--------------|
| 2016 | \$ 245,888 | \$ 59,180 | \$ 305,068 |
| 2017 | 254,079 | 50,989 | 305,068 |
| 2018 | 262,202 | 42,866 | 305,068 |
| 2019 | 270,694 | 34,374 | 305,068 |
| 2020 | 279,416 | 25,652 | 305,068 |
| 2021 | 288,552 | 16,516 | 305,068 |
| 2022 | 297,861 | 7,207 | 305,068 |
| Total | 1,898,692 | \$ 236,784 | \$ 2,135,476 |
| Less current | (245,888) | | |
| Total non-current | \$ 1,652,804 | | |

Special Assessment Bonds Payable:

Mira Monte Special Assessment Bonds Payable

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|--------------|
| 2016 | \$ 16,000 | \$ 5,650 | \$ 21,650 |
| 2017 | 16,000 | 4,875 | 20,875 |
| 2018 | 17,000 | 4,075 | 21,075 |
| 2019 | 18,000 | 3,250 | 21,250 |
| 2020 | 19,000 | 2,375 | 21,375 |
| 2021 | 19,500 | 1,450 | 20,950 |
| Total | 105,500 | \$ 21,675 | \$ 127,175 |
| Less current | (16,000) | | |
| Total non-current | \$ 89,500 | | |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Net Other Post-Employment Benefits

Plan Description

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

As required by GASB Statement No. 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every two years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

Annual OPEB Cost and Net OPEB Asset

The following table shows the components of the District's Annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan and the changes in the District's net OPEB obligation:

Summary changes in net other post-employment benefits obligation as of June 30, 2015 was as follows:

| <u>Description</u> | <u>Balance</u> |
|--|---------------------|
| Annual OPEB cost: | |
| Annual required contribution (ARC) | \$ 1,164,249 |
| Interest on net OPEB obligation | 218,443 |
| Adjustment to annual required contribution | (39,937) |
| Total annual OPEB cost | <u>1,342,755</u> |
| Contributions made: | |
| Retiree benefits paid by District | (510,988) |
| Total contributions made | <u>(510,988)</u> |
| Total change in net OPEB obligation | 831,767 |
| Net OPEB obligation(asset): | |
| Beginning of year | <u>7,281,449</u> |
| End of year | <u>\$ 8,113,216</u> |

The District's annual OPEB cost, the amounts contributed to the irrevocable trust, retiree benefit payments, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/asset for the fiscal year ended June 30, 2015 and the two preceding years are shown in the following table.

| <u>Three-Year History of Net OPEB Obligation(Asset)</u> | | | | |
|---|-------------------------|---------------------------|---|---|
| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Contributions Made</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation Payable(Asset)</u> |
| June 30, 2015 | \$ 1,342,755 | \$ 510,988 | 38.06% | \$ 8,113,216 |
| June 30, 2014 | \$ 2,562,079 | 558,632 | 21.80% | \$ 7,281,449 |
| June 30, 2013 | \$ 1,640,863 | 531,699 | 32.40% | \$ 5,278,002 |

The most recent valuation (dated June 30, 2015) includes an Actuarial Accrued Liability of \$14,591,064. Plan assets amounted to \$0. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was \$4,800,000. The funded ratio of the liability was 0.00%.

Note 8 – Net Other Post-Employment Benefits Asset (Continued)

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

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:

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

| | |
|-------------------------------|-----------------------------------|
| Valuation date | June 30, 2015 |
| Actuarial cost method | Entry age normal cost method |
| Amortization method | Level percent, closed 30 years |
| Remaining amortization period | 25 Years as of the valuation date |
| Asset valuation method | 30 Year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 4.50% |
| Projected salary increase | 2.75% |
| Inflation - discount rate | 2.75% |
| Health care trend rate | 4.00% |

Note 9 – Net Pension Liability

| Type of Account | Balance as of July 1, 2014 (As Restated) | Additions | Deletions | Balance as of June 30, 2015 |
|--|---|---------------------|-----------------------|--|
| Deferred Outflows of Resources: | | | | |
| Employer contributions to pension plan made after the measurement date | \$ 708,172 | \$ 311,168 | \$ (708,172) | \$ 311,168 |
| Recognized portion of adjustment due to differences in proportions | - | 167,230 | (44,008) | 123,222 |
| Total deferred outflows of resources | \$ 708,172 | \$ 478,398 | \$ (752,180) | \$ 434,390 |
| Net Pension Liability: | | | | |
| CalPERs – Miscellaneous Classic Plan | \$ 7,314,025 | \$ - | \$ (1,961,097) | \$ 5,352,928 |
| Total net pension liability | \$ 7,314,025 | \$ - | \$ (1,961,097) | \$ 5,352,928 |
| Deferred Inflows of Resources: | | | | |
| Recognized net differences between projected and actual earnings on pension plan investments | \$ - | \$ 2,248,540 | \$ (449,708) | \$ 1,798,832 |
| Changes in employer contributions and differences between proportionate share of pension expense | 387,897 | - | (102,078) | 285,819 |
| Total deferred inflows of resources | \$ 387,897 | \$ 2,248,540 | \$ (551,786) | \$ 2,084,651 |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Net Pension Liability (Continued)

General Information about the Pension Plans

The Plans

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

| | Miscellaneous Plans | |
|---|--|--|
| | Classic Tier 1 | PEPRA Tier 2 |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.0% @ 60 | 2.0 @ 62 |
| Benefit vesting schedule | 5-years or service monthly for life | 5-years or service monthly for life |
| Retirement age | 50 - 67 & up | 52 - 67 & up |
| Monthly benefits, as a % of eligible compensation | 1.092% to 2.418% | 1.0% to 2.5% |
| Required member contribution rates | 6.880% | 6.308% |
| Required employer contribution rates | 8.486% | 6.250% |

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2013, the following members were covered by the benefit terms:

| Plan Members | Classic Tier 1 |
|------------------------------------|---------------------------|
| Active members | 44 |
| Transferred and terminated members | 20 |
| Retired members and beneficiaries | 73 |
| Total plan members | 137 |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Net Pension Liability (Continued)

General Information about the Pension Plans(Continued)

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous members are calculated as 3.0% of the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2.0%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2014 (the measurement date), the active member contribution rate for the Miscellaneous Plan is 6.880% of annual pay and the average employer's contribution rate is 8.486 of annual payroll.

| Contribution Type | Classic Tier 1 |
|----------------------------|---------------------------|
| Contributions – employer | \$ 320,275 |
| Contributions – members | 282,836 |
| Total contributions | \$ 603,111 |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Net Pension Liability (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|----------------------------------|--|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirement of GASB Statement No. 68 |
| Actuarial Assumptions: | |
| Discount Rate | 7.50% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation |
| Mortality Rate Table | Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. CalPERS' Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major *asset class*.

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Net Pension Liability (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| <u>Investment Type</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1 - 10¹</u> | <u>Real Return Years 11+²</u> |
|-------------------------------|---------------------------------|---|--|
| Global Equity | 47.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 12.00% | 6.83% | 6.95% |
| Real Estate | 11.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |
| | <u>100.00%</u> | | |

¹ An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

| <u>Plan Type</u> | <u>Plan's Net Pension Liability/(Asset)</u> | | |
|--------------------------------------|---|--|-------------------------------------|
| | <u>Discount Rate - 1% 6.50%</u> | <u>Current Discount Rate 7.50%</u> | <u>Discount Rate + 1% 8.50%</u> |
| CalPERS – Miscellaneous Classic Plan | <u>\$ 9,537,262</u> | <u>\$ 5,352,928</u> | <u>\$ 1,880,327</u> |

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Net Pension Liability (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

| <u>Plan Type and Balance Descriptions</u> | <u>Plan Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Change in Plan Net Pension Liability</u> |
|--|-------------------------------------|------------------------------------|---|
| CalPERS – Miscellaneous Classic Plan: | | | |
| Balance as of June 30, 2013 (Valuation Date) | \$ 29,769,570 | \$ 22,455,545 | \$ 7,314,025 |
| Balance as of June 30, 2014 (Measurement Date) | \$ 31,541,147 | \$ 26,188,219 | \$ 5,352,928 |
| Change in Plan Net Pension Liability | \$ 1,771,577 | \$ 3,732,674 | \$ (1,961,097) |

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Net Pension Liability (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District’s proportionate share of the net pension liability was as follows:

| Calculation Dates | Classic Tier 1 Percentage |
|--|--|
| Balance as of June 30, 2013 (Valuation Date) | 0.22321% |
| Balance as of June 30, 2014 (Measurement Date) | 0.21659% |
| Change in Plan Net Pension Liability Percentage | -0.00662% |

For the year ended June 30, 2015, the District recognized pension expense in the amount of \$320,607.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 9 – Net Pension Liability (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Account Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Employer contributions to pension plan made after the measurement date | \$ 311,168 | \$ - |
| Changes in employer contributions and differences between proportionate share of pension expense | 123,222 | - |
| Recognized net differences between projected and actual earnings on pension plan investments | - | (1,798,832) |
| Recognized portion of adjustment due to differences in proportions | - | (285,819) |
| Total Deferred Outflows/(Inflows) of Resources | \$ 434,390 | \$ (2,084,651) |
| Less: | | |
| Deferred Outflows/(Inflows) of Resources that will be recognized in the following fiscal year: | | |
| Employer contributions to pension plan made after the measurement date | \$ (311,168) | \$ - |
| Total Deferred Outflows/(Inflows) of Resources amounts to be amortized in future periods | \$ 123,222 | \$ (2,084,651) |

The District will recognize \$311,168 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2016, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

| <u>Amortization Period Fiscal Year Ended June 30</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| 2016 | \$ 44,008 | \$ (551,786) |
| 2017 | 44,008 | (551,786) |
| 2018 | 35,206 | (531,371) |
| 2019 | - | (449,708) |
| 2020 | - | - |
| Thereafter | - | - |
| Total | \$ 123,222 | \$ (2,084,651) |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 10 – Net Investment in Capital Assets

Net investment in capital assets consisted of the following as of June 30, 2015:

| Description | Balance |
|---|----------------------|
| Non-current portion of assets: | |
| Capital assets – not being depreciated | \$ 6,230,088 |
| Capital assets – being depreciated, net | 52,274,633 |
| Current portion of liabilities: | |
| Reimbursement agreement | (231,684) |
| Loans payable | (245,888) |
| Revenue bonds payable | (16,000) |
| Non-current portion of liabilities: | |
| Reimbursement agreement | (2,780,214) |
| Loans payable | (1,652,804) |
| Revenue bonds payable | (89,500) |
| Total net investment in capital assets | \$ 53,488,631 |

Note 11 – Restricted Net Position

Restricted net position consists of the balance due from accounts receivable – special assessment of \$134,267 as of June 30, 2015.

Note 12 – Prior Period Adjustments

| Description | Balance |
|--|----------------------|
| Net position as of July 1, 2014 – as previously reported | \$ 81,788,881 |
| Net pension liability – GASB Nos. 68/71 implementation | (7,314,025) |
| Employer contributions to pension plan made after the measurement date | 708,172 |
| Changes in employer contributions and differences between proportionate share of pension expense | (387,897) |
| Total prior period adjustment – GASB Nos. 68/71 implementation | (6,993,750) |
| Water-in-storage inventory valuation adjustment | (3,690,410) |
| Total prior period adjustments | (10,684,160) |
| Net position as of July 1, 2014 – as restated | \$ 71,104,721 |

With the implementation of GASB Statements No. 68 and 71 in fiscal year 2015, the District was required to record a prior period adjustment of \$(6,993,750) to establish the net pension liability as of June 30, 2014 of \$(7,314,025) net of the deferred outflows of resources of \$708,172 and the deferred inflows of resources of \$(387,897) as prescribed by the new accounting standards. (See Note 9 for further information on the net pension liability.)

Also, the District changed the accounting method for the valuation of the water-in-storage inventory balance. The balance will be adjusted each year as of June 30th based on the calculated percentage to the top-fill line of Lake Casitas. As Lake Casitas has withdrawn significantly since June 30, 2011, due to the ongoing drought in California, the District has estimated that \$(3,690,410) in water-in-storage has evaporated and/or utilized in the District's operations for the period from July 1, 2011 to June 30, 2014 and accounted for as a prior period adjustment. (See Note 3 for further information on the water-in-storage inventory.)

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 13 – 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, 2015 was \$1,759,437 and ICMA was \$1,601,907.

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 included in the accompanying financial statements.

Note 14 – 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. There were no reductions in insurance coverage in fiscal year 2015, 2014 and 2013. 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, 2015, 2014 and 2013.

Note 15 – Commitments and Contingencies

State Water Contract

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

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

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 2016 | \$ 1,086,962 |
| 2017 | 1,097,562 |
| 2018 | 1,113,039 |
| 2019 | 1,128,290 |
| 2020 | 1,227,444 |

Casitas Municipal Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 15 – Commitments and Contingencies (Continued)

State Water Contract, continued

As of June 30, 2013, the District has expended \$21,274,811 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:

| | State Water Contract |
|--|-------------------------------------|
| | <u>Long-term Obligations</u> |
| Transportation facilities | \$ 17,692,709 |
| Conservation facilities | 7,930,941 |
| Off-aqueduct power facilities | 65,383 |
| Revenue bond surcharge | <u>1,419,948</u> |
| Total long-term SWP contract obligations | <u>\$ 27,108,981</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 beneficiaries pay policy that is new costs would be commensurate with benefits received. At this time, the exact allocation of costs between the federal, state, and local users has not been determined, and therefore, the District cannot estimate the extent of timing of its contributions at this time.

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

Grant Awards

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

Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

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Casitas Municipal Water District
Required Supplementary Information (Unaudited)
Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
For the Fiscal Year Ended June 30, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Plan

| | June 30, 2014¹ |
|---|----------------------------------|
| Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans | 0.08603% |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) | \$ 5,352,928 |
| Plan's Covered-Employee Payroll | \$ 3,866,484 |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 138.44% |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 83.03% |

¹ **Historical information is required only for measurement periods for which GASB No. 68 is applicable.**

Casitas Municipal Water District
Required Supplementary Information (Unaudited)
Schedule of Contributions – Pension Plans
For the Year Ended June 30, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Plan

| | 2014-15¹ | 2013-14¹ |
|--|----------------------------|----------------------------|
| Actuarially Determined Contribution ² | \$ 311,168 | \$ 320,275 |
| Contribution in Relation to the Actuarially Determined Contribution ² | (311,168) | (320,275) |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| Covered-Employee Payroll ^{3,4} | \$ 3,982,479 | \$ 3,866,484 |
| Contributions as a Percentage of Covered-Employee Payroll | 7.81% | 8.28% |

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Changes of Assumptions: There were no changes in assumptions.

Casitas Municipal Water District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefit Plan
For the Year Ended June 30, 2015

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (b) | Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|--|---|-----------------------------------|------------------------------------|--|
| June 30, 2015 | \$ - | \$ 14,591,064 | \$ 14,591,064 | 0.00% | \$ 4,800,000 | 303.98% |
| June 30, 2014 | \$ - | \$ 33,059,340 | \$ 33,059,340 | 0.00% | \$ 4,992,482 | 662.18% |
| June 30, 2013 | \$ - | \$ 18,832,580 | \$ 18,832,580 | 0.00% | \$ 5,079,639 | 370.75% |
| June 30, 2012 | \$ - | \$ 18,832,580 | \$ 18,832,580 | 0.00% | \$ 4,830,682 | 389.85% |

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.

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SUPPLEMENTARY INFORMATION

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Casitas Municipal Water District
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

| | Final Budget | Actual | Variance Positive/ (Negative) |
|---|-------------------------|----------------------|--|
| Operating revenues: | | | |
| Retail water consumption | \$ 4,319,435 | \$ 6,626,304 | \$ 2,306,869 |
| Wholesale water consumption | 1,938,870 | 2,058,219 | 119,349 |
| Monthly water service charge | 1,981,097 | 2,183,531 | 202,434 |
| Recreation revenue | 3,720,220 | 3,443,089 | (277,131) |
| Other water charges and services | 99,499 | 219,005 | 119,506 |
| Total operating revenues | 12,059,121 | 14,530,148 | 2,471,027 |
| Operating expenses: | | | |
| Source of supply | 1,648,659 | 1,430,475 | 218,184 |
| Pumping | 1,394,723 | 1,634,202 | (239,479) |
| Water Treatment | 1,186,949 | 1,451,902 | (264,953) |
| Transmission and distribution | 986,820 | 646,868 | 339,952 |
| Telemetry | 279,096 | 272,594 | 6,502 |
| Customer accounts | 424,879 | 399,383 | 25,496 |
| Recreation expenses | 4,392,180 | 4,140,358 | 251,822 |
| General and administrative | 6,309,615 | 3,301,504 | 3,008,111 |
| Total operating expenses | 16,622,921 | 13,277,286 | 3,345,635 |
| Operating income(loss) before depreciation | (4,563,800) | 1,252,862 | (874,608) |
| Depreciation – water department | - | (2,832,048) | (2,832,048) |
| Depreciation – recreation department | - | (332,049) | (332,049) |
| Operating (loss) | (4,563,800) | (1,911,235) | (4,038,705) |
| Non-operating revenue(expense) | | | |
| Property taxes – ad valorem | 2,091,855 | 2,240,433 | 148,578 |
| Redevelopment agency property tax increment | - | 68,837 | 68,837 |
| Property tax assessment for State Water Project | - | 490,989 | 490,989 |
| State water project expense | - | (696,576) | (696,576) |
| Change in water-in-storage inventory | - | (1,171,790) | (1,171,790) |
| Mira Monte assessment | - | 19,434 | 19,434 |
| Tax collection expense | (30,500) | (31,610) | (1,110) |
| Interest and investment earnings | 441,320 | 427,897 | (13,423) |
| Change in fair-value of investments | - | (200,414) | (200,414) |
| Interest expense – long-term debt | (66,781) | (70,887) | (4,106) |
| Other non-operating revenues/(expenses), net | 50,000 | 179,498 | 129,498 |
| Total non-operating revenues, net | 2,485,894 | 1,255,811 | (1,230,083) |
| Net loss before capital contributions | (2,077,906) | (655,424) | (5,268,788) |
| Capital contributions: | | | |
| Federal, state and local capital grants | 278,784 | 484,674 | 205,890 |
| Capital contributions | 278,784 | 484,674 | 205,890 |
| Change in net position | (1,799,122) | (170,750) | \$ (5,062,898) |
| Beginning of year | 81,788,881 | 81,788,881 | |
| Prior period adjustment | (10,684,160) | (10,684,160) | |
| End of year | \$ 69,305,599 | \$ 70,933,971 | |

Casitas Municipal Water District
Combining Schedule of Net Position
June 30, 2015

| <u>Assets and Deferred Outflows of Resources</u> | Operating Fund | Financing Fund | Improvement Assessment Fund | Eliminations for Financial Reporting | Total |
|--|---------------------------|---------------------------|--|---|----------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 6,361,181 | \$ - | \$ - | \$ - | \$ 6,361,181 |
| Investments | 19,026,345 | - | - | - | 19,026,345 |
| Accrued interest receivable | 109,375 | - | - | - | 109,375 |
| Accounts receivable – customers | 1,805,980 | - | - | - | 1,805,980 |
| Accounts receivable – special assessments | - | - | 134,267 | - | 134,267 |
| Accounts receivable – property taxes | 61,803 | - | - | - | 61,803 |
| Accounts receivable – other | 1,137,751 | - | - | - | 1,137,751 |
| Due from other funds | 102,590 | 8,204,693 | - | (8,307,283) | - |
| Materials and supplies inventory | 88,704 | - | - | - | 88,704 |
| Prepaid items | 394,958 | - | - | - | 394,958 |
| Total current assets | 29,088,687 | 8,204,693 | 134,267 | (8,307,283) | 29,120,364 |
| Non-current assets: | | | | | |
| Water-in-storage inventory | 6,163,728 | - | - | - | 6,163,728 |
| Capital assets – not being depreciated | 6,230,088 | - | - | - | 6,230,088 |
| Capital assets – being depreciated, net | 52,274,633 | - | - | - | 52,274,633 |
| Total non-current assets | 64,668,449 | - | - | - | 64,668,449 |
| Total assets | 93,757,136 | 8,204,693 | 134,267 | (8,307,283) | 93,788,813 |
| Deferred outflows of resources | 434,390 | - | - | - | 434,390 |
| Total assets and deferred outflows of resources | \$ 94,191,526 | \$ 8,204,693 | \$ 134,267 | \$ (8,307,283) | \$ 94,223,203 |
| <u>Liabilities, Deferred Outflows of Resources and Net Position</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 1,303,366 | \$ - | \$ - | \$ - | \$ 1,303,366 |
| Deposits and unearned revenue | 521,071 | - | - | - | 521,071 |
| Accrued interest payable | 15,297 | - | - | - | 15,297 |
| Due to other funds | - | 8,204,693 | 102,590 | (8,307,283) | - |
| Long-term liabilities – due within one year: | | | | | |
| Compensated absences | 353,045 | - | - | - | 353,045 |
| Reimbursement agreement | 231,684 | - | - | - | 231,684 |
| Loans payable | 245,888 | - | - | - | 245,888 |
| Special assessment bonds payable | - | - | 16,000 | - | 16,000 |
| Total current liabilities | 2,670,351 | 8,204,693 | 118,590 | (8,307,283) | 2,686,351 |
| Non-current liabilities: | | | | | |
| Long-term liabilities – due in more than one year: | | | | | |
| Compensated absences | 529,568 | - | - | - | 529,568 |
| Reimbursement agreement | 2,780,214 | - | - | - | 2,780,214 |
| Loans payable | 1,652,804 | - | - | - | 1,652,804 |
| Special assessment bonds payable | - | - | 89,500 | - | 89,500 |
| Net other post-employment benefits obligation | 8,113,216 | - | - | - | 8,113,216 |
| Net pension liability | 5,352,928 | - | - | - | 5,352,928 |
| Total non-current liabilities | 18,428,730 | - | 89,500 | - | 18,518,230 |
| Total liabilities | 21,099,081 | 8,204,693 | 208,090 | (8,307,283) | 21,204,581 |
| Deferred inflows of resources | 2,084,651 | - | - | - | 2,084,651 |
| Net position: | | | | | |
| Net investment in capital assets | 53,594,131 | - | (105,500) | - | 53,488,631 |
| Restricted for debt service | - | - | 134,267 | - | 134,267 |
| Unrestricted | 17,413,663 | - | (102,590) | - | 17,311,073 |
| Total net position | 71,007,794 | - | (73,823) | - | 70,933,971 |
| Total liabilities and net position | \$ 94,191,526 | \$ 8,204,693 | \$ 134,267 | \$ (8,307,283) | \$ 94,223,203 |

Casitas Municipal Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

| | <u>Water Fund</u> | <u>Recreation Fund</u> | <u>Total</u> |
|--|-----------------------|----------------------------|---------------------|
| Operating revenues: | | | |
| Retail water consumption | \$ 6,626,304 | \$ - | \$ 6,626,304 |
| Wholesale water consumption | 2,058,219 | - | 2,058,219 |
| Monthly water service charge | 2,183,531 | - | 2,183,531 |
| Recreation revenue | - | 3,443,089 | 3,443,089 |
| Other water charges and services | 219,005 | - | 219,005 |
| Total operating revenues | <u>11,087,059</u> | <u>3,443,089</u> | <u>14,530,148</u> |
| Operating expenses: | | | |
| Source of supply | 1,444,041 | - | 1,444,041 |
| Pumping | 1,634,155 | - | 1,634,155 |
| Water treatment | 1,451,902 | - | 1,451,902 |
| Transmission and distribution | 647,045 | - | 647,045 |
| Telemetry | 272,594 | - | 272,594 |
| Customer accounts | 399,383 | - | 399,383 |
| Recreation expenses | - | 4,138,417 | 4,138,417 |
| General and administrative | 3,289,749 | - | 3,289,749 |
| Total operating expenses | <u>9,138,869</u> | <u>4,138,417</u> | <u>13,277,286</u> |
| Operating income(loss) before depreciation | 1,948,190 | (695,328) | 1,252,862 |
| Depreciation – water department | (2,832,048) | - | (2,832,048) |
| Depreciation – recreation department | - | (332,049) | (332,049) |
| Operating income(loss) | <u>(883,858)</u> | <u>(1,027,377)</u> | <u>(1,911,235)</u> |
| Non-operating revenue(expense) | | | |
| Property taxes – ad valorem | 2,240,433 | - | 2,240,433 |
| Redevelopment agency property tax increment | 68,837 | - | 68,837 |
| Property tax assessment for State Water Project | 490,989 | - | 490,989 |
| State water project expense | (696,576) | - | (696,576) |
| Change in water-in-storage inventory | (1,171,790) | - | (1,171,790) |
| Mira Monte assessment | 19,434 | - | 19,434 |
| Tax collection expense | (31,610) | - | (31,610) |
| Interest and investment earnings | 427,897 | - | 427,897 |
| Change in fair-value of investments | (200,414) | - | (200,414) |
| Interest expense – long-term debt | (70,887) | - | (70,887) |
| Other non-operating revenues/(expenses), net | 179,498 | - | 179,498 |
| Total non-operating revenue(expense), net | <u>1,255,811</u> | <u>-</u> | <u>1,255,811</u> |
| Net income(loss) before capital contributions | <u>371,953</u> | <u>(1,027,377)</u> | <u>(655,424)</u> |
| Capital contributions: | | | |
| Federal, state and local capital grants | 74,347 | 410,327 | 484,674 |
| Change in net position | <u>\$ 446,300</u> | <u>\$ (617,050)</u> | <u>\$ (170,750)</u> |

**Casitas Municipal Water District
Detail Schedules of Operating Expenses - Water Department
For the Year Ended June 30, 2015**

Source of supply:

| | |
|---|------------------|
| Advertising and legal notices | \$ 4,567 |
| Books and publications | 70 |
| Clothing and personal supplies | 696 |
| Communications | 3,879 |
| Computer upgrades – hardware and software | 3,594 |
| Costs applied | 278 |
| District equipment | 7,111 |
| Education and training | 5,205 |
| Insurance – Aflac service fee | 138 |
| Insurance – EAP | 152 |
| Licenses and permits | 22,260 |
| Memberships and dues | 9,820 |
| Office supplies | 224 |
| Other professional services | 2,654 |
| Outside contracts | 162,514 |
| Postage | 13,110 |
| Printing and binding | 11,121 |
| Private vehicle mileage | 530 |
| Public information program | 125 |
| Purchased water | 791 |
| Salaries and benefits | 1,091,111 |
| Services and supplies | 74,150 |
| Small tools | 1,160 |
| Travel expense | 11,676 |
| Utilities | 3,539 |
| | <hr/> |
| Total source of supply | 1,430,475 |

Pumping:

| | |
|-----------------------------|------------------|
| Communications | 1,791 |
| Outside contracts | 81,782 |
| Power purchased for pumping | 1,314,251 |
| Salaries and benefits | 152,763 |
| Service and supplies | 82,893 |
| Small tools | 722 |
| | <hr/> |
| Total pumping | 1,634,202 |

Water treatment:

| | |
|---|---------------------|
| Ammonia | 31,043 |
| Caustics | 62,289 |
| Chlorine | 94,210 |
| Clothing and personal supplies | 461 |
| Communications | 3,508 |
| Computer upgrades – hardware and software | 6,631 |
| Education and training | 574 |
| Ferric | 9,407 |
| Licenses and permits | 656 |
| Outside contracts | 53,038 |
| Polymer | 43,369 |
| Postage | 21 |
| Safety program | 269 |
| Salaries and benefits | 932,393 |
| Service and supplies | 50,564 |
| Small tools | 2,489 |
| Travel | 130 |
| Utilities | 160,850 |
| | <hr/> |
| Total water treatment | \$ 1,451,902 |

**Casitas Municipal Water District
Detail Schedules of Operating Expenses - Water Department (Continued)
For the Year Ended June 30, 2015**

| | |
|--|-------------------|
| Transmission and distribution: | |
| Clothing and personal supplies | \$ 261 |
| Communications | 246 |
| Education and training | 2,217 |
| Licenses and permits | 5,893 |
| Other operating expenses | 20,445 |
| Outside contracts | 33,334 |
| Salaries and benefits | 446,894 |
| Service and supplies | 131,416 |
| Small tools | 4,744 |
| Travel expense | 1,418 |
| | <hr/> |
| Total transmission and distribution | 646,868 |
| | <hr/> |
| Telemetry: | |
| Communications | 912 |
| Outside contracts | 30,661 |
| Salaries and benefits | 188,343 |
| Service and supplies | 31,082 |
| Small tools | 501 |
| Utilities | 21,095 |
| | <hr/> |
| Total telemetry | 272,594 |
| | <hr/> |
| Customer accounts: | |
| Bad debt provision | 4,214 |
| Clothing and personal supplies | 642 |
| Communications | 456 |
| Computer upgrades – hardware and software | 18,250 |
| Education and training | 1,183 |
| Leak relief expense | 8,491 |
| Licenses and permits | 365 |
| Outside contracts | 14,671 |
| Postage | 2,435 |
| Salaries and benefits | 310,431 |
| Service and supplies | 38,245 |
| | <hr/> |
| Total customer accounts | \$ 399,383 |
| | <hr/> |

**Casitas Municipal Water District
Detail Schedules of Operating Expenses - Water Department (Continued)
For the Year Ended June 30, 2015**

| | |
|--|----------------------|
| General and administrative: | |
| Advertising and legal notices | \$ 2,679 |
| Bank charges | 29,039 |
| Books and publications | 5,664 |
| Clothing and personal supplies | 7,594 |
| Communications | 39,127 |
| Computer upgrades – hardware and software | 25,987 |
| Directors election fees | 500 |
| District equipment | 116,470 |
| Education and training | 13,667 |
| Gains/losses on inventory | (254) |
| Insurance – Aflac | 760 |
| Insurance – EAP | 954 |
| Insurance – liability | 63,299 |
| Licenses and permits | 16,091 |
| Memberships and dues | 80,282 |
| Office equipment maintenance | 3,365 |
| Office supplies | 10,487 |
| Other professional services | 270,939 |
| Outside contracts | 229,920 |
| Postage | 1,507 |
| Printing and binding | 3,306 |
| Private vehicle mileage | 7,841 |
| Safety program | 144 |
| Salaries and benefits | 3,131,657 |
| Service and supplies | 95,531 |
| Small tools | 3,004 |
| Travel expense | 9,519 |
| Utilities | 40,780 |
| Vehicle costs direct | 120,900 |
| Workers' compensation | 111,087 |
| Costs applied | (166,160) |
| Administrative overhead burden | (974,182) |
| | <hr/> |
| Total general and administrative | 3,301,504 |
| | <hr/> |
| Depreciation expense: | |
| Water department | 2,832,048 |
| | <hr/> |
| Total depreciation expense | 2,832,048 |
| | <hr/> |
| Total operating expenses – water department | \$ 11,968,976 |
| | <hr/> <hr/> |

Casitas Municipal Water District
Detail Schedule of Revenues and Expenses - Recreation Department
For the Year Ended June 30, 2015

Recreation revenue:

| | |
|----------------------------------|---------------------|
| Animal permit | \$ 16,797 |
| Bad debt collection recovery | 450 |
| Boat fees - annual | 38,640 |
| Boat fees - daily | 9,282 |
| Boat fees - overnight | 1,204 |
| Boat inspection fees - Quagga | 3,200 |
| Boat lock revenue - Quagga | 2,786 |
| Boat rental - concession | 60,379 |
| Cafe - concession | 25,120 |
| Cafe pass fee | 22,940 |
| Cafe pass reimbursement | (22,162) |
| Camping fees | 1,682,659 |
| Camp promotion | 10,587 |
| Commercials | 7,350 |
| Event reimbursement | 50 |
| Events | 25,826 |
| Gift cards and certificates | (180) |
| Guest pass | (300) |
| Impound fee | 525 |
| Kayak and canoes annual | 4,005 |
| Kayak and canoes daily | 41 |
| Miscellaneous revenue | 1,096 |
| Over / short - recreation | 139 |
| Over / short - water park | (14) |
| Park store | 46,682 |
| Rain checks | (1,095) |
| Reservations | 123,523 |
| Shower facility fees | 19,342 |
| Snow bird pumping | 1,370 |
| Trailer storage fees | 173,168 |
| Vehicle fees - daily | 206,701 |
| Violation ordinance fees | 14,925 |
| Visitor cards | 118,651 |
| Water park - group pass fee | (6,809) |
| Water park - guest pass | (216) |
| Water park - junior lifeguard | 7,051 |
| Water park - late day pass fee | 73,481 |
| Water park - lifeguard training | 1,317 |
| Water park - locker fee | 1,251 |
| Water park - next day pass fee | (1,492) |
| Water park - promotion | 18 |
| Water park - rain checks | (312) |
| Water park - reservation fee | 29,155 |
| Water park - season pass fee | 25,106 |
| Water park - shade rental fee | 7,610 |
| Water park - shower facility fee | 23,014 |
| Water park - single splash fee | 574,253 |
| Water park - water fitness - fee | 8,688 |
| Water park snack bar | 7,287 |
| Total recreation revenue | \$ 3,343,089 |

Casitas Municipal Water District
Detail Schedule of Revenues and Expenses - Recreation Department (Continued)
For the Year Ended June 30, 2015

| | |
|---|-----------------------|
| Administrative overhead burden | \$ 974,182 |
| Advertising and legal notices | 4,692 |
| Bad debt provision | 157 |
| Bank charges | 4,226 |
| Chemicals – water playground | 1,562 |
| Chlorine | 22,587 |
| Clothing and personal supplies | 10,873 |
| Communications | 23,166 |
| Computer upgrades – hardware and software | 7,705 |
| Credit card fees | 57,663 |
| District equipment | 139,781 |
| Education and training | 2,983 |
| Licenses and permits | 7,326 |
| Memberships and dues | 1,349 |
| Office supplies | 1,357 |
| Outside contracts | 216,279 |
| Pre-employment screening | 7,563 |
| Postage | 1,574 |
| Printing and binding | 7,581 |
| Private vehicle mileage | 451 |
| Public information program | 19,236 |
| Purchased water | 55,504 |
| Safety program | 1,601 |
| Salaries and benefits | 2,239,510 |
| Service and supplies | 176,627 |
| Small tools | 4,705 |
| Travel expense | 4,282 |
| Utilities | 145,836 |
| | <hr/> |
| Total | 4,140,358 |
| | <hr/> |
| Recreation operating (loss) before depreciation | (797,269) |
| Depreciation – recreation department | (332,049) |
| | <hr/> |
| Recreation operating (loss) | \$ (1,129,318) |
| | <hr/> <hr/> |

STATISTICAL SECTION

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**Casitas Municipal Water District
Statistical Section
For the Year Ended June 30, 2015**

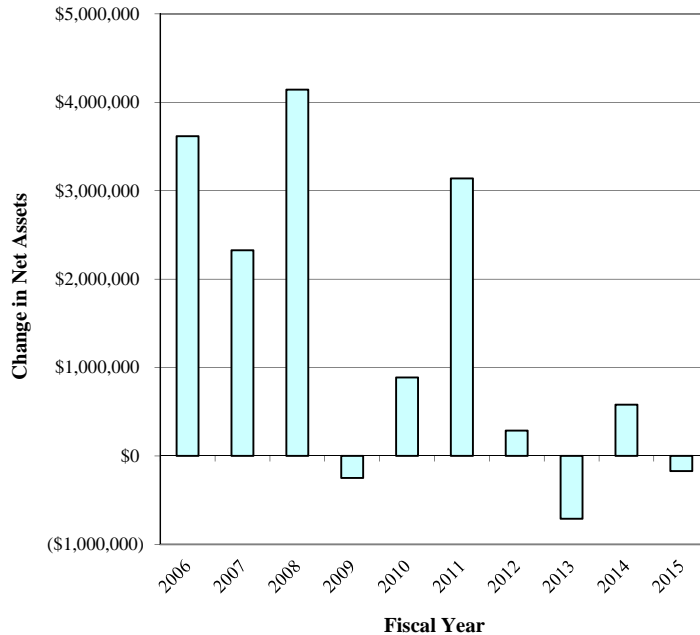
This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

Table of Contents

| | <u>Page No.</u> |
|--|------------------------|
| Financial Trends These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time. | 52-55 |
| Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales. | 56-60 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future. | 61-62 |
| Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place. | 63 |
| Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides. | 64 |

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

| | Fiscal Year | | | | |
|--|----------------------|--------------------|-------------------|--------------------|--------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Changes in net position: | | | | | |
| Operating revenues (see Schedule 2) | \$ 11,258,803 | 13,291,119 | 13,805,964 | 12,129,996 | 12,194,917 |
| Operating expenses (see Schedule 3) | (8,262,068) | (10,289,724) | (10,107,124) | (13,384,114) | (11,171,141) |
| Depreciation and amortization | (2,363,709) | (4,207,595) | (2,975,653) | (2,834,977) | (2,863,329) |
| Operating income(loss) | 633,026 | (1,206,200) | 723,187 | (4,089,095) | (1,839,553) |
| Non-operating revenues(expenses) | | | | | |
| Property taxes | 526,622 | 1,734,216 | 1,831,087 | 1,982,172 | 1,959,850 |
| Clean Water Act surcharge | 1,085,494 | 1,006,501 | 1,071,637 | 1,685,062 | 1,290,042 |
| Mira Monte assessment | 20,307 | 18,605 | 19,657 | 18,914 | 18,601 |
| Oak View availability charge | 7,754 | 7,439 | 7,862 | 6,992 | 7,709 |
| Property tax collection expense | (15,707) | (13,448) | (28,261) | (29,433) | (30,416) |
| Investment income/(loss) | 269,336 | 404,167 | 463,786 | 213,695 | 129,472 |
| Water-in-storage valuation | - | - | - | - | - |
| State water project expense | - | - | - | - | (666,442) |
| Federal grants | - | - | - | - | - |
| Capital facilities charges | - | - | - | - | - |
| Gain/(Loss) on sale/disposition of assets | - | - | - | - | - |
| Interest expense | (131,650) | (129,810) | (123,440) | (116,361) | (106,239) |
| Other revenue/(expense), net | 204,592 | 46,646 | 31,307 | 14,460 | (6,638) |
| Total non-operating revenues(expenses), net | 1,966,748 | 3,074,316 | 3,273,635 | 3,775,501 | 2,595,939 |
| Net income before capital contributions | 2,599,774 | 1,868,116 | 3,996,822 | (313,594) | 756,386 |
| Capital contributions | 1,016,530 | 458,002 | 146,880 | 63,784 | 131,179 |
| Change in net position | \$ 3,616,304 | 2,326,118 | 4,143,702 | (249,810) | 887,565 |
| Net position by component: | | | | | |
| Invested in capital assets, net of related debt | \$ 55,808,167 | 54,099,748 | 54,636,436 | 55,408,560 | 55,277,544 |
| Restricted | 91,941 | 103,054 | 75,088 | 67,343 | 60,922 |
| Unrestricted | 15,487,339 | 19,510,763 | 23,145,743 | 22,131,554 | 23,156,556 |
| Total net position | \$ 71,387,447 | 73,713,565 | 77,857,267 | 77,607,457 | 78,495,022 |

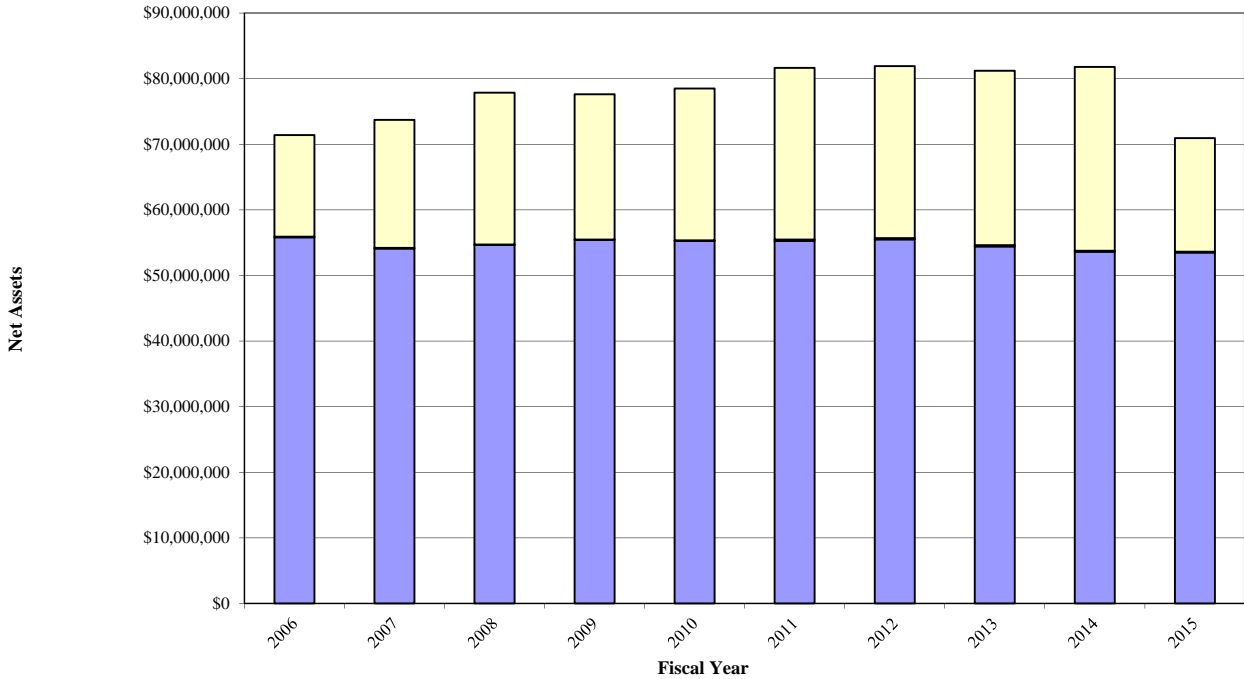


Notes:

- (1) The District made a prior period adjustment of \$796,383.
- (2) The District made a prior period adjustment of \$(10,684,160).

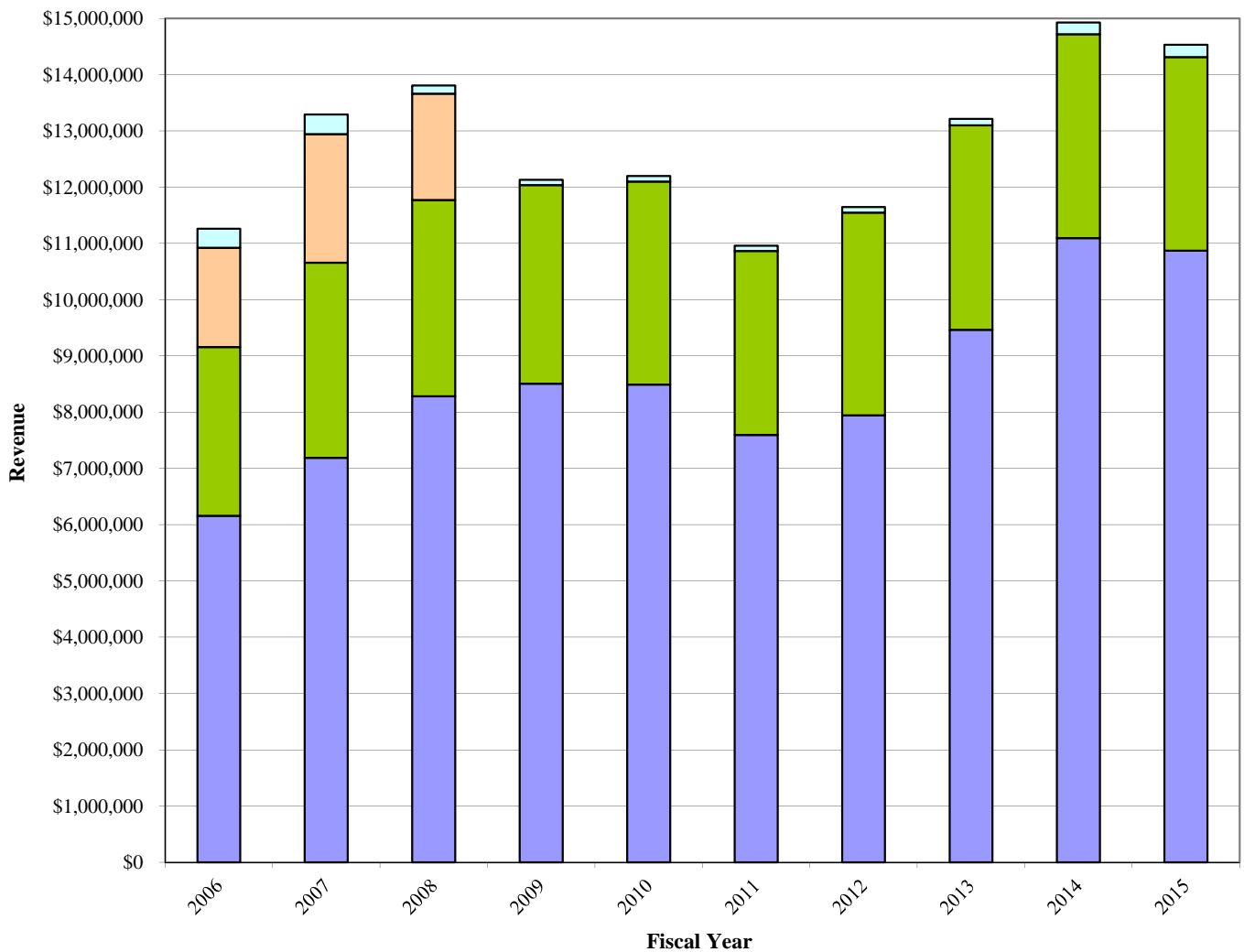
Casitas Municipal Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years (Continued)

| | Fiscal Year | | | | |
|--|----------------------|--------------------|----------------------------------|--------------------|----------------------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Changes in net position: | | | | | |
| Operating revenues (see Schedule 2) | \$ 10,956,600 | 11,645,576 | 13,212,527 | 14,923,271 | 14,530,148 |
| Operating expenses (see Schedule 3) | (11,587,130) | (12,047,019) | (13,639,029) | (14,238,444) | (13,277,286) |
| Depreciation and amortization | (3,037,340) | (3,097,495) | (3,084,521) | (3,152,038) | (3,164,097) |
| Operating income(loss) | (3,667,870) | (3,498,938) | (3,511,023) | (2,467,211) | (1,911,235) |
| Non-operating revenues(expenses) | | | | | |
| Property taxes | 2,012,458 | 2,025,655 | 2,147,033 | 2,192,072 | 2,309,270 |
| Clean Water Act surcharge | 1,682,991 | 1,554,698 | 462,896 | 566,610 | 490,989 |
| Mira Monte assessment | 17,113 | 17,630 | 19,783 | 31,797 | 19,434 |
| Oak View availability charge | 7,657 | 293 | 232 | - | - |
| Property tax collection expense | (31,158) | (30,158) | (31,284) | (8,360) | (31,610) |
| Investment income/(loss) | 402,229 | 449,707 | (164,338) | 281,851 | 227,483 |
| Water-in-storage valuation | 3,318,094 | - | - | - | (1,171,790) |
| State water project expense | (787,665) | (382,908) | (517,749) | (451,590) | (696,576) |
| Federal grants | - | - | - | - | - |
| Capital facilities charges | - | - | - | - | - |
| Gain/(Loss) on sale/disposition of assets | - | - | - | - | - |
| Interest expense | (102,295) | (94,969) | (87,015) | (79,124) | (70,887) |
| Other revenue/(expense), net | 213,445 | 12,454 | (20,137) | 24,506 | 179,498 |
| Total non-operating revenues(expenses), net | 6,732,869 | 3,552,402 | 1,809,421 | 2,557,762 | 1,255,811 |
| Net income before capital contributions | 3,064,999 | 53,464 | (1,701,602) | 90,551 | (655,424) |
| Capital contributions | 74,095 | 232,755 | 990,526 | 489,071 | 484,674 |
| Change in net position | \$ 3,139,094 | 286,219 | (711,076) | 579,622 | (170,750) |
| Net position by component: | | | | | |
| Invested in capital assets, net of related debt | \$ 55,261,613 | 55,501,696 | 54,428,683 | 53,612,183 | 53,488,631 |
| Restricted | 217,413 | 199,890 | 180,151 | 153,708 | 134,267 |
| Unrestricted | 26,155,090 | 26,218,749 | 26,600,425 | 28,022,990 | 17,311,073 |
| Total net position | \$ 81,634,116 | 81,920,335 | 81,209,259 ⁽¹⁾ | 81,788,881 | 70,933,971 ⁽²⁾ |



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

| Fiscal Year | Water Sales and Service | Recreation Revenue | Local Runoff | Other Operating Revenue | Total Operating Revenue |
|-------------|-------------------------|--------------------|--------------|-------------------------|-------------------------|
| 2006 | \$ 6,157,482 | 2,996,915 | 1,768,645 | 335,761 | 11,258,803 |
| 2007 | 7,188,942 | 3,469,248 | 2,282,734 | 350,195 | 13,291,119 |
| 2008 | 8,282,482 | 3,487,877 | 1,890,639 | 144,966 | 13,805,964 |
| 2009 | 8,507,054 | 3,526,264 | - | 96,678 | 12,129,996 |
| 2010 | 8,488,083 | 3,611,110 | - | 95,724 | 12,194,918 |
| 2011 | 7,592,767 | 3,269,377 | - | 94,456 | 10,956,600 |
| 2012 | 7,944,558 | 3,599,744 | - | 101,274 | 11,645,576 |
| 2013 | 9,461,356 | 3,637,050 | - | 114,121 | 13,212,527 |
| 2014 | 11,092,279 | 3,625,800 | - | 205,192 | 14,923,271 |
| 2015 | 10,868,054 | 3,443,089 | - | 219,005 | 14,530,148 |

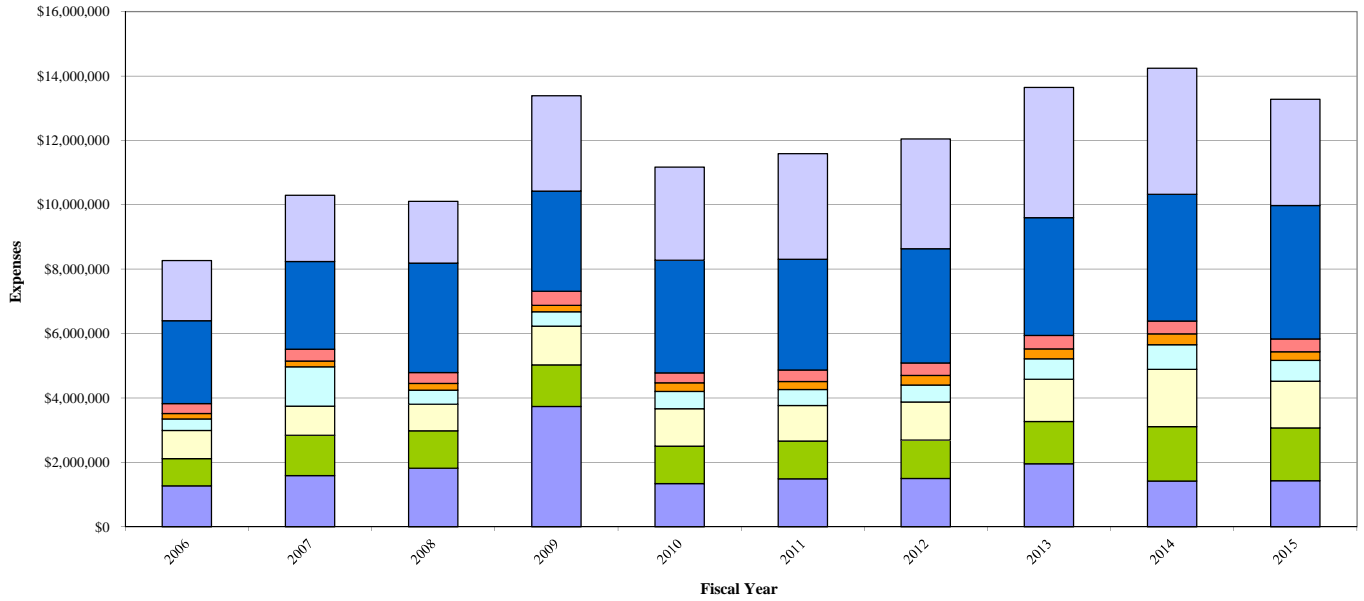


Note 1 - Beginning in FY 2010 the District classified the Water Storage Valuation as a Non-Operating Revenue

Source: Casitas Municipal Water District Accounting Department

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

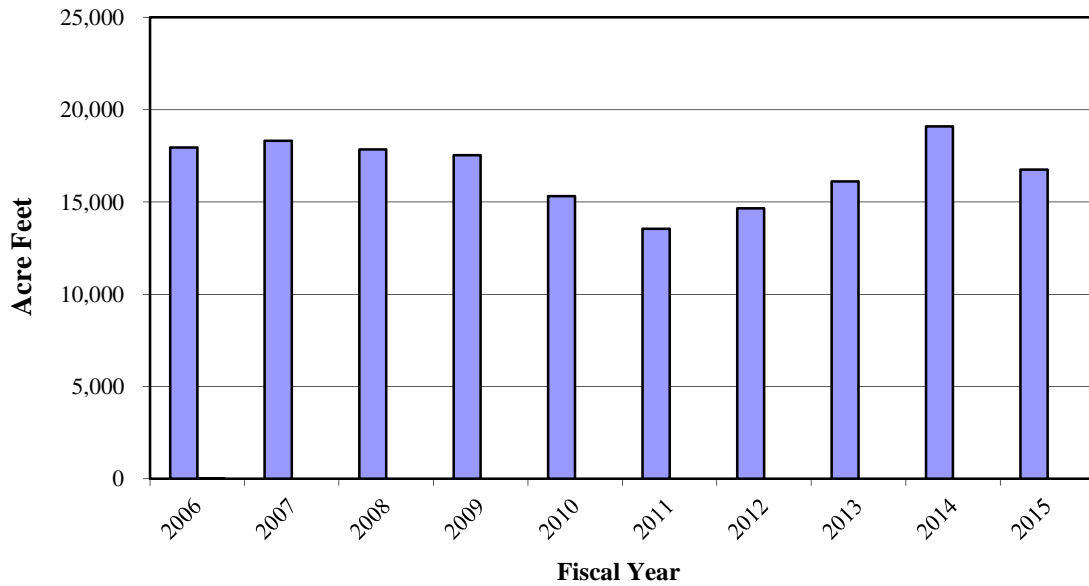
| Fiscal Year | Source of Supply | Pumping | Water Treatment | Transmission and Distribution | Telemetry | Customer Accounts | Recreation Area | General and Administrative | Total Operating Expenses |
|-------------|------------------|-----------|-----------------|-------------------------------|-----------|-------------------|-----------------|----------------------------|--------------------------|
| 2006 | \$ 1,266,305 | 844,456 | 876,220 | 358,083 | 174,943 | 308,137 | 2,570,736 | 1,863,188 | 8,262,068 |
| 2007 | 1,584,516 | 1,261,227 | 898,454 | 1,221,291 | 185,521 | 359,407 | 2,730,670 | 2,048,638 | 10,289,724 |
| 2008 | 1,815,132 | 1,160,984 | 831,760 | 435,705 | 209,198 | 335,952 | 3,401,609 | 1,916,784 | 10,107,124 |
| 2009 | 3,735,269 | 1,292,700 | 1,197,050 | 448,678 | 197,119 | 436,851 | 3,113,058 | 2,963,389 | 13,384,114 |
| 2010 | 1,338,079 | 1,166,950 | 1,165,062 | 530,798 | 266,133 | 308,364 | 3,504,726 | 2,891,029 | 11,171,141 |
| 2011 | 1,493,036 | 1,168,939 | 1,107,391 | 488,434 | 251,534 | 362,054 | 3,436,849 | 3,278,893 | 11,587,130 |
| 2012 | 1,498,408 | 1,194,225 | 1,184,305 | 527,004 | 294,816 | 387,735 | 3,551,695 | 3,408,831 | 12,047,019 |
| 2013 | 1,958,838 | 1,313,549 | 1,305,364 | 640,781 | 309,327 | 412,021 | 3,662,878 | 4,036,271 | 13,639,029 |
| 2014 | 1,421,801 | 1,685,967 | 1,783,448 | 762,346 | 332,776 | 400,493 | 3,939,152 | 3,912,461 | 14,238,444 |
| 2015 | 1,430,475 | 1,634,202 | 1,451,902 | 646,868 | 272,594 | 399,383 | 4,140,358 | 3,301,504 | 13,277,286 |



Source: Casitas Municipal Water District Accounting Department

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

| Fiscal Year | Water Sales (Acre Feet) |
|------------------------|------------------------------------|
| 2006 | 17,952 |
| 2007 | 18,318 |
| 2008 | 17,844 |
| 2009 | 17,533 |
| 2010 | 15,307 |
| 2011 | 13,549 |
| 2012 | 14,655 |
| 2013 | 16,106 |
| 2014 | 19,093 |
| 2015 | 16,746 |



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⁾
Fiscal Years 1999 to 2008**

Gravity Zone Water Consumption (per HCF)

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

Pumped Zone Water Consumption (per HCF)⁽²⁾

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

Water Service Charges (monthly)

| Meter Size | Fiscal Year | | | | | | | | | |
|-------------------|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Residential: | | | | | | | | | | |
| 5/8" - 1" | \$ 10.72 | 11.04 | 11.37 | 12.06 | 12.42 | 12.79 | 14.01 | 14.01 | 15.30 | 15.99 |
| 1 1/2" - 2" | 32.91 | 33.90 | 34.92 | 37.05 | 38.16 | 39.30 | 43.03 | 43.03 | 46.99 | 49.1 |
| 2 1/2" - 3" | 70.08 | 72.18 | 74.35 | 78.88 | 81.25 | 83.69 | 91.64 | 91.64 | 100.07 | 104.57 |
| 4" | 148.75 | 153.21 | 157.81 | 167.42 | 172.44 | 177.61 | 194.48 | 194.48 | 212.37 | 221.93 |
| 6" | 439.12 | 452.29 | 465.86 | 494.24 | 509.07 | 524.34 | 574.15 | 574.15 | 626.97 | 655.18 |
| Businesses: | | | | | | | | | | |
| 5/8" - 1" | 19.42 | 20.00 | 20.60 | 21.86 | 22.52 | 23.20 | 24.59 | 24.59 | 26.85 | 28.06 |
| 1 1/2" - 2" | 59.56 | 61.35 | 63.19 | 67.04 | 69.05 | 71.12 | 75.39 | 75.39 | 82.33 | 86.03 |
| 2 1/2" - 3" | 126.93 | 130.74 | 134.66 | 142.86 | 147.15 | 151.56 | 160.65 | 160.65 | 175.43 | 183.32 |
| 4" | 269.39 | 277.47 | 285.79 | 303.19 | 312.29 | 321.66 | 340.96 | 340.96 | 372.33 | 389.08 |
| 6" | 795.19 | 819.05 | 843.62 | 895.00 | 921.85 | 949.51 | 1,006.48 | 1,006.48 | 1,099.08 | 1,148.54 |
| Industrial: | | | | | | | | | | |
| 5/8" - 1" | 14.49 | 14.92 | 15.37 | 16.30 | 16.79 | 17.29 | 18.06 | 18.06 | 19.72 | 20.61 |
| 1 1/2" - 2" | 44.45 | 45.78 | 47.15 | 50.02 | 51.52 | 53.07 | 55.43 | 55.43 | 60.53 | 63.25 |
| 2 1/2" - 3" | 94.70 | 97.54 | 100.47 | 106.58 | 109.78 | 113.07 | 118.12 | 118.12 | 128.99 | 134.79 |
| 4" | 200.99 | 207.02 | 213.23 | 226.22 | 233.01 | 240.00 | 250.70 | 250.70 | 273.76 | 286.08 |
| 6" | 593.86 | 611.68 | 630.03 | 668.40 | 688.45 | 709.10 | 740.71 | 740.71 | 808.86 | 845.26 |
| Irrigation: | | | | | | | | | | |
| 5/8" - 1" | 23.88 | 24.60 | 25.34 | 26.88 | 27.69 | 28.52 | 31.94 | 31.94 | 34.88 | 36.45 |
| 1 1/2" - 2" | 73.20 | 75.40 | 77.66 | 82.39 | 84.86 | 87.41 | 97.90 | 97.90 | 106.91 | 111.72 |
| 2 1/2" - 3" | 155.96 | 160.64 | 165.46 | 175.53 | 180.80 | 186.22 | 208.57 | 208.57 | 227.76 | 238.01 |
| 4" | 331.03 | 340.96 | 351.19 | 372.58 | 383.76 | 395.27 | 442.70 | 442.70 | 483.43 | 505.18 |
| 6" | 977.17 | 1,006.49 | 1,036.68 | 1,099.81 | 1,132.80 | 1,166.78 | 1,306.79 | 1,306.79 | 1,427.01 | 1,491.23 |
| Resale (Gravity): | | | | | | | | | | |
| 5/8" - 1" | 40.61 | 41.83 | 43.09 | 45.71 | 47.08 | 48.49 | 51.40 | 51.40 | 56.13 | 58.66 |
| 1 1/2" - 2" | 124.56 | 128.30 | 132.15 | 140.19 | 144.40 | 148.73 | 157.65 | 157.65 | 172.15 | 179.7 |
| 2 1/2" - 3" | 265.38 | 273.34 | 281.54 | 298.69 | 307.65 | 316.88 | 335.89 | 335.89 | 388.63 | 406.12 |
| 4" | 563.27 | 580.17 | 597.58 | 633.98 | 653.00 | 672.59 | 712.95 | 712.95 | 778.54 | 813.57 |
| 6" | 1,662.70 | 1,712.58 | 1,763.96 | 1,871.39 | 1,927.53 | 1,985.36 | 2,104.48 | 2,104.48 | 2,298.09 | 2,401.5 |
| Resale (Pumped): | | | | | | | | | | |
| 5/8" - 1" | 15.71 | 16.18 | 16.67 | 17.69 | 18.22 | 18.77 | 21.59 | 21.59 | 23.58 | 24.64 |
| 1 1/2" - 2" | 48.17 | 49.62 | 51.11 | 54.22 | 55.85 | 57.53 | 66.16 | 66.16 | 72.25 | 75.5 |
| 2 1/2" - 3" | 102.59 | 105.67 | 108.84 | 115.47 | 118.93 | 122.50 | 140.88 | 140.88 | 153.84 | 160.76 |
| 4" | 217.76 | 224.29 | 231.02 | 245.09 | 252.44 | 260.01 | 299.01 | 299.01 | 326.52 | 341.21 |
| 6" | 642.81 | 662.09 | 681.95 | 723.48 | 745.18 | 767.54 | 882.67 | 882.67 | 963.88 | 1,007.25 |
| Other: | | | | | | | | | | |
| 5/8" - 1" | 16.21 | 16.70 | 17.20 | 18.25 | 18.80 | 19.36 | 20.52 | 20.52 | 22.41 | 23.42 |
| 1 1/2" - 2" | 49.72 | 51.21 | 52.75 | 55.96 | 57.64 | 59.37 | 62.93 | 62.93 | 68.72 | 71.81 |
| 2 1/2" - 3" | 105.90 | 109.08 | 112.35 | 119.19 | 122.77 | 126.57 | 143.12 | 143.12 | 154.45 | 160.5 |
| 4" | 224.77 | 231.51 | 238.46 | 252.98 | 260.57 | 268.39 | 284.49 | 284.49 | 310.66 | 324.64 |
| 6" | 663.47 | 683.37 | 703.87 | 746.74 | 769.14 | 792.21 | 839.74 | 839.74 | 914.00 | 958.27 |
| Temporary: | | | | | | | | | | |
| 1 1/2" - 2" | 45.11 | 46.46 | 47.85 | 50.77 | 52.29 | 53.86 | 57.09 | 57.09 | 62.34 | 65.15 |
| 2 1/2" - 3" | 96.12 | 99.00 | 101.97 | 108.18 | 111.43 | 114.77 | 121.66 | 121.66 | 132.85 | 138.83 |
| Recreation: | | | | | | | | | | |
| 5/8" - 1" | 20.72 | 21.34 | 21.98 | 23.32 | 24.02 | 24.74 | 26.22 | 26.22 | 28.63 | |
| 1 1/2" - 2" | 63.57 | 65.48 | 67.44 | 71.54 | 73.69 | 75.90 | 80.45 | 80.45 | 87.85 | |
| 2 1/2" - 3" | 135.46 | 139.52 | 143.71 | 152.46 | 157.03 | 161.74 | 171.44 | 171.44 | 187.21 | |
| 4" | 287.47 | 296.09 | 304.97 | 323.54 | 333.25 | 343.25 | 363.85 | 363.85 | 397.32 | |
| 6" | 848.60 | 874.06 | 900.28 | 952.02 | 980.58 | 1,010.00 | 1,070.60 | 1,070.60 | 1,169.10 | |

Notes:

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

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

**Casitas Municipal Water District
Revenue Rates
Fiscal Years 2009 to 2011**

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

| RATE SCHEDULE - CLASS 1 SERVICE | | | Rate per Unit ** | |
|--|--------------|----------------------------|-------------------------|---------------|
| | | | GRAVITY | PUMPED |
| Residential: | | | | |
| Bi-Monthly Lifeline | 0-20 Units | | \$ 0.567 | \$ 0.831 |
| Bi-Monthly Lifeline | 21-34 Units | | \$ 1.003 | \$ 1.267 |
| Bi-Monthly Lifeline | 35-100 units | | \$ 1.404 | \$ 1.668 |
| Bi-Monthly Lifeline | 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 SCHEDULE - CLASS 3 SERVICE | | | Rate per Unit ** | |
| | | | GRAVITY | PUMPED |
| Ag-Residential: | | | | |
| Monthly Lifeline | 0-10 Units | | \$ 0.567 | \$ 0.831 |
| Monthly Usage | 11-17 Units | | \$ 1.003 | \$ 1.267 |
| Monthly Usage | 18 -50 Units | | \$ 1.404 | \$ 1.668 |
| Irrigation (AG) | 51 units + | | \$ 0.588 | \$ 0.852 |
| ** One unit equals 100 cubic feet (748 gallons) | | | | |
| Cost per AF (example) | Irrigation | per AF = \$0.588 x 435.6 = | \$ 256.13 | Gravity |
| | | per AF = \$0.852 x 435.6 = | \$ 371.13 | Pumped |

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

Source: Casitas Municipal Water District Finance Department

**Casitas Municipal Water District
Revenue Rates
Fiscal Years 2012 to Present**

In fiscal year 2012, 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 | \$ 0.584 | \$ 0.856 | |
| Bi-Monthly Lifeline | 21-34 Units | \$ 1.033 | \$ 1.305 | |
| Bi-Monthly Lifeline | 35-100 units | \$ 1.446 | \$ 1.718 | |
| Bi-Monthly Lifeline | 101 units + | \$ 2.266 | \$ 2.538 | |
| Business | | \$ 1.297 | \$ 1.570 | |
| Industrial | | \$ 1.297 | \$ 1.570 | |
| Resale | | \$ 0.803 | \$ 1.445 | |
| Other | | \$ 1.297 | \$ 1.570 | |
| Temporary | | \$ 1.462 | \$ 1.733 | |
| Recreation | | \$ 1.297 | \$ 1.570 | |
| RATE SCHEDULE - CLASS 3 SERVICE | | | Rate per Unit ** | |
| | | | GRAVITY | PUMPED |
| Ag-Residential: | | | | |
| Monthly Lifeline | 0-10 Units | \$ 0.584 | \$ 0.856 | |
| Monthly Usage | 11-17 Units | \$ 1.033 | \$ 1.305 | |
| Monthly Usage | 18 -50 Units | \$ 1.446 | \$ 1.718 | |
| Irrigation (AG) | 51 units + | \$ 0.606 | \$ 0.878 | |
| ** One unit equals 100 cubic feet (748 gallons) | | | | |
| Cost per AF (example) | Irrigation | per AF = \$0.606 x 435.6 = | \$ 263.97 | Gravity |
| | | per AF = \$0.878 x 435.6 = | \$ 382.46 | Pumped |

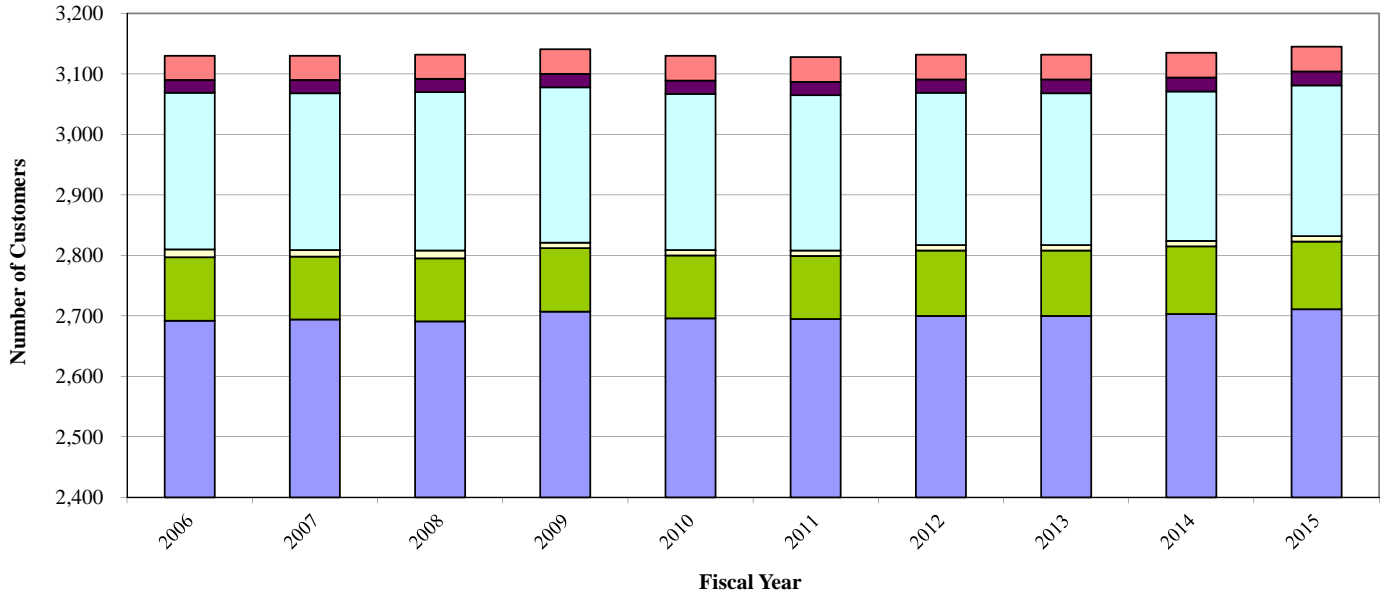
9.3.4 COMBINATION (CLASS C) SERVICE. Where more than one class of water service or use is provided through a single connection, the General Manager shall make an equitable proration of rates and fees, such proration shall be conclusive unless appealed within 30 days by the customer to the Board, in which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

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

Source: Casitas Municipal Water District Finance Department

**Casitas Municipal Water District
Customers by Type at Fiscal Year-End
Last Ten Fiscal Years**

| Fiscal Year | Customer Type | | | | | | Total |
|-------------|---------------|----------|------------|--------------|-----------|-------|-------|
| | Residential | Business | Industrial | Agricultural | Wholesale | Other | |
| 2006 | 2,692 | 105 | 13 | 259 | 21 | 40 | 3,130 |
| 2007 | 2,694 | 104 | 11 | 259 | 22 | 40 | 3,130 |
| 2008 | 2,691 | 104 | 13 | 262 | 22 | 40 | 3,132 |
| 2009 | 2,707 | 105 | 9 | 257 | 22 | 41 | 3,141 |
| 2010 | 2,696 | 104 | 9 | 258 | 22 | 41 | 3,130 |
| 2011 | 2,695 | 104 | 9 | 257 | 22 | 41 | 3,128 |
| 2012 | 2,700 | 108 | 9 | 252 | 22 | 41 | 3,132 |
| 2013 | 2,700 | 108 | 9 | 251 | 23 | 41 | 3,132 |
| 2014 | 2,703 | 112 | 9 | 247 | 23 | 41 | 3,135 |
| 2015 | 2,711 | 112 | 9 | 249 | 23 | 41 | 3,145 |

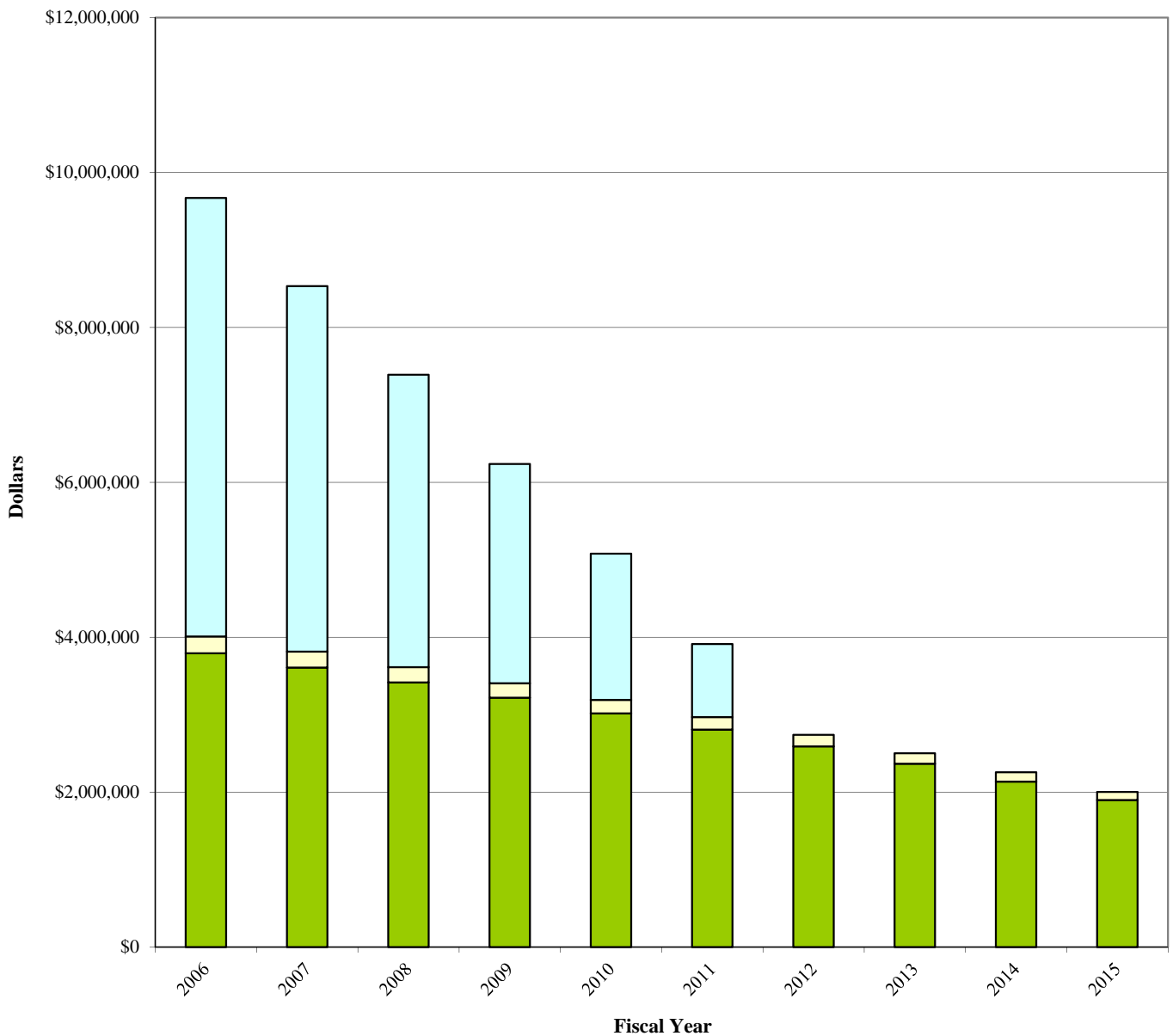


Note: Number of customers as of June 30 of fiscal year.

Source: Casitas Municipal Water District Accounting Department

**Casitas Municipal Water District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

| Fiscal Year | | Loans Payable | Bonds Payable | Notes Payable | Total | | |
|-------------|----|---------------|---------------|---------------|-----------|------------|-------------------------------|
| | | | | | Debt | Per Capita | As a Share of Personal Income |
| 2006 | \$ | 3,792,883 | 217,500 | 5,661,876 | 9,672,259 | 13.51 | 0.05% |
| 2007 | | 3,608,238 | 207,500 | 4,718,230 | 8,533,968 | 11.91 | 0.04% |
| 2008 | | 3,417,845 | 196,500 | 3,774,584 | 7,388,929 | 10.11 | 0.03% |
| 2009 | | 3,220,825 | 185,500 | 2,830,938 | 6,237,263 | 8.41 | 0.01% |
| 2010 | | 3,017,650 | 173,500 | 1,887,292 | 5,078,442 | 6.74 | 0.01% |
| 2011 | | 2,807,893 | 161,500 | 943,646 | 3,913,039 | 5.06 | 0.01% |
| 2012 | | 2,591,520 | 148,500 | - | 2,740,020 | 3.51 | 0.01% |
| 2013 | | 2,367,787 | 134,500 | - | 2,502,287 | 3.16 | 0.01% |
| 2014 | | 2,136,978 | 120,500 | - | 2,257,478 | 3.12 | 0.01% |
| 2015 | | 1,898,692 | 105,500 | - | 2,004,192 | 3.13 | 0.01% |



Source: Casitas Municipal Water District Accounting Department

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

| Fiscal Year | Net Revenues | Operating Expenses⁽¹⁾ | Net Available Revenues | Debt Service | | | Coverage Ratio |
|--------------------|---------------------|---|-------------------------------|---------------------|-----------------|--------------|-----------------------|
| | | | | Principal | Interest | Total | |
| 2006 | 13,990,227 | (8,262,068) | 5,728,159 | 1,132,484 | 131,650 | 1,264,134 | 4.53 |
| 2007 | 16,508,693 | (10,289,724) | 6,218,969 | 1,138,291 | 129,810 | 1,268,101 | 4.90 |
| 2008 | 17,231,300 | (10,107,124) | 7,124,176 | 1,145,039 | 124,805 | 1,269,844 | 5.61 |
| 2009 | 17,172,474 | (12,382,370) | 4,790,104 | 1,151,666 | 118,147 | 1,269,813 | 3.77 |
| 2010 | 15,605,715 | (10,169,397) | 5,436,318 | 1,158,821 | 107,098 | 1,265,919 | 4.29 |
| 2011 | 15,304,255 | (9,614,381) | 5,689,874 | 1,165,403 | 96,491 | 1,261,894 | 4.51 |
| 2012 | 15,717,774 | (10,948,207) | 4,769,567 | 237,733 | 89,085 | 326,818 | 14.59 |
| 2013 | 15,752,090 | (11,998,166) | 3,753,924 | 244,809 | 81,334 | 326,143 | 11.51 |
| 2014 | 18,020,107 | (12,234,997) | 5,785,110 | 253,286 | 73,157 | 326,443 | 17.72 |
| 2015 | 17,937,802 | (13,277,286) | 4,660,516 | 261,888 | 64,830 | 326,718 | 14.26 |

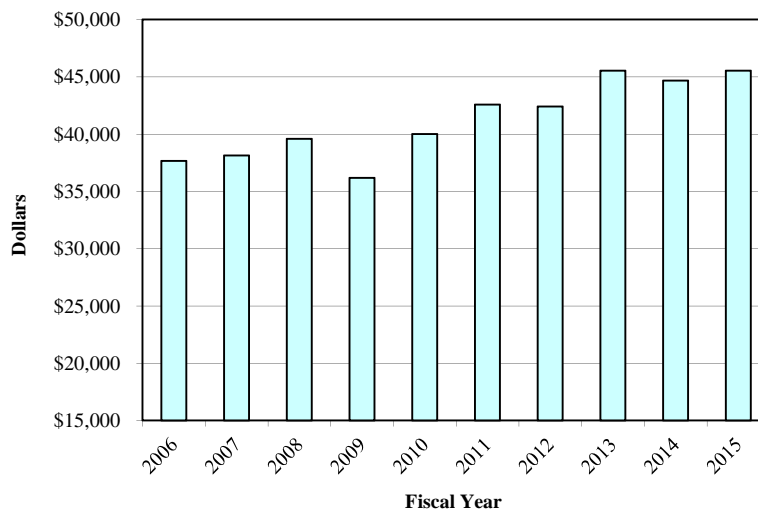
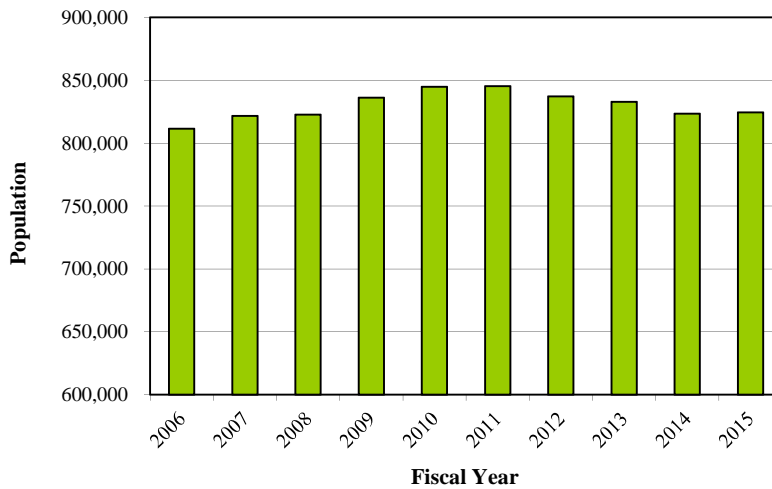
Notes:

(1) Operating expenses exclude depreciation expense.

Source: Casitas Municipal Water District Accounting Department

**Casitas Municipal Water District
Demographics and Economic Statistics - County of Ventura
Last Ten Calendar Years**

| Year | Unemployment Rate | Population | Personal Income (thousands of dollars) | Personal Income per Capita |
|------|-------------------|------------|--|----------------------------|
| 2006 | 4.6% | 811,405 | \$ 30,568,744 | 37,674 |
| 2007 | 4.3% | 821,669 | 31,332,963 | 38,133 |
| 2008 | 4.6% | 822,654 | 32,564,897 | 39,585 |
| 2009 | 9.2% | 836,080 | 30,258,987 | 36,191 |
| 2010 | 10.0% | 844,713 | 33,800,000 | 40,014 |
| 2011 | 11.0% | 845,222 | 36,000,000 | 42,592 |
| 2012 | 10.7% | 837,145 | 35,500,000 | 42,406 |
| 2013 | 9.3% | 832,970 | 37,925,000 | 45,530 |
| 2014 | 6.2% | 823,318 | 36,776,000 | 44,668 |
| 2015 | 6.0% | 824,546 | 37,555,000 | 45,546 |



Sources: California Department of Finance and CaliforniaLaborMarketInfo

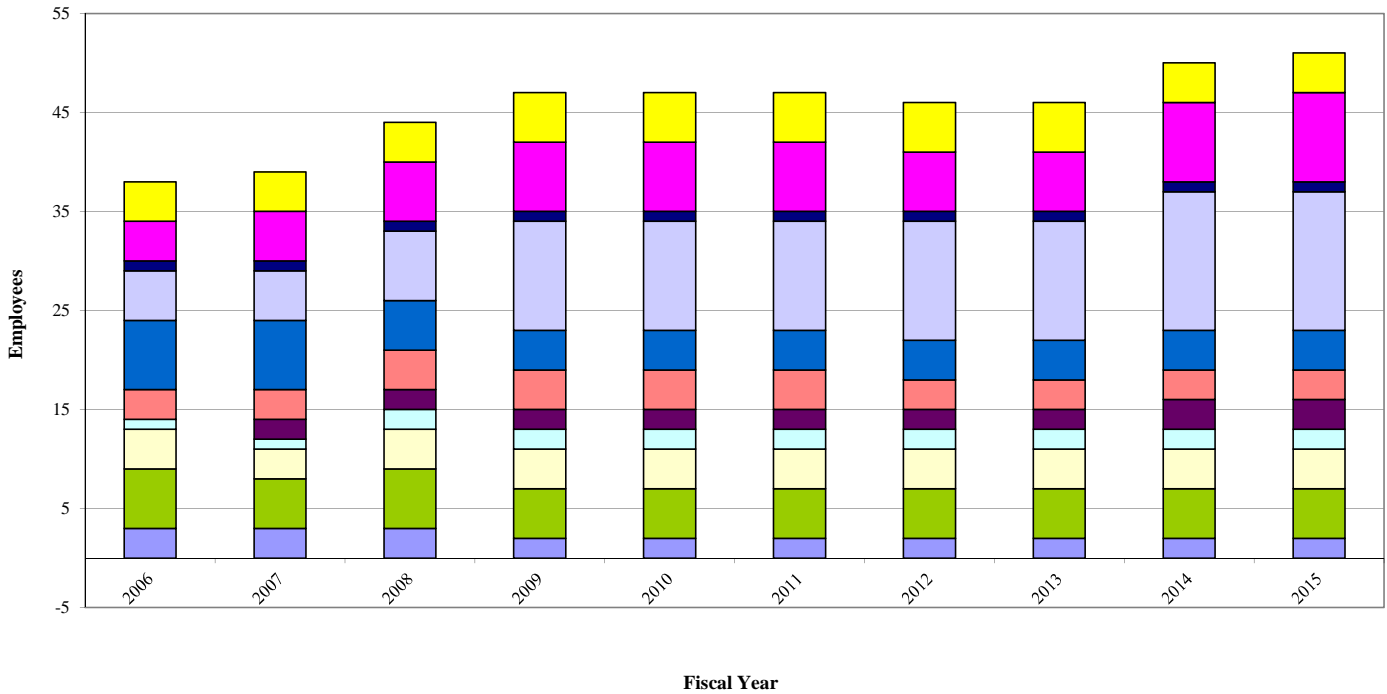
Notes:

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

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

Employees

| Department | Fiscal Year | | | | | | | | | |
|----------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Management | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Administration | 6 | 5 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Engineering | 4 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Water Quality Lab | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fisheries | 0 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Electrical and Mechanical | 3 | 3 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| Distribution | 7 | 7 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Conservation and Treatment | 5 | 5 | 7 | 11 | 11 | 11 | 12 | 12 | 14 | 14 |
| Information Technology | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation Operations | 4 | 5 | 6 | 7 | 7 | 7 | 6 | 6 | 8 | 9 |
| Recreation Maintenance | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 4 | 4 |
| Total | 38 | 39 | 44 | 47 | 47 | 47 | 46 | 46 | 50 | 51 |



Sources: Casitas Municipal Water District Operations and Accounting Departments

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

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) |
|--------------------|--------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| 2006 | 105.7 | 254,000 | 229,546 | 90.4% | 65 |
| 2007 | 105.7 | 254,000 | 221,174 | 87.1% | 65 |
| 2008 | 105.7 | 254,000 | 222,528 | 87.6% | 65 |
| 2009 | 105.7 | 254,000 | 199,851 | 78.7% | 65 |
| 2010 | 105.7 | 254,000 | 194,405 | 76.5% | 65 |
| 2011 | 105.7 | 254,000 | 218,328 | 86.0% | 65 |
| 2012 | 105.7 | 254,000 | 197,199 | 77.6% | 65 |
| 2013 | 105.7 | 254,000 | 171,748 | 67.6% | 65 |
| 2014 | 105.7 | 254,000 | 145,253 | 57.2% | 65 |
| 2015 | 105.7 | 254,000 | 122,050 | 48.1% | 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