

Casitas Municipal Water District

*Comprehensive Annual Financial Report
for the
Fiscal Years Ended June 30, 2011 and 2010*



1055 Ventura Avenue, Oak View, California 93022 . 805.649.2251
www.casitaswater.com

Casitas Municipal Water District
Oak View, California

Comprehensive Annual Financial Report

Fiscal Years Ended
June 30, 2011 and 2010

Prepared by:

Denise Collin – Accounting Manager / Treasurer

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**Casitas Municipal Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2011 and 2010**

Table of Contents

	<u>Page No.</u>
Table of Contents	i-ii
Introductory Section	
Letter of Transmittal	1-3
Board of Directors and Management	4
Organizational Chart	5
Government Finance Officers Association – Certificate of Achievement in Financial Reporting	6
Financial Section	
Independent Auditor’s Report	7-8
Management’s Discussion and Analysis	9-13
Basic Financial Statements:	
Statements of Net Assets	14
Statements of Revenues, Expenses and Changes in Net Assets	15
Statements of Cash Flows	16-17
Notes to the Basic Financial Statements	18-37
Required Supplementary Information	
Schedule of Funding Status – Other Post-Employment Benefits Obligation	38
Supplementary Information	
Schedule of Revenues, Expenses and Changes in Net Assets – Budget to Actual	39
Combining Balance Sheet	40-41
Combining Statement of Revenues and Expenses	42-43
Detail Schedule of Operating Expenses – Utility Department	44-46
Detail Schedule of Operating Revenues & Expenses – Recreation Department	47-48

**Casitas Municipal Water District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2011 and 2010**

Table of Contents (continued)

	<u>Page No.</u>
Statistical Section	
Statistical Section – Table of Contents	49
Changes in Net Assets by Component – Last Ten Fiscal Years	50
Operating Revenues by Source – Last Ten Fiscal Years	52
Operating Expenses by Activity – Last Ten Fiscal Years	53
Revenue Base – Last Ten Fiscal Years	54
Revenue Rates – Last Ten Fiscal Years	55
Revenue Rates – Fiscal Year 2011	56
Customers by Type – Last Ten Fiscal Years	57
Principal Customers – Current Fiscal Year and Nine Years Ago	58
Ratio of Outstanding Debt – Last Ten Fiscal Years	59
Debt Coverage – Last Ten Fiscal Years	60
Demographics and Economic Statistics – Last Ten Fiscal Years	61
Operating and Capacity Indicators – Last Ten Fiscal Years	62
Report on Internal Controls and Compliance	
Independent Auditor’s Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63

Introductory Section



October 31, 2011

Board of Directors
Casitas Municipal Water District

Introduction

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Casitas Municipal Water District (District) for the fiscal years ended June 30, 2011 and 2010, 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-four 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 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.

Risk Management

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

Awards and Acknowledgements

For the year ended June 30, 2010, the District received for the 17th 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, 2010 – June 30, 2011

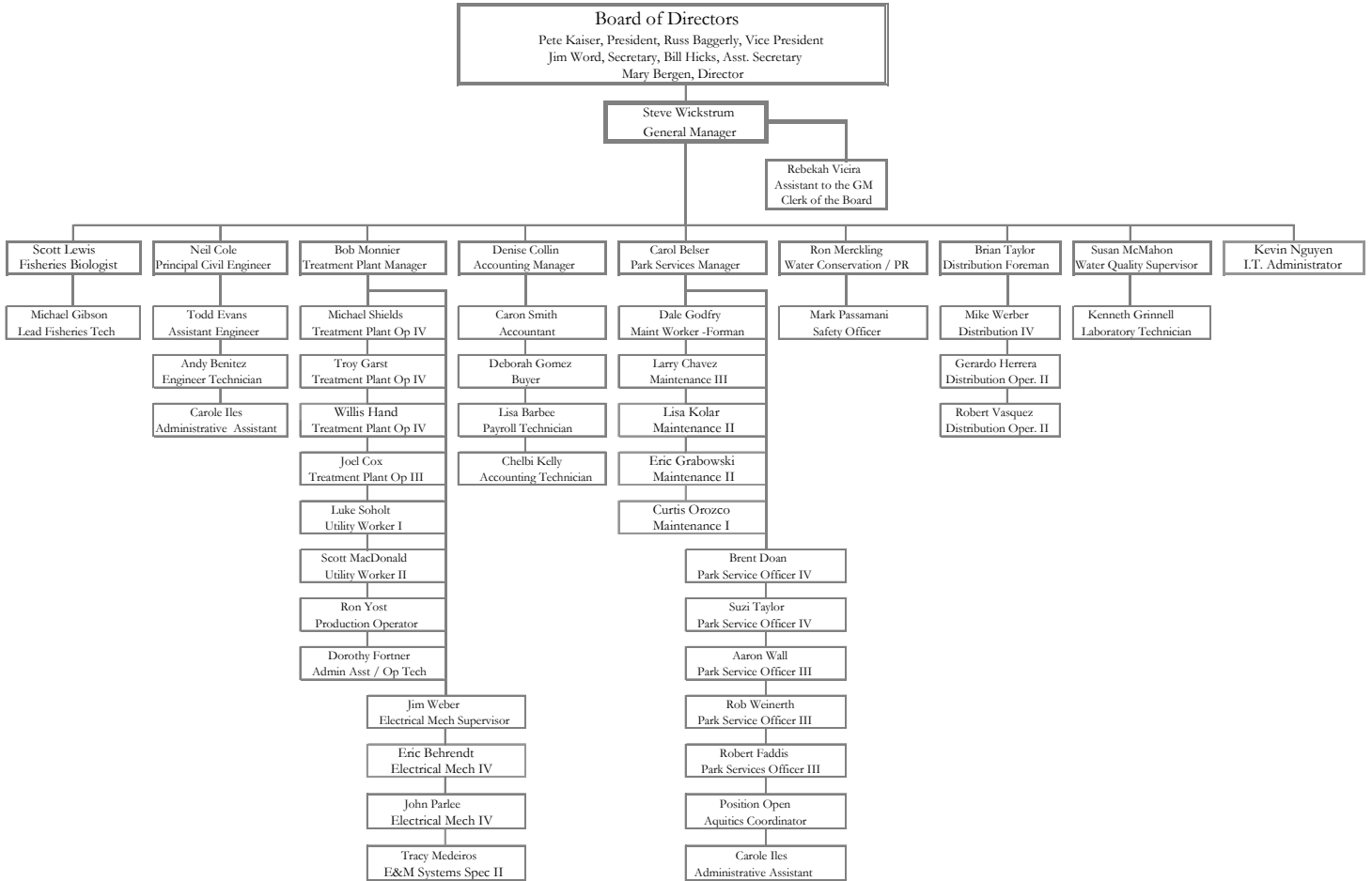
Board of Directors

Board Member	Division	Date of Original Election of Appointment	Ending Date of Term
Bill Hicks	Division 1	November, 1990	December, 2014
Jim Word	Division 2	May, 1997	December, 2012
Pete Kaiser	Division 3	November, 2002	December, 2012
Mary Bergen	Division 4	November, 2010	December, 2014
Russ Baggerly	Division 5	November, 2004	December, 2012

Staff

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

Casitas Municipal Water District Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Casitas Municipal Water District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

Financial Section



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

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com
WEB www.czfcpa.com

Independent Auditor's Report

Board of Directors
Casitas Municipal Water District
Oak View, California

We have audited the accompanying financial statements of the Casitas Municipal Water District (District) as of and for the year ended June 30, 2011, which collectively comprises the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The comparative financial information as of June 30, 2010 was audited by other auditors whose report dated November 29, 2010, expressed an unqualified opinion on those basic financial statements.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Casitas Municipal Water District as of June 30, 2011, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on page 63.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 13 and the required supplementary information on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report, continued

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 6, the supplemental information section on pages 39 through 48, and the statistical section on pages 49 through 62 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplemental information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Charles Z. Fedak and Company CPAs - An Accountancy Corporation

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation
Cypress, California
October 31, 2011

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Casitas Municipal Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2011, the District's net assets increased 4.0% or \$3,139,094, from \$78,495,022 to \$81,634,116. In 2010, the District's net assets increased 1.1% or \$887,565, from \$77,607,457 to \$78,495,022.
- The District's operating revenues decreased 10.2% or \$1,238,317 in 2011 primarily due to a \$777,853 decrease in retail water consumption revenue and a \$341,733 decrease in recreation revenues. In 2010, the District's operating revenue increased 0.5% or \$64,921 primarily due to a \$299,807 decrease in retail water consumption revenue and a \$348,894 increase in wholesale water sales.
- The District's operating expenses increased 3.7% or \$415,989 in 2011 primarily due to a \$154,957 increase in source of supply costs and a \$387,864 increase in general and administrative expenses. In 2010, the District's operating expenses increased 3.3% or \$315,659 primarily due to a \$391,668 increase in recreation expenses.

Required Financial Statements

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

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

Financial Analysis of the District

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

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

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

Notes to the Basic Financial Statements

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

Statement of Net Assets

	Condensed Statements of Net Assets				
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
Assets:					
Current assets	\$ 30,713,074	26,707,836	4,005,238	26,663,814	44,022
Non-current assets	105,855	117,617	(11,762)	129,379	(11,762)
Capital assets, net	59,174,652	60,182,486	(1,007,834)	61,460,323	(1,277,837)
Total assets	<u>89,993,581</u>	<u>87,007,939</u>	<u>2,985,642</u>	<u>88,253,516</u>	<u>(1,245,577)</u>
Liabilities:					
Current liabilities	2,139,098	2,246,946	(107,848)	4,189,075	(1,942,129)
Non-current liabilities	6,220,367	6,265,971	(45,604)	6,456,984	(191,013)
Total liabilities	<u>8,359,465</u>	<u>8,512,917</u>	<u>(153,452)</u>	<u>10,646,059</u>	<u>(2,133,142)</u>
Net assets:					
Net investment in capital assets	55,423,113	55,277,544	145,569	55,408,560	(131,016)
Restricted for debt service	55,913	60,922	(5,009)	67,343	(6,421)
Unrestricted	26,155,090	23,156,556	2,998,534	22,131,554	1,025,002
Total net assets	<u>81,634,116</u>	<u>78,495,022</u>	<u>3,139,094</u>	<u>77,607,457</u>	<u>887,565</u>
Total liabilities and net assets	<u>\$ 89,993,581</u>	<u>87,007,939</u>	<u>2,985,642</u>	<u>88,253,516</u>	<u>(1,245,577)</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$81,634,116 and \$78,495,022 as of June 30, 2011 and 2010, respectively.

One of the largest portions of the District's net assets (68% and 70% as of June 30, 2011 and 2010, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2011 and 2010, the District showed a positive balance in its unrestricted net assets of \$26,155,090 and \$23,156,556, respectively.

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

Statement of Revenues, Expenses and Changes in Net Assets

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 10,956,600	12,194,917	(1,238,317)	12,129,996	64,921
Non-operating revenues	7,665,749	3,410,798	4,254,951	3,921,295	(510,497)
Total revenues	<u>18,622,349</u>	<u>15,605,715</u>	<u>3,016,634</u>	<u>16,051,291</u>	<u>(445,576)</u>
Expenses:					
Operating expenses	11,587,130	11,171,141	415,989	10,819,482	351,659
Depreciation and amortization	3,037,340	2,863,329	174,011	2,823,215	40,114
Non-operating expenses	932,880	814,859	118,021	2,722,188	(1,907,329)
Total expenses	<u>15,557,350</u>	<u>14,849,329</u>	<u>708,021</u>	<u>16,364,885</u>	<u>(1,515,556)</u>
Net income before capital contrib.	3,064,999	756,386	2,308,613	(313,594)	1,069,980
Capital contributions	74,095	131,179	(57,084)	63,784	67,395
Change in net assets	3,139,094	887,565	2,251,529	(249,810)	2,501,339
Net assets, beginning of year	<u>78,495,022</u>	<u>77,607,457</u>	<u>887,565</u>	<u>77,857,267</u>	<u>(249,810)</u>
Net assets, end of year	<u>\$ 81,634,116</u>	<u>78,495,022</u>	<u>3,139,094</u>	<u>77,607,457</u>	<u>2,251,529</u>

The statement of revenues, expenses and changes of net assets shows how the District's net assets changed during the fiscal years. In the case of the District, net assets increased by \$3,139,094 in fiscal year ended June 30, 2011 and increased \$887,565 for the fiscal year ended June 30, 2010.

Total Revenues

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
Operating revenues:					
Retail water consumption	\$ 3,605,636	4,383,489	(777,853)	4,683,296	(299,807)
Wholesale water sales	2,007,858	2,068,095	(60,237)	1,719,201	348,894
Monthly water service charge	1,979,273	2,036,499	(57,226)	2,104,557	(68,058)
Recreation revenue	3,269,377	3,611,110	(341,733)	3,526,264	84,846
Other water charges and services	94,456	95,724	(1,268)	96,678	(954)
Total operating revenues	<u>10,956,600</u>	<u>12,194,917</u>	<u>(1,238,317)</u>	<u>12,129,996</u>	<u>64,921</u>
Non-operating revenues:					
Property taxes	2,012,458	1,959,850	52,608	1,982,172	(22,322)
Clean Water Act surcharge	1,682,991	1,290,042	392,949	1,685,062	(395,020)
Mira Monte assessment	17,113	18,601	(1,488)	18,914	(313)
Oak View availability charge	7,657	7,709	(52)	6,992	717
Water storage valuation	3,318,094	-	3,318,094	-	-
Interest and investment earnings	402,229	129,472	272,757	213,695	(84,223)
Other non-operating revenues, net	225,207	5,124	220,083	14,460	(9,336)
Total non-operating revenues	<u>7,665,749</u>	<u>3,410,798</u>	<u>4,254,951</u>	<u>3,921,295</u>	<u>(510,497)</u>
Total revenue	<u>\$ 18,622,349</u>	<u>15,605,715</u>	<u>3,016,634</u>	<u>16,051,291</u>	<u>(445,576)</u>

The District's total revenues increased 19.3% or \$3,016,634 in 2011 primarily due to change in the water storage valuation calculation increase of \$3,318,094. In 2010, the District's total revenues decreased 2.8% or \$445,576 due to a \$395,020 decrease in Clean Water Act surcharge revenue and a \$84,223 decrease in interest and investment earnings.

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

Total Expenses

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2009</u>	<u>Change</u>
Operating expenses:					
Source of supply	\$ 1,493,036	1,338,079	154,957	1,170,637	167,442
Pumping	1,168,939	1,166,950	1,989	1,292,700	(125,750)
Water treatment	1,107,391	1,165,062	(57,671)	1,197,050	(31,988)
Transmission and distribution	488,434	530,798	(42,364)	448,678	82,120
Telemetry	251,534	266,133	(14,599)	197,119	69,014
Customer accounts	362,054	308,364	53,690	436,851	(128,487)
Recreation expenses	3,436,849	3,504,726	(67,877)	3,113,058	391,668
General and administrative	3,278,893	2,891,029	387,864	2,963,389	(72,360)
Total operating expenses	<u>11,587,130</u>	<u>11,171,141</u>	<u>415,989</u>	<u>10,819,482</u>	<u>351,659</u>
Depreciation and amortization	<u>3,037,340</u>	<u>2,863,329</u>	<u>174,011</u>	<u>2,823,215</u>	<u>40,114</u>
Non-operating expenses:					
Water storage valuation	-	-	-	2,282,736	(2,282,736)
State water project expense	787,665	666,442	121,223	281,896	384,546
Tax collection expense	31,158	30,416	742	29,433	983
Interest expense – long-term debt	102,295	106,239	(3,944)	116,361	(10,122)
Deferred charges amortization	11,762	11,762	-	11,762	-
Total non-operating expenses	<u>932,880</u>	<u>814,859</u>	<u>118,021</u>	<u>2,722,188</u>	<u>(1,907,329)</u>
Total expenses	<u>\$ 15,557,350</u>	<u>14,849,329</u>	<u>708,021</u>	<u>16,364,885</u>	<u>(1,515,556)</u>

The District's total expenses increased 4.8% or \$708,021 in 2011 primarily due to a \$154,957 increase in source of supply costs, a \$387,864 increase in general and administrative expenses and a \$121,223 increase in State water project expense. The District's total expenses decreased 9.3% or \$1,515,556 in 2010 due primarily to a change in the water storage valuation calculation of \$2,282,736 occurring in fiscal year 2009.

Capital Asset Administration

At the end of fiscal years 2011 and 2010, the District's investment in capital assets amounted to \$59,174,652 and \$60,182,486, respectively, (net of accumulated depreciation). This investment in capital assets includes land, land rights, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. There were numerous capital asset additions in fiscal years 2011 and 2010. See further detailed information in Note 6.

Changes in capital asset amounts for 2011 were as follows:

	<u>Balance</u> <u>2010</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2011</u>
Capital assets:				
Non-depreciable assets	\$ 7,551,749	284,981	(1,398,661)	6,438,069
Depreciable assets	94,185,837	3,142,799	(15,431)	97,313,205
Accumulated depreciation	(41,555,100)	(3,037,340)	15,818	(44,576,622)
Total capital assets, net	<u>\$ 60,182,486</u>	<u>390,440</u>	<u>(1,398,274)</u>	<u>59,174,652</u>

Changes in capital asset amounts for 2010 were as follows:

	<u>Balance</u> <u>2009</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2010</u>
Capital assets:				
Non-depreciable assets	\$ 7,068,683	583,474	(100,408)	7,551,749
Depreciable assets	93,480,113	1,102,426	(396,702)	94,185,837
Accumulated depreciation	(39,088,473)	(2,863,329)	396,702	(41,555,100)
Total capital assets, net	<u>\$ 61,460,323</u>	<u>(1,177,429)</u>	<u>(100,408)</u>	<u>60,182,486</u>

Casitas Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

Debt Administration

In 2011 and 2010, long-term debt decreased by \$1,165,403 and \$1,158,821, respectively, due to regular principal payments on the District's outstanding debts. See further detailed information in Note 8.

Changes in long-term debt amounts for 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2011</u>	<u>Current Portion</u>
Long-term debt:					
Special assessment bonds payable	\$ 173,500	-	(12,000)	161,500	13,000
State Water loan payable	3,017,650	-	(209,757)	2,807,893	216,373
Note payable to U.S. Bureau of Reclan	1,887,292	-	(943,646)	943,646	943,646
Total long-term debt	<u>\$ 5,078,442</u>	<u>-</u>	<u>(1,165,403)</u>	<u>3,913,039</u>	<u>1,173,019</u>

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

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

Conditions Affecting Current Financial Position

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

Requests for Information

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

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Basic Financial Statements

Casitas Municipal Water District
Statement of Net Assets
June 30, 2011 and 2010

<i>Assets</i>	2011	2010
Current assets:		
Cash and cash equivalents (note 2)	\$ 5,327,895	13,757,210
Investments (note 2)	12,429,305	3,514,292
Accrued interest receivable	62,272	78,397
Accounts receivable – water sales and services	893,593	988,429
Accounts receivable – special assessments	217,413	234,422
Accounts receivable – property taxes	86,778	94,555
Accounts receivable – other	345,895	33,703
Water-in-storage inventory (note 3)	11,025,928	7,707,834
Materials and supplies inventory	97,903	92,731
Prepaid expenses and other deposits	226,092	206,263
Total current assets	<u>30,713,074</u>	<u>26,707,836</u>
Non-current assets:		
Deferred charges, net (note 4)	105,855	117,617
Capital assets, not being depreciated (note 5)	6,438,069	7,551,749
Depreciable capital assets, net (note 5)	52,736,583	52,630,737
Total non-current assets	<u>59,280,507</u>	<u>60,300,103</u>
Total assets	<u><u>89,993,581</u></u>	<u><u>87,007,939</u></u>
<hr/> <i>Liabilities and Net Assets</i> <hr/>		
Current liabilities – payable from unrestricted current assets:		
Accounts payable and accrued expenses	325,429	423,913
Accrued salaries and related benefits	80,035	196,060
Customer deposits	121,871	60,537
Deferred revenue	5,804	-
Accrued interest payable	22,620	20,851
Long-term liabilities – due within one year:		
Compensated absences (note 6)	410,320	380,182
Bonds payable - current portion (note 7)	13,000	12,000
Loans payable - current portion (note 7)	1,160,019	1,153,403
Total current liabilities	<u>2,139,098</u>	<u>2,246,946</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	410,321	380,183
Other post-employment benefits payable (note 8)	3,070,026	1,972,749
Bonds payable (note 7)	148,500	161,500
Loans payable (note 7)	2,591,520	3,751,539
Total non-current liabilities	<u>6,220,367</u>	<u>6,265,971</u>
Total liabilities	<u><u>8,359,465</u></u>	<u><u>8,512,917</u></u>
Net assets: (note 9)		
Net investment in capital assets	55,423,113	55,277,544
Restricted for debt service	55,913	60,922
Unrestricted	26,155,090	23,156,556
Total net assets	<u>81,634,116</u>	<u>78,495,022</u>
Total liabilities and net assets	<u><u>\$ 89,993,581</u></u>	<u><u>87,007,939</u></u>

See accompanying notes to the basic financial statements

Casitas Municipal Water District
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Retail water consumption	\$ 3,605,636	4,383,489
Wholesale water sales	2,007,858	2,068,095
Monthly water service charge	1,979,273	2,036,499
Recreation revenue	3,269,377	3,611,110
Other water charges and services	94,456	95,724
Total operating revenues	10,956,600	12,194,917
Operating expenses:		
Source of supply	1,493,036	1,338,079
Pumping	1,168,939	1,166,950
Water treatment	1,107,391	1,165,062
Transmission and distribution	488,434	530,798
Telemetry	251,534	266,133
Customer accounts	362,054	308,364
Recreation expenses	3,436,849	3,504,726
General and administrative	3,278,893	2,891,029
Total operating expenses	11,587,130	11,171,141
Operating income(loss) before depreciation and amortization	(630,530)	1,023,776
Depreciation and amortization – water department	(2,759,856)	(2,570,594)
Depreciation – recreation department	(277,484)	(292,735)
Operating income(loss)	(3,667,870)	(1,839,553)
Non-operating revenue(expense)		
Property taxes	2,012,458	1,959,850
Clean Water Act surcharge	1,682,991	1,290,042
Mira Monte assessment	17,113	18,601
Oak View availability charge	7,657	7,709
Water storage valuation (note 3)	3,318,094	-
State water project expense	(787,665)	(666,442)
Tax collection expense	(31,158)	(30,416)
Interest and investment earnings	402,229	129,472
Interest expense – long-term debt	(102,295)	(106,239)
Deferred charges amortization	(11,762)	(11,762)
Other non-operating revenues/(expenses), net	225,207	5,124
Total non-operating revenues, net	6,732,869	2,595,939
Net income(loss) before capital contributions	3,064,999	756,386
Capital contributions:		
Federal, state and local capital grants	74,095	131,179
Change in net assets	3,139,094	887,565
Net assets, beginning of year	78,495,022	77,607,457
Net assets, end of year	\$ 81,634,116	78,495,022

See accompanying notes to the basic financial statements

Casitas Municipal Water District
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 10,739,244	13,088,402
Cash paid to vendors and suppliers for materials and services	(6,059,375)	(7,977,609)
Cash paid to employees for salaries and wages	(4,542,574)	(4,256,289)
Net cash provided by operating activities	137,295	854,504
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	3,713,847	3,276,204
State water project expense	(787,665)	(666,442)
Other non-operating revenues/(expenses), net	194,049	(25,292)
Net cash provided by non-capital financing activities	3,120,231	2,584,470
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,029,119)	(1,585,494)
Proceeds from capital grants	74,095	131,179
Principal paid on long-term debt	(1,165,403)	(1,158,821)
Interest paid on long-term debt	(96,491)	(107,098)
Net cash used in capital and related financing activities	(3,216,918)	(2,720,234)
Cash flows from investing activities:		
Proceeds from sale of investments	-	9,000,000
Purchases of investments	(8,889,383)	(3,435,574)
Interest and investment earnings	419,460	64,168
Net cash provided(used) by investing activities	(8,469,923)	5,628,594
Net increase in cash and cash equivalents	(8,429,315)	6,347,334
Cash and cash equivalents, beginning of year	13,757,210	7,409,876
Cash and cash equivalents, end of year	\$ 5,327,895	13,757,210

Continued on next page

See accompanying notes to the basic financial statements

Casitas Municipal Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	\$ (3,667,870)	(1,839,553)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Deprecation and amortization	3,037,340	2,863,329
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	94,836	31,777
Accounts receivable – other	(312,192)	861,708
Materials and supplies inventory	(5,172)	3,199
Prepaid expenses and other deposits	(19,829)	(65,461)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(98,484)	(1,909,102)
Accrued salaaraies and wages	(116,025)	(26,176)
Customer deposits	61,334	(10,219)
Deferred revenue	5,804	(19,232)
Compensated absences	60,276	(6,771)
Other post-employment benefits payable	1,097,277	971,005
Total adjustments	3,805,165	2,694,057
Net cash provided by operating activities	\$ 137,295	854,504

See accompanying notes to the basic financial statements

Casitas Municipal Water District
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2011 and 2010

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no blended or discretely-presented component units.

B. Basis of Accounting and Measurement Focus

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

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

C. Financial Reporting

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

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

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

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

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

D. Assets, Liabilities and Net Assets

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

4. Accounts Receivable and Allowance for Uncollectible Accounts

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

5. Federal and State Capital and Operating Grants

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

6. Water-In-Storage Inventory

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

7. Materials and Supplies Inventory

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

8. Prepaid Expenses

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

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

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

D. Assets, Liabilities and Net Assets, continued

9. Restricted Assets

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

10. Capital Assets

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

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

11. State Water Project Participation Rights

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

12. Deferred Charges

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

13. Compensated Absences

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

14. Customer Deposits

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

15. Post Employment Retirement Benefit

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

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

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

D. Assets, Liabilities and Net Assets, continued

16. Net Assets

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

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

17. Water Sales

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

18. Capital Contributions

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

19. Economic Dependency

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

20. Budgetary Policies

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

21. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(2) Cash and Investments

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

	2011	2010
Cash and cash equivalents	\$ 5,327,895	13,757,210
Investments	12,429,305	3,514,292
Total cash and investments	\$ 17,757,200	17,271,502

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

	2011	2010
Cash on hand	\$ 4,300	3,200
Deposits with financial institutions	2,671,898	553,680
Deposits in money market accounts	509,250	8,438,573
Investments	14,571,752	8,276,049
Total cash and investments	\$ 17,757,200	17,271,502

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

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

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

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(2) Cash and Investments, continued

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

Ventura County Pooled Investment Fund

The District is a voluntary participant in the VCPIF and the District determines the amount and term of its investment. The County Treasurer makes investments in accordance with a Statement of Investment Policy reviewed and approved annually by the Board of Supervisors. The Treasury Investment Oversight Committee comprised of the County Treasurer, a representative of the Board of Supervisors, the County Investment Manager, a representative of the County Superintendent of Schools and other Treasury Department support staff meets semi-annually to review the activities of the Treasurer and provide a report to the Board of Supervisors. The County's Treasurer has indicated to the District that as of June 30, 2011 that the value of the County's portfolio was approximately \$2.0 billion.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(2) Cash and Investments, continued

Interest Rate Risk

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

Investment Type	Total	Remaining Maturity			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	>60 Months
Federal Treasury and Agency Obligations	\$ 12,429,305	2,815,463	1,422,939	5,943,665	2,247,238
Local Agency Investment Fund (LAIF)	441	441	-	-	-
Ventura County Pooled Investment Fund	2,142,006	2,142,006	-	-	-
Total	\$ 14,571,752	4,957,910	1,422,939	5,943,665	2,247,238

Investment Type	Total	Remaining Maturity			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	>60 Months
Federal Treasury and Agency Obligations	\$ 3,515,362	3,515,362	-	-	-
Local Agency Investment Fund (LAIF)	650,682	650,682	-	-	-
Ventura County Pooled Investment Fund	4,110,005	4,110,005	-	-	-
Total	\$ 8,276,049	8,276,049	-	-	-

Credit Risk

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

Investment Types	Total	Minimum Legal Rating	Exempt From Disclosure	Rating at Year End AAA
Federal Treasury and Agency Obligations	\$ 12,429,305	N/A	\$ -	12,429,305
Local Agency Investment Fund (LAIF)	441	N/A	441	-
Ventura County Pooled Investment Fund	2,142,006	AAA	2,142,006	-
Total	\$ 14,571,752		\$ 2,142,447	12,429,305

Investment Types	Total	Minimum Legal Rating	Exempt From Disclosure	Rating at Year End AAA
U.S. Treasury Obligations	\$ 3,515,362	N/A	\$ -	3,515,362
Local Agency Investment Fund (LAIF)	650,682	N/A	650,682	-
Ventura County Pooled Investment Fund	4,110,005	AAA	4,110,005	-
Total	\$ 8,276,049		\$ 4,760,687	3,515,362

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(3) Water-In-Storage Inventory

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

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

	<u>2011</u>	<u>2010</u>
Beginning balance – water-in-storage	\$ 7,707,834	7,707,834
Water storage valuation	<u>3,318,094</u>	<u>-</u>
Ending balance – water-in-storage	<u>\$ 11,025,928</u>	<u>7,707,834</u>

(4) Deferred Charges

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

The balance at June 30, consists of the following:

	<u>2011</u>	<u>2010</u>
Deferred charges	\$ 247,808	247,808
Accumulated amortization	<u>(141,953)</u>	<u>(130,191)</u>
Deferred charges, net	<u>105,855</u>	<u>117,617</u>

(5) Capital Assets

Construction-In-Process

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

The balance at June 30, consists of the following projects:	<u>2009</u>	<u>2010</u>	<u>2011</u>
Rincon pump plant rehabilitation	\$ 888,950	1,142,400	158,364
Upper Ojai pump plant rehabilitation	-	-	126,845
Ojai 4M Reservoir Upgrade	-	268,825	-
Patrol boat refurbishing	42,523	-	-
Various other minor projects	<u>89,275</u>	<u>92,589</u>	<u>104,925</u>
Construction-in-process	<u>\$ 1,020,748</u>	<u>1,503,814</u>	<u>390,134</u>

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2010</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
Non-depreciable assets:				
Land and land rights	\$ 6,047,935	-	-	6,047,935
Construction-in-process	1,503,814	284,981	(1,398,661)	390,134
Total non-depreciable assets	<u>7,551,749</u>	<u>284,981</u>	<u>(1,398,661)</u>	<u>6,438,069</u>
Depreciable assets:				
State water project entitlement	2,880,437	-	-	2,880,437
Transmission and distribution system	37,251,838	93,526	-	37,345,364
Pumping plant	7,389,110	1,477,967	-	8,867,077
Water treatment plant	23,625,604	1,336,797	-	24,962,401
Buildings and structures	1,861,274	17,408	-	1,878,682
Equipment	3,671,826	32,669	(15,431)	3,689,064
Fish ladder	8,270,495	-	-	8,270,495
Recreation assets	7,299,348	184,432	-	7,483,780
Alternate swimming facility	1,935,905	-	-	1,935,905
Total depreciable assets	<u>94,185,837</u>	<u>3,142,799</u>	<u>(15,431)</u>	<u>97,313,205</u>
Accumulated depreciation and amortization:				
State water project entitlement	(1,659,648)	(47,250)	-	(1,706,898)
Transmission and distribution system	(16,055,333)	(521,478)	-	(16,576,811)
Pumping plant	(3,570,012)	(428,842)	-	(3,998,854)
Water treatment plant	(10,539,788)	(1,092,826)	387	(11,632,227)
Buildings and structures	(960,039)	(56,918)	-	(1,016,957)
Equipment	(1,548,930)	(242,680)	15,431	(1,776,179)
Fish ladder	(2,107,057)	(369,862)	-	(2,476,919)
Recreation assets	(4,630,318)	(180,688)	-	(4,811,006)
Alternate swimming facility	(483,975)	(96,796)	-	(580,771)
Total accum depr. and amort.	<u>(41,555,100)</u>	<u>(3,037,340)</u>	<u>15,818</u>	<u>(44,576,622)</u>
Total depreciable assets, net	<u>52,630,737</u>	<u>105,459</u>	<u>387</u>	<u>52,736,583</u>
Total capital assets, net	<u>\$ 60,182,486</u>	<u>390,440</u>	<u>(1,398,274)</u>	<u>59,174,652</u>

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2010</u>
Non-depreciable assets:				
Land and land rights	\$ 6,047,935	-	-	6,047,935
Construction-in-process	1,020,748	583,474	(100,408)	1,503,814
Total non-depreciable assets	<u>7,068,683</u>	<u>583,474</u>	<u>(100,408)</u>	<u>7,551,749</u>
Depreciable assets:				
State water project entitlement	2,880,437	-	-	2,880,437
Transmission and distribution system	37,242,149	9,689	-	37,251,838
Pumping plant	7,461,973	264	(73,127)	7,389,110
Water treatment plant	22,804,852	827,654	(6,902)	23,625,604
Buildings and structures	1,819,887	41,387	-	1,861,274
Equipment	3,743,778	112,850	(184,802)	3,671,826
Fish ladder	8,212,757	57,738	-	8,270,495
Recreation assets	7,378,375	52,844	(131,871)	7,299,348
Alternate swimming facility	1,935,905	-	-	1,935,905
Total depreciable assets	<u>93,480,113</u>	<u>1,102,426</u>	<u>(396,702)</u>	<u>94,185,837</u>
Accumulated depreciation and amortization:				
State water project entitlement	(1,606,501)	(53,147)	-	(1,659,648)
Transmission and distribution system	(15,535,641)	(519,692)	-	(16,055,333)
Pumping plant	(3,284,994)	(358,145)	73,127	(3,570,012)
Water treatment plant	(9,571,338)	(975,352)	6,902	(10,539,788)
Buildings and structures	(903,990)	(56,049)	-	(960,039)
Equipment	(1,506,109)	(227,623)	184,802	(1,548,930)
Fish ladder	(1,737,194)	(369,863)	-	(2,107,057)
Recreation assets	(4,555,525)	(206,664)	131,871	(4,630,318)
Alternate swimming facility	(387,181)	(96,794)	-	(483,975)
Total accum depr. and amort.	<u>(39,088,473)</u>	<u>(2,863,329)</u>	<u>396,702</u>	<u>(41,555,100)</u>
Total depreciable assets, net	<u>54,391,640</u>	<u>(1,760,903)</u>	<u>-</u>	<u>52,630,737</u>
Total capital assets, net	<u>\$ 61,460,323</u>	<u>(1,177,429)</u>	<u>(100,408)</u>	<u>60,182,486</u>

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Capital Assets, continued

State Water Project Entitlement

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

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

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

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

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

The District amortizes a portion of capitalized participation rights each year using a formula that considers the total estimated cost of the project, estimated useful life and estimated production capacity of the assets based upon information provided by the State of California. Amortization expense totaled \$47,250 and \$53,147 for the fiscal years ended June 30, 2011 and 2010, respectively.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(6) Compensated Absences

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

Changes to the compensated absences balance at June 30, 2011, were as follows:

<u>Balance 2010</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2011</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$ 760,365	422,156	(361,880)	820,641	410,320	410,321

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

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

(7) Long-term Debt

Changes in long-term debt amounts for 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2011</u>	<u>Current Portion</u>
Long-term debt:					
Special assessment bonds payable	\$ 173,500	-	(12,000)	161,500	13,000
State Water loan payable	3,017,650	-	(209,757)	2,807,893	216,373
Note payable to U.S. Bureau of Reclamation	1,887,292	-	(943,646)	943,646	943,646
Total long-term debt	\$ 5,078,442	-	(1,165,403)	3,913,039	1,173,019

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

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

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:

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(8) Long-term Debt, continued

Bonds Payable:

Mira Monte Special Assessment Bonds Payable, continued

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 13,000	8,375	21,375
2013	14,000	7,750	21,750
2014	14,000	7,075	21,075
2015	15,000	6,375	21,375
2016	16,000	5,650	21,650
2017-2021	89,500	16,025	105,525
Total	\$ 161,500	<u>51,250</u>	<u>212,750</u>
Less current portion	<u>(13,000)</u>		
Total non-current	\$ <u>148,500</u>		

Loans Payable:

1991 California Department of Water Resources Loan

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 216,374	88,694	305,068
2013	223,732	81,335	305,067
2014	230,810	74,258	305,068
2015	238,285	66,782	305,067
2016	245,888	59,180	305,068
2017-2021	1,354,940	170,397	1,525,337
2022	297,863	7,205	305,068
Total	\$ 2,807,892	<u>547,851</u>	<u>3,355,743</u>
Less current portion	<u>(216,374)</u>		
Total non-current	\$ <u>2,591,518</u>		

United States Bureau of Reclamation Loan Payable

The note payable to the Bureau of Reclamation was incurred to construct the dam and main distribution system for Casitas Reservoir. The note is payable in decreasing annual installments ranging from \$260,000 to \$1,000,000 through the year 2012. Only the non-irrigation portion of the note bears interest at a rate of 2.6%, and that portion was paid-off in 2000. Debt service payments on the note payable to the Bureau of Reclamation are provided by the USBR note surcharge on parcels within the District. As of June 30, 2011, the District has one remaining payment of \$943,646.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(8) Other Post Employment Benefits Payable

During the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Plan Description – Eligibility

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

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

	2011	2010	2009
Active plan members	51	49	49
Retirees and beneficiaries receiving benefits	43	43	42
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	94	92	91

Plan Description – Benefits

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

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 34.4% of the annual covered payroll.

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

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(8) Other Post Employment Benefits Payable, continued

Annual Cost

For the year ended June 30, 2011, the District's ARC cost is \$1,562,643. The District's net OPEB payable obligation amounted to \$3,070,026 for the year ended June 30, 2011. The District contributed \$465,366 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2011.

The balance at June 30, consists of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 1,557,883	1,387,879	1,387,879
Interest on net OPEB obligation	49,319	20,883	-
Adjustment to annual required contribution	(44,559)	-	-
Total annual OPEB expense	<u>1,562,643</u>	<u>1,408,762</u>	<u>1,387,879</u>
Change in net OPEB payable obligation:			
Age adjusted contributions made	(465,366)	(437,757)	(386,135)
Total change in net OPEB payable obligation	<u>1,097,277</u>	<u>971,005</u>	<u>1,001,744</u>
OPEB payable – beginning of year	<u>1,972,749</u>	<u>1,001,744</u>	<u>-</u>
OPEB payable – end of year	<u>\$ 3,070,026</u>	<u>1,972,749</u>	<u>1,001,744</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2011	\$ 1,562,643	465,366	29.78%	\$ 3,070,026
2010	\$ 1,408,762	437,757	31.07%	\$ 1,972,749
2009	\$ 1,387,879	386,135	27.82%	\$ 1,001,744

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(9) Net Assets

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

	2011	2010
Net investment in capital assets:		
Capital assets, not being depreciated	6,438,069	7,551,749
Depreciable capital assets, net	52,736,583	52,630,737
Current:		
Loans payable	(1,160,019)	(1,153,403)
Non-current:		
Loans payable	(2,591,520)	(3,751,539)
Total net investment in capital assets	55,423,113	55,277,544
Restricted net assets:		
Accounts receivable – special assessments	217,413	234,422
Current:		
Bonds payable	(13,000)	(12,000)
Non-current:		
Bonds payable	(148,500)	(161,500)
Total restricted net assets	55,913	60,922
Unrestricted net assets:		
Non-spendable net assets:		
Water-in-storage inventory	11,025,928	7,707,834
Materials and supplies inventory	97,903	92,731
Prepaid expenses and other deposits	226,092	206,263
Deferred charges, net	105,855	117,617
Total non-spendable net assets	11,455,778	8,124,445
Spendable net assets are designated as follows:		
Debt service funds reserve	6,082,912	5,348,721
Capital facilities reserve	1,652,295	1,650,795
Safe drinking water reserve	60,000	60,000
Flexible storage reserve	22,704	18,920
Storm damage reserve	1,500,000	1,500,000
Variation in water sales reserve	1,500,000	1,500,000
Cash flow reserve	3,000,000	3,000,000
Operating reserve	881,401	1,953,675
Total spendable net assets	14,699,312	15,032,111
Total unrestricted net assets	26,155,090	23,156,556
Total net assets	\$ 81,634,116	78,495,022

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(10) Defined Benefit Pension Plan

Plan Description

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

The contribution rate for plan members in the CalPERS 2.0% at 60 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2011, 2010 and 2009 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2011, 2010 and 2009, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2008-2009	\$ 205,649	100%	\$ -	6.689%
2009-2010	247,149	100%	-	6.944%
2010-2011	289,356	100%	-	7.304%

(11) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust by Nationwide at June 30, 2011 was \$1,658,637 and ICMA was \$974,095.

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

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2011, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 60

In November 2010, the GASB issued Statement No.60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard address how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 61

In November 2010, the GASB issued Statement No.61, *The Financial Reporting Entity, Omnibus*. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 64

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This standard is designed to improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or swap counterparty's credit support provider, is replaced. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(13) 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.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(13) Risk Management, continued

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2011, 2010 and 2009. 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, 2011, 2010 and 2009.

(14) Commitments and Contingencies

Casitas Dam Project – Seismic Safety of Casitas Dam

The United States Bureau of Reclamation (USBR) has undertaken and completed a project to strengthen Casitas Dam to better withstand seismic activity. Under Federal Law, Casitas may be required to pay 15% of those costs. The District and the USBR are negotiating Casitas' share of the cost of the project. Casitas may be responsible for approximately \$6,000,000 of the project's anticipated costs. The amount paid as of June 30, 2011 is \$2,125,765 which is the Municipal and Industrial portion or 42.5% of the cost attributable to Casitas. The amount that is attributable to Agricultural Customers or 57.5% of the cost is still to be resolved. The project is complete.

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>
2012	\$ 1,270,327
2013	1,219,940
2014	1,168,778
2015	1,115,652
2016	1,062,526

As of June 30, 2011, the District has expended \$18,406,665 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	\$ 28,057,633
Conservation facilities	3,835,123
Off-aqueduct power facilities	1,543,445
Revenue bond surcharge	<u>1,562,905</u>
Total long-term SWP contract obligations	<u>\$ 34,999,106</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.

Casitas Municipal Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(14) Commitments and Contingencies

State Water Contract, continued

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

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

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

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.

(15) Subsequent Events

Events occurring after June 30, 2011 have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2011, which is the date the financial statements were available to be issued.

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Required Supplementary Information

Casitas Municipal Water District
Schedule of Funding Status – Other Post-Employment Benefits Obligation
For the Years Ended June 30, 2011 and 2010

Funded Status and Funding Progress of the Plan

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
6/30/2011	\$ -	21,810,100	21,810,100	0.00%	\$ 4,542,574	480.13%
6/30/2010	\$ -	19,842,800	19,842,800	0.00%	\$ 4,455,913	445.31%
6/30/2009	\$ -	19,842,800	19,842,800	0.00%	\$ 4,169,365	475.92%

The most recent valuation (dated June 30, 2011) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$21,810,100. There are no plan assets because the District funds on a pay-as-you-go basis. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2011 was \$4,542,574. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 480.13%.

Actuarial Methods and Assumptions

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

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

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.50%
Projected salary increase	1.00%
Inflation - discount rate	2.50%
Individual salary growth	District annual COLA

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Supplementary Information

Casitas Municipal Water District
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget to Actual
For the Fiscal Year Ended June 30, 2011

	<u>Adopted Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Operating revenues:					
Retail water consumption	\$ 4,828,650	-	4,828,650	3,605,636	(1,223,014)
Wholesale water consumption	1,822,145	-	1,822,145	2,007,858	185,713
Monthly water service charge	2,000,000	-	2,000,000	1,979,273	(20,727)
Recreation revenue	3,636,480	-	3,636,480	3,269,377	(367,103)
Other water charges and services	67,356	-	67,356	94,456	27,100
Total operating revenues	<u>12,354,631</u>	<u>-</u>	<u>12,354,631</u>	<u>10,956,600</u>	<u>(1,398,031)</u>
Operating expenses:					
Source of supply	1,924,110	-	1,924,110	1,493,036	431,074
Pumping	1,604,701	-	1,604,701	1,168,939	435,762
Water Treatment	1,048,575	-	1,048,575	1,107,391	(58,816)
Transmission and distribution	560,713	-	560,713	488,434	72,279
Telemetry	249,184	-	249,184	251,534	(2,350)
Customer accounts	351,622	-	351,622	362,054	(10,432)
Recreation expenses	3,796,125	-	3,796,125	3,436,849	359,276
General and administrative	6,214,916	-	6,214,916	3,278,893	2,936,023
Total operating expenses	<u>15,749,946</u>	<u>-</u>	<u>15,749,946</u>	<u>11,587,130</u>	<u>4,162,816</u>
Operating income before depreciation and amortization	(3,395,315)	-	(3,395,315)	(630,530)	2,764,785
Depreciation and amortization – utility department	-	-	-	(2,759,856)	(2,759,856)
Depreciation – recreation department	-	-	-	(277,484)	(277,484)
Operating loss	<u>(3,395,315)</u>	<u>-</u>	<u>(3,395,315)</u>	<u>(3,667,870)</u>	<u>(272,555)</u>
Non-operating revenue(expense)					
Property taxes	1,744,631	-	1,744,631	2,012,458	267,827
Clean Water Act surcharge	-	-	-	1,682,991	1,682,991
Mira Monte assessment	19,500	-	19,500	17,113	(2,387)
Oak View availability charge	7,500	-	7,500	7,657	157
Water storage valuation	-	-	-	3,318,094	3,318,094
State water project expense	-	-	-	(787,665)	(787,665)
Tax collection expense	(24,800)	-	(24,800)	(31,158)	(6,358)
Interest and investment earnings	110,000	-	110,000	402,229	292,229
Interest expense – long-term debt	(95,310)	-	(95,310)	(102,295)	(6,985)
Deferred charges amortization	-	-	-	(11,762)	(11,762)
Other non-operating revenues/(expenses), net	46,680	-	46,680	225,207	178,527
Total non-operating revenues, net	<u>1,808,201</u>	<u>-</u>	<u>1,808,201</u>	<u>6,732,869</u>	<u>4,924,668</u>
Net income before capital contributions	<u>(1,587,114)</u>	<u>-</u>	<u>(1,587,114)</u>	<u>3,064,999</u>	<u>4,652,113</u>
Capital contributions:					
Federal, state and local capital grants	458,462	-	458,462	74,095	(384,367)
Capital contributions	<u>458,462</u>	<u>-</u>	<u>458,462</u>	<u>74,095</u>	<u>(384,367)</u>
Change in net assets	<u>\$ (1,128,652)</u>	<u>-</u>	<u>(1,128,652)</u>	<u>3,139,094</u>	<u>4,267,746</u>
Net assets, beginning of year	78,495,022		78,495,022	78,495,022	
Net assets, end of year	<u>\$ 77,366,370</u>		<u>77,366,370</u>	<u>81,634,116</u>	

Casitas Municipal Water District
Combining Balance Sheet
June 30, 2011

<i>Assets</i>	Operating Fund	Financing Fund	Improvement Assessment Fund	Eliminations for Financial Reporting	Total
Current assets:					
Cash and cash equivalents	\$ 5,327,895	-	-	-	5,327,895
Investments	12,429,305	-	-	-	12,429,305
Accrued interest receivable	62,272	-	-	-	62,272
Accounts receivable – water sales and services	893,593	-	-	-	893,593
Accounts receivable – special assessments	-	-	217,413	-	217,413
Accounts receivable – property taxes	86,778	-	-	-	86,778
Accounts receivable – other	345,895	-	-	-	345,895
Due from other funds	15,314	6,082,912	-	(6,098,226)	-
Water-in-storage inventory	11,025,928	-	-	-	11,025,928
Materials and supplies inventory	97,903	-	-	-	97,903
Prepaid expenses and other deposits	226,092	-	-	-	226,092
Total current assets	<u>30,510,975</u>	<u>6,082,912</u>	<u>217,413</u>	<u>(6,098,226)</u>	<u>30,713,074</u>
Non-current assets:					
Deferred charges, net	105,855	-	-	-	105,855
Capital assets, not being depreciated	6,438,069	-	-	-	6,438,069
Depreciable capital assets, net	52,736,583	-	-	-	52,736,583
Total non-current assets	<u>59,280,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,280,507</u>
Total assets	<u><u>89,791,482</u></u>	<u><u>6,082,912</u></u>	<u><u>217,413</u></u>	<u><u>(6,098,226)</u></u>	<u><u>89,993,581</u></u>
<i>Liabilities and Net Assets</i>					
Current liabilities – payable from unrestricted current assets:					
Accounts payable and accrued expenses	325,429	-	-	-	325,429
Accrued salaries and wages	80,035	-	-	-	80,035
Customer deposits	121,871	-	-	-	121,871
Deferred revenue	5,804	-	-	-	5,804
Accrued interest payable	22,620	-	-	-	22,620
Due to other funds	6,082,912	-	15,314	(6,098,226)	-
Compensated absences - current portion	410,320	-	-	-	410,320
Bonds payable - current portion	-	-	13,000	-	13,000
Loans payable - current portion	216,373	943,646	-	-	1,160,019
Total current liabilities	<u>7,265,364</u>	<u>943,646</u>	<u>28,314</u>	<u>(6,098,226)</u>	<u>2,139,098</u>
Non-current liabilities:					
Compensated absences	410,321	-	-	-	410,321
Other post-employment benefits payable	3,070,026	-	-	-	3,070,026
Bonds payable	-	-	148,500	-	148,500
Loans payable	2,591,520	-	-	-	2,591,520
Total non-current liabilities	<u>6,071,867</u>	<u>-</u>	<u>148,500</u>	<u>-</u>	<u>6,220,367</u>
Total liabilities	<u><u>13,337,231</u></u>	<u><u>943,646</u></u>	<u><u>176,814</u></u>	<u><u>(6,098,226)</u></u>	<u><u>8,359,465</u></u>
Net assets:					
Net investment in capital assets	56,366,759	(943,646)	-	-	55,423,113
Restricted for debt service	-	-	55,913	-	55,913
Unrestricted	20,087,492	6,082,912	(15,314)	-	26,155,090
Total net assets	<u>76,454,251</u>	<u>5,139,266</u>	<u>40,599</u>	<u>-</u>	<u>81,634,116</u>
Total liabilities and net assets	<u><u>\$ 89,791,482</u></u>	<u><u>6,082,912</u></u>	<u><u>217,413</u></u>	<u><u>(6,098,226)</u></u>	<u><u>89,993,581</u></u>

Casitas Municipal Water District
Combining Balance Sheet
June 30, 2010

<i>Assets</i>	Operating Fund	Financing Fund	Improvement Assessment Fund	Eliminations for Financial Reporting	Total
Current assets:					
Cash and cash equivalents	\$ 13,757,210	-	-	-	13,757,210
Investments	3,514,292	-	-	-	3,514,292
Accrued interest receivable	78,387	-	-	-	78,387
Accounts receivable – water sales and services	988,429	-	-	-	988,429
Accounts receivable – special assessments	-	-	234,422	-	234,422
Accounts receivable – property taxes	94,555	-	-	-	94,555
Accounts receivable – other	33,703	-	-	-	33,703
Due from other funds	1,947	5,348,721	-	(5,350,668)	-
Water-in-storage inventory	7,707,834	-	-	-	7,707,834
Materials and supplies inventory	92,731	-	-	-	92,731
Prepaid expenses and other deposits	206,263	-	-	-	206,263
Total current assets	<u>26,475,351</u>	<u>5,348,721</u>	<u>234,422</u>	<u>(5,350,668)</u>	<u>26,707,826</u>
Non-current assets:					
Deferred charges, net	117,617	-	-	-	117,617
Capital assets, not being depreciated	7,551,749	-	-	-	7,551,749
Depreciable capital assets, net	<u>52,630,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,630,737</u>
Total non-current assets	<u>60,300,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,300,103</u>
Total assets	<u><u>86,775,454</u></u>	<u><u>5,348,721</u></u>	<u><u>234,422</u></u>	<u><u>(5,350,668)</u></u>	<u><u>87,007,929</u></u>
<i>Liabilities and Net Assets</i>					
Current liabilities – payable from unrestricted current assets:					
Accounts payable and accrued expenses	423,913	-	-	-	423,913
Accrued salaries and wages	196,060	-	-	-	196,060
Customer deposits	60,537	-	-	-	60,537
Deferred revenue	-	-	-	-	-
Accrued interest payable	20,851	-	-	-	20,851
Due to other funds	5,348,721	-	1,947	(5,350,668)	-
Compensated absences - current portion	380,182	-	-	-	380,182
Bonds payable - current portion	-	-	12,000	-	12,000
Loans payable - current portion	<u>209,757</u>	<u>943,646</u>	<u>-</u>	<u>-</u>	<u>1,153,403</u>
Total current liabilities	<u>6,640,021</u>	<u>943,646</u>	<u>13,947</u>	<u>(5,350,668)</u>	<u>2,246,946</u>
Non-current liabilities:					
Compensated absences	380,183	-	-	-	380,183
Other post-employment benefits payable	1,972,749	-	-	-	1,972,749
Bonds payable	-	-	161,500	-	161,500
Loans payable	<u>2,807,893</u>	<u>943,646</u>	<u>-</u>	<u>-</u>	<u>3,751,539</u>
Total non-current liabilities	<u>5,160,825</u>	<u>943,646</u>	<u>161,500</u>	<u>-</u>	<u>6,265,971</u>
Total liabilities	<u>11,800,846</u>	<u>1,887,292</u>	<u>175,447</u>	<u>(5,350,668)</u>	<u>8,512,917</u>
Net assets:					
Net investment in capital assets	57,164,836	(1,887,292)	-	-	55,277,544
Restricted for debt service	-	-	60,922	-	60,922
Unrestricted	<u>17,809,772</u>	<u>5,348,721</u>	<u>(1,947)</u>	<u>-</u>	<u>23,156,546</u>
Total net assets	<u>74,974,608</u>	<u>3,461,429</u>	<u>58,975</u>	<u>-</u>	<u>78,495,012</u>
Total liabilities and net assets	<u>\$ 86,775,454</u>	<u>5,348,721</u>	<u>234,422</u>	<u>(5,350,668)</u>	<u>87,007,929</u>

Casitas Municipal Water District
Combining Statement of Revenues and Expenses
June 30, 2011

	Water Fund	Recreation Fund	2011 Total
Operating revenues:			
Retail water consumption	\$ 3,605,636	-	3,605,636
Wholesale water consumption	2,007,858	-	2,007,858
Monthly water service charge	1,979,273	-	1,979,273
Recreation revenue	-	3,269,377	3,269,377
Other water charges and services	94,456	-	94,456
Total operating revenues	7,687,223	3,269,377	10,956,600
Operating expenses:			
Source of supply	1,493,036	-	1,493,036
Pumping	1,168,939	-	1,168,939
Water treatment	1,107,391	-	1,107,391
Transmission and distribution	488,434	-	488,434
Telemetry	251,534	-	251,534
Customer accounts	362,054	-	362,054
Recreation expenses	-	3,436,849	3,436,849
General and administrative	3,278,893	-	3,278,893
Total operating expenses	8,150,281	3,436,849	11,587,130
Operating income(loss) before depreciation	(463,058)	(167,472)	(630,530)
Depreciation and amortization – water department	(2,759,856)	-	(2,759,856)
Depreciation – recreation department	-	(277,484)	(277,484)
Operating income(loss)	(3,222,914)	(444,956)	(3,667,870)
Non-operating revenue(expense)			
Property taxes	2,012,458	-	2,012,458
Clean Water Act surcharge	1,682,991	-	1,682,991
Mira Monte assessment	17,113	-	17,113
Oak View availability charge	7,657	-	7,657
Water-in-storage valuation	3,318,094	-	3,318,094
State water project	(787,665)	-	(787,665)
Tax collection expense	(31,158)	-	(31,158)
Interest and investment earnings	402,229	-	402,229
Interest expense – long-term debt	(102,295)	-	(102,295)
Deferred charges amortization	(11,762)	-	(11,762)
Other non-operating revenues/(expenses), net	225,207	-	225,207
Total non-operating revenues, net	6,732,869	-	6,732,869
Net income(loss) before capital contributions	3,509,955	(444,956)	3,064,999
Capital contributions:			
Federal, state and local capital grants	74,095	-	74,095
Change in net assets	3,584,050	(444,956)	3,139,094
Adjustment for noncash items:			
Depreciation and amortization – water department	2,759,856	-	2,759,856
Depreciation – recreation department	-	277,484	277,484
Water-in-storage valuation	(3,318,094)	-	(3,318,094)
Deferred charges amortization	11,762	-	11,762
Total	\$ 3,037,574	(167,472)	2,870,102

Casitas Municipal Water District
Combining Statement of Revenues and Expenses
June 30, 2010

	Water Fund	Recreation Fund	2010 Total
Operating revenues:			
Retail water consumption	\$ 4,383,489	-	4,383,489
Wholesale water consumption	2,068,095	-	2,068,095
Monthly water service charge	2,036,499	-	2,036,499
Recreation revenue	-	3,611,110	3,611,110
Other water charges and services	95,724	-	95,724
Total operating revenues	8,583,807	3,611,110	12,194,917
Operating expenses:			
Source of supply	1,338,079	-	1,338,079
Pumping	1,166,950	-	1,166,950
Water treatment	1,165,062	-	1,165,062
Transmission and distribution	530,798	-	530,798
Telemetry	266,133	-	266,133
Customer accounts	308,364	-	308,364
Recreation expenses	-	3,504,726	3,504,726
General and administrative	2,891,029	-	2,891,029
Total operating expenses	7,666,415	3,504,726	11,171,141
Operating income(loss) before depreciation and amortization	917,392	106,384	1,023,776
Depreciation and amortization – water department	(2,570,594)	-	(2,570,594)
Depreciation – recreation department	-	(292,735)	(292,735)
Operating income(loss)	(1,653,202)	(186,351)	(1,839,553)
Non-operating revenue(expense)			
Property taxes	1,959,850	-	1,959,850
Clean Water Act surcharge	1,290,042	-	1,290,042
Mira Monte assessment	18,601	-	18,601
Oak View availability charge	7,709	-	7,709
Water storage valuation	-	-	-
State water project	(666,442)	-	(666,442)
Tax collection expense	(30,416)	-	(30,416)
Interest and investment earnings	129,472	-	129,472
Interest expense – long-term debt	(106,239)	-	(106,239)
Deferred charges amortization	(11,762)	-	(11,762)
Other non-operating revenues/(expenses), net	5,124	-	5,124
Total non-operating revenues, net	2,595,939	-	2,595,939
Net income(loss) before capital contributions	942,737	(186,351)	756,386
Capital contributions:			
Federal, state and local capital grants	131,179	-	131,179
Change in net assets	1,073,916	(186,351)	887,565
Adjustment for noncash items:			
Depreciation and amortization – water department	2,570,594	-	2,570,594
Depreciation – recreation department	-	292,735	292,735
Water-in-storage valuation	-	-	-
Deferred charges amortization	11,762	-	11,762
Total	\$ 3,656,272	106,384	3,762,656

Casitas Municipal Water District
Detail Schedule of Operating Expenses – Utility Department
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Source of supply:		
Salaries and benefits	\$ 901,944	795,071
District equipment	8,677	3,217
Services and supplies	86,888	63,182
Utilities	7,770	8,576
Public information program	100	245
Computer upgrades – hardware and software	343	3,191
Costs applied	3,895	8,666
Purchased water	860	979
Outside contracts	213,916	161,502
Clothing and personal supplies	1,249	1,490
Communications	4,679	4,613
Memberships and dues	3,849	8,095
Printing and binding	9,589	10,240
Books and publications	186	497
Office supplies	157	428
Postage	9,586	9,665
Other professional services	172,124	218,217
Licenses and permits	19,224	13,923
Advertising and legal notices	-	-
Small tools	7,328	178
Safety program	-	220
Private vehicle mileage	656	1,073
Travel expense	32,193	16,211
Education and training	7,611	8,424
Insurance – EAP	126	127
Insurance - Aflac service fee	85	48
Total source of supply	<u>1,493,036</u>	<u>1,338,079</u>
Pumping:		
Salaries and benefits	218,533	235,071
Service and supplies	52,732	24,963
Power purchased for pumping	834,205	848,985
Outside contracts	60,920	55,886
Communications	1,562	1,585
Small tools	987	460
Total pumping	<u>1,168,939</u>	<u>1,166,950</u>
Water treatment:		
Salaries and benefits	750,256	778,362
Service and supplies	67,746	52,121
Utilities	96,169	97,166
Chlorine	54,626	64,725
Polymer	23,301	22,684
Ferric	13,226	16,451
Ammonia	22,680	20,825
Caustics	62,089	75,171
Computer upgrades – hardware and software	866	935
Outside contracts	5,561	2,829
Clothing and personal supplies	1,003	566
Communications	2,366	2,129
Postage	-	63
Other professional fees	-	25,200
Licenses and permits	410	210
Travel	160	161
Small tools	5,153	4,300
Education and training	1,779	1,163
Total water treatment	<u>1,107,391</u>	<u>1,165,062</u>

Continued on next page

Casitas Municipal Water District
Detail Schedule of Operating Expenses – Utility Department, continued
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Transmission and distribution:		
Salaries and benefits	\$ 355,655	357,562
District equipment	(37)	-
Service and supplies	56,298	84,535
Computer upgrades – hardware and software	2,177	2,164
Outside contracts	45,862	52,033
Clothing and personal supplies	230	690
Communications	2,091	2,528
Books and publications	74	47
Licenses and permits	2,619	2,958
Small tools	4,308	7,848
Office supplies	51	-
Travel expense	726	628
Printing and binding	-	75
Education and training	1,371	1,309
Other operating expenses	<u>17,009</u>	<u>18,421</u>
Total transmission and distribution	<u>488,434</u>	<u>530,798</u>
Telemetering:		
Salaries and benefits	204,168	212,012
Service and supplies	13,254	8,294
Utilities	13,559	23,439
Outside contracts	19,201	20,719
Communications	836	1,255
Clothing and personal supplies	-	29
Private vehicle mileage	-	96
Postage	35	-
Small tools	481	248
Travel	<u>-</u>	<u>39</u>
Total telemetering	<u>251,534</u>	<u>266,133</u>
Customer accounts:		
Salaries and benefits	313,520	244,568
Service and supplies	23,606	28,583
Computer upgrades – hardware and software	105	-
Leak relief expense	2,366	3,594
Bad debt provision	6,319	12,011
Clothing and personal supplies	492	446
Other operating expense	100	-
Outside contracts	12,176	13,216
Printing and binding	-	278
Postage	1,571	2,411
Licenses and permits	430	90
Small tools	192	826
Travel expense	498	538
Education and training	<u>681</u>	<u>1,803</u>
Total customer accounts	<u>362,054</u>	<u>308,364</u>

Continued on next page

Casitas Municipal Water District
Detail Schedule of Operating Expenses – Utility Department, continued
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
General and administrative:		
Salaries and benefits	3,210,298	2,937,313
District equipment	124,903	84,100
Service and supplies	127,828	88,425
Utilities	48,678	48,513
Bad debt expense	1,934	265
Computer upgrades – hardware and software	25,228	22,012
Vehicle costs direct	93,465	64,892
Outside contracts	120,251	162,810
Clothing and personal supplies	7,135	8,635
Communications	33,558	29,709
Office equipment maintenance	1,434	1,468
Memberships and dues	85,389	80,312
Printing and binding	3,595	2,747
Books and publications	4,094	3,901
Office supplies	11,619	11,757
Postage	2,283	2,762
Other professional services	126,976	100,622
Licenses and permits	6,652	10,655
Advertising and legal notices	1,534	578
Small tools	5,033	617
Safety program	2,525	8,056
Private vehicle mileage	7,894	7,729
Travel expense	14,101	7,542
Directors election fees	8,419	-
Education and training	15,678	16,929
(Gains)/losses on inventory	(8,299)	3,053
Petty cash over/short	(9)	70
Interest and penalties	308	859
Insurance – liability	54,995	54,983
Workers' compensation	58,713	65,329
Insurance – EAP	1,361	1,335
Insurance - Aflac	1,160	508
Bank charges	19,386	26,563
Other operating expenses	1,418	-
Costs applied	(173,871)	(103,936)
Administrative overhead burden	(766,774)	(860,082)
Total general and administrative	<u>3,278,893</u>	<u>2,891,029</u>
Depreciation and amortization:		
Water treatment	<u>2,759,856</u>	<u>2,570,594</u>
Total depreciation and amortization	<u>2,759,856</u>	<u>2,570,594</u>
Total operating expenses – utility department	<u><u>\$ 10,910,138</u></u>	<u><u>10,237,008</u></u>

Casitas Municipal Water District
Detail Schedule of Operating Revenues & Expenses – Recreation Department, continued
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Recreation revenue:		
Animal permit	\$ 19,023	24,168
Area use permits	-	(15)
Bicycles - concession	7,746	6,513
Boat fees - annual	61,393	59,085
Boat fees - daily	14,146	15,280
Boat fees - overnight	2,188	2,105
Boat inspection fees - Quagga	6,923	10,362
Boat lock revenue - Quagga	8,893	10,692
Boat rental - concession	80,312	73,274
Cafe - concession	23,610	22,578
Cafe pass fee	23,870	4,345
Cafe pass reimbursment	(23,060)	(4,136)
Camping fees	1,504,075	1,568,522
Camping promotion	-	6,174
Commercials	-	13,100
Donation vouchers	(775)	(790)
Event reimbursment	1,999	2,869
Events	27,699	42,043
Gasoline - concession	90	102
Gift cards and certificates	165	(204)
Guest pass	(620)	(1,305)
Kayak and canoes annual	3,220	4,525
Kayak and canoes daily	303	30
Miscellaneous revenue	2,474	11,492
Over / short - recreation	245	(676)
Over / short - water park	227	(10)
Park store	3,343	35,377
Rain checks	(2,998)	(5,144)
Reservations	106,135	118,252
Shower facility fees	17,503	23,493
Telephone	12	65
Trailer storage fees	177,711	176,292
Vehicle fees - daily	344,208	420,475
Violation ordinance fees	16,175	37,926
Visitor cards	143,499	141,823
Water park - cooler fees	-	4,256
Water park - donation voucher	(190)	-
Water park - group pass fee	42,740	57,260
Water park - junior lifeguard	1,760	2,450
Water park - late day pass fee	60,620	59,080
Water park - lifeguard training	2,640	-
Water park - locker fee	957	1,287
Water park - miscellaneous revenue	539	4,160
Water park - next day pass fee	11,650	16,790
Water park - promotion	(12)	-
Water park - rain checks	(4,489)	(4,426)
Water park - reservation fee	5,795	9,315
Water park - season pass fee	19,890	23,325
Water park - shade rental fee	4,604	7,125
Water park - shower facility fee	14,853	15,114
Water park - single splash fee	526,105	575,486
Water park - special event fee	-	360
Water park - water fitness - fee	8,078	4,225
Water park snack bar	4,103	16,167
Wi-fi internet fees	-	454
Total recreation revenue	<u>3,269,377</u>	<u>3,611,110</u>

Continued on next page

Casitas Municipal Water District
Detail Schedule of Operating Revenues & Expenses – Recreation Department, continued
For the Fiscal Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Recreation expenses:		
Administrative overhead burden	\$ 766,774	860,082
Advertising and legal notices	2,989	5,055
Bad debt provision	951	303
Bank charges	560	-
Books and publications	65	139
Chemicals – water playground	1,713	1,907
Chlorine	25,517	24,504
Clothing and personal supplies	16,090	15,087
Communications	25,667	24,020
Computer upgrades – hardware and software	11,225	9,943
Credit card fees	55,728	57,887
District equipment	130,586	96,235
Education and training	2,688	3,737
Fish purchases	59,138	49,980
Licenses and permits	4,060	2,509
Memberships and dues	1,630	907
Office equipment maintenance	801	-
Office supplies	7,709	8,240
Other professional services	798	12,211
Outside contracts	220,661	208,220
Postage	1,269	1,535
Printing and binding	18,156	12,804
Private vehicle mileage	358	1,150
Public information program	2,978	167
Purchased water	66,840	70,003
Safety program	3,824	8,732
Salaries and benefits	1,664,303	1,718,021
Service and supplies	199,233	166,326
Small tools	7,800	7,520
Travel expense	5,230	5,465
Utilities	131,508	132,037
	<u>3,436,849</u>	<u>3,504,726</u>
Total		
Depreciation – recreation department	<u>277,484</u>	<u>292,735</u>
Total recreation expenses	<u>3,714,333</u>	<u>3,797,461</u>
Net recreation income(loss)	<u>\$ (444,956)</u>	<u>(186,351)</u>

Statistical Section

**Casitas Municipal Water District
Statistical Section**

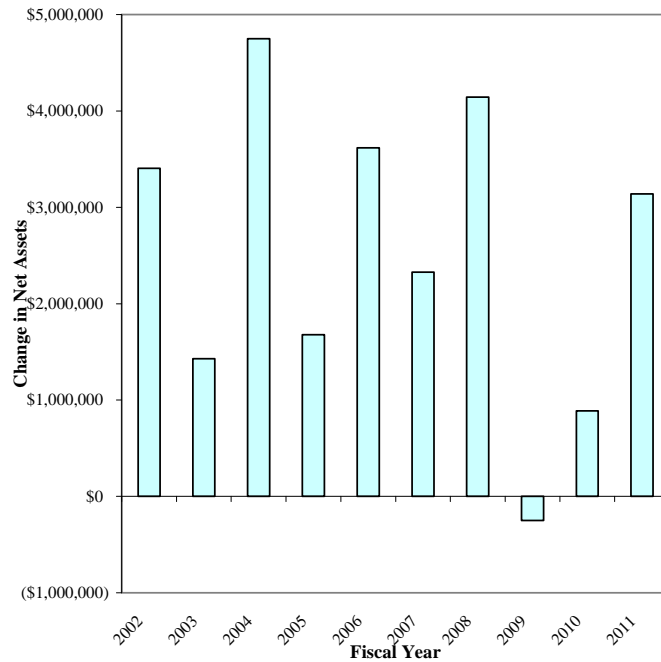
This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

Table of Contents

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	50-53
Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales.	54-58
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.	59-60
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	61
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.	62

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Changes in net assets:					
Operating revenues (see Schedule 2)	\$ 8,850,451	8,417,164	8,854,143	9,688,724	11,258,803
Operating expenses (see Schedule 3)	(6,778,848)	(8,212,939)	(7,866,167)	(8,378,443)	(8,262,068)
Depreciation and amortization	(1,670,777)	(1,693,885)	(1,722,585)	(2,495,930)	(2,363,709)
Operating income(loss)	400,826	(1,489,660)	(734,609)	(1,185,649)	633,026
Non-operating revenues(expenses)					
Property taxes	2,325,808	2,698,760	2,467,821	525,019	526,622
Clean Water Act surcharge	-	-	-	1,070,545	1,085,494
Mira Monte assessment	-	-	-	9,549	20,307
Oak View availability charge	-	-	-	7,579	7,754
Property tax collection expense	-	-	(26,535)	(13,854)	(15,707)
Investment income/(loss)	495,218	240,699	73,851	138,716	269,336
Federal grants	55,330	-	-	-	-
Capital facilities charges	134,426	93,002	-	-	-
Gain/(Loss) on sale/disposition of assets	-	-	7,386	(5,566)	-
Interest expense	(61,144)	(250,890)	(151,058)	(159,437)	(131,650)
Other revenue/(expense), net	52,550	137,214	22,771	(51,559)	204,592
Total non-operating revenues(expenses), net	3,002,188	2,918,785	2,394,236	1,520,992	1,966,748
Net income before capital contributions	3,403,014	1,429,125	1,659,627	335,343	2,599,774
Capital contributions	2,445	-	3,090,000	1,342,081	1,016,530
Changes in net assets	\$ 3,405,459	1,429,125	4,749,627	1,677,424	3,616,304
Net assets by component:					
Invested in capital assets, net of related debt	\$ 39,484,283	44,631,416	52,913,400	55,377,759	55,808,167
Restricted	4,938,887	284,778	235,244	226,563	91,941
Unrestricted	14,695,414	15,631,515	12,945,075	12,166,821	15,487,339
Total net assets	\$ 59,118,584	60,547,709	66,093,719	67,771,143 ⁽¹⁾	71,387,447



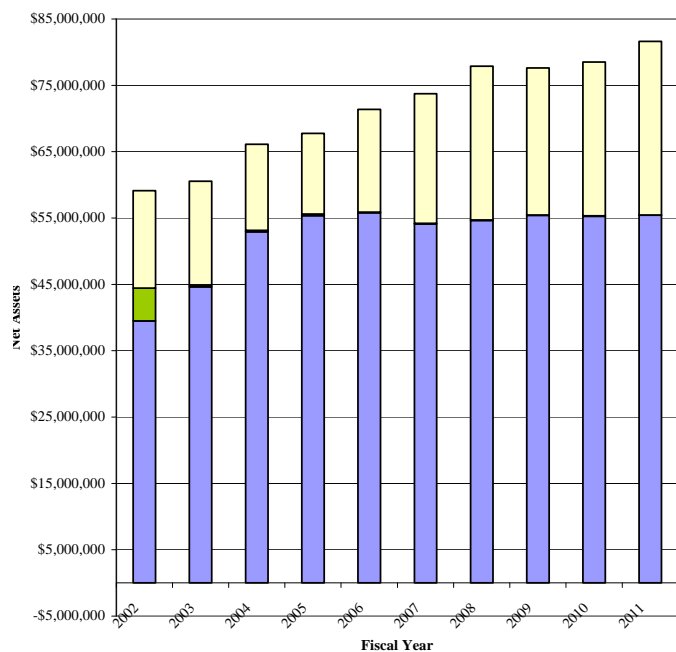
Notes:

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

Source: Casitas Municipal Water District Accounting Department

Schedule 1

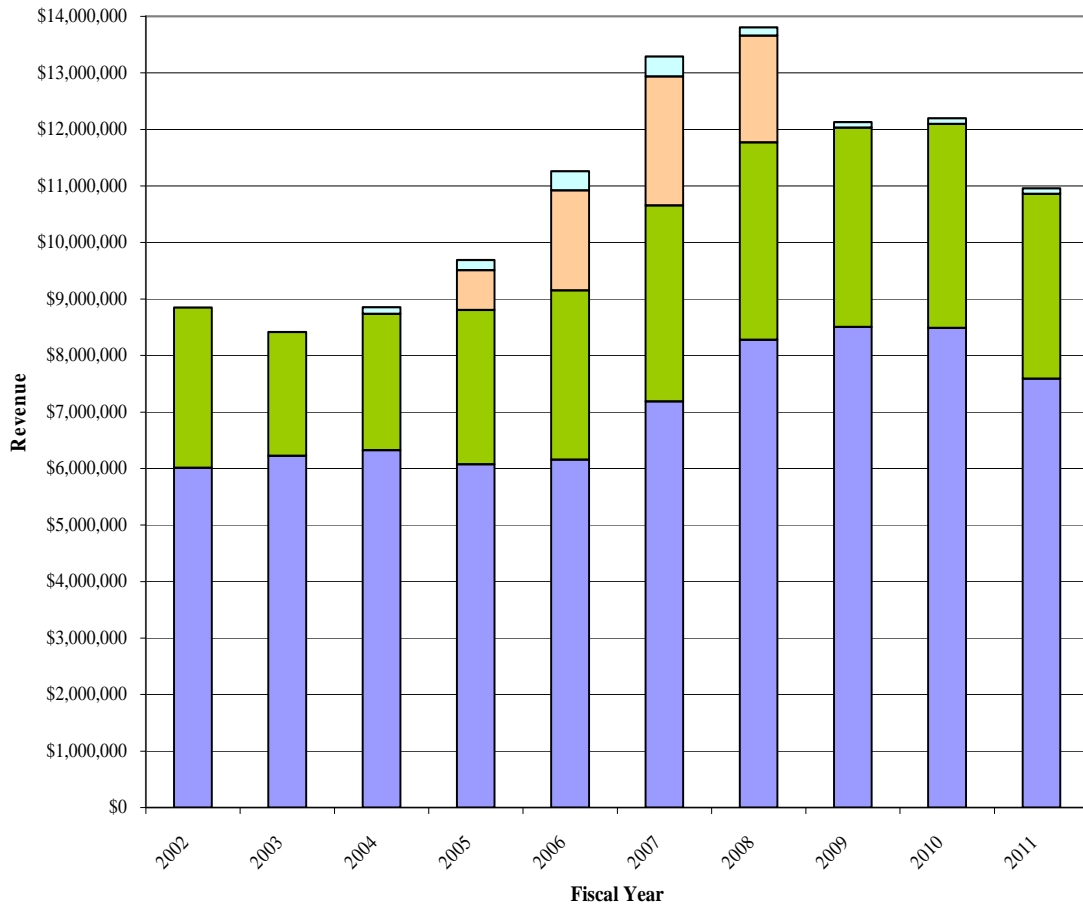
Fiscal Year				
2007	2008	2009	2010	2011
13,291,119	13,805,964	12,129,996	12,194,917	10,956,600
(10,289,724)	(10,107,124)	(13,384,114)	(11,171,141)	(11,587,130)
(4,207,595)	(2,975,653)	(2,834,977)	(2,863,329)	(3,037,340)
(1,206,200)	723,187	(4,089,095)	(1,839,553)	(3,667,870)
1,734,216	1,831,087	1,982,172	1,959,850	2,012,458
1,006,501	1,071,637	1,685,062	1,290,042	1,682,991
18,605	19,657	18,914	18,601	17,113
7,439	7,862	6,992	7,709	7,657
(13,448)	(28,261)	(29,433)	(30,416)	(31,158)
404,167	463,786	213,695	129,472	402,229
-	-	-	-	3,318,094
-	-	-	(666,442)	(787,665)
-	-	-	-	-
-	-	-	-	-
(129,810)	(123,440)	(116,361)	(106,239)	(102,295)
46,646	31,307	14,460	(6,638)	213,445
3,074,316	3,273,635	3,775,501	2,595,939	6,732,869
1,868,116	3,996,822	(313,594)	756,386	3,064,999
458,002	146,880	63,784	131,179	74,095
2,326,118	4,143,702	(249,810)	887,565	3,139,094
54,099,748	54,636,436	55,408,560	55,277,544	55,423,113
103,054	75,088	67,343	60,922	55,913
19,510,763	23,145,743	22,131,554	23,156,556	26,155,090
73,713,565	77,857,267	77,607,457	78,495,022	81,634,116



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

Schedule 2

Fiscal Year	Water Sales and Service	Recreation Revenue	Water Storage Valuation	Other Operating Revenue	Total Operating Revenue
2002	\$ 6,014,499	2,835,952	-	-	8,850,451
2003	6,226,072	2,191,092	-	-	8,417,164
2004	6,325,927	2,412,902	-	115,314	8,854,143
2005	6,075,618	2,728,679	704,148	180,279	9,688,724
2006	6,157,482	2,996,915	1,768,645	335,761	11,258,803
2007	7,188,942	3,469,248	2,282,734	350,195	13,291,119
2008	8,282,482	3,487,877	1,890,639	144,966	13,805,964
2009	8,507,054	3,526,264	-	96,678	12,129,996
2010	8,488,083	3,611,110	-	95,724	12,194,918
2011	7,592,767	3,269,377	-	94,456	10,956,600



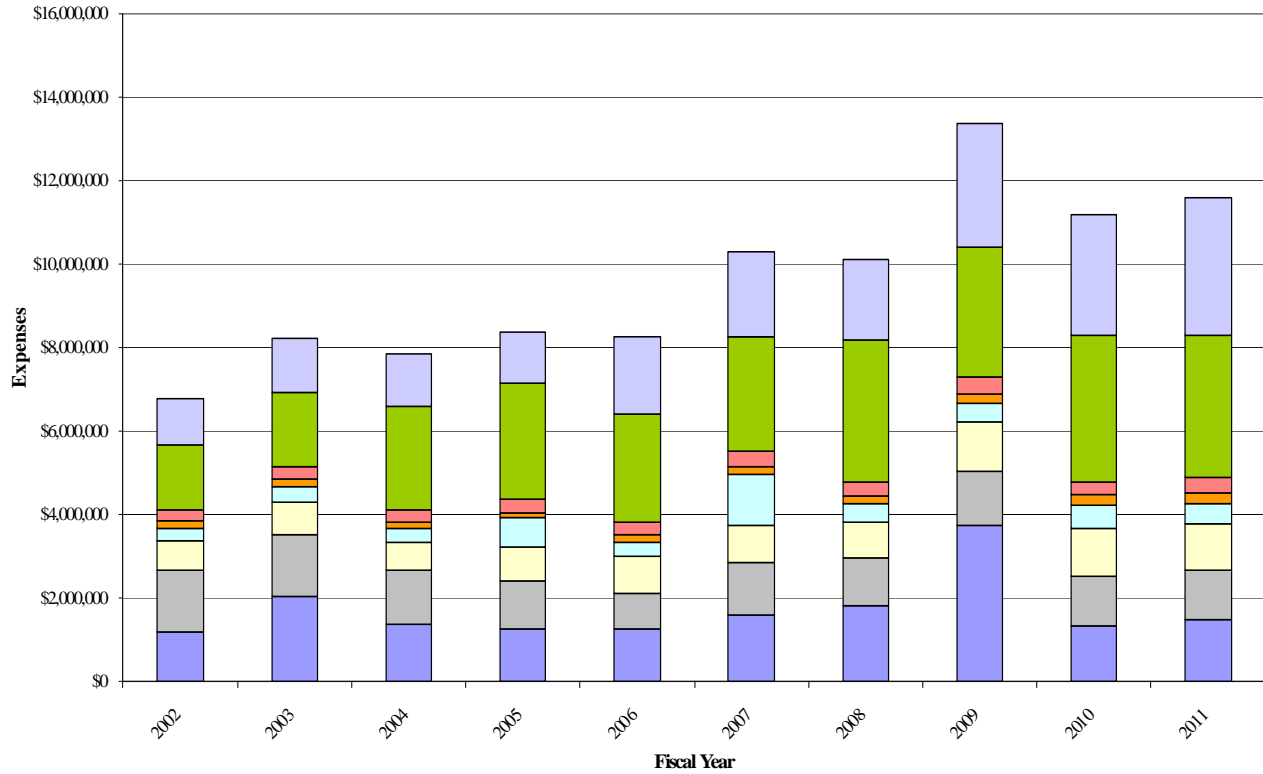
Source: Casitas Municipal Water District Accounting Department

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

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

Schedule 3

Fiscal Year	Source of Supply	Pumping	Water Treatment	Transmission and Distribution	Telemetering	Customer Accounts	Recreation Area	General and Administrative	Total Operating Expenses
2002	\$ 1,201,900	1,466,859	683,599	332,816	162,744	269,114	1,533,782	1,128,034	6,778,848
2003	2,038,776	1,486,079	785,332	356,064	179,509	302,980	1,773,929	1,290,270	8,212,939
2004	1,373,555	1,272,672	694,784	331,412	150,053	282,828	2,488,759	1,272,104	7,866,167
2005	1,260,178	1,151,358	810,650	687,261	142,260	331,338	2,747,871	1,247,527	8,378,443
2006	1,266,305	844,456	876,220	358,083	174,943	308,137	2,570,736	1,863,188	8,262,068
2007	1,584,516	1,261,227	898,454	1,221,291	185,521	359,407	2,730,670	2,048,638	10,289,724
2008	1,815,132	1,160,984	831,760	435,705	209,198	335,952	3,401,609	1,916,784	10,107,124
2009	3,735,269	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

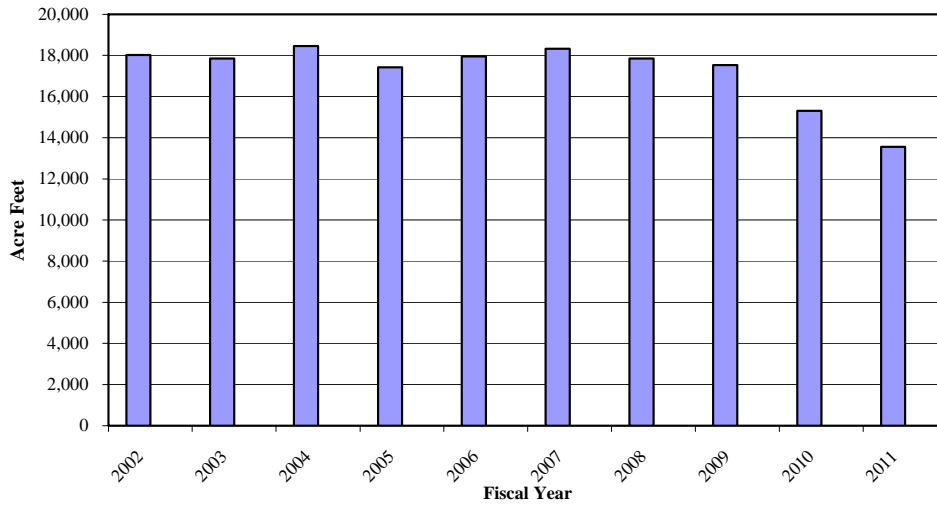


Source: Casitas Municipal Water District Accounting Department

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

Schedule 4

Fiscal Year	Water Sales (Acre Feet)
2002	18,014
2003	17,852
2004	18,450
2005	17,425
2006	17,952
2007	18,318
2008	17,844
2009	17,533
2010	15,307
2011	13,549



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

Source: Casitas Municipal Water District Accounting Department

Casitas Municipal Water District

Revenue Rates⁽¹⁾

Last Ten Fiscal Years

Schedule 5

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

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

Water Service Charges (monthly)										
Meter Size	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential:										
5/8" - 1"	\$ 10.72	11.04	11.37	12.06	12.42	12.79	14.01	14.01	15.30	15.99
1 1/2" - 2"	32.91	33.90	34.92	37.05	38.16	39.30	43.03	43.03	46.99	49.1
2 1/2" - 3"	70.08	72.18	74.35	78.88	81.25	83.69	91.64	91.64	100.07	104.57
4"	148.75	153.21	157.81	167.42	172.44	177.61	194.48	194.48	212.37	221.93
6"	439.12	452.29	465.86	494.24	509.07	524.34	574.15	574.15	626.97	655.18
Businesses:										
5/8" - 1"	19.42	20.00	20.60	21.86	22.52	23.20	24.59	24.59	26.85	28.06
1 1/2" - 2"	59.56	61.35	63.19	67.04	69.05	71.12	75.39	75.39	82.33	86.03
2 1/2" - 3"	126.93	130.74	134.66	142.86	147.15	151.56	160.65	160.65	175.43	183.32
4"	269.39	277.47	285.79	303.19	312.29	321.66	340.96	340.96	372.33	389.08
6"	795.19	819.05	843.62	895.00	921.85	949.51	1,006.48	1,006.48	1,099.08	1,148.54
Industrial:										
5/8" - 1"	14.49	14.92	15.37	16.30	16.79	17.29	18.06	18.06	19.72	20.61
1 1/2" - 2"	44.45	45.78	47.15	50.02	51.52	53.07	55.43	55.43	60.53	63.25
2 1/2" - 3"	94.70	97.54	100.47	106.58	109.78	113.07	118.12	118.12	128.99	134.79
4"	200.99	207.02	213.23	226.22	233.01	240.00	250.70	250.70	273.76	286.08
6"	593.86	611.68	630.03	668.40	688.45	709.10	740.71	740.71	808.86	845.26
Irrigation:										
5/8" - 1"	23.88	24.60	25.34	26.88	27.69	28.52	31.94	31.94	34.88	36.45
1 1/2" - 2"	73.20	75.40	77.66	82.39	84.86	87.41	97.90	97.90	106.91	111.72
2 1/2" - 3"	155.96	160.64	165.46	175.53	180.80	186.22	208.57	208.57	227.76	238.01
4"	331.03	340.96	351.19	372.58	383.76	395.27	442.70	442.70	483.43	505.18
6"	977.17	1,006.49	1,036.68	1,099.81	1,132.80	1,166.78	1,306.79	1,306.79	1,427.01	1,491.23
Resale (Gravity):										
5/8" - 1"	40.61	41.83	43.09	45.71	47.08	48.49	51.40	51.40	56.13	58.66
1 1/2" - 2"	124.56	128.30	132.15	140.19	144.40	148.73	157.65	157.65	172.15	179.7
2 1/2" - 3"	265.38	273.34	281.54	298.69	307.65	316.88	335.89	335.89	388.63	406.12
4"	563.27	580.17	597.58	633.98	653.00	672.59	712.95	712.95	778.54	813.57
6"	1,662.70	1,712.58	1,763.96	1,871.39	1,927.53	1,985.36	2,104.48	2,104.48	2,298.09	2,401.5
Resale (Pumped):										
5/8" - 1"	15.71	16.18	16.67	17.69	18.22	18.77	21.59	21.59	23.58	24.64
1 1/2" - 2"	48.17	49.62	51.11	54.22	55.85	57.53	66.16	66.16	72.25	75.5
2 1/2" - 3"	102.59	105.67	108.84	115.47	118.93	122.50	140.88	140.88	153.84	160.76
4"	217.76	224.29	231.02	245.09	252.44	260.01	299.01	299.01	326.52	341.21
6"	642.81	662.09	681.95	723.48	745.18	767.54	882.67	882.67	963.88	1,007.25
Other:										
5/8" - 1"	16.21	16.70	17.20	18.25	18.80	19.36	20.52	20.52	22.41	23.42
1 1/2" - 2"	49.72	51.21	52.75	55.96	57.64	59.37	62.93	62.93	68.72	71.81
2 1/2" - 3"	105.90	109.08	112.35	119.19	122.77	126.57	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 Year 2011**

Schedule 5-1

In fiscal year 2008, the District changed its rate structure as follows:

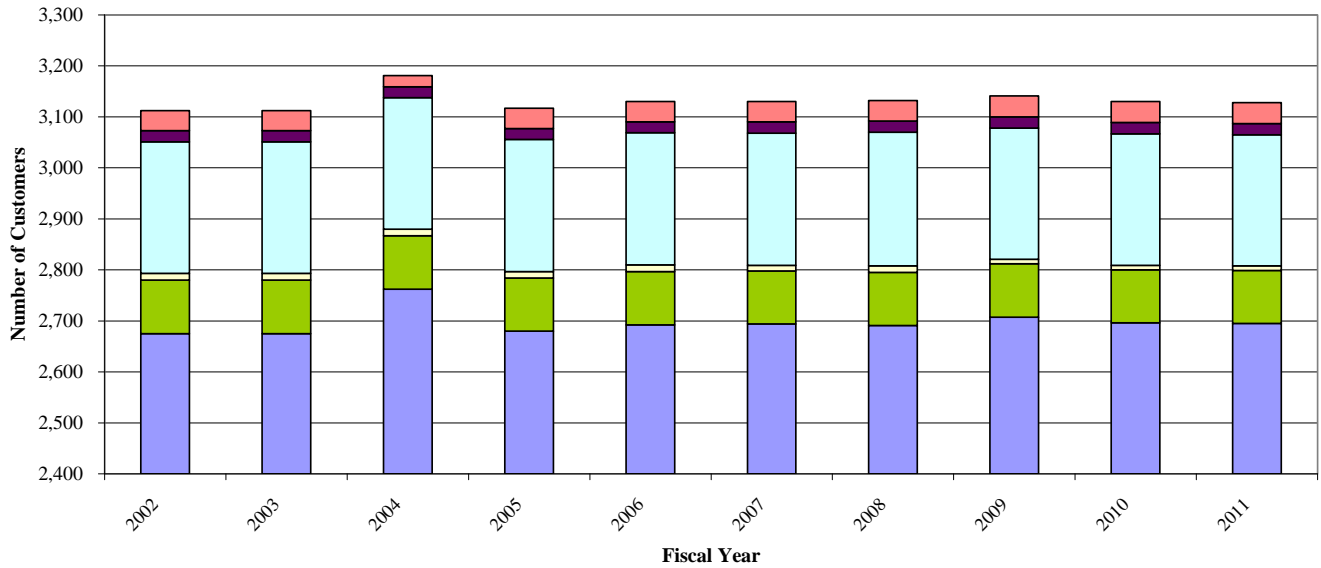
RATE SCHEDULE - CLASS 1 SERVICE				Rate per Unit **		
				GRAVITY	PUMPED	
Residential						
	Bi-Monthly Lifeline	0-20 Units		\$ 0.567	\$ 0.831	
	Bi-Monthly Usage	21-34 Units		\$ 1.003	\$ 1.267	
	Bi-Monthly Usage	35-100 units		\$ 1.404	\$ 1.668	
	Bi-Monthly Usage	101 units +		\$ 2.200	\$ 2.464	
Business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

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

**Casitas Municipal Water District
Customers by Type
Last Ten Fiscal Years**

Schedule 6

Fiscal Year	Customer Type						Total
	Residential	Business	Industrial	Agricultural	Wholesale	Other	
2002	2,675	105	13	258	22	39	3,112
2003	2,675	105	13	258	22	39	3,112
2004	2,762	105	13	258	21	22	3,181
2005	2,680	104	13	259	21	40	3,117
2006	2,692	105	13	259	21	40	3,130
2007	2,694	104	11	259	22	40	3,130
2008	2,691	104	13	262	22	40	3,132
2009	2,707	105	9	257	22	41	3,141
2010	2,696	104	9	258	22	41	3,130
2011	2,695	104	9	257	22	41	3,128



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

Source: Casitas Municipal Water District Accounting Department

**Casitas Municipal Water District
Principal Customers
Current Fiscal Year and Nine Years Ago**

Schedule 7

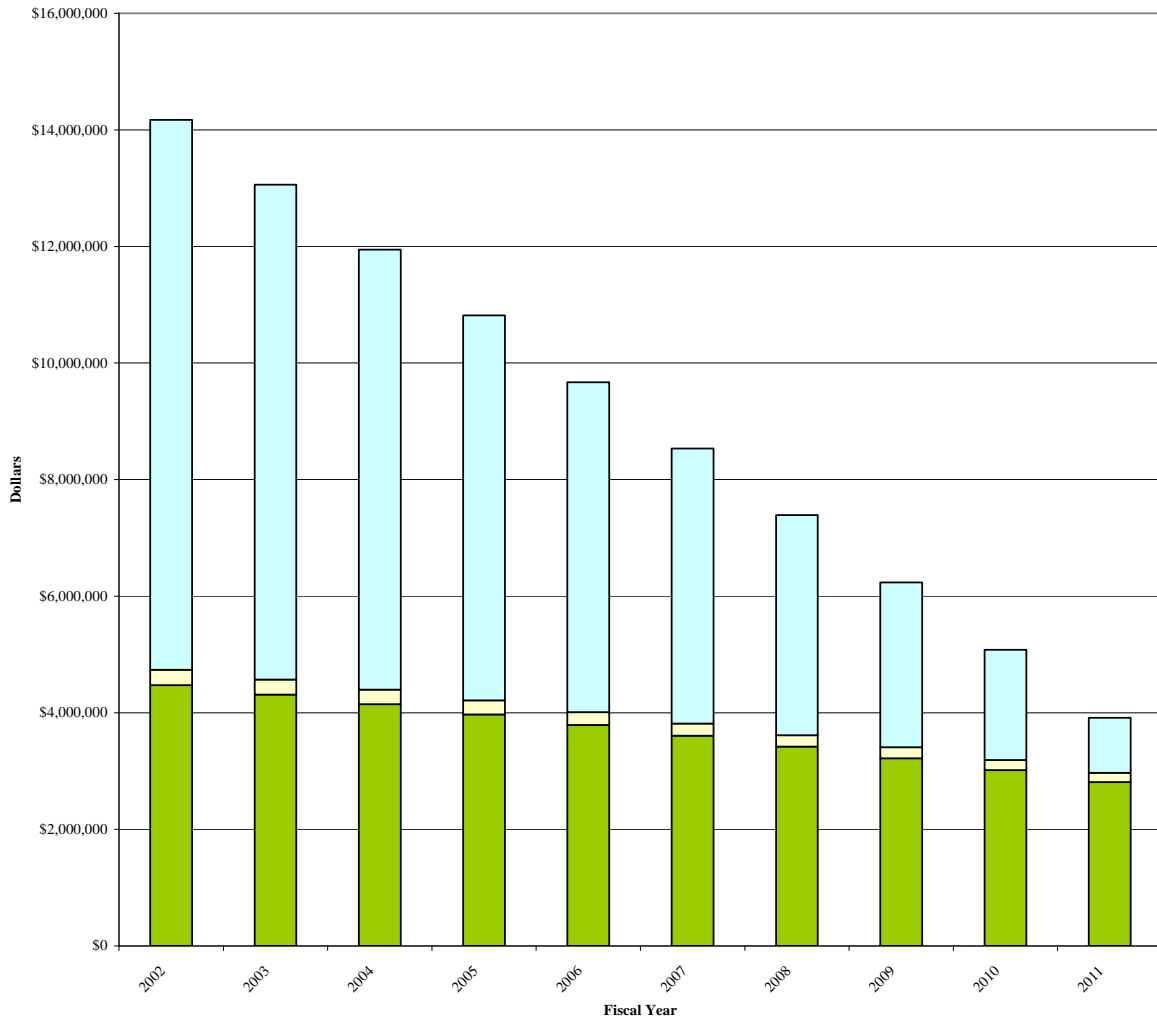
<u>Customer</u>	<u>2011</u>		<u>2002</u>	
	<u>Water Consumed (AF)</u>	<u>Percentage of Total</u>	<u>Water Consumed (AF)</u>	<u>Percentage of Total</u>
City of Ventura	5,851	43.18%	6,387	35.82%
Hermitage Mutual Water	467	3.45%	635	3.56%
Topa Topa Ranch Nursery	316	2.33%	392	2.20%
Ojai Valley Inn	282	2.08%	287	1.61%
James P. Finch	270	1.99%	382	2.14%
Mary Bergen	258	1.90%	221	1.24%
Paradise Grove	245	1.81%	-	0.00%
Vista Punta Gorda	241	1.78%	-	0.00%
Golden State Water	233	1.72%	451	2.53%
JLB Rancho La Vista	172	1.27%	-	0.00%
La Conchita Ranch	-	0.00%	577	3.24%
Mc Ghan Ranch	-	0.00%	266	1.49%
Senior Canyon Mutual Water	-	0.00%	393	2.20%
Total	8,335	61.52%	9,991	56.03%
Total Water Consumed (Acre Feet)	13,549	100.00%	17,831	100.00%

Source: Casitas Municipal Water District Accounting Department

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

Schedule 8

Fiscal Year	Loans Payable	Bonds Payable	Note Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2002	\$ 4,475,112	261,500	9,436,460	14,173,072	19.79	0.07%
2003	4,312,620	255,500	8,492,814	13,060,934	18.22	0.06%
2004	4,146,576	249,000	7,549,168	11,944,744	16.34	0.05%
2005	3,973,120	240,500	6,605,522	10,819,142	14.58	0.04%
2006	3,792,883	217,500	5,661,876	9,672,259	12.84	0.04%
2007	3,608,238	207,500	4,718,230	8,533,968	11.03	0.03%
2008	3,417,845	196,500	3,774,584	7,388,929	9.47	0.03%
2009	3,220,825	185,500	2,830,938	6,237,263	7.88	0.01%
2010	3,017,650	173,500	1,887,292	5,078,442	6.33	0.01%
2011	2,807,893	161,500	943,646	3,913,039	4.82	0.01%



Source: Casitas Municipal Water District Accounting Department

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

Schedule 9

Fiscal Year	Net Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal	Interest		
2002	\$ 12,314,609	(6,778,848)	5,535,761	421,280	61,144	482,424	11.47
2003	10,097,179	(8,212,939)	1,884,240	1,112,138	250,890	1,363,028	1.38
2004	10,664,828	(7,866,167)	2,798,661	1,116,190	151,058	1,267,248	2.21
2005	10,183,504	(8,378,443)	1,805,061	1,125,602	159,437	1,285,039	1.40
2006	13,990,227	(8,262,068)	5,728,159	1,132,484	131,650	1,264,134	4.53
2007	16,508,693	(10,289,724)	6,218,969	1,138,291	129,810	1,268,101	4.90
2008	17,231,300	(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

Notes:

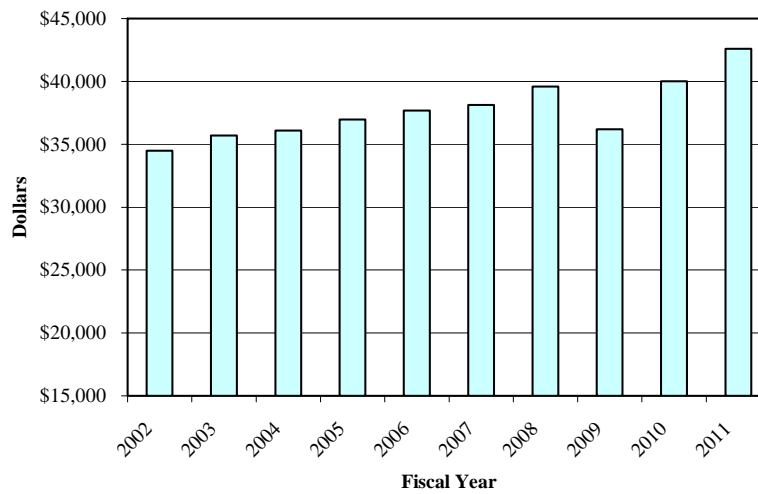
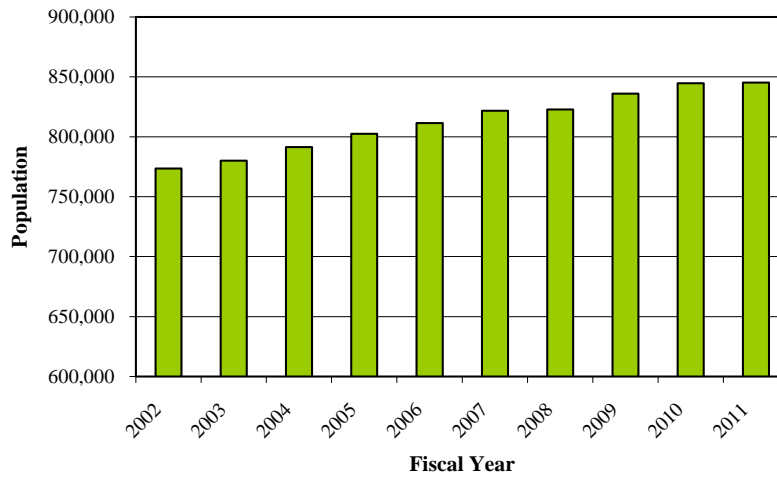
(1) Operating expenses exclude depreciation expense and OPEB accrued liability amount.

Source: Casitas Municipal Water District Accounting Department

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

Schedule 10

Year	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2002	5.6%	773,539	26,676,989	34,487
2003	5.3%	780,089	27,860,349	35,714
2004	4.8%	791,310	28,562,451	36,095
2005	4.6%	802,436	29,666,223	36,970
2006	4.6%	811,405	30,568,744	37,674
2007	4.3%	821,669	31,332,963	38,133
2008	4.6%	822,654	32,564,897	39,585
2009	9.2%	836,080	30,258,987	36,191
2010	10.0%	844,713	33,800,000	40,014
2011	11.0%	845,222	36,000,000	42,592



Sources: California Department of Finance and CaliforniaLaborMarketInfo

Notes:

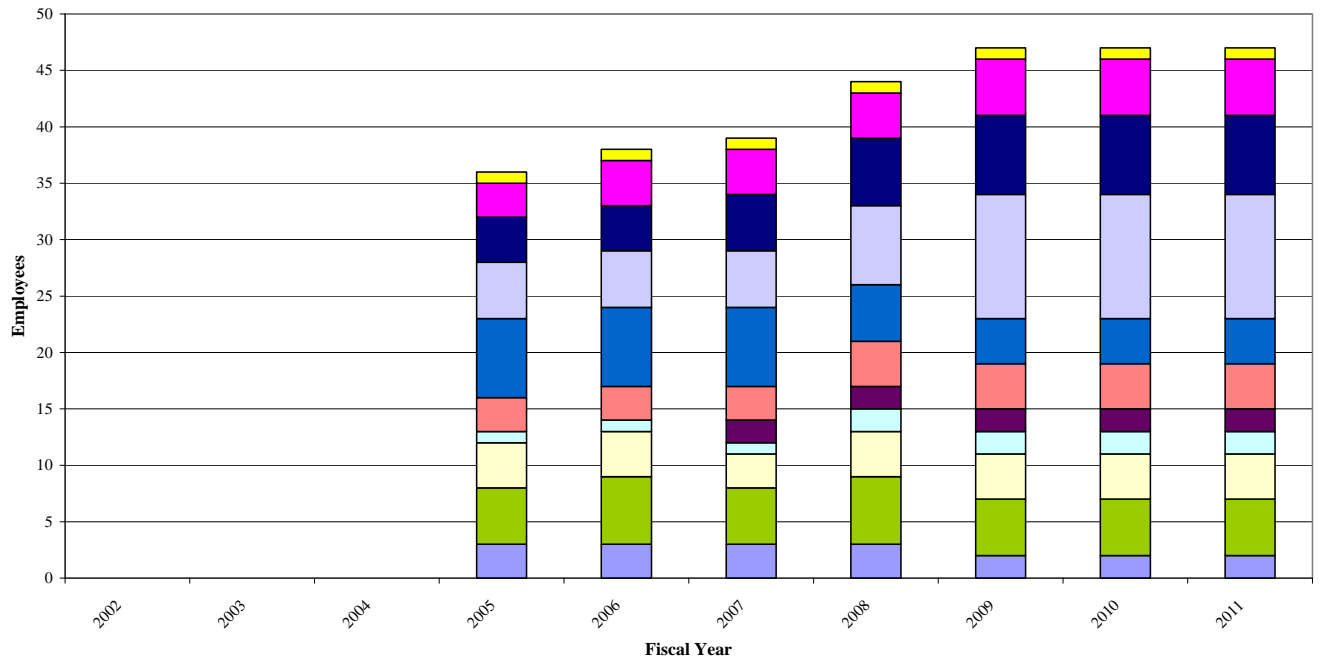
(1) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

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

Schedule 11

Paid - Full Time Positions

Department	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Management	N/A	N/A	N/A	3	3	3	3	2	2	2
Administration	N/A	N/A	N/A	5	6	5	6	5	5	5
Engineering	N/A	N/A	N/A	4	4	3	4	4	4	4
Water Quality Lab	N/A	N/A	N/A	1	1	1	2	2	2	2
Fisheries	N/A	N/A	N/A	0	0	2	2	2	2	2
Electrical and Mechanical	N/A	N/A	N/A	3	3	3	4	4	4	4
Distribution	N/A	N/A	N/A	7	7	7	5	4	4	4
Conservation and Treatment	N/A	N/A	N/A	5	5	5	7	11	11	11
Information Technology	N/A	N/A	N/A	1	1	1	1	1	1	1
Recreation Operations	N/A	N/A	N/A	4	4	5	6	7	7	7
Recreation Maintenance	N/A	N/A	N/A	3	4	4	4	5	5	5
Total	N/A	N/A	N/A	36	38	39	44	47	47	47



Other Operating and Capacity Indicators

Fiscal Year	Miles of Pipeline	Lake Storage Capacity (AF)	Lake Level at Year-End (AF)	Percentage of Lake Capacity	Daily System Capacity (MGD)
2002	105.7	254,000	195,172	76.8%	65
2003	105.7	254,000	179,219	70.6%	65
2004	105.7	254,000	167,988	66.1%	65
2005	105.7	254,000	230,891	90.9%	65
2006	105.7	254,000	229,546	90.4%	65
2007	105.7	254,000	221,174	87.1%	65
2008	105.7	254,000	222,528	87.6%	65
2009	105.7	254,000	199,851	78.7%	65
2010	105.7	254,000	194,405	76.5%	65
2011	105.7	254,000	218,328	86.0%	65

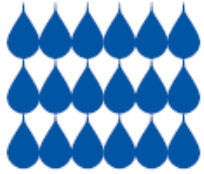
N/A - Data not available for these years

AF - Acre Feet

MGD - Millions of Gallons per Day

Sources: Casitas Municipal Water District Operations and Accounting Departments

Report on Internal Controls and Compliance



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

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com
WEB www.czfcpa.com

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

Board of Directors
Casitas Municipal Water District
Oak View, California

We have audited the basic financial statements of the Casitas Municipal Water District (District) as of and for the year ended June 30, 2011 and 2010, and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation
Cypress, California
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