

# Casitas Municipal Water District

*Comprehensive Annual Financial Report  
for the  
Fiscal Year Ended June 30, 2006*



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Casitas Municipal Water District  
Oak View, California

Comprehensive Annual Financial Report

Fiscal Year Ended  
June 30, 2006

Prepared by:

*Denise Collin – Accounting Manager / Treasurer*

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Comprehensive Annual Financial Report  
For the Year Ended June 30, 2006**

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# **Introductory Section**







October 31, 2006

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 year ended June 30, 2006, 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.

This CAFR is organized into three sections: (1) Introductory, (2) Financial and (3) Statistical. The Introductory section provides general information about the District's organization and activities, and provides information useful in assessing the District's financial condition. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes. The Statistical section presents un-audited ten-year historical financial, demographic and statistical information pertinent to the District's operations.

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 \$31 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 growth. However, Santa Barbara and Ventura counties have shown stronger growth than other parts of Southern California, which is projected to continue through 2007.

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.

### **Major Initiatives**

This year the District undertook major reviews in management, long term financing and maintenance. The management review resulted in 43 recommendations for consideration that management and staff will be working to implement or review in the next 2 to 4 years. The long term financing plan is to provide the resources that are necessary to fund the District properly as we meet the future needs and requirements that were identified in the plan. It is expected that this will have an impact on rates and activities of the District for the next five years. The maintenance review indicated a number of areas that needed improvement. Casitas will be working to address those maintenance areas in future budgets.

### **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.

### **Other References**

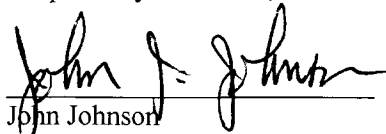
More information is contained in the Management’s Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

### **Awards and Acknowledgements**

For the year ended June 30, 2005, the District received for the 12<sup>th</sup> 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)

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,

  
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John Johnson  
General Manager

  
\_\_\_\_\_  
Denise Collin  
Accounting Manager

# Casitas Municipal Water District

## Directory

July 1, 2005 – June 30, 2006

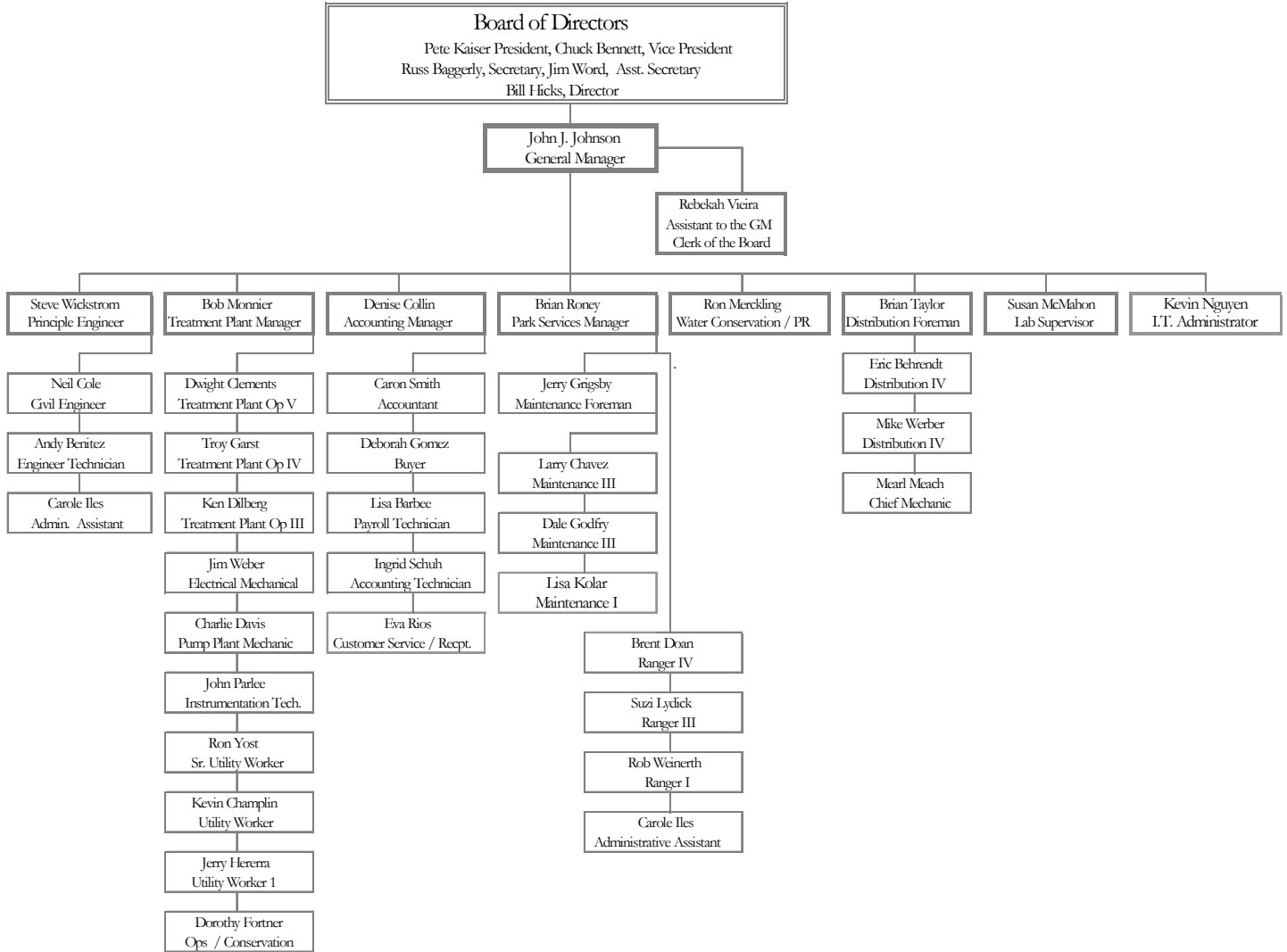
### Board of Directors

Board Member	Title	Date of Original Election of Appointment	Ending Date of Term
Pete Kaiser	President	November, 2002	December, 2008
Chuck Bennett	Vice President	September, 1999	December, 2006
Russ Baggerly	Secretary	November, 2004	December, 2008
James Word	Asst. Secretary	May, 1997	December, 2008
Bill Hicks	Director	November, 1990	December, 2006

### Staff

John J. Johnson	General Manager
Rebekah Vieira	Assistant to the General Manager Clerk of the Board
Steve Wickstrum	Principal Civil Engineer
Brian Roney	Park Services Manager
Denise Collin	Accounting Manager / Treasurer
Bob Monnier	Treatment Plant Manager
Ron Merckling	Water Conservation / PR

# 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, 2005

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.



A handwritten signature in black ink, appearing to read "Thomas J. Han".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emen".

Executive Director

# **Financial Section**







# Charles Z. Fedak & Company

Certified Public Accountants

An Accountancy Corporation

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Cypress, California 90630  
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Charles Z. Fedak, CPA, MBA  
Paul J. Kaymark, CPA

## 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 years ended June 30, 2006 and 2005, which collectively comprise 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2006 and 2005, and the respective changes in net assets and cash flows for the years 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, 2006, 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.

Management's discussion and analysis and the Schedule of Funding Progress are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The introductory section, supplementary information, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 31, 2006  
Cypress, California

*Charles Z. Fedak & Company* CPAs  
*An Accountancy Corporation*

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**Casitas Municipal Water District**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2006 and 2005**

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, 2006 and 2005. 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 2006, the District's net assets increased 5.3% or \$3,616,304 from \$67,771,143 to \$71,387,447. In 2005, the District's net assets increased 2.5% or \$1,677,424 from \$66,093,719 to \$67,771,143.
- The District's operating revenues increased 16.2% or \$1,570,079 due to increase in retail water consumption revenue, recreation revenues and the local water runoff calculation in fiscal year 2006. The District's operating revenues increased 13.1% or \$1,163,616 due to increases in sales of wholesale water in fiscal year 2005.
- The District's operating expenses decreased 1.3% or (\$116,375) in 2006 primarily due to lower costs for pumping and distributing water. The District's operating expenses increased 6.5% or \$512,276 in 2005 primarily due to overall increases in departmental and operational expenses in the fiscal year.

**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 Years Ended June 30, 2006 and 2005**

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**

<b>Condensed Statements of Net Assets</b>			
	<b>2006</b>	<b>2005</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 15,946,603	12,999,566	2,947,037
Non-current assets	1,553,295	1,630,997	(77,702)
Capital assets, net	65,099,478	65,782,408	(682,930)
<b>Total assets</b>	<b>82,599,376</b>	<b>80,412,971</b>	<b>2,186,405</b>
<b>Liabilities:</b>			
Current liabilities	2,287,198	2,593,120	(305,922)
Non-current liabilities	8,924,731	10,048,708	(1,123,977)
<b>Total liabilities</b>	<b>11,211,929</b>	<b>12,641,828</b>	<b>(1,429,899)</b>
<b>Net assets:</b>			
Net investment in capital assets	55,808,167	55,377,759	430,408
Restricted for debt service	91,941	226,563	(134,622)
Unrestricted	15,487,339	12,166,821	3,320,518
<b>Total net assets</b>	<b>71,387,447</b>	<b>67,771,143</b>	<b>3,616,304</b>
<b>Total liabilities and net assets</b>	<b>\$ 82,599,376</b>	<b>80,412,971</b>	<b>2,186,405</b>

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 \$71,387,447 and \$67,771,143 as of June 30, 2006 and 2005, respectively.

One of the largest portions of the District's net assets (78% and 81% as of June 30, 2006 and 2005, 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 2006 and 2005, the District showed a positive balance in its unrestricted net assets of \$15,487,339 and \$12,166,821, respectively.

**Casitas Municipal Water District**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2006 and 2005**

**Statement of Revenues, Expenses and Changes in Net Assets**

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

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 11,258,803	9,688,724	1,570,079
Non-operating revenues	2,114,105	1,751,408	362,697
<b>Total revenues</b>	<u>13,372,908</u>	<u>11,440,132</u>	<u>1,932,776</u>
Expenses:			
Operating expenses	8,262,068	8,378,443	(116,375)
Depreciation and amortization	2,363,709	2,495,930	(132,221)
Non-operating expenses	147,357	230,416	(83,059)
<b>Total expenses</b>	<u>10,773,134</u>	<u>11,104,789</u>	<u>(331,655)</u>
<b>Net income before capital contributions</b>	2,599,774	335,343	2,264,431
Capital contributions	1,016,530	1,342,081	(325,551)
<b>Change in net assets</b>	3,616,304	1,677,424	1,938,880
<b>Net assets, beginning of year</b>	<u>67,771,143</u>	<u>66,093,719</u>	<u>1,677,424</u>
<b>Net assets, end of year</b>	<u>\$ 71,387,447</u>	<u>67,771,143</u>	<u>3,616,304</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 \$3,616,304 and \$1,677,424 for the fiscal years ended June 30, 2006 and 2005, respectively.

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

In 2006, the District's total revenues increased \$1,932,776 due to increase in retail water consumption revenue, recreation revenues and the local water runoff calculation as well as interest and investment earnings. In addition, total expenses decreased by (\$331,655), primarily due to lower operating expenses for pumping and distributing water in the fiscal year.

In 2005, the District's total revenues increased by \$373,352, primarily due to an increase in wholesale water sales and a decrease in property tax revenue due to the State of California's property tax shift of \$1,038,637 from the District to the State in 2005. In addition, total expenses increased by \$1,368,605, primarily due to overall increases in departmental, operational and depreciation expenses in the fiscal year.

**Operating Revenues – Water Consumption Sales**

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2004</u>	<u>Change</u>
Water consumption sales:					
Residential	\$ 1,885,432	1,805,226	80,206	2,141,965	(336,739)
Commercial	476,376	400,300	76,076	431,302	(31,002)
Agricultural	1,623,281	1,554,652	68,629	1,829,812	(275,160)
Wholesale	2,172,393	2,315,440	(143,047)	1,922,846	392,594
<b>Total</b>	<u>\$ 6,157,482</u>	<u>6,075,618</u>	<u>81,864</u>	<u>6,325,925</u>	<u>(250,307)</u>

In 2006, retail water sales increased \$224,911 while wholesale water sales decreased (\$143,047). In 2005, water consumption sales decreased by \$250,307, primarily due to a decrease in the energy surcharge, which is included in the residential water consumption sales amount above.

**Casitas Municipal Water District**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2006 and 2005**

**Operating Expenses – Source of Supply Expenses**

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2004</u>	<u>Change</u>
Source of supply expenses:					
Salaries and benefits \$	463,413	293,694	169,719	318,104	(24,410)
Other expenses	<u>521,680</u>	<u>590,761</u>	<u>(69,081)</u>	<u>124,334</u>	<u>466,427</u>
Total \$	<u><u>985,093</u></u>	<u><u>884,455</u></u>	<u><u>100,638</u></u>	<u><u>442,438</u></u>	<u><u>442,017</u></u>

In 2006, source of supply expenses increased by \$100,638, primarily due to an increase in salary and benefit costs. In 2005, source of supply expenses increased by \$442,017, primarily due to an increase in other professional services of \$324,603.

**Capital Asset Administration**

At the end of fiscal years 2006 and 2005, the District's investment in capital assets amounted to \$65,099,478 and \$65,782,408, 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 2006 and 2005.

Changes in capital asset amounts for 2006 were as follows:

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>2006</u>
Capital assets:				
Non-depreciable assets	\$ 10,294,903	1,732,284	(2,669,965)	9,357,222
Depreciable assets	84,318,055	2,669,965	(2,957,993)	84,030,027
Accumulated depreciation and amortization	<u>(28,830,550)</u>	<u>(2,333,782)</u>	<u>2,876,561</u>	<u>(28,287,771)</u>
Total capital assets, net	<u><u>\$ 65,782,408</u></u>	<u><u>2,068,467</u></u>	<u><u>(2,751,397)</u></u>	<u><u>65,099,478</u></u>

Changes in capital asset amounts for the year were as follows:

	<u>Balance</u>		<u>Transfers/</u>	<u>Balance</u>
	<u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>2005</u>
Capital assets:				
Non-depreciable assets	\$ 19,441,321	3,735,335	(12,881,753)	10,294,903
Depreciable assets	71,664,788	12,934,409	(281,142)	84,318,055
Accumulated depreciation and amortization	<u>(26,667,747)</u>	<u>(2,439,262)</u>	<u>276,459</u>	<u>(28,830,550)</u>
Total capital assets, net	<u><u>\$ 64,438,362</u></u>	<u><u>14,230,482</u></u>	<u><u>(12,886,436)</u></u>	<u><u>65,782,408</u></u>

**Casitas Municipal Water District**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2006 and 2005**

**Debt Administration**

In 2006 and 2005, long-term debt decreased by \$1,146,883 and \$1,125,602, respectively, due to regular principal payments on the District's outstanding debts.

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

	<b>Balance 2005</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2006</b>
Long-term debt:				
Special assessment bonds payable	\$ 240,500	-	(23,000)	217,500
State water loan payable	3,973,120	-	(180,237)	3,792,883
Note payable to U.S. Bureau of Reclamation	6,605,522	-	(943,646)	5,661,876
Total long-term debt	<u>\$ 10,819,142</u>	<u>-</u>	<u>(1,146,883)</u>	<u>9,672,259</u>

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

	<b>Balance 2004</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2005</b>
Long-term debt:				
Special assessment bonds payable	\$ 249,000	-	(8,500)	240,500
State water loan payable	4,146,576	-	(173,456)	3,973,120
Note payable to U.S. Bureau of Reclamation	7,549,168	-	(943,646)	6,605,522
Total long-term debt	<u>\$ 11,944,744</u>	<u>-</u>	<u>(1,125,602)</u>	<u>10,819,142</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, 2006 and 2005**

<i>Assets</i>	<b>2006</b>	<b>2005</b>
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,499,851	7,036,240
Investments (note 2)	6,414,247	492,265
Accrued interest receivable	10,623	37,031
Accounts receivable – water sales and services, net	613,398	857,982
Accounts receivable – special assessments	309,441	226,563
Accounts receivable – property taxes	116,266	95,707
Accounts receivable – other	34,040	53,376
Due from other governments	-	31,993
Water-in-storage inventory (note 9)	5,817,197	4,048,552
Materials and supplies inventory	82,765	45,542
Prepaid rent, current portion	47,775	47,775
Prepaid expenses and other deposits	1,000	26,540
Total current assets	15,946,603	12,999,566
Non-current assets:		
Prepaid rent, long-term portion	71,663	119,438
Capital assets, net (note 4)	65,099,478	65,782,408
State Water Project entitlement (note 3)	1,318,184	1,337,566
Deferred charges, net (note 5)	163,448	173,993
Total non-current assets	66,652,773	67,413,405
<b>Total assets</b>	\$ 82,599,376	80,412,971
<i>Liabilities and Net Assets</i>		
Current liabilities – payable from unrestricted current assets:		
Accounts payable and accrued expenses	\$ 350,566	719,580
Accrued salaries and wages	152,856	132,152
Compensated absences - current portion (note 6)	390,703	360,095
Customer deposits	81,608	41,487
Interest payable	30,388	32,081
Deferred revenue	142,849	175,241
Bonds payable - current portion (note 7)	10,000	10,000
Loans payable - current portion (note 7)	1,128,228	1,122,484
Total current liabilities	2,287,198	2,593,120
Non-current liabilities:		
Compensated absences (note 6)	390,700	362,050
Bonds payable (note 7)	207,500	230,500
Loans payable (note 7)	8,326,531	9,456,158
Total non-current liabilities	8,924,731	10,048,708
<b>Total liabilities</b>	11,211,929	12,641,828
Net assets:		
Net investment in capital assets (note 8)	55,808,167	55,377,759
Restricted for debt service	91,941	226,563
Unrestricted	15,487,339	12,166,821
<b>Total net assets</b>	71,387,447	67,771,143
<b>Total liabilities and net assets</b>	\$ 82,599,376	80,412,971

See accompanying notes to the basic financial statements

**Casitas Municipal Water District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended June 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
Operating revenues:		
Retail water consumption	\$ 3,985,089	3,760,178
Wholesale water consumption	2,172,393	2,315,440
Recreation revenue	2,996,915	2,728,679
Local water runoff (note 9)	1,768,645	704,148
Other water charges and services	335,761	180,279
Total operating revenues	11,258,803	9,688,724
Operating expenses:		
Source of supply	985,093	884,455
State Water Project costs	281,212	375,723
Pumping	844,456	1,151,358
Water Treatment	876,220	810,650
Transmission and distribution	358,083	687,261
Telemetry	174,943	142,260
Customer accounts	308,137	331,338
Recreation expenses	2,570,736	2,747,871
General and administrative	1,863,188	1,247,527
Total operating expenses	8,262,068	8,378,443
Operating income before depreciation and amortization	2,996,735	1,310,281
Depreciation and amortization – utility department	(1,965,896)	(2,057,044)
Depreciation – recreation department	(397,813)	(438,886)
<b>Operating income (loss)</b>	633,026	(1,185,649)
Non-operating revenue(expense)		
Property taxes	526,622	525,019
USBR note surcharge (note 7)	1,085,494	1,070,545
Mira Monte assessment (note 7)	20,307	9,549
Oak View availability charge	7,754	7,579
Tax collection expense	(15,707)	(13,854)
Interest and investment earnings	269,336	138,716
Interest expense – long-term debt	(131,650)	(159,437)
Gain/(loss) on sale/disposition of capital assets	-	(5,566)
Other non-operating revenues/(expenses), net	204,592	(51,559)
Total non-operating revenues, net	1,966,748	1,520,992
<b>Net income before capital contributions</b>	2,599,774	335,343
Capital contributions:		
Federal, state and local capital grants	1,016,530	1,342,081
<b>Change in net assets</b>	3,616,304	1,677,424
Net assets, beginning of year	67,771,143	66,093,719
Net assets, end of year	\$ 71,387,447	67,771,143

See accompanying notes to the basic financial statements

**Casitas Municipal Water District**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 9,990,663	9,361,587
Cash paid to vendors and suppliers for materials and services	(5,009,374)	(4,470,505)
Cash paid to employees for salaries and wages	(3,497,925)	(3,362,504)
Net cash provided by operating activities	1,483,364	1,528,578
Cash flows from non-capital financing activities:		
Proceeds from property taxes and assessments	1,521,033	1,512,197
Cash payments for State Water Project capital allocation	(26,741)	(15,945)
Net cash provided by non-capital financing activities	1,494,292	1,496,252
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,732,284)	(3,787,991)
Proceeds from capital grants	1,016,530	1,013,050
Principal paid on long-term debt	(1,146,883)	(1,125,602)
Interest paid on long-term debt	(133,343)	(144,001)
Net cash used in capital and related financing activities	(1,995,980)	(4,044,544)
Cash flows from investing activities:		
Proceeds from sale of investments	2,976,477	2,823,210
Purchases of investments	(8,790,286)	(492,265)
Interest and investment earnings	295,744	101,685
Net cash provided(used) by investing activities	(5,518,065)	2,432,630
Net increase(decrease) in cash and cash equivalents	(4,536,389)	1,412,916
Cash and cash equivalents, beginning of year	7,036,240	5,623,324
Cash and cash equivalents, end of year	\$ 2,499,851	7,036,240

Continued on next page

See accompanying notes to the basic financial statements

**Casitas Municipal Water District**  
**Statements of Cash Flows, continued**  
**For the Year Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	\$ <u>633,026</u>	<u>(1,185,649)</u>
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation and amortization	2,363,709	2,495,930
Other non-operating revenues, net	204,592	(51,559)
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – water sales and services, net	244,584	360,077
Accounts receivable – other	19,336	92,755
Due from other governments	31,993	(23,379)
Water-in-storage inventory	(1,768,645)	(704,148)
Materials and supplies inventory	(37,223)	26,554
Prepaid rent	47,775	47,775
Prepaid expenses and other deposits	25,540	8,038
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(369,014)	364,992
Accrued wages and compensated absences	79,962	129,617
Customer deposits	40,121	(164)
Deferred revenue	<u>(32,392)</u>	<u>(32,261)</u>
Total adjustments	<u>850,338</u>	<u>2,714,227</u>
Net cash provided by operating activities	<u>\$ 1,483,364</u>	<u>1,528,578</u>

See accompanying notes to the basic financial statements

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2006 and 2005**

**(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, such as water sales and recreational charges, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

**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 Years Ended June 30, 2006 and 2005**

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

**D. Implementation of New Governmental Accounting Standards Board Statements**

***Governmental Accounting Standards Board Statement No. 44***

In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section-an amendment of NCGA Statement No.1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles* that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The District has adopted this statement in fiscal year 2006 and has presented a statistical section at the end of this report.

***Governmental Accounting Standards Board Statement No. 46***

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34*. GASB Statement No. 34 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. In the process of applying this provision, some governments have had difficulty interpreting the requirement that those restrictions be “legally enforceable.” The confusion over this phrase has resulted in a diversity of practice that has diminished comparability. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel the government to honor. This statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this statement requires governments to disclose the portion of net assets that are restricted by enabling legislation. The District has noted no changes to the restrictions in enabling legislation applicable in fiscal year 2006.

***Governmental Accounting Standards Board Statement No. 47***

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for *voluntary* and *involuntary* termination benefits. There were no voluntary or involuntary termination benefits accounted for in fiscal year 2006.

**E. 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 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.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

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

**E. Assets, Liabilities and Net Assets, continued**

**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.

**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



**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

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

**E. Assets, Liabilities and Net Assets, continued**

**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.

**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.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

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

**E. Assets, Liabilities and Net Assets, continued**

**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.

**(2) Cash and Investments**

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

Statement of Net Assets:	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 2,499,851	7,036,240
Investments	<u>6,414,247</u>	<u>492,265</u>
Total Cash and Investments	<u>\$ 8,914,098</u>	<u>7,528,505</u>

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

	<u>2006</u>	<u>2005</u>
Cash on hand	\$ 3,000	3,000
Deposits with financial institutions	1,513,932	1,789,761
Investments	<u>7,397,166</u>	<u>5,735,744</u>
Total cash and investments	<u>\$ 8,914,098</u>	<u>7,528,505</u>

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

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

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

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(2) Cash and Investments, continued**

***Custodial Credit Risk***

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

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District had deposits with bank balances of \$1,578,295 and \$1,589,287 as of June 30, 2006 and 2005, respectively. Of the bank balances, up to \$100,000 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.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(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:

<b>Investments at June 30, 2006:</b>		<b>Remaining Maturity 12 Months Or Less</b>
<u>Investment Type</u>	<u>Total</u>	
U.S. Treasury Obligations	\$ 6,414,248	6,414,248
Local Agency Investment Fund (LAIF)	392,872	392,872
Ventura County Pooled Money Investment Account	590,046	590,046
Total	<u>\$ 7,397,166</u>	<u>7,397,166</u>

<b>Investments at June 30, 2005:</b>		<b>Remaining Maturity 12 Months Or Less</b>
<u>Investment Type</u>	<u>Total</u>	
U.S. Treasury Obligations	\$ 492,265	492,265
Local Agency Investment Fund (LAIF)	4,671,615	4,671,615
Ventura County Pooled Money Investment Account	571,864	571,864
Total	<u>\$ 5,735,744</u>	<u>5,735,744</u>

***Credit Risk***

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

<b>Investments at June 30, 2006</b>		<b>Minimum Legal Rating</b>	<b>Exempt From Disclosure</b>	<b>Rating as of Year End</b>	
<u>Investment Types</u>	<u>Total</u>			<u>AAA</u>	<u>Not Rated</u>
U.S. Treasury Obligations	\$ 6,414,248	N/A	\$ 6,414,248	-	-
Local Agency Investment Fund (LAIF)	392,872	N/A	-	-	392,872
Ventura County Pooled Money Investment Account	590,046	AAA	-	590,046	-
Total	<u>\$ 7,397,166</u>		<u>\$ 6,414,248</u>	<u>590,046</u>	<u>392,872</u>

<b>Investments at June 30, 2005</b>		<b>Minimum Legal Rating</b>	<b>Exempt From Disclosure</b>	<b>Rating as of Year End</b>	
<u>Investment Types</u>	<u>Total</u>			<u>AAA</u>	<u>Not Rated</u>
U.S. Treasury Obligations	\$ 492,265	N/A	\$ 492,265	-	-
Local Agency Investment Fund (LAIF)	4,671,615	N/A	-	-	4,671,615
Ventura County Pooled Money Investment Account	571,864	AAA	-	571,864	-
Total	<u>\$ 5,735,744</u>		<u>\$ 492,265</u>	<u>571,864</u>	<u>4,671,615</u>

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(3) Participation Rights**

Participation rights activity for the fiscal year ended June 30, 2006 was as follows:

	<u>Balance 2005</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2006</u>
State Water Project	\$ 2,746,462	17,963	-	2,764,425
Accumulated amortization	<u>(1,408,896)</u>	<u>(37,345)</u>	-	<u>(1,446,241)</u>
Participation rights, net	<u>\$ 1,337,566</u>	<u>(19,382)</u>	-	<u>1,318,184</u>

Participation rights activity for the fiscal year ended June 30, 2005 was as follows:

	<u>Balance 2004</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2005</u>
State Water Project	\$ 2,730,517	15,945	-	2,746,462
Accumulated amortization	<u>(1,362,773)</u>	<u>(46,123)</u>	-	<u>(1,408,896)</u>
Participation rights, net	<u>\$ 1,367,744</u>	<u>(30,178)</u>	-	<u>1,337,566</u>

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 \$37,345 and \$46,123 for the fiscal years ended June 30, 2006 and 2005, respectively.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(4) Capital Assets**

Changes in capital assets for the year were as follows:

	<u>Balance 2005</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2006</u>
Non-depreciable assets:				
Land and land rights	\$ 6,047,935	-	-	6,047,935
Construction-in-process	4,246,968	1,732,284	(2,669,965)	3,309,287
Total non-depreciable assets	<u>10,294,903</u>	<u>1,732,284</u>	<u>(2,669,965)</u>	<u>9,357,222</u>
Depreciable assets:				
Transmission and distribution system	34,161,555	177,594	(84,886)	34,254,263
Pumping plant	7,510,739	255,506	(370,960)	7,395,285
Water treatment plant	20,532,408	274,200	(202,028)	20,604,580
Buildings and structures	1,517,418	76,425	(70,708)	1,523,135
Equipment	3,716,739	58,889	(435,834)	3,339,794
Fish ladder	7,766,336	313,552	-	8,079,888
Recreation assets	7,176,955	1,513,799	(1,793,577)	6,897,177
Alternate swimming facility	1,935,905	-	-	1,935,905
Total depreciable assets	<u>84,318,055</u>	<u>2,669,965</u>	<u>(2,957,993)</u>	<u>84,030,027</u>
Accumulated depreciation and amortization:				
Transmission and distribution system	(13,288,914)	(397,659)	84,886	(13,601,687)
Pumping plant	(1,988,926)	(213,745)	370,960	(1,831,711)
Water treatment plant	(5,893,185)	(735,518)	202,028	(6,426,675)
Buildings and structures	(793,566)	(38,682)	70,708	(761,540)
Equipment	(1,885,783)	(229,883)	381,776	(1,733,890)
Fish ladder	(388,317)	(320,482)	-	(708,799)
Recreation assets	(4,398,268)	(301,018)	1,766,203	(2,933,083)
Alternate swimming facility	(193,591)	(96,795)	-	(290,386)
Total accum depr. and amort.	<u>(28,830,550)</u>	<u>(2,333,782)</u>	<u>2,876,561</u>	<u>(28,287,771)</u>
Total depreciable assets, net	<u>55,487,505</u>	<u>336,183</u>	<u>(81,432)</u>	<u>55,742,256</u>
Total capital assets, net	<u>\$ 65,782,408</u>	<u>2,068,467</u>	<u>(2,751,397)</u>	<u>65,099,478</u>

In 2006, major capital assets additions during the year include the rehabilitation of the District's transmission and distribution systems mains and pipelines. A significant portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(4) Capital Assets**

Changes in capital assets for the year were as follows:

	<u>Balance 2004</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2005</u>
Non-depreciable assets:				
Land and land rights	\$ 6,047,935	-	-	6,047,935
Construction-in-process	<u>13,393,386</u>	<u>3,735,335</u>	<u>(12,881,753)</u>	<u>4,246,968</u>
Total non-depreciable assets	<u>19,441,321</u>	<u>3,735,335</u>	<u>(12,881,753)</u>	<u>10,294,903</u>
Depreciable assets:				
Utility plant	13,165	-	(13,165)	-
Transmission and distribution system	34,340,938	70,620	(250,003)	34,161,555
Pumping plant	5,329,214	2,186,208	(4,683)	7,510,739
Water treatment plant	20,148,438	383,970	-	20,532,408
Buildings and structures	1,517,418	-	-	1,517,418
Equipment	3,331,922	398,108	(13,291)	3,716,739
Fish ladder	-	7,766,336	-	7,766,336
Recreation assets	6,983,693	193,262	-	7,176,955
Alternate swimming facility	<u>-</u>	<u>1,935,905</u>	<u>-</u>	<u>1,935,905</u>
Total depreciable assets	<u>71,664,788</u>	<u>12,934,409</u>	<u>(281,142)</u>	<u>84,318,055</u>
Accumulated depreciation and amortization:				
Utility plant	(13,165)	-	13,165	-
Transmission and distribution system	(13,149,352)	(389,565)	250,003	(13,288,914)
Pumping plant	(1,736,928)	(251,998)	-	(1,988,926)
Water treatment plant	(5,182,304)	(710,881)	-	(5,893,185)
Buildings and structures	(755,028)	(38,538)	-	(793,566)
Equipment	(1,677,997)	(221,077)	13,291	(1,885,783)
Fish ladder	-	(388,317)	-	(388,317)
Recreation assets	(4,152,973)	(245,295)	-	(4,398,268)
Alternate swimming facility	<u>-</u>	<u>(193,591)</u>	<u>-</u>	<u>(193,591)</u>
Total accum depr. and amort.	<u>(26,667,747)</u>	<u>(2,439,262)</u>	<u>276,459</u>	<u>(28,830,550)</u>
Total depreciable assets, net	<u>44,997,041</u>	<u>10,495,147</u>	<u>(4,683)</u>	<u>55,487,505</u>
Total capital assets, net	<u>\$ 64,438,362</u>	<u>14,230,482</u>	<u>(12,886,436)</u>	<u>65,782,408</u>

In 2005, major capital assets additions during the year include the rehabilitation of the District's transmission and distribution systems mains and pipelines. A significant portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(4) Capital Assets, continued**

***Construction-In-Process***

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

	<b>2004</b>	<b>2005</b>	<b>2006</b>
The balance at June 30, consists of the following projects:			
Steelhead restoration and recovery	\$ 31,595	-	-
Avenue #2 pump overhaul	2,331	-	-
Fish ladder at Robles Dam	5,189,795	-	-
Aeration line design	8,719	-	-
Avenue #1 pump overhaul phase 2	1,419,375	-	-
Dam modifications	2,125,765	2,125,765	2,125,765
Alternative swimming facility	1,839,235	-	-
Santa Ana boat ramp	1,456,019	1,456,019	-
Lake docks	-	114,060	300,216
2005 Storm projects	-	-	769,860
Various other minor projects	1,320,552	551,124	113,446
Construction-in-process	\$ 13,393,386	4,246,968	3,309,287

**(5) 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:

	<b>2006</b>	<b>2005</b>
The balance at June 30, consists of the following:		
Deferred charges	\$ 247,808	247,808
Accumulated amortization	(84,360)	(73,815)
Deferred charges, net	\$ 163,448	173,993

**(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, 2006, were as follows:

<b>Balance</b>	<b>Earned</b>	<b>Taken</b>	<b>Balance</b>	<b>Current</b>	<b>Long-Term</b>
<b>2005</b>			<b>2006</b>	<b>Portion</b>	<b>Portion</b>
\$ 722,145	395,126	(335,868)	781,403	390,703	390,700

Changes to the compensated absences balance at June 30, 2005, were as follows:

<b>Balance</b>	<b>Earned</b>	<b>Taken</b>	<b>Balance</b>	<b>Current</b>	<b>Long-Term</b>
<b>2004</b>			<b>2005</b>	<b>Portion</b>	<b>Portion</b>
\$ 714,567	375,569	(367,991)	722,145	360,095	362,050



**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(7) Long-term Debt**

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

	<u>Balance 2005</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2006</u>
Long-term debt:				
Special assessment bonds payable	\$ 240,500	-	(23,000)	217,500
State Water loan payable	3,973,120	-	(180,237)	3,792,883
Note payable to U.S. Bureau of Reclamation	6,605,522	-	(943,646)	5,661,876
Total long-term debt	10,819,142	-	(1,146,883)	9,672,259
Less: current portion	(1,122,873)			(1,138,228)
Total long-term portion	\$ 9,696,269			8,534,031

***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 31<sup>st</sup> 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>
2007	\$ 184,582	120,410	304,992
2008	190,613	114,430	305,043
2009	196,788	108,255	305,043
2010	203,163	101,880	305,043
2011	209,743	95,300	305,043
2012-2016	1,155,146	370,066	1,525,212
2017-2021	1,354,767	170,445	1,525,212
2022	297,844	7,199	305,043
Total	\$ 3,792,646	1,087,985	4,880,631
Less current portion	(184,582)		
Total non-current	\$ 3,608,064		

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(7) Long-Term Debt, continued**

***Loans Payable:***

***United States Bureau of Reclamation Note 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. Annual debt service requirements on the Bureau of Reclamation note payable are as follows:

<u>Fiscal Year</u>		
2007	\$	943,646
2008		943,646
2009		943,646
2010		943,646
2011		943,646
2012		<u>943,646</u>
Total	\$	5,661,876
Less current portion		<u>(943,646)</u>
Total non-current	\$	<u><u>4,718,230</u></u>

***Bonds Payable:***

***Mira Monte Special Assessment Bonds Payable***

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	10,000	11,125	21,125
2008	11,000	10,625	21,625
2009	11,000	10,100	21,100
2010	12,000	9,550	21,550
2011	12,000	8,975	20,975
2012-2016	72,000	35,225	107,225
2017-2021	<u>89,500</u>	<u>16,025</u>	<u>105,525</u>
Total	\$ 217,500	<u>101,625</u>	<u>319,125</u>
Less current portion		<u>(10,000)</u>	
Total non-current	\$ <u>207,500</u>		

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(8) Net Investment in Capital Assets**

Net investment in capital assets:

The balance at June 30, consists of the following:

	<b>2006</b>	<b>2005</b>
Capital assets, net	\$ 65,099,478	65,782,408
Deferred charges, net	163,448	173,993
Loans payable – current portion	(1,128,228)	(1,122,484)
Loans payable – non-current portion	(8,326,531)	(9,456,158)
Net investment in capital assets	\$ 55,808,167	55,377,759

**(9) 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 local water runoff 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:

	<b>2006</b>	<b>2005</b>
Beginning balance – water-in-storage	\$ 4,048,552	3,344,404
Local water runoff	1,768,645	704,148
Ending balance – water-in-storage	\$ 5,817,197	4,048,552

**(10) Defined Benefit Pension Plan**

***Plan Description***

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee 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.

***Funding Policy***

The contribution rate for participants 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 rate for fiscal years 2006 and 2005 were 4.691% and 0.000%, respectively. 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.

***Annual Pension Cost***

For fiscal year 2006 and 2005, the District’s annual pension cost was \$130,838 and \$0, respectively, for CalPERS and was equal to the District’s required and actual contributions. The required contribution was determined as part of the June 30, 2004 and 2003, respectively, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expense), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost of living adjustments to 14.45% depending on age. Both (a) and (b) included and inflation component of 3.00% and a payroll growth rate of 3.25%.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(10) Defined Benefit Pension Plan, continued**

The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investment over a three-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The District presents the most recent available three-year Annual Pension Cost (APC) information for the plan, along with required supplementary information as follows:

***Three-Year Trend Information for CalPERS***

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ -	100%	-
2005	-	100%	-
2006	130,838	100%	-

**(11) Post Employment Benefits**

In addition to a pension plan, substantially all the District's employees may become eligible for certain health care benefits if they reach normal retirement age while working for the District. These benefits are provided through an insurance company whose premiums are based on benefits paid. As of June 30, 2006 and 2005, 37 employees qualified for these benefits. The total expense incurred for these benefits for retired employees for the years ended June 30, 2006 and 2005 was \$294,961 and \$257,818.

**(12) Risk Management**

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

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

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2005 and 2004. 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, 2005 and 2004.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2005, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the District's future financial statements.

***Governmental Accounting Standards Board Statement No. 45***

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. This statement is not effective until June 30, 2009. This statement is expected to have a significant impact on the presentation of the District's financial statements in future years.

**(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, 2006 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>
2007	\$ 1,404,203
2008	1,570,708
2009	1,422,748
2010	1,474,558
2011	1,256,472

As of June 30, 2006, the District has expended \$14,494,769 since the District started participating in the State Water Contract.

**Casitas Municipal Water District**  
**Notes to the Basic Financial Statements, continued**  
**For the Years Ended June 30, 2006 and 2005**

**(14) Commitments and Contingencies, continued**

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:

	<b>State Water Contract Long-term Obligations</b>
Transportation facilities	\$ 24,916,865
Conservation facilities	3,773,002
Off-aqueduct power facilities	1,332,894
Revenue bond surcharge	<u>1,753,755</u>
Total long-term SWP contract obligations	<u>\$ 31,776,516</u>

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

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

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

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

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

***Grant Awards***

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

***Litigation***

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

## **Required Supplementary Information**





**Casitas Municipal Water District  
Schedule of Funding Progress – CalPERS Pension Plan  
For the Years Ended June 30, 2006 and 2005**

**Required Supplementary Information – *Funded Status of the District’s Plan***

Following the creation of risk pools pursuant to Section 20840 of the Government Code, any existing contracting agency with a rate plan of less than 100 active members on any annual actuarial valuation date shall be required to participate in a risk pool. Participation shall be effective as of the valuation date for all members of that rate plan, but no earlier than June 30, 2003. Risk pool valuations will be used to set employer contribution rates for future fiscal years.

**Rate Plan belonging to the Miscellaneous Employee 2.0% at 60 Risk Pool Retirement Plan**

The Schedule of Funding Progress below shows the recent history of the CalPERS Miscellaneous Employee 2.0% at 60 Risk Pool Retirement Plan actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll.

<b>Valuation Date</b>	<b>Accrued Liabilities</b>	<b>Actuarial Assets</b>	<b>Unfunded Liabilities (UL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UL As a % of Payroll</b>
June 30, 2003	\$ 430,371,544	429,814,105	557,439	99.9%	159,238,690	0.4%
June 30, 2004	437,494,341	428,025,075	9,469,266	97.8%	159,135,314	5.0%
June 30, 2005	484,351,523	459,996,995	24,354,528	95.0%	174,127,476	14.0%

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# **Supplementary Information**



**Casitas Municipal Water District**  
**Schedule of Revenues, Expenses, and Changes in Net Assets – Budget to Actual**  
**For the Year Ended June 30, 2006**

	<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	\$ 3,598,243	-	3,598,243	3,985,089	386,846
Wholesale water consumption	2,675,626	-	2,675,626	2,172,393	(503,233)
Recreation revenue	2,727,300	-	2,727,300	2,996,915	269,615
Local water runoff	-	-	-	1,768,645	1,768,645
Other water charges and services	134,000	-	134,000	335,761	201,761
Total operating revenues	<u>9,135,169</u>	<u>-</u>	<u>9,135,169</u>	<u>11,258,803</u>	<u>2,123,634</u>
Operating expenses:					
Source of supply	956,305	-	956,305	985,093	(28,788)
State Water Project costs	-	-	-	281,212	(281,212)
Pumping	1,183,320	-	1,183,320	844,456	338,864
Water Treatment	980,957	-	980,957	876,220	104,737
Transmission and distribution	400,392	-	400,392	358,083	42,309
Telemetry	196,480	-	196,480	174,943	21,537
Customer accounts	334,725	-	334,725	308,137	26,588
Recreation expenses	2,266,080	-	2,266,080	2,570,736	(304,656)
General and administrative	1,819,223	-	1,819,223	1,863,188	(43,965)
Total operating expenses	<u>8,137,482</u>	<u>-</u>	<u>8,137,482</u>	<u>8,262,068</u>	<u>(124,586)</u>
Operating income before depreciation and amortization	997,687	-	997,687	2,996,735	1,999,048
Depreciation and amortization – utility department	-	-	-	(1,965,896)	(1,965,896)
Depreciation – recreation department	-	-	-	(397,813)	(397,813)
<b>Operating income</b>	<u>997,687</u>	<u>-</u>	<u>997,687</u>	<u>633,026</u>	<u>(364,661)</u>
Non-operating revenue(expense)					
Property taxes	200,000	-	200,000	526,622	326,622
USBR note surcharge	-	-	-	1,085,494	1,085,494
Mira Monte assessment	-	-	-	20,307	20,307
Oak View availability charge	-	-	-	7,754	7,754
Tax collection expense	-	-	-	(15,707)	(15,707)
Interest and investment earnings	95,000	-	95,000	269,336	174,336
Interest expense – long-term debt	(133,000)	-	(133,000)	(131,650)	1,350
Other non-operating revenues/(expenses), net	7,695	-	7,695	204,592	196,897
Total non-operating revenues, net	<u>169,695</u>	<u>-</u>	<u>169,695</u>	<u>1,966,748</u>	<u>1,797,053</u>
<b>Net income before capital contributions</b>	<u>1,167,382</u>	<u>-</u>	<u>1,167,382</u>	<u>2,599,774</u>	<u>1,432,392</u>
Capital contributions:					
Federal, state and local capital grants	565,415	-	565,415	1,016,530	451,115
<b>Capital contributions</b>	<u>565,415</u>	<u>-</u>	<u>565,415</u>	<u>1,016,530</u>	<u>451,115</u>
<b>Change in net assets</b>	<u>\$ 1,732,797</u>	<u>-</u>	<u>1,732,797</u>	<u>3,616,304</u>	<u>1,883,507</u>
Net assets, beginning of year	<u>67,771,143</u>		<u>67,771,143</u>	<u>67,771,143</u>	
Net assets, end of year	<u>\$ 69,503,940</u>		<u>69,503,940</u>	<u>71,387,447</u>	

**Casitas Municipal Water District**  
**Combining Balance Sheet**  
**June 30, 2006**

<i>Assets</i>	<b>Operating Fund</b>	<b>Financing Fund</b>	<b>Improvement Assessment Fund</b>	<b>Eliminations for Financial Reporting</b>	<b>Total</b>
<b>Current assets:</b>					
Cash and cash equivalents	\$ 2,499,781	-	70	-	2,499,851
Investments	6,414,247	-	-	-	6,414,247
Accrued interest receivable	10,623	-	-	-	10,623
Accounts receivable – water sales and services, net	613,398	-	-	-	613,398
Accounts receivable – special assessments	-	-	309,441	-	309,441
Accounts receivable – property taxes	116,266	-	-	-	116,266
Accounts receivable – other	34,040	-	-	-	34,040
Due from other funds	-	4,090,438	63,852	(4,154,290)	-
Water-in-storage inventory	5,817,197	-	-	-	5,817,197
Materials and supplies inventory	82,765	-	-	-	82,765
Prepaid rent, current portion	47,775	-	-	-	47,775
Prepaid expenses and other deposits	1,000	-	-	-	1,000
Total current assets	<u>15,637,092</u>	<u>4,090,438</u>	<u>373,363</u>	<u>(4,154,290)</u>	<u>15,946,603</u>
<b>Non-current assets:</b>					
Prepaid rent, long-term portion	71,663	-	-	-	71,663
Capital assets, net	65,099,478	-	-	-	65,099,478
State Water Project entitlement	1,318,184	-	-	-	1,318,184
Deferred charges, net	163,448	-	-	-	163,448
Total non-current assets	<u>66,652,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,652,773</u>
<b>Total assets</b>	<u>\$ 82,289,865</u>	<u>4,090,438</u>	<u>373,363</u>	<u>(4,154,290)</u>	<u>82,599,376</u>
<b><i>Liabilities and Net Assets</i></b>					
<b>Current liabilities – payable from unrestricted current assets:</b>					
Accounts payable and accrued expenses	\$ 350,566	-	-	-	350,566
Accrued salaries and wages	152,856	-	-	-	152,856
Compensated absences - current portion	390,703	-	-	-	390,703
Customer deposits	81,108	-	500	-	81,608
Interest payable	30,388	-	-	-	30,388
Deferred revenue	142,849	-	-	-	142,849
Due to other funds	4,154,290	-	-	(4,154,290)	-
Bonds payable - current portion	-	-	10,000	-	10,000
Loans payable - current portion	184,582	943,646	-	-	1,128,228
Total current liabilities	<u>5,487,342</u>	<u>943,646</u>	<u>10,500</u>	<u>(4,154,290)</u>	<u>2,287,198</u>
<b>Non-current liabilities:</b>					
Compensated absences	390,700	-	-	-	390,700
Bonds payable	-	-	207,500	-	207,500
Loans payable	3,608,301	4,718,230	-	-	8,326,531
Total non-current liabilities	<u>3,999,001</u>	<u>4,718,230</u>	<u>207,500</u>	<u>-</u>	<u>8,924,731</u>
<b>Total liabilities</b>	<u>9,486,343</u>	<u>5,661,876</u>	<u>218,000</u>	<u>(4,154,290)</u>	<u>11,211,929</u>
<b>Net assets:</b>					
Net investment in capital assets	61,470,043	(5,661,876)	-	-	55,808,167
Restricted for debt service	-	-	91,941	-	91,941
Unrestricted	11,333,479	4,090,438	63,422	-	15,487,339
<b>Total net assets</b>	<u>72,803,522</u>	<u>(1,571,438)</u>	<u>155,363</u>	<u>-</u>	<u>71,387,447</u>
<b>Total liabilities and net assets</b>	<u>\$ 82,289,865</u>	<u>4,090,438</u>	<u>373,363</u>	<u>(4,154,290)</u>	<u>82,599,376</u>

**Casitas Municipal Water District**  
**Detail Schedule of Operating Expenses – Utility Department**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Source of supply:		
Salaries and benefits	\$ 463,413	293,694
District equipment	19,165	8,270
Services and supplies	31,623	61,156
Utilities	8,957	8,456
Gauging stations/USGS Agreement	4,400	8,550
Computer upgrades - hardware	2,085	127
Computer upgrades - software	111	-
Purchased water	2,104	1,538
Outside contracts	54,420	70,196
Clothing and personal supplies	40	-
Communications	1,780	1,732
Memberships and dues	2,349	5,791
Printing and binding	19,900	20,870
Books and publications	325	-
Office supplies	30	-
Postage	20,989	16,229
Other professional services	283,659	324,743
Licenses and permits	10,991	11,882
Advertising and legal notices	355	974
Public information program	35	-
Safety program	477	450
Private vehicle mileage	1,213	414
Travel expense	5,575	695
Education and training	1,491	743
Rent - Matilija Dam	47,775	47,775
Insurance	217	-
Administrative overhead burden	1,614	170
Total source of supply	<u>985,093</u>	<u>884,455</u>
State Water Project costs	<u>281,212</u>	<u>375,723</u>
Pumping:		
Salaries and benefits	102,692	107,355
District equipment	7,156	5,707
Service and supplies	18,830	39,187
Power purchased for pumping	711,067	988,765
Gas purchased for pumping	873	800
Outside contracts	697	4,448
Clothing and personal supplies	253	383
Communications	1,503	2,639
Books and publications	62	-
Licenses and permits	887	1,601
Small tools	436	473
Total pumping	<u>844,456</u>	<u>1,151,358</u>
Water treatment:		
Salaries and benefits	415,810	428,497
District equipment	16,739	11,713
Service and supplies	70,368	52,329
Utilities	152,132	150,320
Chlorine	62,399	60,407
Polymer	16,681	14,841
Ferric	8,989	12,310
Ammonia	16,635	22,578
Phosphates	100,128	33,275
Computer upgrades	1,224	1,405
Outside contracts	11,730	15,195
Clothing and personal supplies	1,043	997
Communications	1,607	1,564
Office equipment maintenance	-	109
Other professional services	-	4,215
Licenses and permits	105	245
Advertising and legal notices	540	-
Small tools	-	480
Education and training	90	170
Total water treatment	<u>876,220</u>	<u>810,650</u>

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**Casitas Municipal Water District**  
**Detail Schedule of Operating Expenses – Utility Department, continued**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Transmission and distribution:		
Salaries and benefits	\$ 231,750	350,770
District equipment	21,945	15,687
Service and supplies	48,848	211,198
Computer upgrades	2,172	-
Outside contracts	40,601	80,123
Clothing and personal supplies	1,242	942
Communications	785	2,465
Licenses and permits	5,641	3,621
Small tools	4,761	19,818
Private vehicle mileage	39	-
Travel expense	15	70
Education and training	284	2,567
Total transmission and distribution	<u>358,083</u>	<u>687,261</u>
Telemetering:		
Salaries and benefits	108,358	78,843
District equipment	7,059	6,205
Service and supplies	14,865	16,825
Utilities	20,206	20,046
Outside contracts	12,960	7,962
Communications	10,754	9,790
Small tools	454	325
Telemetering lease line	287	2,264
Total telemetering	<u>174,943</u>	<u>142,260</u>
Customer accounts:		
Salaries and benefits	240,710	275,845
District equipment	11,645	8,899
Service and supplies	19,948	19,579
Leak relief expense	2,615	6,030
Bad debt provision	14,054	4,863
Outside contracts	-	5,081
Clothing and personal supplies	907	824
Communications	68	-
Printing and binding	3,735	1,483
Postage	12,810	8,211
Licenses and permits	145	60
Small tools	1,195	218
Travel expense	-	22
Education and training	305	223
Total customer accounts	<u>308,137</u>	<u>331,338</u>

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**Casitas Municipal Water District**  
**Detail Schedule of Operating Expenses – Utility Department, continued**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
General and administrative:		
Salaries and wages:		
Board and management	468,241	431,424
Administration	279,087	342,515
Engineering	140,821	122,071
Operations and maintenance	206,237	165,134
Employee benefits:		
Retirement - CalPERS	258,133	-
Social Security	131,017	60,848
Medicare insurance	33,941	16,573
Group insurance	633,446	373,819
District equipment:		
Board and management	488	965
Administration	1,048	1,509
Engineering	3,040	2,289
Operations and maintenance	24,629	2,288
Service and supplies:		
Board and management	9,210	16,439
Administration	20,476	40,124
Engineering	2,824	3,158
Operations and maintenance	54,298	34,648
Utilities	44,131	39,228
Computer upgrades	30,144	11,424
Vehicle costs direct	149,312	113,024
Bad debt provision	1,308	-
Outside contracts	131,701	119,162
Clothing and personal supplies	627	1,162
Communications	37,045	38,464
Office equipment maintenance	3,140	5,061
Memberships and dues	33,060	46,411
Printing and binding	900	9,140
Books and publications	3,565	2,187
Office supplies	11,905	9,307
Postage	2,620	4,486
Other professional services	59,797	59,840
Licenses and permits	9,581	7,937
Advertising and legal notices	4,383	7,851
Small tools	3,886	9,379
Safety program	130	2,351
Private vehicle mileage	6,728	7,055
Travel expense	9,178	6,412
Directors election fees	-	13,140
Education and training	7,994	9,556
(Gains)/losses on inventory	(31,542)	39,583
Interest	1,330	2,499
Credit card fees	-	55
Petty cash over/short	-	54
Uninsured losses	-	265
Insurance - Liability	62,457	63,186
Workers' compensation	72,484	66,372
Insurance - EAP and other	3,661	-
Bank charges	8,169	13,789
Other operating expenses	-	189,560
Administrative overhead burden:		
Benefits applied	(807,538)	(815,729)
Overhead applied	(57,508)	(127,265)
Salaries and wages applied	(145,539)	(271,027)
Services and supplies applied	(60,857)	(50,196)
Total general and administrative	<u>1,863,188</u>	<u>1,247,527</u>
Depreciation and amortization:		
Source of supply	482,268	549,311
Pumping	213,745	371,619
Water treatment	693,870	581,947
Transmission and distribution	234,904	228,944
General and administrative	311,182	268,555
Amortization – deferred charges	10,545	10,545
Amortization – State Water Project entitlement	19,382	46,123
Total depreciation and amortization	<u>1,965,896</u>	<u>2,057,044</u>
<b>Total operating expenses – utility department</b>	<b>\$ <u>7,657,228</u></b>	<b><u>7,687,616</u></b>

**Casitas Municipal Water District**  
**Detail Schedule of Operating Revenues & Expenses – Recreation Department**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Recreation revenue:		
Commericals	\$ 5,890	7,750
Events	44,023	29,751
Event reimbursement	4,806	-
Overnight boat storage	16,827	11,768
Collection overages/shortages	619	(16,311)
Boat rental concession fee	88,101	114,463
Snack bar concession fee	30,645	-
Bicycle rental concession fee	4,282	-
Gasoline concession fee	158	-
Guest pass	(1,017)	-
Donation voucher	(888)	-
Telephone	352	197
Park Store	34,136	28,706
Annual kayak and canoes	2,537	1,824
Water playground tickets	624,420	630,632
Taxable concession sales	23,540	14,253
Daily kayak and canoes	3,207	1,299
Nontaxable concession sales	3,524	36,375
Wildlife tours concession	6,000	6,000
Daily vehicle charges	304,690	255,012
Frequent visitor cards	119,730	122,687
Daily boat charges	46,312	39,255
Annual boat fees	43,750	42,160
Camping fees	1,210,100	1,100,044
Trailer storage fees	133,419	104,263
Shower facilities	19,575	19,665
Animal permits	18,459	10,435
Water park group reservations	30,140	25,442
Water park reservations	51,590	41,972
Waterpark Promotions	(159)	(445)
Waterpark special events	5,974	774
Trailer rental concession agreement	7,200	4,946
Reservations	114,421	95,261
Rainchecks	(5,355)	-
Gift certificates	105	501
Miscellaneous income(loss)	5,802	-
Total	<u>2,996,915</u>	<u>2,728,679</u>
State boating grants – recreation	<u>181,126</u>	<u>27,439</u>
Total recreation revenue	<u>3,178,041</u>	<u>2,756,118</u>

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**Casitas Municipal Water District**  
**Detail Schedule of Operating Revenues & Expenses – Recreation Department, continued**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Recreation expenses:		
Salaries and benefits	\$ 1,083,086	1,077,418
District equipment	84,135	98,019
Service and supplies	121,440	167,778
Utilities	129,930	142,556
Chlorine	21,328	23,692
Water playground chemicals	3,602	3,175
Concession supplies	-	20,430
Computer upgrades	611	8,443
Vehicle costs direct	-	591
Purchased water	51,868	48,715
Bad debt provision	49	1,033
Fish purchases	11,247	31,953
Outside contracts	101,424	104,672
Clothing and personal supplies	14,015	21,370
Communications	14,443	15,980
Office equipment maintenance	1,763	1,409
Memberships and dues	1,195	852
Printing and binding	27,584	25,176
Books and publications	108	26
Office supplies	6,130	10,976
Postage	4,080	7,383
Other professional services	40	10,584
Licenses and permits	473	832
Advertising and legal notices	9,462	8,185
Small tools	4,195	7,991
Public information program	4,400	7,165
Safety program	933	2,252
Private vehicle mileage	271	435
Travel expense	9,377	6,641
Education and training	1,971	2,026
Credit card fees	42,928	43,495
Uninsured losses	-	12,431
Workers' compensation	33,423	29,139
Insurance	946	-
Administrative overhead burden	784,279	805,048
Total	<u>2,570,736</u>	<u>2,747,871</u>
Depreciation – recreation department	<u>397,813</u>	<u>438,886</u>
Total recreation expenses	<u>2,968,549</u>	<u>3,186,757</u>
<b>Net recreation income (loss)</b>	<u>\$ 209,492</u>	<u>(430,639)</u>

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# **Statistical Section**



**Casitas Municipal Water District  
Statistical Section**

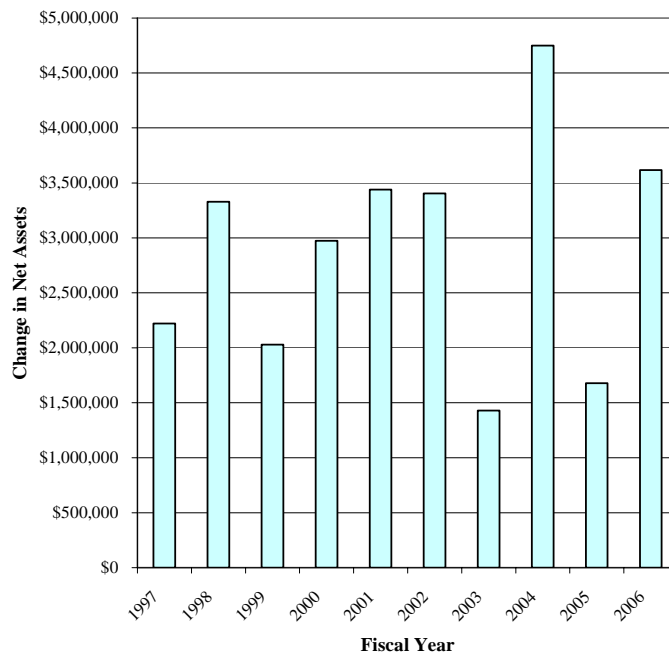
This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

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Financial Trends These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	43-46
Revenue Capacity These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales.	47-50
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.	51-52
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	53
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.	54

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

	Fiscal Year				
	1997	1998	1999	2000	2001
Changes in net assets:					
Operating revenues (see Schedule 2)	\$ 6,017,930	6,577,774	6,150,037	7,199,231	7,249,115
Operating expenses (see Schedule 3)	(5,670,867)	(5,449,933)	(5,655,194)	(5,822,210)	(6,040,830)
Depreciation and amortization	(1,193,174)	(1,226,133)	(1,793,168)	(1,600,819)	(1,315,265)
<b>Operating income(loss)</b>	<u>(846,111)</u>	<u>(98,292)</u>	<u>(1,298,325)</u>	<u>(223,798)</u>	<u>(106,980)</u>
Non-operating revenues(expenses)					
Property taxes	2,617,560	2,967,545	2,651,390	2,309,402	2,677,581
Clean Water Act surcharge	-	-	-	-	-
Mira Monte assessment	-	-	-	-	-
Oak View availability charge	-	-	-	-	-
Property tax collection expense	-	-	-	-	-
Investment income/(loss)	251,488	339,386	375,523	520,133	767,526
Federal grants	48,684	-	110,417	216,435	-
Capital facilities charges	27,590	80,965	110,482	82,935	118,790
Gain/(Loss) on sale/disposition of assets	-	-	-	-	-
Interest expense	(77,255)	(123,691)	(100,534)	(87,123)	(82,731)
Other revenue/(expense), net	15,516	(338,962)	56,165	74,492	58,902
Total non-operating revenues(expenses), net	<u>2,883,583</u>	<u>2,925,243</u>	<u>3,203,443</u>	<u>3,116,274</u>	<u>3,540,068</u>
<b>Net income before capital contributions</b>	2,037,472	2,826,951	1,905,118	2,892,476	3,433,088
Capital contributions	182,672	502,023	124,868	81,103	6,051
<b>Changes in net assets</b>	<u>\$ 2,220,144</u>	<u>3,328,974</u>	<u>2,029,986</u>	<u>2,973,579</u>	<u>3,439,139</u>
Net assets by component:					
Invested in capital assets, net of related debt	\$ 31,333,682	32,911,208	34,197,714	34,545,696	35,127,923
Restricted	1,860,291	2,550,502	2,339,351	3,146,171	4,253,606
Unrestricted	10,747,474	11,808,711	12,763,342	14,582,119	16,331,596
<b>Total net assets</b>	<u>\$ 43,941,447</u>	<u>47,270,421</u>	<u>49,300,407</u>	<u>52,273,986</u>	<u>55,713,125</u>



**Notes:**

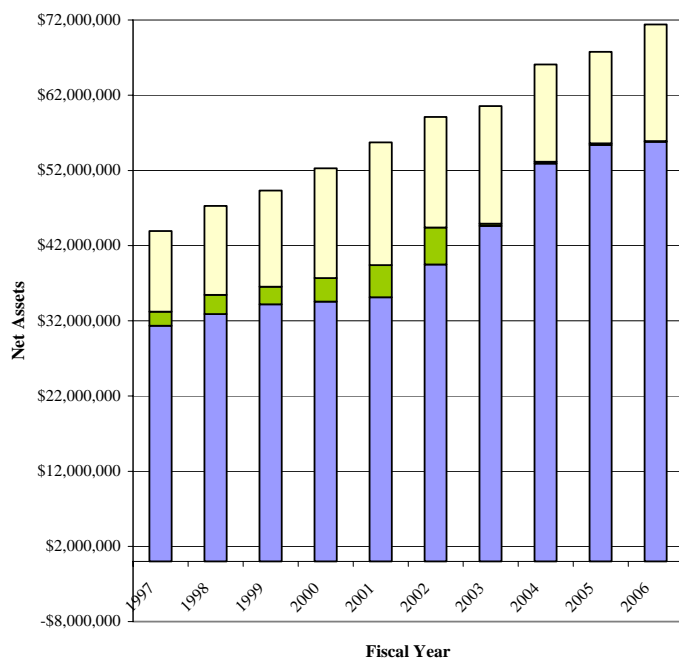
(1) The District made a prior period adjustment of \$796,383.

**Source:** Casitas Municipal Water District Accounting Department



# Schedule 1

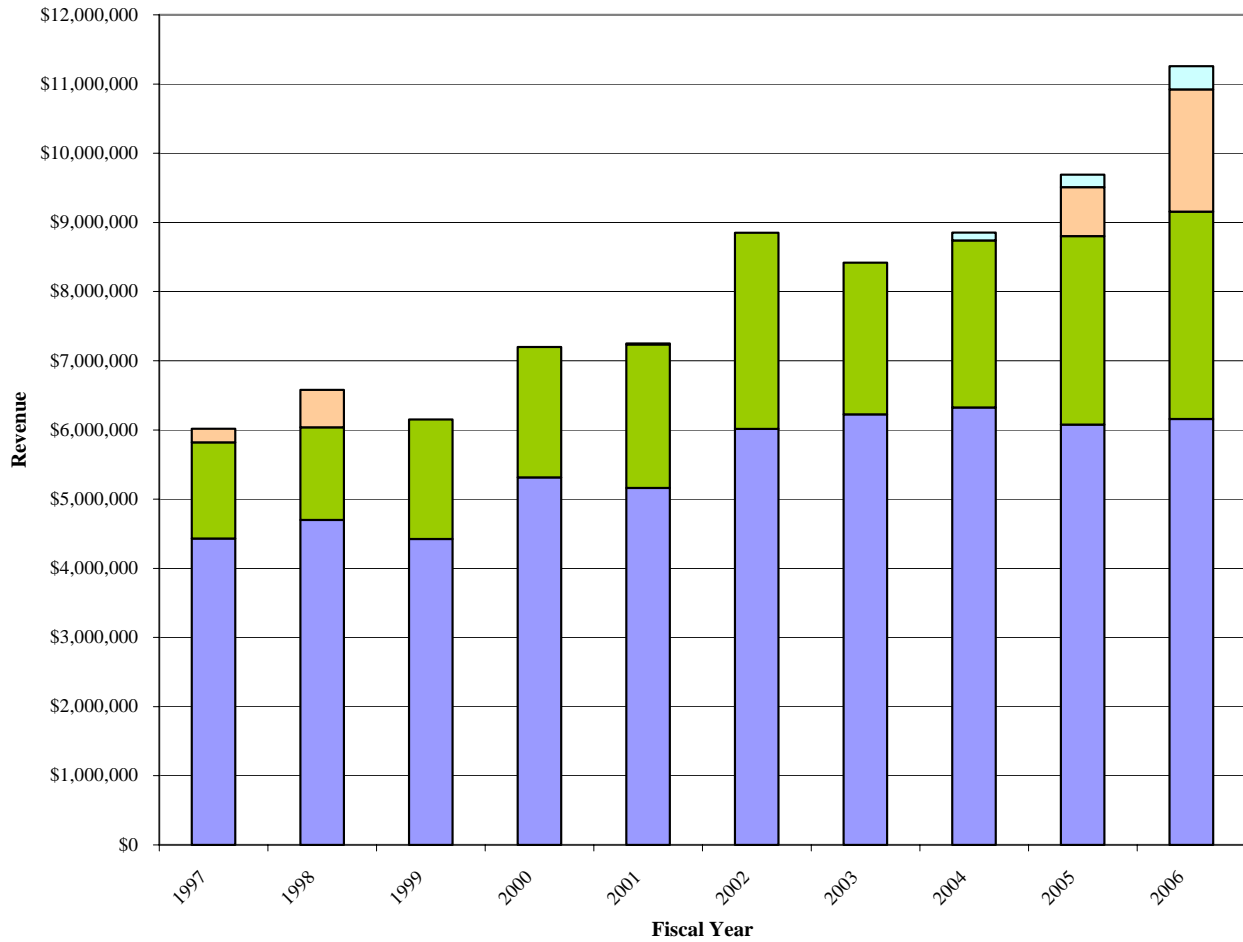
Fiscal Year				
2002	2003	2004	2005	2006
8,850,451	8,417,164	8,854,143	9,688,724	11,258,803
(6,778,848)	(8,212,939)	(7,866,167)	(8,378,443)	(8,262,068)
(1,670,777)	(1,693,885)	(1,722,585)	(2,495,930)	(2,363,709)
<u>400,826</u>	<u>(1,489,660)</u>	<u>(734,609)</u>	<u>(1,185,649)</u>	<u>633,026</u>
2,325,808	2,698,760	2,467,821	525,019	526,622
-	-	-	1,070,545	1,085,494
-	-	-	9,549	20,307
-	-	-	7,579	7,754
-	-	(26,535)	(13,854)	(15,707)
495,218	240,699	73,851	138,716	269,336
55,330	-	-	-	-
134,426	93,002	-	-	-
-	-	7,386	(5,566)	-
(61,144)	(250,890)	(151,058)	(159,437)	(131,650)
<u>52,550</u>	<u>137,214</u>	<u>22,771</u>	<u>(51,559)</u>	<u>204,592</u>
<u>3,002,188</u>	<u>2,918,785</u>	<u>2,394,236</u>	<u>1,520,992</u>	<u>1,966,748</u>
3,403,014	1,429,125	1,659,627	335,343	2,599,774
<u>2,445</u>	<u>-</u>	<u>3,090,000</u>	<u>1,342,081</u>	<u>1,016,530</u>
<u><u>3,405,459</u></u>	<u><u>1,429,125</u></u>	<u><u>4,749,627</u></u>	<u><u>1,677,424</u></u>	<u><u>3,616,304</u></u>
39,484,283	44,631,416	52,913,400	55,377,759	55,808,167
4,938,887	284,778	235,244	226,563	91,941
<u>14,695,414</u>	<u>15,631,515</u>	<u>12,945,075</u>	<u>12,166,821</u>	<u>15,487,339</u>
<u><u>59,118,584</u></u>	<u><u>60,547,709</u></u>	<u><u>66,093,719</u></u> <sup>(1)</sup>	<u><u>67,771,143</u></u>	<u><u>71,387,447</u></u>



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

**Schedule 2**

Fiscal Year	Water Sales and Service	Recreation Revenue	Local Runoff	Other Operating Revenue	Total Operating Revenue
1997	\$ 4,431,012	1,391,897	195,021	-	6,017,930
1998	4,697,686	1,340,186	539,902	-	6,577,774
1999	4,422,236	1,727,801	-	-	6,150,037
2000	5,315,618	1,883,613	-	-	7,199,231
2001	5,162,660	2,073,030	13,425	-	7,249,115
2002	6,014,499	2,835,952	-	-	8,850,451
2003	6,226,072	2,191,092	-	-	8,417,164
2004	6,325,927	2,412,902	-	115,314	8,854,143
2005	6,075,618	2,728,679	704,148	180,279	9,688,724
2006	6,157,482	2,996,915	1,768,645	335,761	11,258,803

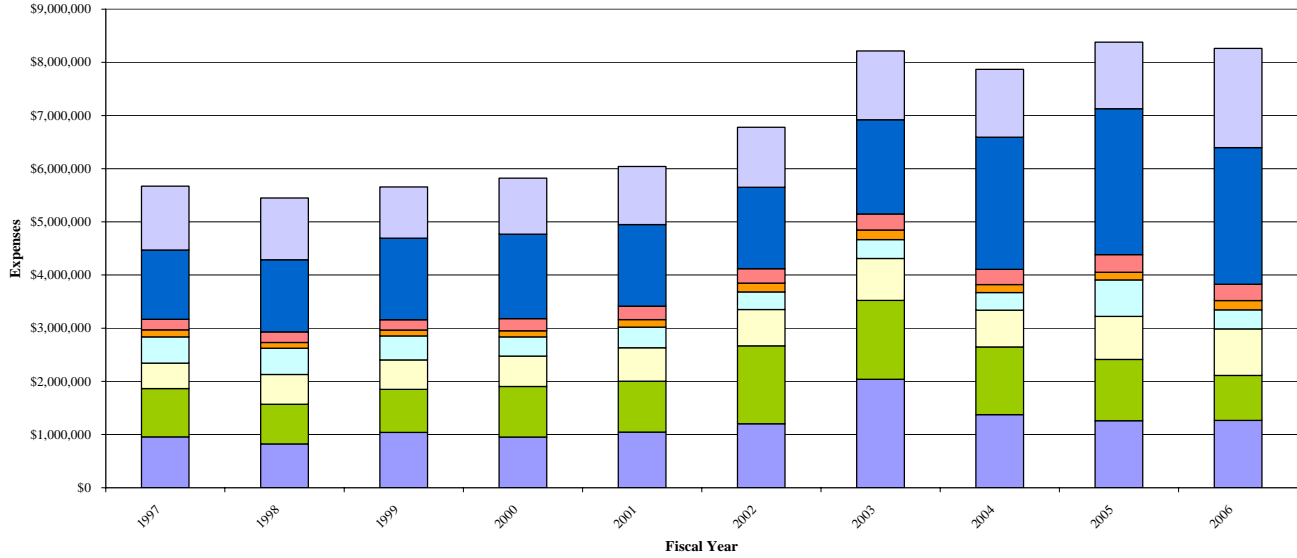


Source: Casitas Municipal Water District Accounting Department

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

## Schedule 3

Fiscal Year	Source of Supply	Pumping	Water Treatment	Transmission and Distribution	Telemetry	Customer Accounts	Recreation Area	General and Administrative	Total Operating Expenses
1997	954,981	908,805	478,852	495,284	130,672	201,225	1,299,057	1,201,991	5,670,867
1998	821,939	746,111	562,389	492,633	109,220	199,111	1,353,644	1,164,886	5,449,933
1999	1,040,470	809,443	553,747	450,444	111,914	194,711	1,531,379	963,086	5,655,194
2000	950,726	952,277	573,644	361,747	114,597	227,199	1,589,354	1,052,666	5,822,210
2001	1,044,119	959,261	628,580	389,044	141,110	252,638	1,534,277	1,091,801	6,040,830
2002	1,201,900	1,466,859	683,599	332,816	162,744	269,114	1,533,782	1,128,034	6,778,848
2003	2,038,776	1,486,079	785,332	356,064	179,509	302,980	1,773,929	1,290,270	8,212,939
2004	1,373,555	1,272,672	694,784	331,412	150,053	282,828	2,488,759	1,272,104	7,866,167
2005	1,260,178	1,151,358	810,650	687,261	142,260	331,338	2,747,871	1,247,527	8,378,443
2006	1,266,305	844,456	876,220	358,083	174,943	308,137	2,570,736	1,863,188	8,262,068

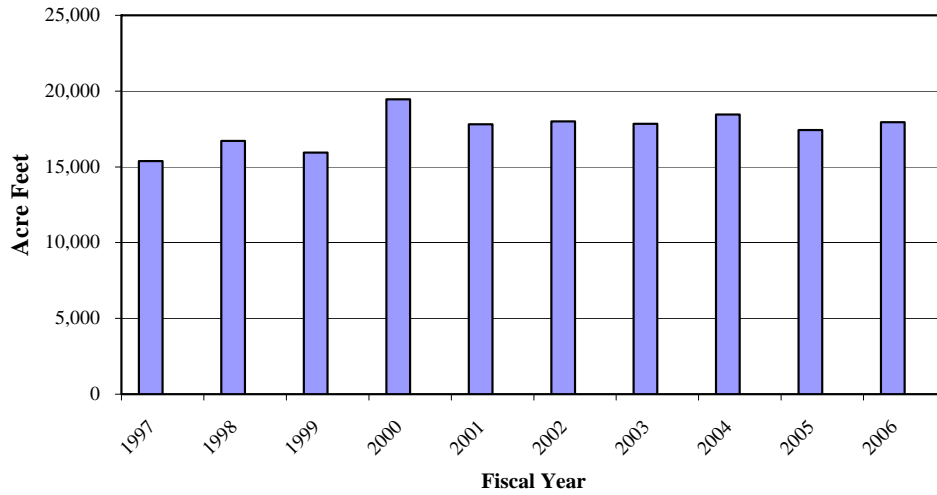


Source: Casitas Municipal Water District Accounting Department

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

**Schedule 4**

Fiscal Year	Water Sales (Acre Feet)
1997	15,381
1998	16,722
1999	15,939
2000	19,459
2001	17,802
2002	18,014
2003	17,852
2004	18,450
2005	17,425
2006	17,952



**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<sup>(1)</sup> Last Ten Fiscal Years

## Schedule 5

Gravity Zone Water Consumption (per HCF)										
Categories	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Residential:										
0-10 HCF	\$ 0.603	0.603	0.621	0.640	0.659	0.699	0.720	0.742	0.835	0.835
11-17 HCF	0.963	0.963	0.992	1.022	1.053	1.118	1.152	1.187	1.322	1.322
18+ HCF	1.339	1.339	1.379	1.420	1.463	1.552	1.598	1.646	1.825	1.825
Business	0.627	0.627	0.646	0.665	0.685	0.727	0.749	0.771	0.832	0.832
Industrial	0.590	0.590	0.608	0.626	0.645	0.684	0.704	0.725	0.783	0.783
Resale	0.363	0.363	0.374	0.385	0.397	0.421	0.434	0.447	0.474	0.474
Other	0.609	0.609	0.627	0.646	0.665	0.706	0.727	0.749	0.808	0.808
Temporary	1.901	1.901	1.958	2.017	2.078	2.204	2.270	2.338	2.493	2.493
Recreation	N/A	N/A	N/A	0.900	0.927	0.984	1.014	1.044	1.121	1.121
Irrigation	0.289	0.289	0.298	0.307	0.316	0.335	0.345	0.355	0.398	0.398

Pumped Zone Water Consumption (per HCF) <sup>(2)</sup>										
Categories	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Residential:										
0-10 HCF	\$ 0.821	0.821	0.846	0.871	0.898	1.053	1.069	1.001	1.094	1.094
11-17 HCF	1.181	1.181	1.216	1.254	1.292	1.472	1.501	1.446	1.581	1.581
18+ HCF	1.558	1.558	1.605	1.652	1.702	1.906	1.947	1.905	2.084	2.084
Business	0.846	0.846	0.871	0.897	0.924	1.081	1.098	1.030	1.091	1.091
Industrial	0.808	0.808	0.832	0.858	0.884	1.038	1.053	0.984	1.042	1.042
Resale	0.821	0.821	0.846	0.871	0.897	1.036	1.044	0.967	1.109	1.109
Other	0.827	0.827	0.852	0.878	0.904	1.060	1.076	1.008	1.067	1.067
Temporary	2.120	2.120	2.184	2.249	2.317	2.558	2.619	2.597	2.752	2.752
Recreation	0.849	0.849	0.874	0.900	0.927	1.338	1.363	1.303	1.380	1.380
Irrigation	0.289	0.289	0.298	0.307	0.316	0.450	0.455	0.375	0.418	0.418

Water Service Charges (monthly)										
Meter Size	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Residential:										
5/8" - 1"	\$ 10.41	10.41	10.72	11.04	11.37	12.06	12.42	12.79	14.01	14.01
1 1/2" - 2"	31.95	31.95	32.91	33.90	34.92	37.05	38.16	39.30	43.03	43.03
2 1/2" - 3"	68.04	68.04	70.08	72.18	74.35	78.88	81.25	83.69	91.64	91.64
4"	144.42	144.42	148.75	153.21	153.81	167.42	172.44	177.61	194.48	194.48
6"	426.33	426.33	439.12	452.29	465.86	494.24	509.07	524.34	574.15	574.15
Businesses:										
5/8" - 1"	18.86	18.86	19.42	20.00	20.60	21.86	22.52	23.20	24.59	24.59
1 1/2" - 2"	57.83	57.83	59.56	61.35	63.19	67.04	69.05	71.12	75.39	75.39
2 1/2" - 3"	123.23	123.23	126.93	130.74	134.66	142.86	147.15	151.56	160.65	160.65
4"	261.54	261.54	269.39	277.47	285.79	303.19	312.29	321.66	340.96	340.96
6"	772.03	772.03	795.19	819.05	843.62	895.00	921.85	949.51	1,006.48	1,006.48
Industrial:										
5/8" - 1"	14.07	14.07	14.49	14.92	15.37	16.30	16.79	17.29	18.06	18.06
1 1/2" - 2"	43.16	43.16	44.45	45.78	47.15	50.02	51.52	53.07	55.43	55.43
2 1/2" - 3"	91.94	91.94	94.70	97.54	100.47	106.58	109.78	113.07	118.12	118.12
4"	195.14	195.14	200.99	207.02	213.23	226.22	233.01	240.00	250.70	250.70
6"	576.56	576.56	593.86	611.68	630.03	668.40	688.45	709.10	740.71	740.71
Irrigation:										
5/8" - 1"	23.19	23.19	23.88	24.60	25.34	26.88	27.69	28.52	31.94	31.94
1 1/2" - 2"	71.07	71.07	73.20	75.40	77.66	82.39	84.86	87.41	97.90	97.90
2 1/2" - 3"	151.42	151.42	155.96	160.64	165.46	175.53	180.80	186.22	208.57	208.57
4"	321.39	321.39	331.03	340.96	351.19	372.58	383.76	395.27	442.70	442.70
6"	948.71	948.71	977.17	1,006.49	1,036.68	1,099.81	1,132.80	1,166.78	1,306.79	1,306.79
Resale (Gravity):										
5/8" - 1"	39.43	39.43	40.61	41.83	43.09	45.71	47.08	48.49	51.40	51.40
1 1/2" - 2"	120.93	120.93	124.56	128.30	132.15	140.19	144.40	148.73	157.65	157.65
2 1/2" - 3"	257.65	257.65	265.38	273.34	281.54	298.69	307.65	316.88	335.89	335.89
4"	546.86	546.86	563.27	580.17	597.58	633.98	653.00	672.59	712.95	712.95
6"	1,614.27	1,614.27	1,662.70	1,712.58	1,763.96	1,871.39	1,927.53	1,985.36	2,104.48	2,104.48
Resale (Pumped):										
5/8" - 1"	15.25	15.25	15.71	16.18	16.67	17.69	18.22	18.77	21.59	21.59
1 1/2" - 2"	46.77	46.77	48.17	49.62	51.11	54.22	55.85	57.53	66.16	66.16
2 1/2" - 3"	99.60	99.60	102.59	105.67	108.84	115.47	118.93	122.50	140.88	140.88
4"	211.42	211.42	217.76	224.29	231.02	245.09	252.44	260.01	299.01	299.01
6"	624.09	624.09	642.81	662.09	681.95	723.48	745.18	767.54	882.67	882.67
Other:										
5/8" - 1"	15.74	15.74	16.21	16.70	17.20	18.25	18.80	19.36	20.52	20.52
1 1/2" - 2"	48.27	48.27	49.72	51.21	52.75	55.96	57.64	59.37	62.93	62.93
2 1/2" - 3"	102.82	102.82	105.90	109.08	112.35	119.19	122.77	126.57	143.12	143.12
4"	218.22	218.22	224.77	231.51	238.46	252.98	260.57	268.39	284.49	284.49
6"	644.15	644.15	663.47	683.37	703.87	746.74	769.14	792.21	839.74	839.74
Temporary:										
1 1/2" - 2"	43.80	43.80	45.11	46.46	47.85	50.77	52.29	53.86	57.09	57.09
2 1/2" - 3"	93.32	93.32	96.12	99.00	101.97	108.18	111.43	114.77	121.66	121.66
Recreation:										
5/8" - 1"	20.12	20.12	20.72	21.34	21.98	23.32	24.02	24.74	26.22	26.22
1 1/2" - 2"	61.72	61.72	63.57	65.48	67.44	71.54	73.69	75.90	80.45	80.45
2 1/2" - 3"	131.51	131.51	135.46	139.52	143.71	152.46	157.03	161.74	171.44	171.44
4"	279.10	279.10	287.47	296.09	304.97	323.54	333.25	343.25	363.85	363.85
6"	823.88	823.88	848.60	874.06	900.28	952.02	980.58	1,010.00	1,070.60	1,070.60

**Notes:**

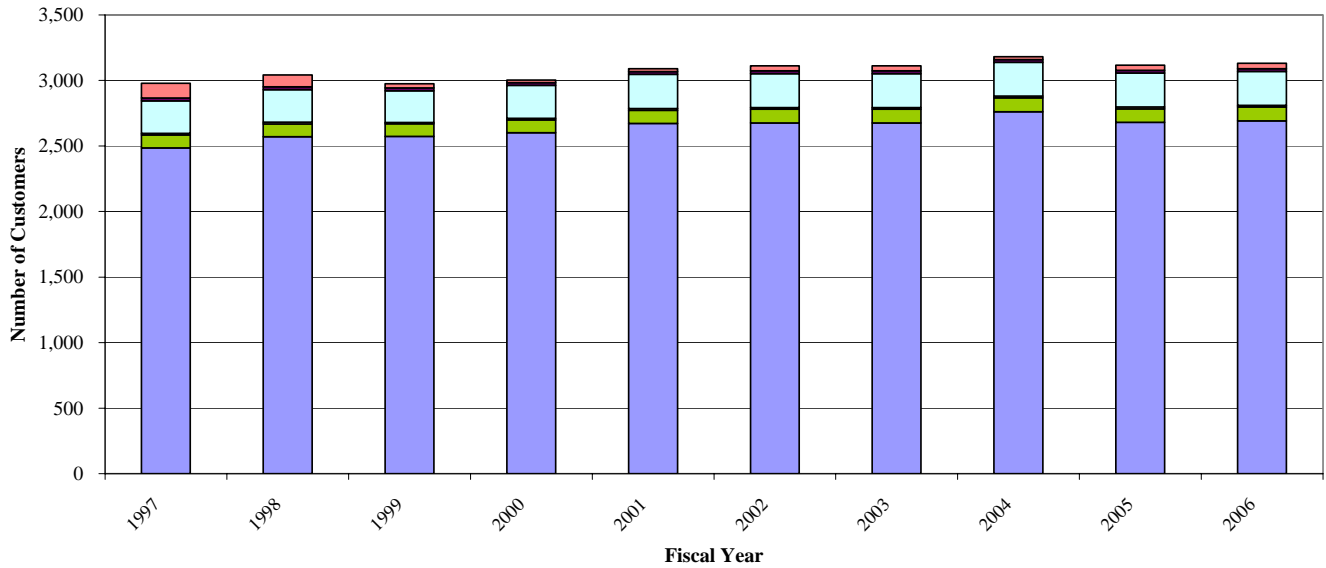
- (1) Rates as of June 30 of each fiscal year.
- (2) Rates are net of applicable energy surcharges.

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

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

**Schedule 6**

Fiscal Year	Customer Type						Total
	Residential	Business	Industrial	Agricultural	Wholesale	Other	
1997	2,486	97	14	247	22	112	2,978
1998	2,571	97	14	247	22	91	3,042
1999	2,572	97	10	243	22	31	2,975
2000	2,602	98	10	252	22	18	3,002
2001	2,673	100	12	261	22	21	3,089
2002	2,675	105	13	258	22	39	3,112
2003	2,675	105	13	258	22	39	3,112
2004	2,762	105	13	258	21	22	3,181
2005	2,680	104	13	259	21	40	3,117
2006	2,692	105	13	259	21	40	3,130



**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**

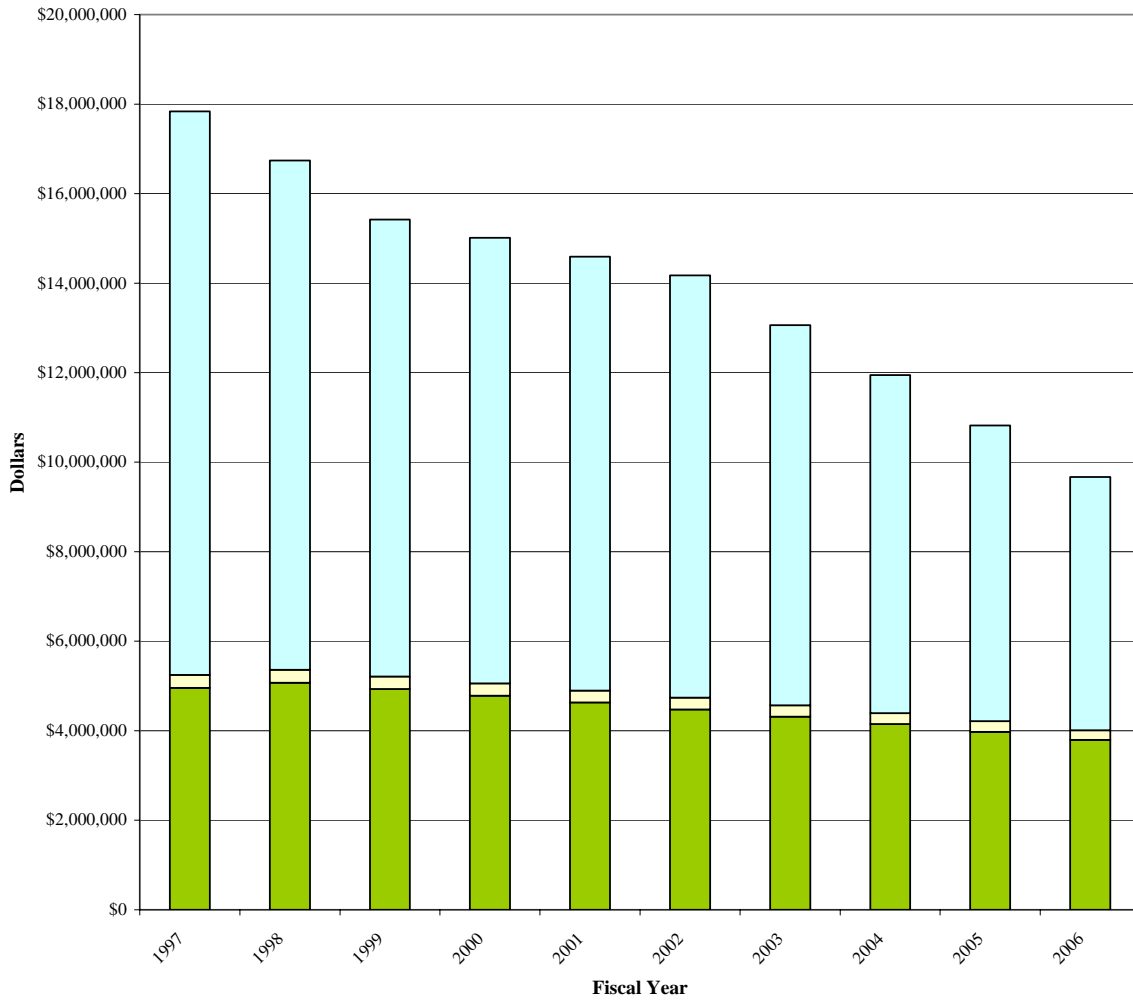
<u>Customer</u>	<u>2006</u>		<u>1997</u>	
	<u>Water Consumed (AF)</u>	<u>Percentage of Total</u>	<u>Water Consumed (AF)</u>	<u>Percentage of Total</u>
City of Ventura	6,971	38.83%	3,075	19.99%
Hermitage Mutual Water Company	567	3.16%	770	5.01%
Golden State Water	510	2.84%	623	4.05%
Senior Canyon Water	303	1.69%	-	0.00%
Mary Bergen	227	1.26%	270	1.76%
Rincon Water and Road	207	1.15%	-	0.00%
Rancho Del Cielo Mutual Water	161	0.90%	174	1.13%
Rancho La Vista	159	0.89%	228	1.48%
Vintage Petroleum	141	0.79%	-	0.00%
Ojai Valley Inn	140	0.78%	171	1.11%
Topa Topa Ranch	-	0.00%	238	1.55%
James P. Finch	-	0.00%	181	1.18%
Coultas Ranch	-	0.00%	179	1.16%
Total	<u>9,386</u>	<u>52.28%</u>	<u>5,909</u>	<u>38.42%</u>
Total Water Consumed (Acre Feet)	<u>17,952</u>	<u>100.00%</u>	<u>15,381</u>	<u>100.00%</u>

**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	Notes Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
1997	\$ 4,956,157	291,000	12,588,957	17,836,114	24.91	0.09%
1998	5,074,440	285,500	11,379,338	16,739,278	23.35	0.08%
1999	4,932,694	279,500	10,210,126	15,422,320	21.10	0.07%
2000	4,784,991	273,500	9,952,237	15,010,728	20.23	0.06%
2001	4,632,504	267,500	9,694,348	14,594,352	19.38	0.06%
2002	4,475,112	261,500	9,436,460	14,173,072	18.32	0.05%
2003	4,312,620	255,500	8,492,814	13,060,934	16.74	0.05%
2004	4,146,576	249,000	7,549,168	11,944,744	15.09	0.04%
2005	3,973,120	240,500	6,605,522	10,819,142	13.48	0.04%
2006	3,792,883	217,500	5,661,876	9,672,259	11.92	0.03%



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 <sup>(1)</sup>	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal	Interest		
1997	\$ 8,132,657	(5,670,867)	2,461,790	1,191,079	77,255	1,268,334	1.94
1998	9,528,416	(5,449,933)	4,078,483	1,215,119	123,691	1,338,810	3.05
1999	8,155,689	(5,655,194)	2,500,495	1,316,958	100,534	1,417,492	1.76
2000	10,178,830	(5,822,210)	4,356,620	411,592	87,123	498,715	8.74
2001	10,764,934	(6,040,830)	4,724,104	416,376	82,731	499,107	9.47
2002	12,314,609	(6,778,848)	5,535,761	421,280	61,144	482,424	11.47
2003	10,097,179	(8,212,939)	1,884,240	1,112,138	250,890	1,363,028	1.38
2004	10,664,828	(7,866,167)	2,798,661	1,116,190	151,058	1,267,248	2.21
2005	10,183,504	(8,378,443)	1,805,061	1,125,602	159,437	1,285,039	1.40
2006	13,990,227	(8,262,068)	5,728,159	1,132,484	131,650	1,264,134	4.53

**Notes:**

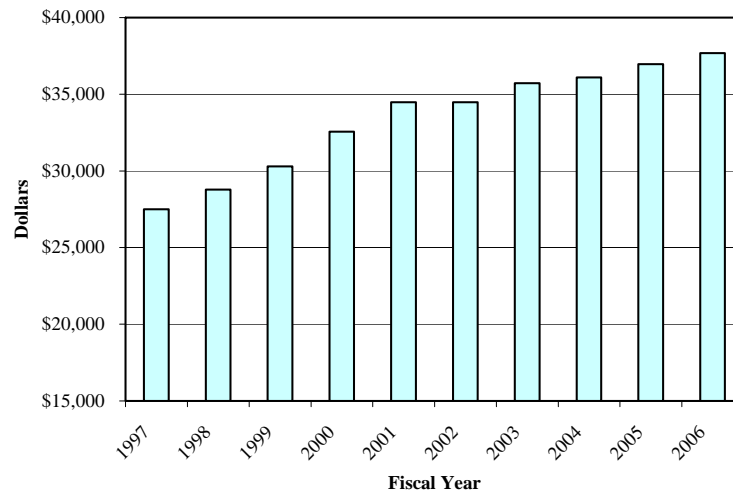
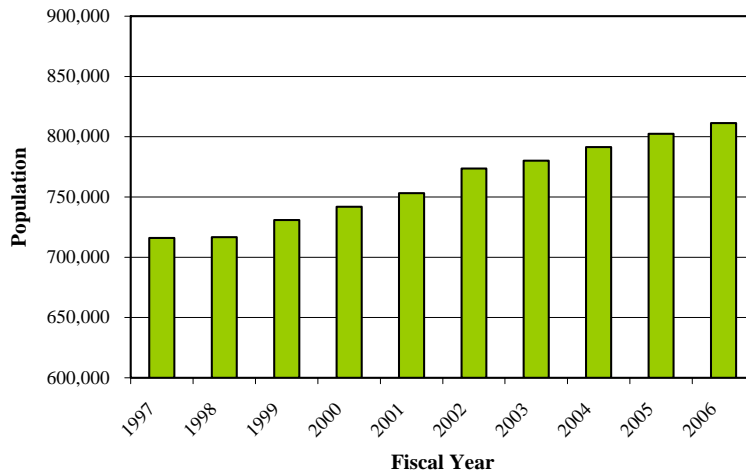
(1) Operating expenses exclude depreciation expense.

**Source:** Casitas Municipal Water District Accounting Department

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

**Schedule 10**

Year	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
1997	6.6%	716,070	\$ 19,689,294	27,496
1998	5.5%	716,770	20,631,600	28,784
1999	4.8%	730,824	22,139,521	30,294
2000	4.5%	742,008	24,165,838	32,568
2001	4.5%	753,197	25,964,280	34,472
2002	5.6%	773,539	26,676,989	34,487
2003	5.3%	780,089	27,860,349	35,714
2004	4.8%	791,310	28,562,451	36,095
2005	4.6%	802,436	29,666,223	36,970
2006	4.6%	811,405	30,568,744	37,674



**Sources:** California Department of Finance and CaliforniaLaborMarketInfo

**Notes:**

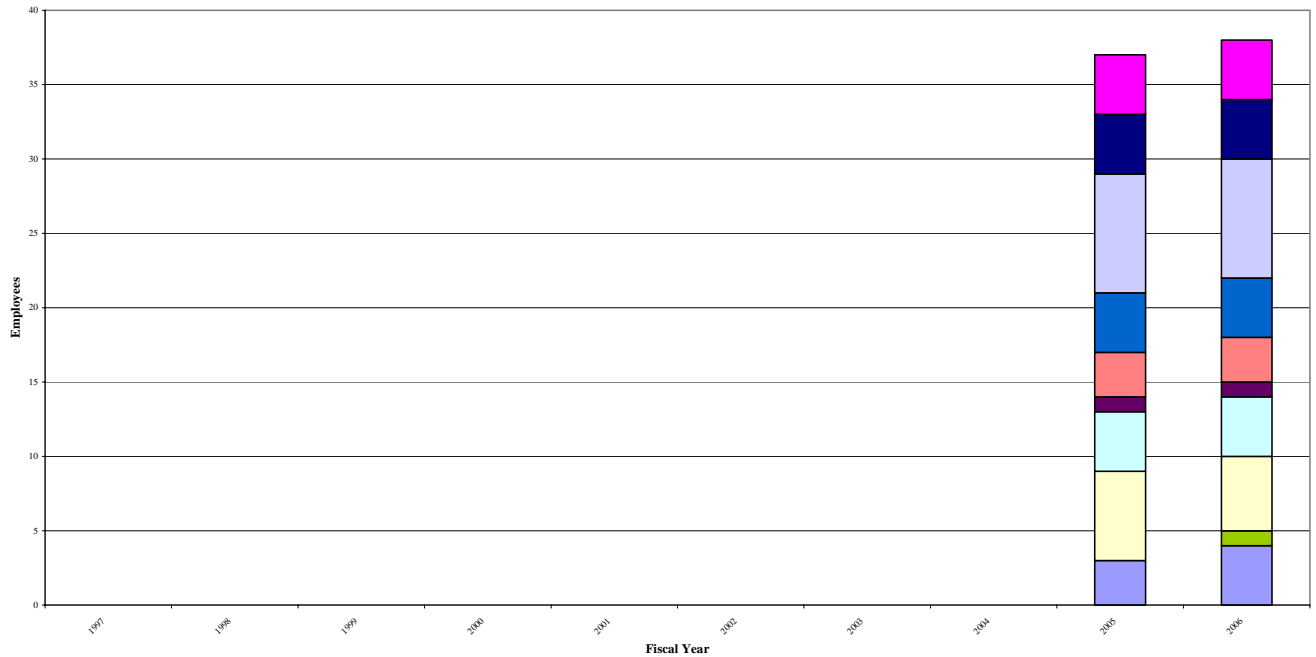
(1) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

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

Schedule 11

Paid - Full Time Positions

Department	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Management	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	4
Information Technology	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	1
Administration	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6	5
Engineering	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4
Water Quality Lab	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1
Electrical and Mechanical	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	3
Distribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4
Conservation and Treatment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8	8
Recreation Operations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4
Recreation Maintenance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>37</b>	<b>38</b>



### 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)
1997	105.7	254,000	227,839	89.7%	65
1998	105.7	254,000	240,250	94.6%	65
1999	105.7	254,000	213,513	84.1%	65
2000	105.7	254,000	205,434	80.9%	65
2001	105.7	254,000	223,233	87.9%	65
2002	105.7	254,000	195,172	76.8%	65
2003	105.7	254,000	179,219	70.6%	65
2004	105.7	254,000	167,988	66.1%	65
2005	105.7	254,000	230,891	90.9%	65
2006	105.7	254,000	229,546	90.4%	65

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

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# **Report on Compliance and Internal Controls**





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## Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting 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 financial statements of the Casitas Municipal Water District (District) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 31, 2006. 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.

### **Compliance**

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*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

October 31, 2006  
Cypress, California