

# **Castaic Lake Water Agency** **Santa Clarita, California** **Comprehensive Annual Financial Report** **For the Fiscal Year Ended June 30, 2015**



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*A public agency providing reliable, quality water  
at a reasonable cost to the Santa Clarita Valley*

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27234 Bouquet Canyon Road, Santa Clarita, CA 91350







**Castaic Lake Water Agency**  
**Santa Clarita, California**

**Comprehensive Annual Financial Report**

**For The Fiscal Year Ended**

**June 30, 2015**

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Comprehensive Annual Financial Report  
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# **Introductory Section**







November 1, 2015

The Board of Directors of the  
Castaic Lake Water Agency  
Santa Clarita, California

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Castaic Lake Water Agency (Agency) for the fiscal year ended June 30, 2015. Agency staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB), prepared this financial report. The Agency 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 Agency's financial position and activities.

State Law and Agency by-laws require the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the Agency's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a 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 Agency's MD&A can be found immediately following the Independent Auditor's Report.

### **Agency Profile**

The Agency is located in the northwestern portion of Los Angeles County, approximately 35 miles from downtown Los Angeles. The Agency's wholesale service area has a population of approximately 287,000 and covers an area of approximately 195 square miles or 124,000 acres. The majority of the service area is located in Los Angeles County, encompassing most of the valley and adjacent hill country along the Upper Santa Clara River. Approximately 20 square miles of the service area extends into unincorporated rural portions of Ventura County. The service area is a semi-arid region and includes the City of Santa Clarita and other nearby communities.

The agency provides supplemental wholesale water to four local retail water purveyors – CLWA Santa Clarita Water Division (SCWD), Los Angeles County Waterworks District No. 36, Newhall County Water District (NCWD) and the Valencia Water Company (VWC). During FY 2015, actual water sales in acre-feet were as follows:

Purveyor	Imported	Saugus Wells	Total
Santa Clarita Water Division	16,777	3,000	19,777
Valencia Water Company	7,203	-	7,203
Newhall County Water Agency	2,424	1,100	3,524
L.A. County Waterworks District #36	3	-	3
Total Water Sales	26,407	4,100	30,507

The Agency began to sell recycled water in 2004. During FY 2015, 433 AF of recycled water was sold to the Valencia Water Company to provide service to the golf course and median landscaping in the Westridge Development.

### Facilities

The Agency owns and operates water conveyance pipelines and water treatment facilities to supply water delivered from the State Water Project (SWP) to the four retail purveyors within its service area. The Department of Water Resources (DWR) transports water via the California Aqueduct to Castaic Lake and releases water to the Agency through the outlet tower at Castaic Lake. The reservoir is a multiple use reservoir that is the terminal point of the West Branch of the California Aqueduct, and stores approximately 320,000 acre-feet of water. The Agency’s major facilities consist of the Earl Schmidt Intake Pump Station (ESIPS), the 56 million gallons per day (mgd) Earl Schmidt Filtration Plant (ESFP), the Rio Vista Intake Pump Station (RVIPS), the 66 mgd Rio Vista Water Treatment Plant (RVWTP), the Sand Canyon Pump Station (SCPS), the Sand Canyon Reservoir (SCR), the Perchlorate Treatment Facility and a system of pipelines and ancillary facilities which convey treated water to the four retail purveyors.

The Agency’s major facilities are described in more detail as follows:

- Intake Piping – The ESFP receives water from a connection to the State Water Project’s 60-inch diameter outlet conduit from the Castaic Reservoir. A 54-inch diameter conduit extends from the State’s outlet conduit to the ESIPS. At the ESIPS there are 54 inch and 42 inch diameter pump suction headers.
- ESIPS – The Earl Schmidt Intake Pump Station is located near the shore of the afterbay below Castaic Dam located at the southern end of Castaic Reservoir. The pump station consists of five vertical turbine pumps rated at 6 mgd each and two vertical turbine pumps rated at 14 mgd each. The pumping units are used when the water level in the reservoir falls below the elevation necessary to permit gravity flow of water from the reservoir to the filtration plant. The pump station can deliver at least 56 mgd to the Earl Schmidt Filtration Plant.
- ESFP – The Earl Schmidt Filtration Plant, located at the southern end of the Castaic Reservoir, treats State Water Project and other imported water for domestic uses. The ESFP was completed in 1980 with an original capacity of 12.5 mgd and was expanded to a capacity of 25 mgd in 1988. In 2001, the ESFP was re-rated at 33.6 mgd. In 2005, the ESFP was expanded to 56 mgd. The treatment process includes ozonation, coagulation, contact clarification, and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered, treated, and returned to the headworks. The ESFP also includes sludge drying facilities, an air-water filter backwash system, and facilities for chemical application of coagulants, disinfectants, pH control,

and taste and odor control. Two steel tanks provide a total of ten million gallons of treated water storage.

- RVIPS – The Rio Vista Intake Pump Station pumps water from the Metropolitan Water District (MWD) Foothill Feeder to the Rio Vista Water Treatment Plant via a 102-inch diameter raw water pipeline.
- RVWTP – The Rio Vista Water Treatment Plant is located in the City of Santa Clarita and treats water for domestic use. Its current capacity is 66 mgd; however, the site has sufficient land area for a treatment plant with an ultimate capacity of 120 mgd. The treatment process technology includes ozonation, coagulation, contact clarification and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered and returned to the headworks. The RVWTP includes sludge drying facilities, an air-water filter backwash system, and facilities for chemical application of coagulants, disinfectants, pH control, and taste and odor control. Two concrete reservoirs provide a total of 30 million gallons of treated water storage.

The RVWTP site includes the seven-acre Water Conservatory Garden and Learning Center. The purpose of this facility is to inform and educate Santa Clarita Valley residents about the source and treatment of their water supply, as well as means to conserve this precious resource. The Garden and other water education programs of the Agency have received numerous awards, honors, and grants from the American Water Works Association, the Association of California Water Agencies and the California Department of Education, among others.

- Outlet Piping and Water Distribution Systems – The Agency maintains a network of transmission pipelines, pump stations and reservoirs that convey treated water from the ESFP and RVWTP.

The Castaic Conduit serves as the pipeline connection between ESFP and RVWTP. It also serves as one of the main pipelines for conveying treated water to the retail purveyors through a series of turnouts and laterals.

The portion of the Castaic Conduit between the SWP outlets works and the ESIPS has a normal design capacity of 67 mgd. Downstream of ESFP, the Castaic Conduit was designed with a nominal capacity of 51 mgd along the length of the 54-inch diameter pipeline, which extends approximately five miles southeast through the center of the Agency's service area, eventually transitioning to a 39-inch diameter pipeline with a design capacity of 27 mgd, where it connects with the Honby and Newhall Laterals which, in turn, provide water to the retail purveyors. Approximately two miles of 84-inch pipeline with a nominal capacity of 124 mgd connect the RVWTP to the 39-inch diameter pipeline.

The Newhall Parallel connects to the 84-inch treated water pipeline and provides additional water to the southern portion of Valencia. The Newhall Parallel begins as a 54-inch pipeline and reduces to a 24-inch pipeline. Additionally, the Agency has constructed three phases of the Magic Mountain Pipeline, a 42-inch pipeline that connects to the Newhall Parallel and will provide water to the western portion of the Agency's service area.

The Agency delivers water to the retail purveyors through 26 turnouts, as follows: CLWA Santa Clarita Water Divisions – 13, Los Angeles County Waterworks District #36 – 2, Newhall County Water District – 4 and Valencia Water Company – 7.

- Recycled Water System – The Agency distributes recycled water from the Los Angeles County Sanitation District's Valencia Water Reclamation Plant. The facilities include a 24-inch recycled water pipeline that runs from the Valencia Water Reclamation Plant south to the TPC at Valencia golf course, as well as a recycled water reservoir located near the golf course.
- Sand Canyon Pipeline System – The Sand Canyon System consists of a booster pump station, pipeline and reservoir to convey imported water from the end of the existing Honby Lateral to the

southern Sand Canyon area. The reservoir also provides emergency storage. The 48-inch pipeline is approximately five miles in length and delivers water to retail purveyors through six turnouts. The Sand Canyon Pump Station has a capacity of 30,000 gallons per minute (gpm). The Sand Canyon Reservoir can store up to 7 million gallons of water.

- Perchlorate Treatment and Distribution Systems – In 1997, four production wells in the Saugus Formation were found to be contaminated with perchlorate (a chemical used in the manufacture of solid rocket propellants, munitions and fireworks). Three additional production wells in the alluvial aquifer tested positive for perchlorate in 2002, 2005 and 2011. Beginning in 2007 the Agency rehabilitated Saugus 1 and 2 wells and constructed a perchlorate treatment facility and distribution pipelines. The treatment facility, which includes an ion exchange process located at the RVIPS, was placed into service in early 2011. Returning the Saugus 1 and 2 wells to service restored lost capacity and helps contain migration of groundwater contamination in the Saugus Formation emanating from the contaminated sites.
- Groundwater Banking Programs – The Agency has five groundwater banking accounts in three separate programs. Two accounts are in the Semitropic Water Storage Districts Groundwater Banking Program. These accounts are currently short-term, ten-year accounts. One account was initiated in 2002 and has been extended to 2022 and contains a balance of 16,650 acre-feet and the other account was initiated in 2003 and has been extended to 2024 and contains 29,270 acre-feet. Both accounts contain excess State Water Project Table A water that must be delivered to the Agency (or another Agency groundwater account) prior to the end of agreements in 2022 and 2024. The Agency anticipates that if such water is not used, it will be transferred to another groundwater banking program prior to the expiration dates in 2022 and 2024. Withdrawals of water from the accounts in a given year may be limited by hydrology and the demands of other Program participants. In calendar year 2014, the Agency anticipates the program providing 4,950 AF and another 4,950 AF in 2015 if needed due to dry year conditions.

In September 2005 the Agency initiated participation in the Rosedale-Rio Bravo Water Storage District Groundwater Banking Program. This program allows the storage of 20,000 acre-feet annually of the Agency's State Water Project Table A amount or other supplies, and has a contract term through 2035, renewable according to the terms of the Agency's water supply contract with Department of Water Resources. In 2012, CLWA delivered an additional 6,031 AF to the program and, as of April 30, 2013, the program holds an available balance of 100,000 acre-feet (100,000 acre-feet is the maximum available to the Agency). In calendar year 2014, the Agency anticipates 5,400 AF will be withdrawn from the program.

In 2012, CLWA implemented a two-for-one exchange with Rosedale-Rio Bravo Storage District, which is a program where CLWA can recover one AF of water for each two AF banked. This program has a maximum of 19,000 AF, or 9,500 AF of recoverable water. In 2012, CLWA delivered an additional 3,969 AF to the program and, after program losses, has 9,509 AF of recoverable water currently available. CLWA also implemented two-for-one banking program with the West Kern Water District in Kern County and delivered 5,000 AF in 2011, resulting in a recoverable total of 2,500 AF. Both the total stored and total recoverable amounts are the maximums under this program. In calendar year 2014, the Agency anticipates that 2,000 AF will be returned from the West Kern program.

#### Santa Clarita Water Division

The Santa Clarita Water Division's (SCWD) sources of supply are imported water purchased from the Agency and local groundwater. SCWD's distribution system consists of approximately 330 miles of pipeline. System pipe sizes range from 2 inches to 24 inches in diameter, with the majority of the piping ranging from 6 inches to 14 inches in diameter. SCWD's system also includes 27 storage reservoir sites consisting of 48 active storage tanks with a total capacity of 76 million gallons.

In addition to the storage reservoirs, there are four locations which utilize hydropneumatic tanks to provide adequate system pressure to residential areas located at elevations near or above the storage reservoirs.

There are currently 23 active booster stations used to boost water throughout the SCWD water system. Individual booster stations consist of one to six pumps and range from total capacities of 59 to 4,800 gallons per minute.

Revenue Sources

The Agency’s major revenue sources are as follows:

- o Water Sales (Wholesale) – The Agency bills its four purveyors monthly for water purchased. In February 2013, the Board of Directors adopted a new wholesale water rate structure effective July 1, 2013, and also adopted rates for three years (FY 2013/14 through FY 2015/16). The new wholesale water rate structure is developed to meet the following objectives:
  - Revenue sufficiency and stability for the Agency.
  - Enhanced conservation and conjunctive use throughout the Santa Clarita Valley.
  - Fair and equitable rates for the retail purveyors, that are no more than necessary to cover the reasonable costs of providing wholesale water to the retail purveyors, which costs are allocated to the retail purveyors in a manner that bears a fair or reasonable relationship to the retail’s purveyor’s burdens on, or benefits from the wholesale water services provided to them.

The wholesale water rate structure includes both a fixed and variable component. The fixed charge is based on a three-year rolling average of each retail purveyor’s total water demand. The variable rate is calculated based on the variable expenses of the Agency to treat and deliver imported water (generally energy and chemical expenses). The wholesale water rate for fiscal years 2014 to 2016 are as follows:

<u>Fixed Rate (monthly)</u>				
Purveyor		FY 2013/14	FY 2014/15	FY 2015/16
CLWA Santa Clarita Water Division	\$	438,808	442,681	464,801
Valencia Water Company		472,658	478,688	500,355
Newhall County Water District		163,638	163,028	168,670
L.A. County Waterworks District #36		19,751	19,820	20,776
		<u>1,094,855</u>	<u>1,104,217</u>	<u>1,154,602</u>
<u>Variable Rate (per AF)</u>	\$	<u>102.65</u>	<u>116.86</u>	<u>124.14</u>

In FY 2003/04, the Agency began selling recycled water.

- o Water Sales (Retail) - In September 2013, the Board of Directors adopted a new retail water rates effective January 1, 2014 through January 1, 2017. The new uniformly increased retail water rates are developed to meet the equitable, conservation-oriented user charges that recover future rate-based revenues needed to sustainability operate and maintain the retail water system. Consistent with the current rate structure, the rates consist of two separate charges: A flat meter service charge based on meter size plus a water commodity charge that includes local SCWD water usage and pass-through charges for purchased water from CLWA and power from Southern California Edison.

The Retail Water Rates for 2014 to 2017 are as follows:

Fixed Meter Service Charge by Meter Size (\$ per month)

Meter Size (Inches)	2014	2015	2016	2017
5/8 by 3/4	\$ 18.02	18.65	19.30	19.98
3/4	22.78	23.58	24.41	25.26
1	32.29	33.42	34.59	35.80
1 1/2	56.07	58.03	60.06	62.16
2	84.61	87.57	90.63	93.80
3	160.71	166.33	172.15	178.18
4	246.33	254.95	263.87	273.11
6	484.15	501.10	518.64	536.79
8	769.53	796.46	824.34	853.19

Private Fire Service Protection

	2014	2015	2016	2017
Per Diameter Inch of Service	\$ 2.56	2.65	2.74	2.84

Variable Water Commodity Charges for Single Family Dwelling Residential Customers (\$ per CCF)

Rate Block	Block Range (CCF per Month)		2014	2015	2016	2017
	Bottom	Top				
Tier 1	0	14	\$ 1.6249	1.6817	1.7406	1.8015
Tier 2	15	49	1.8124	1.8758	1.9415	2.0094
Tier 3	50	and above	2.3827	2.4660	2.5524	2.6417

Variable Water Commodity Charges for Irrigation Customers (\$ per CCF)

Commodity Charges	2014	2015	2016	2017
All Use	\$ 2.3827	2.4660	2.5524	2.6417

Variable Water Commodity Charges for All Other Customers (\$ per CCF)

Commodity Charges	2014	2015	2016	2017
All Use	\$ 1.8124	1.8758	1.9415	2.0094

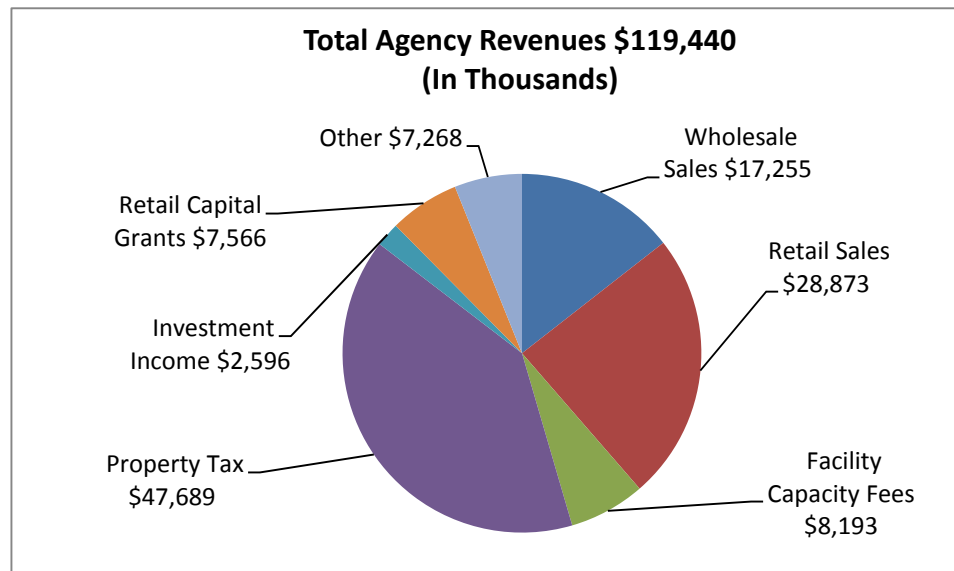
- Facility Capacity Fees – The Agency reviews and establishes its facility capacity fee rates yearly through a public hearing process. These fees are paid to the Agency directly by developers or property owners within the Wholesale Service Area shortly before the issuance of building permits by the County of Los Angeles and the City of Santa Clarita. Facility Capacity Fee Revenues are used to pay future user’s share of the Agency’s Debt.
- One Percent Property Tax Revenues – The Counties of Los Angeles and Ventura levy a 1% property tax on behalf of all taxing agencies in the County, including the Agency. The taxes are allocated to the taxing agencies within the County on the basis of a formula established by State Law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (due to new construction, change of ownership, or a 2% allowance allowed under Article XIII A of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs.

In general, these funds are allocated to debt service and capital improvement projects for existing users, as well as to core non-SWP supplies. During a three-year period from January 1, 2007 through December 31, 2009, these funds were also used for rate stabilization.

- Agency-Set Property Tax Revenues – The Counties of Los Angeles and Ventura also levy for the Agency a special tax rate to pay for the Agency’s share of payments to the State of California Department of Water Resources for its fixed and variable charges. These revenues, and the interest earned thereon, is restricted to pay only these specific payments.
- Other Sources of Revenue – Capital Grants, Investment Income and Other.

All revenues of the Agency, except the Agency-set tax revenues and corresponding interest, are irrevocably pledged to the payment of debt.

The following chart reflects the Agency’s revenue mix for the year ending June 30, 2015, as follows:



**Local Economy**

The Agency’s service area is considered a premier community for raising families and building businesses. The area is known for its attractive residential neighborhoods, low crime rate, and excellent schools. Prospects for the future economic strength of the area are excellent.

The Santa Clarita Valley is part of a comprehensive transportation network, which includes three major freeways, commuter rail which serves over 2,000 passengers daily and easy access to the ports of Los Angeles and Long Beach. The three Metrolink commuter rail stations in Santa Clarita carry over 2,000 passengers a day to and from the San Fernando Valley and Downtown Los Angeles. The City also has nearly 40 miles of bicycle and pedestrian trails.

There are a number of recreational and historical facilities located in the Santa Clarita Valley, including the Six Flags Magic Mountain amusement park and Gene Autry’s Melody Ranch. The service area is adjacent to the Angeles National Forest, and includes nearby Castaic Lake, the Placerita Canyon Nature Center, and Vasquez Rocks County Park.

Also located in the Santa Clarita Valley are the COC Performing Arts Center, Canyon Theatre Guild, Disney Studios, Santa Clarita Repertory Theater, as well as the Friendly Valley, Valencia Country Club, Robinson’s Ranch, Tournament Players Club, and Vista Valencia golf courses.

The City of Santa Clarita’s strong and diverse economy continues to expand, making Santa Clarita the ideal destination for Southern California businesses. Maintenance of a highly supportive environment of business development is achieved through the cooperation of the local Chamber of Commerce and the City government. In addition, companies benefit greatly from the area’s land and leasing opportunities, as well as from the highly-skilled labor pool, variety of transportation choices, housing, quality of life, climate, and scenery. In 2008, local jobs in Santa Clarita had grown by 5.6% annually prior to the economic downturn; as of 2014, growth was expected to increase by 4.1%. However, Santa Clarita continues to have one of the lowest unemployment rates in Los Angeles County.

The Agency evaluates land use data and housing construction in the service area in conjunction with the retail water purveyors and projections from the “One Valley One Vision” (OVOV), a joint planning effort by the City of Santa Clarita and the Los Angeles County Department of Regional Planning. These joint planning efforts are the basis of the Agency’s 2010 Urban Water Management Plan (UWMP).

The Agency’s UWMP provides information on water use, water resources, recycled water, water quality, reliability planning, demand management measures and water shortage contingency planning. The 2010 UWMP projections indicate a 1.8 percent annual growth rate of population in the service area and the 2015 UWMP will likely project a slightly reduced growth rate.

As of December 31, 2014, the retail water purveyors served 72,479 connections, as follows:

<u>Retail Water Purveyor</u>	<u>Connections</u>
CLWA Santa Clarita Water Division	30,322
Valencia Water Company	31,101
Newhall County Water Agency	9,706
L.A. County Waterworks District #36	1,350
Total Connections	<u>72,479</u>

### **Long-term Financial Planning**

During FY 2008/09, the Agency developed its first Long-Term Financial Plan. This Plan is updated each year as part of the Budget process. The Plan is not a static, one-time document, but represents a process where the Board and management review financial strategies to help achieve the Agency’s overall strategic plan. This Plan reviews individual financial strategies and serves as the basis for future analysis and decision making by identifying potential financial issues and risks. It also groups financial strategies into near-term, mid-term and long-term issues, to help prioritize and schedule action items for implementation of the Plan. Based on decisions and guidance provided by the Board, the Plan is a rolling “look-ahead” to help identify priorities and focus. It is not intended to address each and every fiscal issue, but identify high priority fiscal programs and strategies to be monitored over time, so that the Agency is positioned to address them at the appropriate time.

Debt Service Administration – various Certificate of Participations (COPs) and Revenue Bonds have been issued to finance the Agency’s Capital Program. Future users’ share of the debt service is funded from Facility Capacity Fees. Existing users’ share is funded from One Percent Property Tax revenues. The following is a summary of the debt outstanding issues to date.

- 1994, 2004 COP’s and 2008A COPs and 2014A Revenue Bonds - In June 1990, the Agency issued \$132 million in COPs to acquire and construct the Rio Vista Water Treatment Plant and related facilities. These were advance refunded in August 1994, in the amount of \$124.6 million. In May 2004, the Agency refunded \$28,475,000 of the 1994 COPs (2004 Series A) in a fixed rate refunding. In June 2004, the Agency refunded \$37,350,000 of the 1994 COPs into a variable to fixed swap agreement for \$40,000,000 (2004 Series B). At the time, the unrefunded 1994 COPs totaled \$40,565,000. The last settlement was paid during FY 2013/14. In May 2008, the Agency refunded all of the 2004B certificates (2008 Series A); the swap agreement remains in effect for



the 2008A certificates until its termination in August 2014. In June 2014, the Agency refunded \$20,495,000 of the 2004A certificates (2014 A Revenue Bonds). The remaining balance after FY 2014/15 payments is \$49,510,000 as follows: No balance for the 1994 COP's or 2004A COP's as these were retired during FY 2013/14; \$16,585,000 for 2014 Series A and \$32,925,000 for 2008 Series A. Payments totaling \$8,415,847 are due during FY 2015/16.

- 1999 and 2006A COPs - In August 1999, the Agency issued \$75.8 million in COPs to provide funds to (a) reimburse the Agency for the acquisition of approximately 41,000 acre-feet of supplemental water from the DWR and (b) to acquire certain capital improvements to the Agency's Wholesale System. In December 2006, the Agency advance refunded \$45,520,000 of the 1999 certificates (2006 Series A). The remaining balance after FY 2014/15 payments is \$93,696,369 as follows: \$56,531,369 unrefunded (Series 1999) and \$37,165,000 for 2006 Series A. Payments totaling \$3,304,776 are due during FY 2015/16.
- 2001A and 2010A COPs - In March, 2001, the Agency issued \$80 million in COPs to provide funds to acquire certain capital improvements to the Agency's Wholesale System. In June 2010, the Agency advance refunded all of the certificates (2010 Series A). The remaining balance after FY 2014/15 payments is \$59,675,000. Payments totaling \$5,285,781 are due during FY 2015/16.
- 2006C COPs and 2015A Revenue Bonds - In December, 2006, the Agency issued \$89.8 million in COP's to provide funds to acquire certain capital improvements to the Agency's Wholesale System. In April 2015, the Agency refunded \$77,685,000 of the 2006C certificates (2015 A Revenue Bonds). The remaining balance after FY 2014/15 payment is \$64,000,000. Payments totaling \$2,755,943 are due during FY 2015/16.
- 2010B COPs - In May, 2010, the Santa Clarita Water Division (Retail) of the Agency issued \$14,475,000 of COPs to provide funds to acquire the new Administration Office Building, several reservoir tanks and wells. The certificates are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. In June 2015, the fiscal year 2016 principal was defeased. The remaining balance after FY 2014/15 payment is \$13,185,000. Payments totaling \$681,988 are due during FY 2015/16.
- 2011A Revenue Bonds - In September, 2011, the Santa Clarita Water Division (Retail) issued \$52,290,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011, between the Castaic Lake Water Agency (the "Agency") and Devil's Den Water District (the "District"), to provide funds to pay the outstanding interfund loan balance payable by Retail to the Agency. The Interfund Loan was established in September 1999 as a repayment of acquisition when the Agency acquired Santa Clarita Water Company's (SCWC) stock for \$63 million. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. In June 2015, the fiscal year 2016 principal was defeased. The remaining balance after FY 2014/15 payment is \$45,525,000. Payments totaling \$2,227,713 are due during FY 2015/16.

State Water Project Contract – On April 30, 1963, the Agency entered into a water supply contract with the Department of Water Resources under which the Agency agreed to make payments which include, among other charges, capital charges and operation and maintenance charges. These contracts are deemed to be voter approved indebtedness for purposes of Article XIII A of the California Constitution, and the Agency levies a tax sufficient to provide for all payments.

Buena Vista/Rosedale-Rio Bravo Water Acquisition - On May 22, 2007, the Agency entered into a 30-year agreement with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District for the acquisition of 11,000 acre-feet (AF) of water supply per year for a 30-year period. The

purchase price was established in FY 2006/07 at \$486.85 per AF. The purchase price will be adjusted each calendar year by the Consumer Price Index (All Urban Consumers – All Items – Southern California Area). The current purchase price is \$560.41 per AF.

### **Relevant Financial Policies and Controls**

The Agency's Financial Policies include the Reserve Policy, the Investment Policy, the Debt Management Policy, the Government Fund Balance Policy, the Derivatives Policy and the Purchasing Policy. The Agency's Controls include the Budgetary Control, Internal Control Structure and Risk Management.

#### Reserve Policy

*Governmental activities* – Through FY 2009/10, the Agency's reserve policy has been to set aside as "reserves" an amount equal to three times the annual (fiscal year) debt obligation, less the amount held by Trustee. In FY 2009/10, this amount was approximately \$59.6 million. Beginning in FY 2010/11, the Agency began implementing new reserve policies intended to maintain the same amount of reserves, but also make the policies more specific. The new reserve policies are as follows:

1. Operating Reserves – Operating Reserves are equal to three months of operating expenditures, and are designed to provide financial flexibility to respond quickly to emergency repairs, unanticipated operations and maintenance activities, local disasters or catastrophic events, costly regulatory requirements, water quality deficiencies, or other operating emergencies. The source of funding is General Fund (wholesale water rates).
2. Debt Service Reserves – Debt Service Reserves are equal to annual debt service less restricted debt service reserve funds are restricted to help maintain debt service coverage and mitigate variability of revenues and expenditures. The sources of funding are combination of one percent property tax revenues and facility capacity fees.
3. Capital Reserves – Capital Reserves are equal to one year of the current pay-as-you-go capital improvement program plus 40% of the next fiscal year program. The source of funding is one percent property tax revenues.
4. Reserves for Economic Uncertainties and Catastrophic Situations – Reserves for Economic Uncertainties and Catastrophic Situations are equal to 700 days of operating expenditures less the Operating Reserves. The sources of funding are combination of one percent property tax revenues and facility capacity fees.
5. Reserves for Repair and Replacement – During FY 2012/13, the Board of Directors adopted the Reserves for Repair and Replacement as part of the new wholesale water rate structure effective July 1, 2013.

*Business-type activities* – A separate reserve policy for the Santa Clarita Water Division (SCWD) has been developed that requires that reserve funds be established and maintained to fund scheduled and unscheduled expense including operation and maintenance, debt service, emergencies, capital improvement project (CIP), repair and replacement, and stabilization of retail water rates. All reserve funds are to be funded through retail water revenues. The business-type activities reserve policy details are as follows:

1. Operating Reserves – The target balance for the Operating Reserves is set at 25% of the Annual SCWD Operating Budget.
2. Rate Stabilization Reserves – The Rate Stabilization Reserve is set at 10% of annual revenues.
3. Capital Reserves – Covers any unexpected and unplanned infrastructure repairs and replacement not included in the budget. The target amount is \$1,000,000, or approximately 20% of SCWD's average annual CIP budget.

4. Emergency Reserves – Covers emergency repairs due to unforeseen natural disasters such as earthquake, fire, etc. The target amount is \$1,000,000.

#### Investment Policy

The Board of Directors annually adopts an Investment Policy that conforms to California State Law, Agency ordinances and resolutions, prudent money management and the “prudent person” standards. The objectives of the Investment Policy are safety, liquidity, and yield.

Agency funds are normally invested in the State Treasurer’s Local Agency Investment Fund, the Los Angeles County Pooled Investment Fund, Certificates of Deposit, Government Agency Obligations or other specifically authorized investments. Both governmental and business-type activities use the same investment policy.

#### Debt Management Policy

*Governmental activities* – The Agency’s Debt Management Policy includes the Agency’s written guidelines and restrictions that affect the amount and type of debt issued, the issuance process and the management of the debt portfolio. The policy is designed to provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning. The Derivatives Policy and the Disclosure Procedure Policy supplement the Debt Management Policy.

*Business-type activities* – In June 2014, the Board of Directors approved the SCWD’s revised debt management policy which includes SCWD’s written guidelines and restrictions that affect the amount and type of debt issued, the issuance process and the management of the debt portfolio. The policy is designed to provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning for the retail water system. The Derivatives Policy and the Disclosure Procedure Policy supplement the Debt Management Policy.

#### Government Fund Balance Policy

In May 2011, the Agency adopted a fund balance policy based on the published Governmental Accounting Standards Board (GASB) Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. This statement divides the fund balance into five classifications: (1) non-spendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned. In addition to the new five fund balance classifications, GASB 54 also makes clear the definition of special revenue – for financial reporting purposes, a special revenue fund may only be established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service.

#### Purchasing Policy

The Board of Directors has adopted Purchasing Policies which provides uniform procedures for acquiring equipment, goods and services for the wholesale and retail operation. Improvements or units of construction work are subject to the competitive bidding requirements of Public Contract Code, section 21530 et seq. The retail division operates in accordance with the County Water District Law (Cal. Water Code, section 30000).

#### Budgetary Control

The Board of Directors annually adopts a balanced 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 Agency’s operations and capital projects. The Board of Directors monitors the budget through monthly Finance and Expenditures reports, Quarterly Investment Reports, and Midyear and Yearend Budget reports.

The Board of Directors must approve all supplemental appropriations to the Budget and transfers between major funds. The legal level of budgetary control is at the fund level. The General Manager is authorized to direct the Administrative Services Manager to transfer within individual fund budgets.

### Internal Controls

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the Agency are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Agency'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.

### **Major Initiatives**

During FY 2014/15, the Agency provided significant resources as identified in the Santa Clarita Valley Water Use Efficiency Strategic Plan. This plan is intended to help the Agency and the retailers to comply with SBX7-7, which calls for a 20 percent reduction in per capita water use by 2020 (i.e., 20% by 2020). This legislation requires each local water retail purveyor to develop a baseline per capita water use, an interim 2015 water use target and a 2020 compliance target. The plan is now being adapted to achieve increased reductions based on new state regulations. In response to continued severe drought conditions, on April 1, 2015, the Governor of California issued an executive order mandating, among other provisions, a 25% reduction in urban water usage through February 28, 2016. The order directs the State Water Resources Control Board (SWRCB) to issue regulations implementing the mandatory reductions and setting specific targets for each water supplier. The mandatory reductions for the retailers range from 24% to 32%.

### **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, to the Castaic Lake Water Agency for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the tenth consecutive year that the Agency has achieved this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and all applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements of the GFOA Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

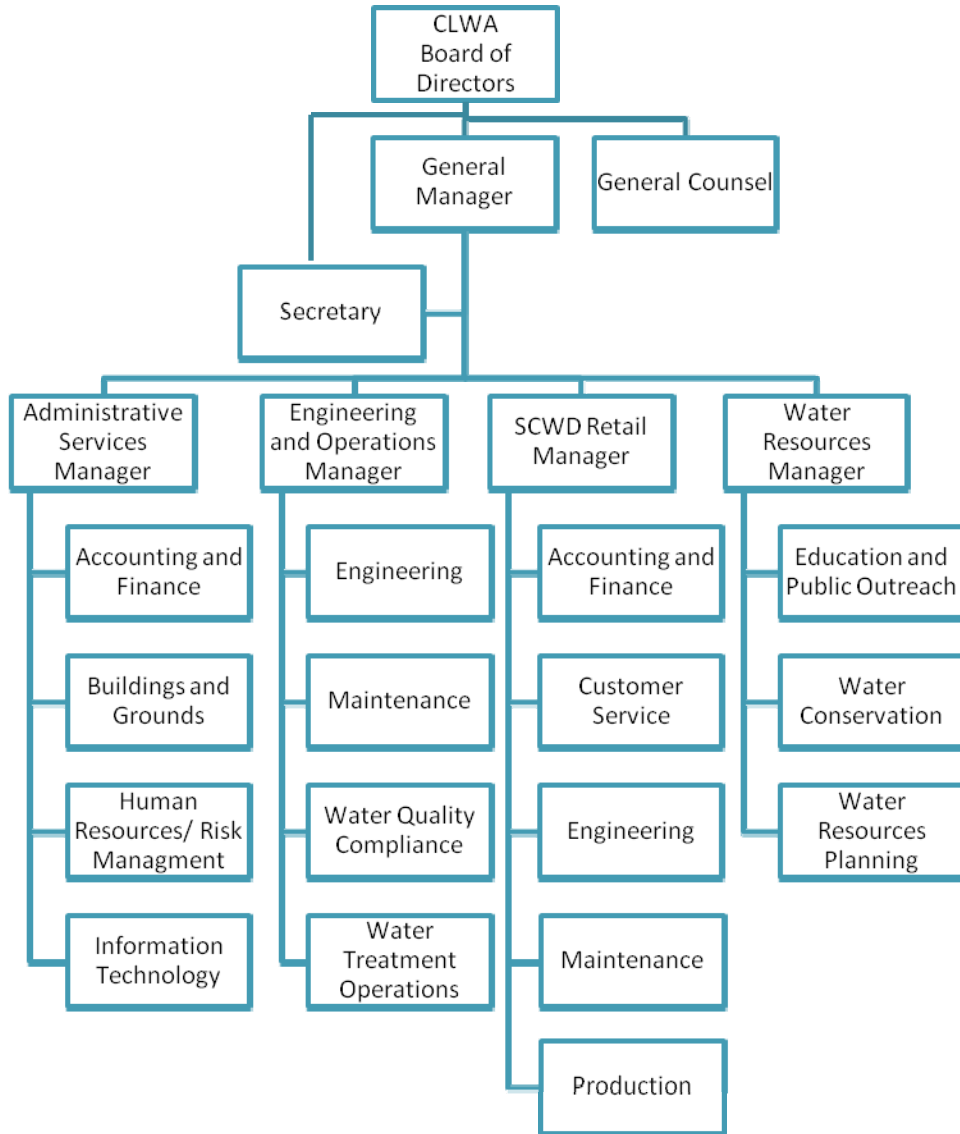
Preparation of this report was accomplished by the combined efforts of Agency staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation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

Respectfully submitted,

  
Dan Masnada  
General Manager

  
Valerie Pryor  
Administrative Services Manager

# Castaic Lake Water Agency Organizational Chart



# **Castaic Lake Water Agency**

## **Our Mission Statement**

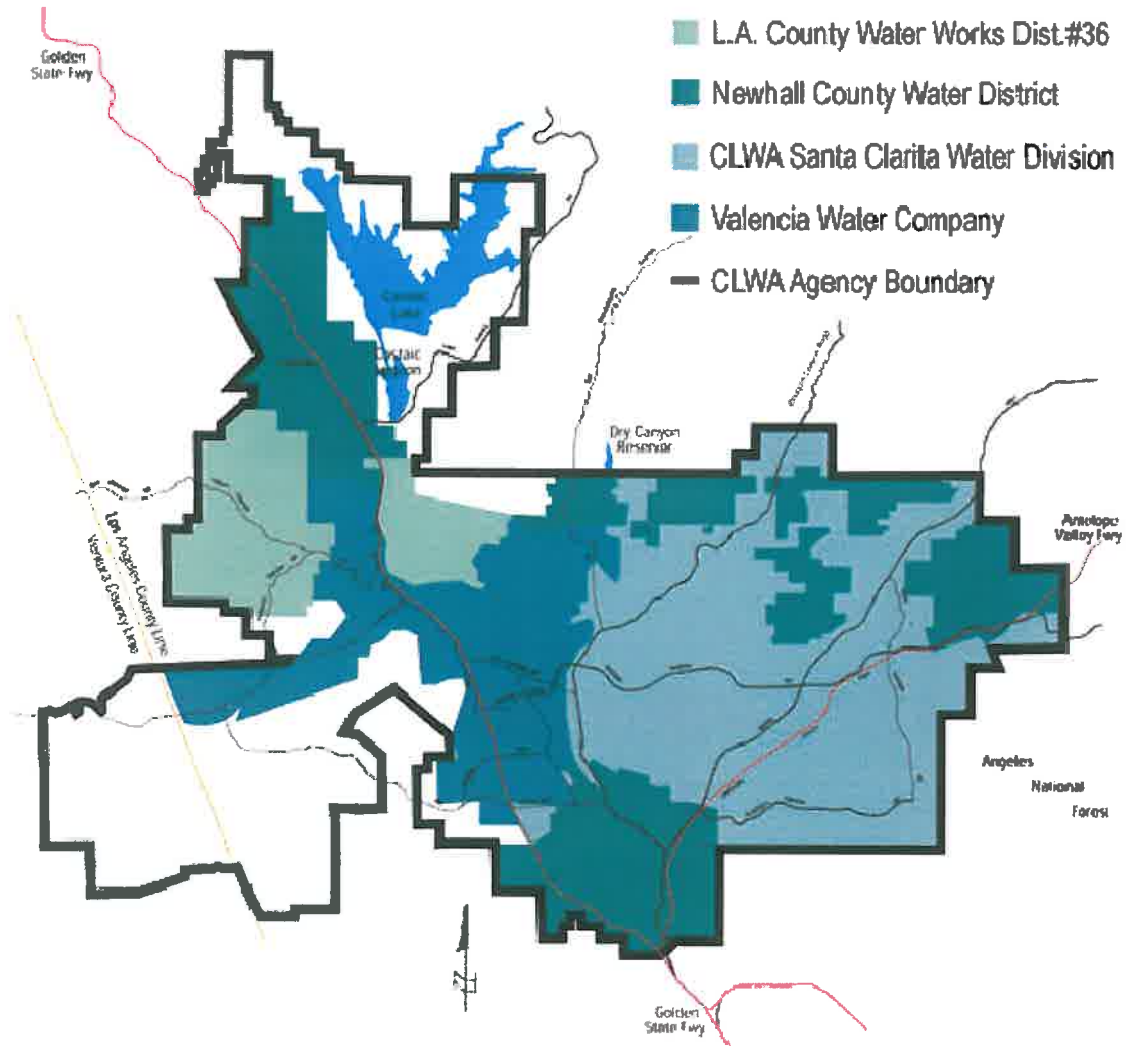
***"Providing Reliable Quality Water at a Reasonable cost to the Santa Clarita Valley."***

### **Board of Directors as of June 30, 2015**

<b>Name</b>	<b>Title</b>	<b>Division</b>	<b>Elected/ Appointed</b>	<b>Term Expires</b>
Thomas Campbell	President	At-Large	Elected	January 2019
William Cooper	Vice-President	At-Large	Elected	January 2017
Gary Martin	Director	At-Large	Elected	January 2019
Edward Colley	Director	1	Elected	January 2019
R. J. Kelly	Director	1	Elected	January 2017
Robert J. DiPrimo	Director	2	Elected	January 2019
E. G. "Jerry" Gladbach	Director	2	Elected	January 2017
Jacque McMillan	Director	3	Elected	January 2019
William Peci	Director	3	Elected	January 2017
Dean D. Efstathiou	Director	LA Co. #36	Appointed	January 2019
B. J. Atkins	Director	NCWD	Appointed	January 2017

**Dan Masnada, General Manager**  
**27234 Bouquet Canyon Road**  
**Santa Clarita, California 91350-2173**  
**(661) 297-1600**  
**[www.clwa.org](http://www.clwa.org)**

# Castaic Lake Water Agency Service Area





Government Finance Officers Association

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

Presented to

**Castaic Lake Water Agency  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



# **Financial Section**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA

## Fedak & Brown LLP

Certified Public Accountants

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### **Independent Auditor's Report**

Board of Directors  
Castaic Lake Water Agency  
Santa Clarita, California

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castaic Lake Water Agency (Agency) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

## Independent Auditor's Report, continued

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castaic Lake Water Agency, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As described in the notes to the basic financial statements, the Agency adopted the provisions of Governmental Accounting Standard Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 and the required supplementary information on pages 60-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, budget and actual capital project schedule, budget and actual debt service schedule, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budget and actual capital project schedule and budget and actual debt service schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget and actual capital project schedule and budget and actual debt service schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Independent Auditor's Report, continued**

### **Prior Period Restatement**

As part of our audit of the June 30, 2015 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the June 30, 2014 financial statements. In our opinion, the adjustments are appropriate and have been properly applied.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2015, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance. That report can be found on page 93 and 94.

A handwritten signature in cursive script that reads "Fedak & Brown LLP".

**Fedak & Brown LLP**

Cypress, California

November 1, 2015



**Castaic Lake Water Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Castaic Lake Water Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal year ended June 30, 2015. 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**

- The Agency's net position increased 3.90%, or \$15.69 million to \$418.09 million, due primarily to increase in capital assets and the results of this year's operations combined with a prior period adjustment in the amount of \$7.38 million (see note 12 for further information).
- Total revenues from all sources decreased by 4.00%, or \$4.98 million from the prior year due primarily to decreased water sales.
- Total expenses increased by 2.86%, or \$2.68 million from the prior year, due primarily to increased capital projects expenditures.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provides information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the Agency's investments in resources (assets), deferred outflows of resources and the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the Agency's operations over the past year and can be used to determine the Agency's profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

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

These two statements report the Agency's *net position* and changes in them. Think of the Agency's net position – the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other non-financial factors; however, such as changes in the Agency's property tax base and the types of grants the Agency applies for to assess the *overall financial health* of the Agency.

**Fund Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

**Castaic Lake Water Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

*Propriety funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Agency maintains one type of propriety fund: the Water Enterprise Fund. The Agency uses the enterprise fund to account for the Water Enterprise Fund.

The Water Enterprise Fund accounts for all activities necessary to provide retail water distribution to the service area that includes a portion of the City of Santa Clarita and unincorporated portions of Los Angeles County in the communities of Saugus, Canyon County and West Newhall. Some of these activities include, but are not limited to, operations and maintenance.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 59.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Agency's budgetary information and other post employment benefits (OPEB) funding progress. Required supplementary information can be found on pages 60 through 66. Other supplementary information can be found on pages 67 through 68.

**Government-wide Financial Analysis**

**Statements of Net Position**

	Statements of Net Position (in millions)					
	Governmental Activities		Business-Type Activities		Total Agency	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	\$ 207.55	215.23	47.08	42.16	254.63	257.39
Capital assets, net	423.94	420.57	111.56	105.27	535.50	525.84
<b>Total assets</b>	631.49	635.80	158.64	147.43	790.13	783.23
<b>Deferred outflows of resources</b>	0.70	0.22	0.43	-	1.13	0.22
<b>Liabilities:</b>						
Current liabilities	33.36	19.16	17.20	8.35	50.56	27.51
Non-current liabilities	259.06	285.83	61.32	67.49	320.38	353.32
<b>Total liabilities</b>	292.42	304.99	78.52	75.84	370.94	380.83
<b>Deferred inflows of resources</b>	1.38	0.22	0.85	-	2.23	0.22
<b>Net position:</b>						
Net investment in capital assets	184.77	168.97	47.21	39.89	231.98	208.86
Restricted	51.54	57.40	-	3.83	51.54	61.23
Unrestricted	102.08	104.44	32.49	27.87	134.57	132.31
<b>Total net position</b>	\$ 338.39	330.81	79.70	71.59	418.09	402.40



**Castaic Lake Water Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets and deferred outflows of the Agency exceeded liabilities and deferred inflows by \$418.09 million as of June 30, 2015. Compared to prior year, net position of the Agency increased 3.90%, or \$15.69 million. The increase in net position is primarily due to increase in capital assets and the results of this year's operations, combined with a prior period adjustment in the amount of \$7.38 million (see note 12 further information). The Agency's net position is made-up of three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

**Statement of Activities**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Agency</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 17.26	18.09	28.87	32.50	46.13	50.59
Cap. grants and contribs.	8.19	8.70	7.57	1.87	15.76	10.57
<b>General revenues:</b>						
Property taxes	47.69	44.12	-	-	47.69	44.12
Investment earnings	2.31	3.56	0.28	0.15	2.59	3.71
Other revenues	6.51	14.75	0.76	0.68	7.27	15.43
<b>Total revenues</b>	<u>81.96</u>	<u>89.22</u>	<u>37.48</u>	<u>35.20</u>	<u>119.44</u>	<u>124.42</u>
<b>Expenses:</b>						
Wholesale water operations	52.64	54.00	-	-	52.64	54.00
Interest on long-term debt	17.16	14.45	-	-	17.16	14.45
Water enterprise fund	-	-	26.57	25.24	26.57	25.24
<b>Total expenses</b>	<u>69.80</u>	<u>68.45</u>	<u>26.57</u>	<u>25.24</u>	<u>96.37</u>	<u>93.69</u>
<b>Change in net position</b>	12.16	20.77	10.91	9.96	23.07	30.73
<b>Net position, beginning of year (as restated, note 12)</b>	<u>326.23</u>	<u>310.04</u>	<u>68.79</u>	<u>61.63</u>	<u>395.02</u>	<u>371.67</u>
<b>Net position, end of year</b>	\$ <u><u>338.39</u></u>	<u><u>330.81</u></u>	<u><u>79.70</u></u>	<u><u>71.59</u></u>	<u><u>418.09</u></u>	<u><u>402.40</u></u>

Government and business-type activities increased the Agency's net position by \$15.69 million, accounting for the 3.90% increase in the net position of the Agency primarily due to the results of this year's operations combined with a prior period adjustment in the amount of \$7.38 million (see note 12 for further information). Key elements for this increase are as follows:

Governmental activities increased the Agency's net position by \$7.58, million or 2.29% from the prior year mainly from increased property tax.

Business activities increased the Agency's net position by \$8.11 million, or 11.32% from prior year, mainly from increased capital grants.

**Castaic Lake Water Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Fund Financial Analysis**

The General fund is the operating fund of the Agency. At the end of the fiscal year, the fund balance of the General fund was \$10.76 million. The General fund decreased by \$0.48 million, primarily due to decreased water sales.

The Pledged Revenue fund balance decreased by \$1.49 million, primarily due to no excess water sales to other agencies.

The State Water Contract fund balance increased by \$6.16 million, primarily due to increased property tax and decreased payments to Department of Water Resources (DWR).

The Capital Project fund balance decreased by \$6.07 million, primarily due to construction of various capital projects.

The Debt Service fund balance decreased by \$5.90 million, due to 2006 Series C defeasance.

**Capital Asset Administration**

	Capital Assets (in millions)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Capital assets:						
Non-depreciable	\$ 44.00	39.01	8.00	3.80	52.00	42.81
Depreciable	<u>569.71</u>	<u>556.68</u>	<u>158.46</u>	<u>152.38</u>	<u>728.17</u>	<u>709.06</u>
<b>Total capital assets</b>	613.71	595.69	166.46	156.18	780.17	751.87
Accumulated depreciation	<u>(189.77)</u>	<u>(175.12)</u>	<u>(54.90)</u>	<u>(50.91)</u>	<u>(244.67)</u>	<u>(226.03)</u>
<b>Total capital assets, net</b>	<u>\$ 423.94</u>	<u>420.57</u>	<u>111.56</u>	<u>105.27</u>	<u>535.50</u>	<u>525.84</u>

At the end of fiscal year 2015, the Agency's investment in capital assets amounted to \$535.50 million (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, pumping plants and rights, buildings and structures, equipment, vehicles, and construction-in-process. Major capital asset additions in the business-type activities area included upgrades to water tanks and mains, and developer contributions to the water retail enterprise's transmission and distribution system. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. The capital assets of the Agency are more fully analyzed in Note 5 to the basic financial statements.

**Castaic Lake Water Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**Long-Term Debt Administration**

	Long-term Debt (in millions)					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Long-term debt:						
Long-term debt	\$ 280.96	296.13	64.35	69.21	345.31	365.34
<b>Total long-term debt</b>	<b>\$ 280.96</b>	<b>296.13</b>	<b>64.35</b>	<b>69.21</b>	<b>345.31</b>	<b>365.34</b>

Long-term debt decreased \$20.03 million between fiscal years primarily due to (1) a decreased of \$16.89 million due to principal payments, and (2) accretion of debt principal of \$3.13 million on the 1999 certificates of participation. The long-term debt position of the Agency is more fully analyzed in Note 7 to the basic financial statements.

**Conditions Affecting Current Financial Position**

*Investing in Infrastructure* – as discussed in the FY 2014/15 Budget, Management has identified a need to invest in the Agency's infrastructure and Capital Improvement Program. In previous budgets, the Agency has deferred various capital improvement projects to deal with the economic situation. At this time, the Agency's infrastructure needs are increasing and continued deferrals would result in cost increases and possible operational and water supply reliability impacts. Accordingly, the Agency will be moving forward with (1) the water banking enhancement projects, (2) two water treatment plant clearwell improvement projects to address operational and water quality and regulatory issues and (3) two pipeline projects to improve conveyance capacity and meet future demands. In addition, the Agency is moving forward with the planning and design of additional phases of the recycled water program.

The Major Capital Projects Program calls for \$183.7 million of projects over the next eight years. Based on this, the FY 2015/16 Budget forecasts include new debt proceeds beginning in FY 2015/16. The various forecasts in the FY 2015/16 Budget show the Agency's revenues are sufficient to continue debt financing the Capital Improvement Program.

**Requests for Information**

This financial report is designed to provide the Agency's funding sources, customers, stakeholders, and other interested parties with an overview of the Agency'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 Agency's Administrative Services Manager at 27234 Bouquet Canyon Road, Santa Clarita, California 91350-2173 or (661) 297-1600.



# **Basic Financial Statements**

**Castaic Lake Water Agency**  
**Statement of Net Position**  
**June 30, 2015**

<i>Assets</i>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash and cash equivalents (note 2)	\$ 73,962,167	12,340,941	86,303,108
Cash and cash equivalents with fiscal agent (note 2)	8,802,804	-	8,802,804
Investments (note 2)	53,500,000	29,060,938	82,560,938
Investment in the stock of the Valencia Water Company (note 6)	63,106,550	-	63,106,550
Accrued interest receivable	318,186	45,483	363,669
Accounts receivable - water sales and services	1,520,354	3,463,638	4,983,992
Accounts receivable - other	2,178,642	227,978	2,406,620
Property taxes receivable	930,425	-	930,425
Materials and supplies inventory	-	443,899	443,899
Prepaid expenses and other deposits	159,489	64,873	224,362
Other post employment benefits asset (note 14)	3,072,455	1,426,492	4,498,947
Capital assets - not being depreciated (note 5)	44,009,474	8,009,372	52,018,846
Capital assets, net - being depreciated (note 5)	379,933,384	103,560,570	483,493,954
<b>Total assets</b>	<b>631,493,930</b>	<b>158,644,184</b>	<b>790,138,114</b>
<i>Deferred Outflows of Resources</i>			
Deferred outflow - pension (note 13)	704,807	433,828	1,138,635
<b>Total deferred outflows of resources</b>	<b>704,807</b>	<b>433,828</b>	<b>1,138,635</b>
<i>Liabilities</i>			
Accounts payable and accrued expenses	3,690,097	5,768,872	9,458,969
Accrued salaries and wages	445,522	211,719	657,241
Customer deposits and unearned revenue	-	819,727	819,727
Advances for construction	-	3,446,348	3,446,348
Accrued interest - long-term debt	2,743,732	1,204,692	3,948,424
Long-term liabilities - due within one year:			
Compensated absences (note 4)	221,623	112,630	334,253
Revenue bonds (note 7)	3,010,000	-	3,010,000
Certificates of participation (note 7)	9,180,000	-	9,180,000
Long-term liabilities - due in more than one year:			
Compensated absences (note 4)	664,867	337,889	1,002,756
Net pension liability (note 13)	3,704,043	2,270,223	5,974,266
Revenue bonds (note 7)	89,390,564	50,489,959	139,880,523
Certificates of participation (note 7)	179,375,256	13,863,454	193,238,710
<b>Total liabilities</b>	<b>292,425,704</b>	<b>78,525,513</b>	<b>370,951,217</b>
<i>Deferred Inflows of Resources</i>			
Deferred Inflow - pension (note 13)	1,383,993	848,313	2,232,306
<b>Total deferred inflows of resources</b>	<b>1,383,993</b>	<b>848,313</b>	<b>2,232,306</b>
<i>Net Position</i>			
Net invested in capital asset (note 8)	184,777,073	47,216,529	231,993,602
Restricted for capital improvement	7,791,382	-	7,791,382
Restricted for state water contract	34,860,630	-	34,860,630
Restricted for debt service	8,886,512	-	8,886,512
Unrestricted	102,073,443	32,487,657	134,561,100
<b>Total net position</b>	<b>\$ 338,389,040</b>	<b>79,704,186</b>	<b>418,093,226</b>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency  
Statement of Activities  
For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Positions</u>		
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:						
Wholesale water agency	\$ 52,647,241	17,255,485	8,193,540	(27,198,216)	-	(27,198,216)
Interest on long-term debt	<u>17,160,001</u>	<u>-</u>	<u>-</u>	<u>(17,160,001)</u>	<u>-</u>	<u>(17,160,001)</u>
Total governmental activities	<u>69,807,242</u>	<u>17,255,485</u>	<u>8,193,540</u>	<u>(44,358,217)</u>	<u>-</u>	<u>(44,358,217)</u>
Business-type activities:						
Retail water enterprise	<u>26,569,328</u>	<u>28,872,861</u>	<u>7,566,266</u>	<u>-</u>	<u>9,869,799</u>	<u>9,869,799</u>
Total government	<u>\$ 96,376,570</u>	<u>46,128,346</u>	<u>15,759,806</u>	<u>(44,358,217)</u>	<u>9,869,799</u>	<u>(34,488,418)</u>
General revenues:						
Property taxes levied for general purposes				\$ 47,688,819	-	47,688,819
Interest and investment earnings				2,315,574	280,151	2,595,725
Other revenues				<u>6,507,210</u>	<u>760,534</u>	<u>7,267,744</u>
Total general revenues				<u>56,511,603</u>	<u>1,040,685</u>	<u>57,552,288</u>
<b>Change in net position</b>				12,153,386	10,910,484	23,063,870
Net position, beginning of year (as restated, note 12)				<u>326,235,654</u>	<u>68,793,702</u>	<u>395,029,356</u>
Net position, end of year				<u>\$ 338,389,040</u>	<u>79,704,186</u>	<u>418,093,226</u>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Balance Sheet – Governmental Funds**  
**June 30, 2015**

	<u>General</u>	<u>Pledged Revenue</u>	<u>State Water Contract</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and investments	\$ 9,447,076	54,239,271	34,610,847	8,764,973	20,400,000	127,462,167
Cash and cash equivalents with fiscal agent	-	-	-	-	8,802,804	8,802,804
Investment in the stock of the Valencia Water Company (note 6)	-	63,106,550	-	-	-	63,106,550
Accrued interest receivable	18,110	143,351	66,214	6,803	83,708	318,186
Accounts receivable - water sales, net	1,520,354	-	-	-	-	1,520,354
Accounts receivable - other	2,030,094	143,092	-	5,456	-	2,178,642
Property taxes receivable	-	464,518	465,907	-	-	930,425
Prepaid items	10,000	5,030	144,459	-	-	159,489
Due from other funds (note 3)	-	20,400,000	-	-	-	20,400,000
<b>Total assets</b>	<u>\$ 13,025,634</u>	<u>138,501,812</u>	<u>35,287,427</u>	<u>8,777,232</u>	<u>29,286,512</u>	<u>224,878,617</u>
Liabilities:						
Accounts payable	\$ 1,815,611	461,839	426,797	985,850	-	3,690,097
Accrued expenditures	445,522	-	-	-	-	445,522
Due to other funds (note 3)	-	-	-	-	20,400,000	20,400,000
<b>Total liabilities</b>	<u>2,261,133</u>	<u>461,839</u>	<u>426,797</u>	<u>985,850</u>	<u>20,400,000</u>	<u>24,535,619</u>
Fund balances (note 9):						
Nonspendable	10,000	5,030	144,459	-	-	159,489
Restricted	-	-	34,716,171	7,791,382	8,886,512	51,394,065
Committed	5,123,600	121,064,450	-	-	-	126,188,050
Assigned	5,630,901	16,970,493	-	-	-	22,601,394
<b>Total fund balances</b>	<u>10,764,501</u>	<u>138,039,973</u>	<u>34,860,630</u>	<u>7,791,382</u>	<u>8,886,512</u>	<u>200,342,998</u>
<b>Total liabilities and fund balances</b>	<u>\$ 13,025,634</u>	<u>138,501,812</u>	<u>35,287,427</u>	<u>8,777,232</u>	<u>29,286,512</u>	<u>224,878,617</u>

See accompanying notes to the basic financial statements



**Castaic Lake Water Agency  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2015**

<b>Total fund balances – Governmental funds</b>		\$ 200,342,998
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the Agency as a whole.</p>		
Beginning balance, net of depreciation	\$ 420,572,473	
Current year additions	19,512,372	
Current year depreciation	<u>(16,141,987)</u>	
Ending balance, net of depreciation		423,942,858
<p>Long-term liabilities applicable to the Agency are not due and payable in the current period and accordingly, are not reported as governmental fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position.</p>		
Other post employment benefits asset	3,072,455	
Net pension liability	(3,704,043)	
Compensated absences	(886,490)	
Premium on debt	(14,074,451)	
Certificate of participation and revenue bonds	<u>(266,881,369)</u>	
		(282,473,898)
Deferred inflows of resources		(1,383,993)
Deferred outflows of resources		704,807
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
		<u>(2,743,732)</u>
<b>Net position of governmental activities</b>		<b>\$ <u><u>338,389,040</u></u></b>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>General</u>	<u>Pledged Revenue</u>	<u>State Water Contract</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ -	21,618,469	26,070,350	-	-	47,688,819
Water sales - Agency	17,148,631	-	-	-	-	17,148,631
Facility capacity fee	-	8,193,540	-	-	-	8,193,540
Laboratory fees	106,854	-	-	-	-	106,854
Interest and investment earnings	83,425	1,407,338	231,914	30,395	562,502	2,315,574
Other	2,685,369	1,010,562	1,771,198	1,040,081	-	6,507,210
<b>Total revenues</b>	<u>20,024,279</u>	<u>32,229,909</u>	<u>28,073,462</u>	<u>1,070,476</u>	<u>562,502</u>	<u>81,960,628</u>
Expenditures:						
Water treatment operations	5,100,474	-	-	-	-	5,100,474
Water resources	5,289,336	-	-	-	-	5,289,336
Maintenance	2,806,058	-	-	-	-	2,806,058
Water quality and regulatory affairs	924,929	-	-	-	-	924,929
Administration	3,734,555	-	-	-	-	3,734,555
Management	1,841,002	-	-	-	-	1,841,002
Engineering	812,270	-	-	-	-	812,270
State water contract payments	-	-	18,919,286	-	-	18,919,286
Capital outlay	-	11,487,359	2,988,301	7,143,335	-	21,618,995
Debt service:						
Interest	-	-	-	-	10,251,000	10,251,000
Principal	-	-	-	-	12,471,250	12,471,250
Cost of issuance	-	-	-	-	187,887	187,887
<b>Total expenditures</b>	<u>20,508,624</u>	<u>11,487,359</u>	<u>21,907,587</u>	<u>7,143,335</u>	<u>22,910,137</u>	<u>83,957,042</u>
Excess of revenues over(under) expenditures	<u>(484,345)</u>	<u>20,742,550</u>	<u>6,165,875</u>	<u>(6,072,859)</u>	<u>(22,347,635)</u>	<u>(1,996,414)</u>
Other financing sources(uses):						
Transfers in (note 3)	-	-	-	-	22,239,653	22,239,653
Transfers out (note 3)	-	(22,239,653)	-	-	-	(22,239,653)
Refunding bond issued	-	-	-	-	64,000,000	64,000,000
Payment to refunded bond escrow	-	-	-	-	(80,772,664)	(80,772,664)
Premium on refunding bond issue	-	-	-	-	10,929,869	10,929,869
<b>Total other financing sources(uses)</b>	<u>-</u>	<u>(22,239,653)</u>	<u>-</u>	<u>-</u>	<u>16,396,858</u>	<u>(5,842,795)</u>
<b>Net change in fund balances</b>	<u>(484,345)</u>	<u>(1,497,103)</u>	<u>6,165,875</u>	<u>(6,072,859)</u>	<u>(5,950,777)</u>	<u>(7,839,209)</u>
Fund balance, beginning of year	11,248,846	139,537,076	28,694,755	13,864,241	14,837,289	208,182,207
Fund balance, end of year	\$ <u>10,764,501</u>	<u>138,039,973</u>	<u>34,860,630</u>	<u>7,791,382</u>	<u>8,886,512</u>	<u>200,342,998</u>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

<b>Net change in fund balances – Total governmental funds</b>	<b>\$ (7,839,209)</b>
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Revenues, Expenses and Changes in Fund Balance, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital expenditures (\$21,618,995) and depreciation (\$16,141,987) in the current period.	5,477,008
Repayment of long-term debt is reported as expenditures in governmental funds, and thus, has the effect of reducing fund balance because current financial resources have been used. For the Agency as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Revenues, Expenses and Change in Fund Balance.	12,471,250
The accretion of interest on long-term debt is not reported as an expenditure in governmental funds, but as an addition to principal outstanding in the statement of activities.	(3,131,320)
Premium amortization	8,514,026
Pension expense	187,795
Some expenses reported in the Statement of Revenues, Expenses and Changes in Net Assets do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Net change in accrued interest for the current period	(3,777,681)
Net change in compensated absences for the current period.	(3)
Net change in other post retirement benefits obligation for the current period.	251,520
<b>Change in net position of governmental activities</b>	<b>\$ <u>12,153,386</u></b>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Statement of Net Position – Water Enterprise Fund**  
**June 30, 2015**

<i>Assets</i>	<b>Business-Type Activities</b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 12,340,941
Accrued interest receivable	45,483
Accounts receivable - water sales and services	3,463,638
Accounts receivable - other	227,978
Materials and supplies inventory	443,899
Prepaid expenses and other deposits	64,873
<b>Total current assets</b>	<b>16,586,812</b>
<b>Non-current assets:</b>	
Investments	29,060,938
Other post employment benefits assets	1,426,492
Capital assets - not being depreciated	8,009,372
Capital assets, net - being depreciated	103,560,570
<b>Total non-current assets</b>	<b>142,057,372</b>
<b>Total assets</b>	<b>158,644,184</b>
<i>Deferred Outflows of Resources</i>	
Deferred outflows - pension	433,828
Total deferred outflows of resources	<b>433,828</b>
<i>Liabilities</i>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	5,768,872
Accrued wages and related payables	211,719
Customer deposits and unearned revenue	819,727
Advances for construction	3,446,348
Accrued interest	1,204,692
Long-term liabilities - due within one year:	
Compensated absences (note 4)	112,630
Revenue bonds (note 7)	-
Certificates of participation (note 7)	-
<b>Total current liabilities</b>	<b>11,563,988</b>
<b>Non-current liabilities:</b>	
Long-term liabilities - due in more than one year:	
Compensated absences (note 4)	337,889
Net pension liability (note 13)	2,270,223
Revenue bonds (note 7)	50,489,959
Certificates of participation (note 7)	13,863,454
<b>Total non-current liabilities</b>	<b>66,961,525</b>
<b>Total liabilities</b>	<b>78,525,513</b>
<i>Deferred Inflows of Resources</i>	
Deferred inflows - pension	848,313
Total deferred inflows of resources	<b>848,313</b>
<i>Net Position</i>	
Net investment in capital assets	47,216,529
Unrestricted	32,487,657
<b>Total net position</b>	<b>\$ 79,704,186</b>

See accompanying notes to the basic financial statements.

**Castaic Lake Water Agency**  
**Statement of Revenues, Expenses and Changes in Net Position – Water Enterprise Fund**  
**For the Year Ended June 30, 2015**

	<u>Business-type Activities</u>
<b>Operating revenues:</b>	
Water consumption sales and services	\$ 27,943,429
Other charges and services	929,432
<b>Total operating revenues</b>	<u>28,872,861</u>
<b>Operating expenses:</b>	
Source of supply	7,951,667
Pumping	2,575,959
Water treatment	862,681
Transmission and distribution	4,141,445
Customer accounts	783,772
Engineering	1,048,033
General and administrative	2,356,501
<b>Total operating expenses</b>	<u>19,720,058</u>
Operating income before depreciation and amortization	9,152,803
Depreciation and amortization	<u>(4,280,023)</u>
<b>Operating income</b>	<u>4,872,780</u>
<b>Non-operating revenue(expense)</b>	
Interest earnings	280,151
Interest expense	(3,007,188)
Other non-operating revenues, net	1,198,475
<b>Total non-operating, net</b>	<u>(1,528,562)</u>
<b>Net income before capital contributions</b>	3,344,218
<b>Capital contributions – developer and customer</b>	<u>7,566,266</u>
<b>Change in net position</b>	10,910,484
<b>Net position, beginning of year (as restated, note 12)</b>	<u>68,793,702</u>
<b>Net position, end of year</b>	<u>\$ 79,704,186</u>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Statement of Cash Flows – Water Enterprise Fund**  
**For the Year Ended June 30, 2015**

	<u>Business-type Activities</u>
<b>Cash flows from operating activities:</b>	
Receipts from customers for water sales and services	\$ 30,767,805
Payments to employees for salaries and wages	(2,538,854)
Payments to vendors and suppliers for materials and services	<u>(13,025,785)</u>
Net cash provided by operating activities	<u>15,203,166</u>
<b>Cash flows from non-capital financing activities:</b>	
	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(10,579,971)
Capital contributions	7,566,266
Principal paid	(4,420,001)
Interest paid	(3,079,725)
Change in construction deposits	<u>2,021,963</u>
Net cash used in capital and related financing activities	<u>(8,491,468)</u>
<b>Cash flows from investing activities:</b>	
Purchase of investments	(14,885,039)
Interest earnings	<u>257,128</u>
Net cash used in investing activities	<u>(14,627,911)</u>
<b>Net increase in cash and cash equivalents</b>	<u>(7,916,213)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>20,257,154</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 12,340,941</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
<b>Operating income</b>	<u>\$ 4,872,780</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Deprecation and amortization	4,280,023
Other non-operating revenues, net	760,534
<b>Changes in assets, deferred outflow of resources, deferred inflow of resources and liabilities:</b>	
(Increase)decrease in assets:	
Accounts receivable - water sales and services, net	1,658,654
Accounts receivable - other	5,345
Materials and supplies inventory	(22,798)
Prepaid expenses and other deposits	32,665
Other post-employment benefit asset	(126,694)
(Increase)decrease in deferred outflow of resources:	
Pension	(433,828)
Increase(decrease) in liabilities:	
Accounts payable and accrued expenses	3,101,653
Accrued salaries and wages	17,182
Customer deposits and unearned revenue	210,006
Compensated absences	(72,841)
Due to other funds	72,172
Increase(decrease) in deferred inflow of resources:	
Pension	<u>848,313</u>
<b>Total adjustments</b>	<u>10,330,386</u>
<b>Net cash provided by operating activities</b>	<u>\$ 15,203,166</u>
<b>Non-cash investing, capital and financing transactions:</b>	
Developer contributions of capital assets	<u>\$ -</u>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**A. Organization and Operations of the Reporting Entity**

The Castaic Lake Water Agency (Agency) (formerly the Upper Santa Clara Valley Water Agency) was organized on April 20, 1962, by virtue of Assembly Bill No. 26, Chapter 28, California Statutes of 1962, to contract with the State of California for the delivery of a portion of the water to be brought over the Tehachapi Mountains from the Sacramento-San Joaquin Delta through the state water resources development system.

The Agency provides supplemental wholesale water to four local retail water purveyors as follows: the Newhall County Water District, the Valencia Water Company, the Los Angeles County Waterworks District No. 36, and the Santa Clarita Water Division (blended component unit – retail water enterprise fund). The Agency covers an area of approximately 195 square miles situated in northwest Los Angeles County. It is divided into three elective divisions; its governing board is made up of two directors from each division, three director at-large, and one director appointed by two of the retail water purveyors (Newhall County Water District and Los Angeles County Waterworks District No. 36).

The Agency's operations to date have consisted of participation in the development of the State Water Project, construction of its water treatment and delivery facilities and the sale of water to local water distribution agencies. All costs incurred by the Agency for construction, engineering, contract payments to the State Water Project and administrative costs through June 30, 1980, were capitalized. Water sales commenced during the fiscal year ended June 30, 1981.

***Blended Component Units***

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14 and 34 (an amendment of No. 14) and GASB No. 61 – *The Financial Reporting Entity*, Omnibus (an amendment of GASB Statements No. 14 and No. 34). The Agency 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 Agency 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 Agency has accounted for the Santa Clarita Water Division and the Castaic Lake Water Agency Financing Corporation (Corporation) as blended component units. Accordingly, these basic financial statements present the Agency and its component units and the Corporation.

The Agency acquired 100% of the outstanding shares of the Santa Clarita Water Company (Company) through a Stock Purchase Agreement (Agreement). The Agreement was entered into in the settlement of the Agency's condemnation action files against the Company in which the Agency planned to exercise the power of eminent domain to acquire the Company. The Agency sells and distributes water to residential and commercial customers located in the Santa Clarita Valley of Southern California. The stock sale resulting in the acquisition of assets and assuming the liabilities of the Company became effective September 3, 1999. The acquisition of the Company was intended to maximize local revenues within the Santa Clarita Water Company's service area and integrate them with the Agency's resources. This will reduce long-term capital costs and increase water reliability while enhancing the Agency's financial strength. Although the Division is legally separate, it is included as a blended component unit – water enterprise fund of the Agency, as it is in substance part of the Agency's operations. There are no separate basic financial statements prepared for the Division or the Company.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**A. Organization and Operations of the Reporting Entity, continued**

The Castaic Lake Water Agency Financing Corporation (Corporation) was formed in 1990. The Corporation is a California nonprofit public benefit corporation formed to assist the Castaic Lake Water Agency (Agency) by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by the Agency and leasing or selling such property to the Agency and as such has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the Agency, as it is in substance part of the Agency's operations. There are no separate basic financial statements prepared for the Corporation.

On October 25, 1988, the Agency purchased land and equipment owned by Producers Cotton Oil Company. Of the 8,459 acres of land purchased in Kern and Kings Counties, approximately, 7,759 acres are within the Devil's Den Water District (District). The District encompasses 8,676 acres. The cost of acquiring the land and equipment was approximately \$5.0 million. The land is being leased to an outside party to the Agency under terms of an operating lease agreement. The annual lease payments received by the Agency range from \$110 to \$130 per acre foot of all water supplied to the leased property. The accompanying basic financial statements contain all above-mentioned land and water allocation transactions.

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the Agency's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the Agency are charges for services directly related to the operations of the Agency. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the Agency. Taxes, operating grants, and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

***Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting



**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**B. Basis of Accounting and Measurement Focus, continued**

period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the Agency are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

Inter-fund activity in the amount of \$22,239,653 (see note 3) has been eliminated from the general governmental function for the government-wide financial statements except for charges between the Agency's Water Enterprise Fund and various other functions of the government. Elimination of these charges prevents any potential distortion of the direct costs and program revenues for the various functions considered.

The accrual basis of accounting is followed by the proprietary fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled water and utility services receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. 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, result from exchange transactions associated with the principal activity of the Company. 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 Agency gives (receives) value without directly receiving (giving) value in exchange.

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

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the Agency, or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) The entity has determined that a fund is important to the financial statement user.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**B. Basis of Accounting and Measurement Focus, continued**

**Accounting Pronouncements**

The financial statements of the Agency are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities.

The funds of the financial reporting entity are described below:

***Governmental Fund Types***

**General Fund** – This fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**Capital Project Funds** – These funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

**Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

***Proprietary Fund Types***

**Enterprise Funds** – These funds account for operations that are financed and operated in a manner similar to a private enterprise – where the intent of the entity is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The major funds of the Agency are:

***Governmental Funds***

**General Fund** – is the general operating fund of the Agency. It is used to account for and report all financial resources not accounted for and reported in another fund.

**Pledged Revenue Fund** – is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Major revenue sources are property tax and facility capacity fees. Pledged revenue funds are used to finance certain capital improvements to the Agency's wholesale water system.

**State Water Contract Fund** – is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Revenue is derived from a tax collected to pay for participation in the State Water Project. Its use is restricted for costs of the State Water Project.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**B. Basis of Accounting and Measurement Focus, continued**

**Capital Project Fund** – is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

**Debt Service Fund** – is used to account for resources and payments of various debt obligation instruments issued by the Agency.

*Proprietary Fund*

**Water Enterprise Fund** – is used to account for the operations of the Agency’s retail water enterprise division including the amount of funds advanced to the fund to purchase the Company.

**C. Financial Statement Elements**

**1. Cash and Cash Equivalents**

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

**2. Investments and Investment Policy**

The Agency has adopted an investment policy directing the 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. The Agency’s policy is to hold its investments until maturity, or until market values equal or exceed cost.

**3. Property Taxes and Assessments**

The Counties of Los Angeles and Ventura Assessor’s Offices assesses all real and personal property within each respective County each year. The Counties of Los Angeles and Ventura Tax Collector’s Offices bills and collects the Agency’s share of property taxes and/or tax assessments. The Counties of Los Angeles and Ventura Treasurer’s Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes and tax assessments collected by the Counties of Los Angeles and Ventura, which have not been credited to the Agency's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**4. Accounts Receivable**

The Agency extends credit to customers in the normal course of operations. Management deems not all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has been recorded.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**C. Financial Statement Elements, continued**

**5. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipe and pipe fittings for construction and repair to the Agency's retail 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.

**6. Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**7. Premium on Debt Issued**

The premium received on debt issued will be amortized over the remaining life of the respective debt service.

**8. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. Agency 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 and/or historical cost. 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:

***Governmental Activities***

- Castaic turnout, reservoirs, tanks and water mains – 50 years
- Treatment plant and facilities – 2 to 50 years
- Maintenance facility – 30 years
- Lighting and roads – 25 years
- Fencing – 5 to 25 years
- Meters and services – 2 to 40 years
- Office furniture and equipment – 2 to 20 years
- Vehicles, tools and equipment – 1 to 20 years

***Business-Type Activities***

- Wells – 30 years
- Pumping – equipment, structures and improvements – 10 to 30 years
- Water treatment equipment and storage tanks – 10 to 30 years
- Transmission and distribution mains – 60 years
- Services, meters and hydrants – 30 years
- Structures and improvements – 25 to 30 years
- Furniture, equipment, tools and other – 6 to 20 years

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**C. Financial Statement Elements, continued**

**9. Compensated Absences**

The Agency's policy is to permit employees to accumulate an unlimited amount of earned vacation and 480 hours of sick leave. Accumulated vacation and sick time is accrued at year-end to account for the Agency's obligation to the employees for the amount owed.

Governmental fund types and enterprise fund recognize the vested vacation and sick leave as expenditure in the current year to the extent it is paid during the year. The General and Water Enterprise funds have been used in prior years to liquidate compensated absences for vested vacation as a result of resignations or retirements. Accrued vacation and sick leave relating to governmental and water enterprise funds are included as a long-term liability in the Statement of Net Position as those are payable from future resources.

**10. Pensions**

For the purposes of measuring the net pension liability and deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

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

**11. Net Positions/Fund Balances**

The government-wide financial statements follow the financial reporting requirements of the GASB and reports net position under the following classifications:

- **Net Investment in Capital Assets** – Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – Unrestricted consists of any remaining balance of the Agency's net position that do not meet the definition of "restricted" or "net investment in capital assets".

In the case where both restricted and unrestricted resources are available for use for the same purpose (restricted bond proceeds and unrestricted resources for the same capital project, for example), the Agency will first apply the restricted resources.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**C. Financial Statement Elements, continued**

In the fund financial statements, fund balances are reported based on the GASB Statement No. 54, which divide fund balance into the five classifications below:

- **Non-spendable** – includes amounts that cannot be spent because they are (1) not in spendable form, or (b) legally or contractually required to be maintained intact. This classification accounts for the Agency inventories and prepaid amounts.
- **Restricted** – includes amounts that have constraints that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislations.
- **Committed** – includes amounts than can only be used for specific purposes pursuant to constraints imposed by resolution of the government’s highest level of decision making authority, the Board of Directors of the Agency.
- **Assigned** – includes amounts that are constrained by the government’s “intent” to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. Intent should be expressed by the Board of Directors of the Agency itself or a subordinate high level body (the Agency’s Finance and Administration committee, for example) or official to which the board has delegated the authority to assign amounts to be used for specific purposes. The Agency has delegated the authority to assign amounts for specific purposes to Administrative Services Manager.
- **Unassigned** – includes amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

The Agency’s reserve amounts are reviewed annually to ensure compliance with the Agency’s reserve policy. During the budget process, the designation of reserves are established first (committed), then the remaining resources will be available for other purposes. The order of spending is first committed fund balance, then assigned fund balance, and last is unassigned fund balance.

**12. Water Sales**

Water sales, retail and wholesale, are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30, has been accrued at year-end for the water enterprise fund.

**13. Facility Capacity Fee**

Assembly Bill 4175 was signed into California law on September 16, 1986, and became effective January 1, 1987. This bill authorizes the Agency to impose standby charges and a facility capacity fee to generate revenues to pay for future Agency expansion. The Agency’s Board of Directors elected to begin imposing facility capacity fees on October 1, 1987, but has not elected to impose any standby charges.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**C. Financial Statement Elements, continued**

**14. Capital Contributions**

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

**15. 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.

**16. Budgetary Policies**

The Agency follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the Agency's General Manager and Administrative Services Manager prepare and submit a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the general fund, pledged revenue fund and state water contract fund. Budget information is presented as other supplementary information for the debt service fund.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(2) Cash and Investments**

Cash and investments as of June 30, are classified in the Statement of Net Assets as follows:

	<b>2015</b>
Cash and cash equivalents	\$ 86,303,108
Cash and cash equivalents with fiscal agent	8,802,804
Investments and cash equivalents	82,560,938
Total cash and investments	\$ 177,666,850

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

	<b>2015</b>
Cash on hand	\$ 1,600
Deposits with financial institutions	24,054,436
Investments and cash equivalents	153,610,814
Total cash and investments	\$ 177,666,850

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

The table below identifies the investment types that are authorized by the Agency in accordance with the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency'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 Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage Of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency and Sponsored Enterprise Securities	5 years	None	None
Banker's Acceptances	180 days	30%	5%
Medium-Term Notes	5 years	30%	5%
Commercial Paper	270 days	10%	5%
Certificates of Deposit and Time Deposits	5 years	30%	10%
Municipal Obligations	5 years	30%	5%
Repurchase agreements	30 days	10%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Los Angeles County Pooled Investment Fund (LACPIF)	N/A	30%	None
Investment Trust of California (CalTRUST)	N/A	20%	None
Money Market Mutual Funds	N/A	20%	10%

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

***Investments Authorized by Debt Agreements***

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.



**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

<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	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

***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 Agency'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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured, and the remaining balance is collateralized in accordance with the California Government Code; however, the collateralized securities are not held in the Agency's name.

***Investment in State Investment Pool***

The Agency 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 Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency'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.

***Los Angeles County Pooled Investment Fund***

The Los Angeles County Pooled Investment Fund (LACPIF) is a pooled investment fund program governed by the County of Los Angeles Board of Supervisors, and administered by the County of Los Angeles Treasurer and Tax Collector. Investments in LACPIF are highly liquid as deposits, and withdrawals can be made at anytime without penalty. LACPIF does not impose a maximum investment limit. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the fair value provided by LACPIF for the Agency's LACPIF portfolio.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

The County of Los Angeles' bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of Los Angeles's Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of Los Angeles Auditor-Controller's Office – 500 West Temple Street – Los Angeles, CA 90012.

**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. Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity date:

Maturities of investments and cash equivalents at June 30, 2015, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Federal Farm Credit Bank	\$ 26,956,552	-	-	26,956,552
Federal National Mortgage Association	10,464,107	-	-	10,464,107
Federal Home Loan Bank	12,649,454	-	-	12,649,454
Federal Home Loan Mortgage Corp.	9,936,400	-	-	9,936,400
Local Agency Investment Fund (LAIF)	51,862,321	51,862,321	-	-
Los Angeles County Pooled Investment Fund (LACPIF)	35,493,722	35,493,722	-	-
Money market funds	6,248,258	6,248,258	-	-
Total	\$ 153,610,814	93,604,301	-	60,006,513

**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 Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments and cash equivalents as of June 30, 2015 were as follows:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AA+</u>	<u>Not Rated</u>
Federal Farm Credit Bank	\$ 26,956,552	N/A	\$ -	26,956,552	-
Federal National Mortgage Association	10,464,107	N/A	-	10,464,107	-
Federal Home Loan Bank	12,649,454	N/A	-	12,649,454	-
Federal Home Loan Mortgage Corp.	9,936,400	N/A	-	9,936,400	-
Local Agency Investment Fund (LAIF)	51,862,321	N/A	-	-	51,862,321
Los Angeles County Pooled Investment Fund (LACPIF)	35,493,722	N/A	-	-	35,493,722
Money market funds	6,248,258	AAA	6,248,258	-	-
Total	\$ 153,610,814		\$ 6,248,258	60,006,513	87,356,043

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

*Concentration of Credit Risk*

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

<u>Issuer</u>	<u>Investment type</u>	<u>Amount</u>
Federal Farm Credit Bank	Federal agency securities	\$ 26,956,552
Federal National Mortgage Association	Federal agency securities	10,464,107
Federal Home Loan Bank	Federal agency securities	12,649,454
Federal Home Loan Mortgage Corp.	Federal agency securities	9,936,400
		<u>\$ 60,006,513</u>

**(3) Interfund Receivables and Payables**

*Due from/to Other Funds*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Pledged Revenue	Debt Service	\$ 20,400,000
	Total	<u>\$ 20,400,000</u>

Due from the Pledged Revenue Fund to the Debt Service Fund is to provide funds for next fiscal year's debt service payments.

*Interfund Transfers*

<u>Transfers From</u>	<u>Transfers to</u>	<u>Amount</u>
Pledged Revenue	Debt Service	\$ 22,239,653
	Total	<u>\$ 22,239,653</u>

Transfers are used to move revenues received and recorded in the Pledged Revenue Fund to Debt Service Fund to provide funds to pay debt service payments as they become due.

**(4) Compensated Absences**

Compensated absences comprise unpaid vacation leave, sick leave, personal, and other leave which is accrued as earned. The Agency's liability for compensated absences is determined annually.

The changes to governmental compensated absences balance at June 30, were as follows:

<u>Balance 2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2015</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$ 886,487	375,522	375,519	886,490	221,623	664,867

The changes to business-type compensated absences balance at June 30, were as follows:

<u>Balance 2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2015</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$ 523,360	195,589	268,430	450,519	112,630	337,889

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(5) Capital Assets**

***Governmental Activities***

Changes in capital assets for the year were as follows:

	<u>Balance 2014</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land	\$ 28,372,111	-	-	28,372,111
Construction-in-process	10,643,778	10,321,150	(5,327,565)	15,637,363
Total non-depreciable assets	<u>39,015,889</u>	<u>10,321,150</u>	<u>(5,327,565)</u>	<u>44,009,474</u>
Depreciable assets:				
Contractual state water project rights	134,990,511	2,988,301	-	137,978,812
Contractual water rights - other agencies	66,599,225	6,045,492	-	72,644,717
Treatment plant	162,197,965	3,842,949	(37,542)	166,003,372
Water mains	26,747,245	-	-	26,747,245
Reservoirs and tanks	1,649,965	-	-	1,649,965
Reclaimed water	4,638,901	-	-	4,638,901
Control system	156,430,666	1,291,635	-	157,722,301
Castaic turnout	398,243	-	-	398,243
Services and meters	153,965	-	-	153,965
Maintenance facility	188,310	-	-	188,310
Large tools and equipment	320,986	-	(112,131)	208,855
Furniture and fixtures	259,538	45,589	(179,470)	125,657
Vehicles	116,074	98,445	(41,885)	172,634
Office equipment	1,992,078	206,376	(1,118,871)	1,079,583
Total depreciable assets	<u>556,683,672</u>	<u>14,518,787</u>	<u>(1,489,899)</u>	<u>569,712,560</u>
Accumulated depreciation and amortization:				
Contractual state water project rights	(66,036,002)	(2,700,417)	-	(68,736,419)
Contractual water rights - other agencies	(13,537,890)	(2,837,956)	-	(16,375,846)
Treatment plant	(46,409,122)	(5,205,374)	37,542	(51,576,954)
Water mains	(9,543,756)	(534,945)	-	(10,078,701)
Reservoirs and tanks	(1,121,958)	(32,999)	-	(1,154,957)
Reclaimed water	(1,651,988)	(132,540)	-	(1,784,528)
Control system	(34,053,297)	(4,365,289)	-	(38,418,586)
Castaic turnout	(270,811)	(7,965)	-	(278,776)
Services and meters	(131,362)	(3,948)	-	(135,310)
Maintenance facility	(182,272)	(6,038)	-	(188,310)
Large tools and equipment	(204,201)	(26,955)	112,131	(119,025)
Furniture and fixtures	(226,529)	(23,574)	179,470	(70,633)
Vehicles	(79,161)	(34,527)	41,885	(71,803)
Office equipment	(1,678,739)	(229,460)	1,118,871	(789,328)
Total accum depr. and amort.	<u>(175,127,088)</u>	<u>(16,141,987)</u>	<u>1,489,899</u>	<u>(189,779,176)</u>
Total depreciable assets, net	<u>381,556,584</u>	<u>(1,623,200)</u>	<u>-</u>	<u>379,933,384</u>
Total capital assets, net	<u>\$ 420,572,473</u>	<u>8,697,950</u>	<u>(5,327,565)</u>	<u>423,942,858</u>

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(5) Capital Assets, continued**

A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under governmental activities, wholesale water agency, totaled \$16,141,987.

***Business-Type Activities***

Changes in capital assets for the year were as follows:

	<u>Balance 2014</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land and land rights	\$ 640,837	-	-	640,837
Construction-in-process	<u>3,160,780</u>	<u>10,579,971</u>	<u>(6,372,216)</u>	<u>7,368,535</u>
Total non-depreciable assets	<u>3,801,617</u>	<u>10,579,971</u>	<u>(6,372,216)</u>	<u>8,009,372</u>
Depreciable assets:				
Transmission and distribution mains	68,103,619	3,641,148	-	71,744,767
Reservoirs and tanks	27,668,681	(155,426)	(145,171)	27,368,084
Services	15,140,562	510,229	-	15,650,791
Hydrants	9,090,416	(700,584)	-	8,389,832
Boosters	9,732,215	400,357	(36,288)	10,096,284
Meters	3,225,392	1,970,894	-	5,196,286
Wells	2,578,605	(8,654)	(25,688)	2,544,263
Structures and improvements	7,190,062	159,884	-	7,349,946
Machinery and equipment	8,049,494	381,805	(43,967)	8,387,332
Transportation equipment	1,305,118	134,745	-	1,439,863
General plant	<u>295,740</u>	<u>37,818</u>	<u>(37,818)</u>	<u>295,740</u>
Total depreciable assets	<u>152,379,904</u>	<u>6,372,216</u>	<u>(288,932)</u>	<u>158,463,188</u>
Accumulated depreciation and amortization:				
Transmission and distribution mains	(16,766,844)	(1,023,422)	-	(17,790,266)
Reservoirs and tanks	(11,026,272)	(1,059,950)	145,171	(11,941,051)
Services	(6,634,385)	(432,489)	-	(7,066,874)
Hydrants	(4,219,275)	(235,132)	-	(4,454,407)
Boosters	(3,887,571)	(343,204)	36,288	(4,194,487)
Meters	(1,746,554)	(195,167)	-	(1,941,721)
Wells	(1,159,544)	(111,752)	25,688	(1,245,608)
Structures and improvements	(1,436,379)	(206,484)	-	(1,642,863)
Machinery and equipment	(2,915,353)	(533,472)	43,967	(3,404,858)
Transportation equipment	(838,903)	(98,780)	-	(937,683)
General plant	<u>(280,447)</u>	<u>(40,171)</u>	<u>37,818</u>	<u>(282,800)</u>
Total accumulated depreciation and amortization	<u>(50,911,527)</u>	<u>(4,280,023)</u>	<u>288,932</u>	<u>(54,902,618)</u>
Total depreciable assets, net	<u>101,468,377</u>	<u>2,092,193</u>	<u>-</u>	<u>103,560,570</u>
Total capital assets, net	<u>\$ 105,269,994</u>	<u>12,672,164</u>	<u>(6,372,216)</u>	<u>111,569,942</u>

Major capital asset additions in the business-type activities area included developer contributions to the water retail enterprise's transmission and distribution system and various other projects. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under business-type activities, retail water enterprise, totaled \$4,280,023.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(5) Capital Assets, continued**

***Construction-In-Process***

The Agency 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 year-end are as follows:

***Governmental Activities***

The balance at June 30, consists of the following projects:	<u>2014</u>	<u>2015</u>
Rio Vista water treatment plant and expansion	\$ 1,813,794	6,358,799
Recycled water project	3,260,374	3,319,997
Lateral extension and storage projects	2,093,189	2,184,216
Various minor projects	<u>3,476,421</u>	<u>3,774,351</u>
Construction-in-process	<u>\$ 10,643,778</u>	<u>15,637,363</u>

***Business-Type Activities***

The balance at June 30, consists of the following projects:	<u>2014</u>	<u>2015</u>
Internal construction projects	\$ 1,452,073	1,722,550
Developer on-site construction projects	<u>1,708,707</u>	<u>5,645,985</u>
Construction-in-process	<u>\$ 3,160,780</u>	<u>7,368,535</u>

**(6) Investment in the Stock of the Valencia Water Company**

On December 12, 2012, the Agency acquired all of the stock of the Valencia Water Company (VWC) which comprised the total fair market value of the stock as of July 1, 2012. As of February 2013, the acquisition of VWC by the Agency has been challenged in court. The Agency has accounted for the investment in VWC under the equity method of accounting as adjusted for changes in net income and dividends paid during fiscal year. The Agency has recognized the equity in the earnings of VWC in the statement of activities as non-operating income. The financial statements of the Valencia Water Company dated December 31, 2014, were audited by another auditing firm who has issued an unmodified opinion dated March 18, 2015. As of June 30, 2015, the investment in Valencia Water Company was \$63,106,550.

Investment balance at June 30, 2015, consists of the following:

Fair-market value as of June 30, 2014	\$ 63,208,530
Adjustments to investment in VWC:	
Issuance of dividends to Agency	(798,980)
VWC calendar year 2014 net income**	697,000
Total adjustments	<u>(101,980)</u>
Investment in VWC, June 30, 2015	<u>\$ 63,106,550</u>

\*\* From VWC calendar year 2014 audited financial statements.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(7) Long-Term Debt**

The following is a summary of the Agency's Long-Term Debt as of June 30:

***Governmental Activities***

	<b>Balance 2014</b>	<b>Additions</b>	<b>Payments/ Retirements</b>	<b>Balance 2015</b>
<b>Certificates of Participation (COPs):</b>				
1999 Series A Revenue COPs - Capital Appr.	\$ 53,400,049	3,131,320	-	56,531,369
2006 Series A Revenue Refunding COPs	38,715,000	-	(1,550,000)	37,165,000
Premium on issuance - 2006 Series A	746,948	-	(49,799)	697,149
2006 Series C Revenue COPs	79,635,000	-	(79,635,000)	-
Premium on issuance - 2006 Series C	3,650,859	-	(3,650,859)	-
2008 Series A Revenue Refunding COPs	37,700,000	-	(4,775,000)	32,925,000
2010 Series A Revenue Refunding COPs	62,195,000	-	(2,520,000)	59,675,000
Premium on issuance - 2010 Series A	1,665,854	-	(104,116)	1,561,738
Total	277,708,710	3,131,320	(92,284,774)	188,555,256
Less: Current Portion	(10,795,000)			(9,180,000)
Total Non-Current	266,913,710			179,375,256
<b>Revenue Bonds:</b>				
2014 Series A Revenue Refunding Bonds	16,750,000	-	(165,000)	16,585,000
Premium on issuance - 2014 Series A	1,670,888	-	(238,698)	1,432,190
2015 Series A Revenue Refunding Bonds	-	64,000,000	-	64,000,000
Premium on issuance - 2015 Series A	-	10,929,868	(546,494)	10,383,374
Total	18,420,888	74,929,868	(950,192)	92,400,564
Less: Current Portion	(165,000)			(3,010,000)
Total Non-Current	18,585,888			89,390,564
<b>Total Governmental Activities</b>	<b>\$ 296,129,598</b>			<b>280,955,820</b>

***Business-Type Activities***

	<b>Balance 2014</b>	<b>Additions</b>	<b>Payments/ Retirements</b>	<b>Balance 2015</b>
<b>Certificates of Participation (COPs):</b>				
2010 Series B Revenue Refunding COPs	\$ 13,725,000	-	(540,000)	13,185,000
Premium on issuance - 2010 Series B	705,502	-	(27,048)	678,454
Total	14,430,502	-	(567,048)	13,863,454
Less: Current Portion	(265,000)			-
Total Non-Current	14,165,502			13,863,454
<b>Revenue Bonds:</b>				
2011 Series A Revenue Bonds	49,405,000	-	(3,880,000)	45,525,000
Premium on issuance - 2011 Series B	5,375,852	-	(410,893)	4,964,959
Total	54,780,852	-	(4,290,893)	50,489,959
Less: Current Portion	(1,850,000)			-
Total Non-Current	52,930,852			50,489,959
<b>Total Business-Type Activities</b>	<b>\$ 69,211,354</b>			<b>64,353,413</b>

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***1994 Refunding Revenue Certificates of Participation***

On June 1, 1990, the Corporation issued \$132,000,000 of certificates of participation to provide financing for the acquisition and construction of a second water treatment plant and related facilities (Project). On August 31, 1994, the Corporation issued \$124,600,000 of certificates of participation to provide funds to refund in advance the June 1, 1990 certificates of participation issued by the Agency. A portion of the issuance of debt from the certificates of participation issued in 1994 were placed in an escrow fund to provide the debt service on the 1990, Certificates of Participation through August 1, 2000, and the prepayment price for all certificates outstanding on August 1, 2000. The advance refunding met the requirements of an in-substance defeasance and the certificates of participation were removed from the Agency's long-term liabilities. The refunded 1990 Certificates of Participation were paid in full on August 1, 2000.

The 1994 Certificates of Participation are payable solely from installment payments to be made by the Agency. The Agency has pledged for payment of the installment payments from all revenue derived from the ownership of its water system, including existing portions, on or after June 1, 1990. These revenues are deposited into the Pledged Revenue Fund and after payment of operation and maintenance costs, including contingency reserves, the remaining reserves are to be used to pay the installment payments on the certificates. Management believes that the physical condition of the water system meets the stated requirements of the installment purchase agreements with the Corporation.

On May 5, 2004, the Agency refunded \$28,475,000 of the 1994 certificates (2004 Series A). On June 10, 2004, the Agency refunded \$37,350,000 of the 1994 certificates and concurrently entered into a variable-to-fixed swap agreement for \$40,000,000 (2004 Series B). On May 9, 2008, the Agency refunded all of the 2004B certificates (2008 Series A). In June 2014, the Agency refunded \$20,495,000 of the 2004A certificates (2014 A Revenue Bonds). The Certificates are payable by installment payments according to their respective Installment Agreements. Interest is payable semi-annually August 1 and February 1, and principal is due annually on August 1<sup>st</sup>. The outstanding balance at June 30, 2014, is \$54,450,000 as follows: No balance for the 1994 COP's or 2004A COP's as these were retired during FY 2013/14; \$37,700,000 for 2008 Series A; and \$16,750,000 for 2014 Series A. (See 2004 Series A, 2004 Series B, 2008 Series A Certificates of Participation and 2014 Series A for their respective debt service requirements.)

The last settlement for 1994 COP's was paid during FY 2013/14.

***1999 Series A Revenue Certificates of Participation***

In August 1999, the Corporation issued \$75,813,498 of certificates of participation to finance certain capital improvements to the Agency's wholesale water system and reimbursement of the Agency's cost of acquisition of certain state water project entitlements. The certificates are payable solely from installment payments to be made by the Agency. The Agency has pledged for payment of the installment payments all revenues derived from the ownership of its water system (which expressly excluded revenues derived from the retail sales of water). These revenues are deposited into the Pledged Revenue Fund and after payment of operation and maintenance costs, including contingency reserves, the remaining reserves are to be used to pay the installment payments on the certificates.

On December 7, 2006, the Agency refunded \$45,520,000 of the 1999 certificates (2006 Series A). A total of \$45,520,000 from the 2006 Series A COPs was used to pay off the outstanding principal of the 1999 Series A Revenue Certificates of Participation. As a result, the 1999 Series A Revenue Certificates of Participation are considered retired and the liability for those obligations has been removed from the financial statements. The Agency completed the advance refunding to reduce the Agency's total debt service payments over the next 24 years by achieving a 5.6% net present value savings.



**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***1999 Series A Revenue Certificates of Participation, continued***

The Certificates are payable by installment payments according to their respective Installment Agreements. Interest is payable semi-annually August 1 and February 1 of each year, and principal is due annually on August 1. The outstanding balance at June 30, 2014, is \$92,115,049 as follows: \$53,400,049 Series 1999 remaining; and \$38,715,000 Series 2006 A (refunded portion of 1999 Series A). (See 2006 Series A Certificates of Participation for their respective debt service requirements.)

The par amount of the certificates is comprised of \$23,408,498 (original amount) capital appreciation certificates. No regular payments of interest are made on the capital appreciation certificates prior to maturity. Interest on the capital appreciation certificates is compounded semi-annually on February 1 and August 1 and is payable at maturity. The interest compounded annually is added to the principal amount outstanding.

The yield to maturity for the capital appreciation certificates ranges from 5.76% to 5.8%. Principal on the capital appreciation certificates matures annually on August 1 from 2021 through 2030. All the certificates are subject to extraordinary prepayment as a whole or in part on any date in order of maturity if the Agency makes prepaid installment payments from insurance proceeds or condemnation awards.

Below is a schedule of future annual principal to be issued that will be added to the capital appreciation certificate's current outstanding principal balance of \$56,531,369.

	<b>Fiscal Year</b>	<b>Principal Issued</b>
Balance as of June 30, 2015		\$ 56,531,369
Annual principal issued:	2016	3,314,940
	2017	3,509,326
	2018-2020	11,811,664
	2021-2023	12,784,281
	2024-2026	9,691,104
	2027-2031	6,807,316
	Total	\$ 104,450,000

***2001 Series A Revenue Certificates of Participation***

In February 2001, the Corporation issued \$80,000,000 of certificates of participation to finance certain capital improvements to the Agency's wholesale water system and reimbursement of the Agency's cost of acquisition of the outstanding stock of the Santa Clarita Water Company (the retail company). The certificates are payable solely from installment payments to be made by the Agency. By the first supplement dated June 13, 2001, to the installment agreement dated February 2001, between the Agency and the Corporation, the Agency agreed to apply solely to the acquisition of certain capital improvements the amount which could have been reimbursed to the Agency for the acquisition of the stock of the Company.

The certificates are payable solely from installment payments to be made by the Agency. The Agency has pledged for payment of the installment payments all revenues derived from the ownership or operation of its water system. These revenues are deposited into the Pledged Revenue Fund and after payment of operation and maintenance costs, including contingency reserves, the remaining reserves are to be used to pay the installment payments on the certificates.

On June 8, 2010, the Agency refunded all of the 2001A certificates (2010 Series A). (See 2010 Series A Certificates of Participation for their respective debt service requirements.)

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***2004 Series A Revenue Refunding Certificates of Participation (Fixed Rate)***

In May 2004, the Corporation issued \$29,085,000 of certificates of participation to provide funds to prepay \$28,475,000 of the Agency's outstanding 1994 Refunding Revenue Certificates of Participation, to acquire a reserve policy and pay certain costs of delivery. The certificates are payable solely from installment payments to be made by the Agency. Interest on the certificates is payable semi-annually on February 1 and August 1 of each year. Principal matures August 1 of each year through August 1, 2020. Certificates are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.0% to 4.0% per annum.

In June 2014, the Agency refunded all of the 2004A certificates (2014 Series A). (See 2014 Series A for their respective debt service requirements.)

***2006 Series A Revenue Refunding Certificates of Participation***

In December 2006, the Corporation issued \$45,520,000 of certificates of participation to provide funds to prepay \$45,385,000 of the Agency's outstanding 1999 A Revenue Certificates of Participation. The certificates are payable solely from installment payments to be made by the Agency. Pursuant to the reserve requirement, \$3,317,609 was placed in a debt service reserve fund on the issuance date of the certificates. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2030. Certificates are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 3.35% to 5.00% per annum.

Annual debt service requirements on the 2006 Series A Revenue Refunding Certificates of Participation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,610,000	1,694,776	3,304,776
2017	1,675,000	1,629,076	3,304,076
2018-2021	7,510,000	5,653,804	13,163,804
2022-2025	9,140,000	4,000,191	13,140,191
2026-2028	8,050,000	1,793,477	9,843,477
2029-2031	<u>9,180,000</u>	<u>631,802</u>	<u>9,811,802</u>
Total	37,165,000	<u>15,403,126</u>	<u>52,568,126</u>
Less current portion	<u>(1,610,000)</u>		
Total non-current	<u>\$ 35,555,000</u>		

***Premium on Issuance – 2006 A***

The Series 2006 A Certificates of Participation are structured as serial bonds with maturities ranging from 2007 through 2023 and two term bonds maturing on 2026 and 2030 respectively. Yields for the serial bonds range from 3.35% to 4.08% (yields to call for maturities 2017 through 2023), with the term bonds yielding 4.41% and 4.46% (yields to call). Market conditions required that the maturities after 2016 be structured in a manner that resulted in the debt being priced to the August 1, 2016, par call date. The ultimate structure produced an original issue premium of \$1,145,317 that will be amortized over the life of the debt service.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***2006 Series C Revenue Certificates of Participation***

In December 2006, the Corporation issued \$89,830,000 of certificates of participation to finance certain capital improvements to the Agency's wholesale water system. The certificates are payable solely from installment payments to be made by the Agency. The Agency has pledged for payment of the installment payments all revenues derived from the ownership or operation of its water system. These revenues are deposited into the Pledged Revenue Fund and after payment of operation and maintenance costs, including contingency reserves, the remaining reserves are to be used to pay the installment payments on the certificates.

***Premium on Issuance – 2006 C***

The Series 2006 C Certificates of Participation are structured as serial bonds with maturities ranging from 2008 through 2026 and two term bonds maturing on 2030 and 2036, respectively. Yields for the serial bonds range from 3.40% to 4.14% (yields to call for maturities 2017 through 2026), with the term bonds yielding 4.16% and 4.20% (yields to call). Market conditions required that the maturities after 2016 be structured in a manner that resulted in the debt being price to the August 1, 2016, par call date. The ultimate structure produced an original issue premium of \$4,978,449 that will be amortized over the life of the debt service.

In April 2015, the Agency refunded all of the 2006C certificates (2015 Series A). (See 2015 Series A for their respective debt service requirements.)

***2008 Series A Revenue Refunding Certificates of Participation***

In May 2008, the Agency refunded all of the 2004B certificates; the swap agreement remains in effect until August 2014 for the 2008A certificates (2008 Series A). The certificates are payable solely from installment payments to be made by the Agency. Interest on the certificates is calculated weekly at rates for Weekly Interest Rate Periods and payable monthly. Principal matures August 1 of each year through August 1, 2020. Certificates are in denominations of \$100,000 and bear interest from the date of issue to their maturity. The interest rate on the refunding certificates is determined by the remarketing agent on Tuesday of each week during the Weekly Interest Rate Period.

Annual debt service requirements on the 2008 Series A Revenue Refunding Certificates of Participation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,950,000	296,872	5,246,872
2017	5,150,000	353,570	5,503,570
2018-2019	10,975,000	710,375	11,685,375
2020-2021	<u>11,850,000</u>	<u>297,587</u>	<u>12,147,587</u>
Total	32,925,000	<u>1,658,404</u>	<u>34,583,404</u>
Less current portion	<u>(4,950,000)</u>		
Total non-current	<u>\$ 27,975,000</u>		

During the fiscal year ended June 30, 2010, the Agency implemented GASB Statement No. 53, which establishes accounting and financial reporting standards for all state and local governments that enter into derivative instrument agreements. The analysis of the swap valuation is conducted annually to comply with the reporting requirement of the GASB Statement No. 53.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***2008 Series A Revenue Refunding Certificates of Participation, continued***

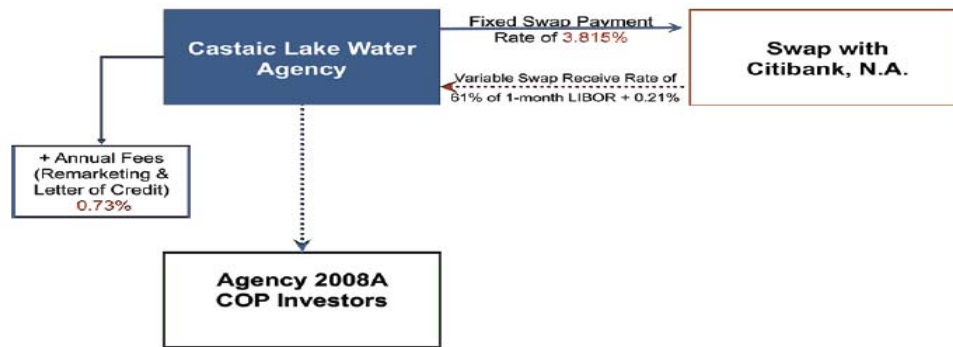
***Discussion of Swap Valuation***

The fair market value of the swap does not measure the effectiveness of the swap as a hedge, or take into account future expected payments on the Agency's variable rate Certificates. Provided that the variable-rates born by the 2008A Certificates are highly correlated to the swap payments from the Counterparty, the net rate of interest on the Certificates will remain hedged at 3.815%, irrespective of changes in the fair market value of the swap.

When an interest rate swap is first entered into it has a fair market value of \$0.00 to both parties. This is because the fixed rate on the swap is set on that date so that the net present value of the future fixed rate and the expected variable rate payments between the two parties are equal. However, the market's expectations of the future variable rates changes daily. As these expectations change, the expected variable rate payments due under the swap change, resulting in either an expected net present value gain or loss for both parties.

On June 10, 2004, the Agency entered into an interest rate swap agreement in connection with the 2004 Series B Refunding Certificates of Participation. On May 9, 2008, the Agency refunded all of the 2004B certificates (2008 Series A); the swap agreement was amended and restated as of May 6, 2008, to relate to the 2008A certificates.

**Objective:** The objective of the interest rate swap is to lower the Agency's borrowing costs when compared against fixed-rate certificates. The swap is structured with the expectation that the Agency's variable interest rate on the certificates will be hedged to produce a synthetic fixed rate of 3.815%.



**Terms of the Swap:** In June 2004, the Agency and Citibank, N.A. entered into an interest rate swap agreement pursuant to which the Agency pays Citibank a fixed interest rate of 3.815%. The Agency receives a variable interest payment from Citibank expected to closely match the variable interest payments on the certificates. The notional amount of the swap, on which the interest payments from both parties are calculated, declines in tandem with the principal amount of the certificates. This interest rate swap agreement is accounted for as a hedge, and the associated interest rate differential to be paid or received is charged to interest expense of the certificates. The swap agreement is in effect to August 1, 2020.

In August 2014, the Agency terminated the swap agreement with Citibank, N.A.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***2010 Series A Revenue Refunding Certificates of Participation***

In June 2010, the Corporation issued \$70,595,000 of certificates of participation to provide funds to prepay \$68,520,000 of the Agency's outstanding 2001 A Revenue Certificates of Participation. The certificates are payable solely from installment payments to be made by the Agency. Pursuant to the reserve requirement, \$5,349,556 was placed in a debt service reserve fund on the issuance date of the certificates. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2030. Certificates are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.00% to 5.00% per annum. Annual debt service requirements on the 2010 Series A Revenue Certificates of Participation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,620,000	2,665,781	5,285,781
2017	2,740,000	2,542,606	5,282,606
2018-2020	8,975,000	6,861,643	15,836,643
2021-2025	17,890,000	8,416,605	26,306,605
2026-2028	12,830,000	2,915,453	15,745,453
2029-2031	14,620,000	1,069,829	15,689,829
Total	59,675,000	<u>24,471,917</u>	<u>84,146,917</u>
Less current portion	<u>(2,620,000)</u>		
Total non-current	\$ <u>57,055,000</u>		

***Premium on Issuance – 2010 A***

The Series 2010 A Certificates of Participation are structured as serial bonds with maturities ranging from 2011 through 2031. Yields for the serial bonds range from 2.00% to 5.00% and market conditions required that the Certificates be structured in a manner that resulted in an original issue premium of \$2,082,316 that will be amortized over the life of the debt service.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***2010 Series B Revenue Certificates of Participation***

In May 2010, the Santa Clarita Water Division (Retail) of the Agency issued \$14,475,000 of COP's to provide funds to acquire the new Administration Office Building, several reservoir tanks and well. The certificates are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. In June 2015, the fiscal year 2016 principal was defeased. The balance at the end of the FY 2014/15 is \$13,185,000.

Annual debt service requirements on the 2010 Series B Revenue Certificates of Participation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	681,988	681,988
2017	285,000	676,288	961,288
2018-2021	1,240,000	2,595,244	3,835,244
2022-2026	1,910,000	2,867,100	4,777,100
2027-2031	2,460,000	2,301,125	4,761,125
2032-2036	3,170,000	1,566,125	4,736,125
2037-2041	4,120,000	590,426	4,710,426
Total	13,185,000	<u>11,278,296</u>	<u>24,463,296</u>
Less current portion	<u>-</u>		
Total non-current	\$ <u>13,185,000</u>		

***Premium on Issuance – 2010 B***

The Series 2010 A Certificates of Participation are structured as serial bonds with maturities ranging from 2011 through 2040. Yields for the serial bonds range from 2.00% to 5.50%, and market conditions required that the Certificates be structured in a manner that resulted in an original issue premium of \$818,202 that will be amortized over the life of the debt service.

***2011 Series A Revenue Bonds***

In September 2011, the Retail division issued \$52,290,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011 between the Castaic Lake Water Agency (the "Agency") and Devil's Den Water District (the "District"), to provide funds to prepay the outstanding interfund loan balance payable by Retail to the Agency. The Interfund Loan was established in September 1999 as a repayment of acquisition when the Agency acquired Santa Clarita Water Company's (SCWC) stock for \$63 million. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. In June 2015, the fiscal year 2016 principal was defeased. The balance at the end of the FY 2014/15 is \$45,525,000.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***2011 Series A Revenue Bonds, continued***

Annual debt service requirements on the 2011 Series A Revenue Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	2,227,713	2,227,713
2017	2,230,000	2,183,113	4,413,113
2018	2,455,000	2,077,137	4,532,137
2019-2023	16,140,000	8,337,064	24,477,064
2024-2028	<u>24,700,000</u>	<u>3,437,131</u>	<u>28,137,131</u>
Total	45,525,000	<u>18,262,158</u>	<u>63,787,158</u>
Less current portion	-		
Total non-current	<u>\$ 45,525,000</u>		

***Premium on Issuance – 2011 A***

The Series 2011 A Revenue Bonds are structured as serial bonds with maturities ranging from 2013 through 2028. Yields for the serial bonds range from 3.00% to 5.25% and market conditions required that the Bonds be structured in a manner that resulted in an original issue premium of \$6,540,049 that will be amortized over the life of the debt service.

***2014 Series A Revenue Refunding Bonds***

In June 2014, the Agency issued \$16,750,000 of revenue bonds to provide funds to prepay \$20,495,000 of the Agency's outstanding 2004 A Revenue Certificates of Participation. The aggregate difference between the refunding debt and the refunded debt is \$2,055,250. This amount is being netted against the new debt and amortized over the life of the refunding debt. The Agency completed the refunding to reduce the Agency's total debt service payments over the next 6 years by achieving a \$2,147,813 savings, 10.48% net present value savings. The bonds are payable solely from installment payments to be made by the Agency. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2020. Bonds are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.00% to 5.00% per annum.

Annual debt service requirements on the 2014 Series A Revenue Refunding Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,535,000	633,975	3,168,975
2017	2,595,000	557,025	3,152,025
2018-2019	5,465,000	819,500	6,284,500
2020-2021	<u>5,990,000</u>	<u>303,250</u>	<u>6,293,250</u>
Total	16,585,000	<u>2,313,750</u>	<u>18,898,750</u>
Less current portion	<u>(2,535,000)</u>		
Total non-current	<u>\$ 14,050,000</u>		

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

**2015 Series A Revenue Refunding Bonds**

In April 2015, the Agency issued \$64,000,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011 between the Castaic Lake Water Agency (the "Agency") and Devil's Den Water District (the "District"), to provide funds to prepay \$77,685,000 of the Agency's outstanding 2006 C Revenue Certificates of Participation. The aggregate difference between the refunding debt and the refunded debt is \$3,087,664. This amount is being netted against the new debt and amortized over the life of the refunding debt. The Agency completed the refunding to reduce the Agency's total debt service payments over the next 20 years by achieving a \$10,311,149 savings, 13.27% net present value savings. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1.

Annual debt service requirements on the 2014 Series A Revenue Refunding Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 475,000	2,280,943	2,755,943
2017	2,065,000	2,983,950	5,048,950
2018-2023	13,865,000	16,246,275	30,111,275
2024-2030	21,870,000	13,044,500	34,914,500
2031-2036	<u>25,725,000</u>	<u>4,041,375</u>	<u>29,766,375</u>
Total	64,000,000	<u>38,597,043</u>	<u>102,597,043</u>
Less current portion	<u>(475,000)</u>		
Total non-current	<u>\$ 63,525,000</u>		

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

This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. At June 30, 2015, the net investment in capital assets for governmental activities was \$184,777,073 and the net investment in capital assets for business-type activities was \$47,216,529.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
The balance consists of the following:			
Capital assets, net	\$ 423,942,858	111,569,942	535,512,800
Long-term debt payable	(280,955,820)	(64,353,413)	(345,309,233)
Adjustments on long-term debt payable:			
1999 Series A cap appreciation bonds accretion since issuance	33,122,870	-	33,122,870
2006 Series A reserve fund	3,317,609	-	3,317,609
2010 Series A reserve fund	<u>5,349,556</u>	<u>-</u>	<u>5,349,556</u>
Total	<u>\$ 184,777,073</u>	<u>47,216,529</u>	<u>231,993,602</u>



**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(9) Fund Balances**

In May 2011, the Agency adopted a fund balance policy based on the published Governmental Accounting Standards Board (GASB) Statement No. 54, which established accounting and financial reporting standards for all governments that report governmental funds. This statement divides the fund balance into five classifications: (1) non-spendable – accounts for fund balances that are not in “spendable” form, such as inventories and prepaid amounts; (2) restricted – accounts for fund balances that are restricted by debt covenants and laws; (3) committed – accounts for fund balances that are committed for specific purposes by formal action of the Board of Directors of the Agency; (4) assigned – accounts for fund balances that are constrained by the Agency’s “intent” to be used for specific purposes, but are neither restricted nor committed except for stabilization arrangements; and (5) unassigned – accounts for fund balances that have not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes. At June 30, 2015, fund balances are as follows:

	<u>General Fund</u>	<u>Pledged Revenue</u>	<u>State Water Contract</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Non-spendable (prepaid items)	\$ 10,000	5,030	144,459	-	-	159,489
Restricted	-	-	34,716,171	7,791,382	8,886,512	51,394,065
Committed:						
Reserve policy	5,123,600	57,957,900	-	-	-	63,081,500
Investment in the stock of the Valencia Water Co.	-	63,106,550	-	-	-	63,106,550
Assigned:						
Capital projects	-	16,970,493	-	-	-	16,970,493
Operations	5,630,901	-	-	-	-	5,630,901
Total	<u>\$ 10,764,501</u>	<u>138,039,973</u>	<u>34,860,630</u>	<u>7,791,382</u>	<u>8,886,512</u>	<u>200,342,998</u>

**Restricted:**

**State Water Contract** – The Burns-Porter Act (Act) was approved by voters in 1960 to assist in the construction of a State Water Resources Development System for the State of California. The right to levy taxes for this purpose is included in the provisions of Section 11652 of the Water Code governing Central Valley Project, which are incorporated by reference into the Act. This law authorized the Agency to levy property taxes, but only for payment of the Agency’s State Water Project obligation or debt services on general obligations bonds.

**Capital Project** – fund to account for major capital projects, acquisition and improvements to the Agency’s wholesale water system.

**Debt Service** – funds held by US Bank, the trustee, for various debt reserve requirements.

**Committed:**

**Reserve Policy** – Agency Board approved reserve amount.

**Investment in the stock of the Valencia Water Company** – Agency Board approved the acquisition of the stock of the Valencia Water Company.

**Assigned:**

**General Fund** – intended for the Agency’s operations and maintenance expenditures.

**Pledged Revenue** – intended for the Agency’s minor capital projects, planning studies and administration, new equipment, repair and replacement program and compensated absences.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(10) Deferred Compensation Savings Plans**

***457 Deferred Compensation Savings Plan***

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency, and are not subject to claims of the Agency's general creditors. Market value of all plan assets held in trust by Lincoln Financial Services at June 30, 2015, was \$11,069,677.

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

**(11) Defined Benefit Plan**

***401(a) Defined Benefit Plan***

Also, for the benefit of its employees, the Agency participates in a 401(a) Defined Benefit Program (401(a) Program). The purpose of this 401(a) Program is to provide a defined benefit for public employees who fully contribute to their 457 Program. Generally, the Agency will match up to a certain amount for employees who fully contribute to their 457 Plan for the year. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the defined benefit for income tax purposes.

Federal law requires defined benefit assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency, and are not subject to claims of the Agency's general creditors. Market value of all plan assets held in trust by Lincoln Financial Services at June 30, 2015, was \$579,281.

**(12) Prior Period Adjustment**

The accompanying financials statements reflect the implementation of GASB Statements No. 68 and 71. Significant effect of GASB Statements included the effects of deferred outflow of resources and net pension liability. Due to this change in accounting principle, prior period adjustments were booked. The beginning net position as restated as follows:

	<b>Government activities</b>	<b>Business-type activities</b>	<b>Total</b>
Beginning net position	\$ 330,806,678	71,595,301	402,401,979
Net pension liability	(5,061,055)	(3,101,941)	(8,162,996)
Deferred outflows of resources	490,031	300,342	790,373
Beginning net position as restated	<u>\$ 326,235,654</u>	<u>68,793,702</u>	<u>395,029,356</u>

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(13) Defined Benefit Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Agency’s separate Miscellaneous Employee Pension Plans, cost-sharing multi-employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Agency’s CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the Agency’s CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The following plan groups are as follows:

*Classic Members* - employees hired before January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 55 Plan.

*New Members* - in accordance with the PEPRA, employees hired on or after January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 62 Plan.

The Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follow:

	Classic Members Prior to January 1, 2013	New Members On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	12.33%	6.70%

***Contributions***

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for both Plans are determined annually on actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

*Contributions, continued*

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense were as follows:

	<u>Classic</u>	<u>New</u>	<u>Total</u>
	<u>Members</u>	<u>Members</u>	<u>Members</u>
Contributions - employer	\$ <u>883,050</u>	<u>899</u>	<u>883,949</u>

*Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2015, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>Classic</u>	<u>New</u>	<u>Total</u>
	<u>Members</u>	<u>Members</u>	<u>Members</u>
Net pension liability	\$ <u>5,974,227</u>	<u>39</u>	<u>5,974,266</u>

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured at June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014 using standard update procedures.

The following table shows the Agency's proportionate share of the risk pool collective net pension liability over the measurement period.

	Classic Members			New Members			Total
	Plan Total	Plan Fiduciary Net Position	Plan Net	Plan Total	Plan Fiduciary Net Position	Plan Net	
	Pension Liability		Pension Liability/ (Asset)	Pension Liability		Pension Liability/ (Asset)	
(a)	(b)	(c)=(a)-(b)	(a)	(b)	(c)=(a)-(b)		
Proportion - June 30, 2013	\$ 33,224,839	25,061,896	8,162,943	215	162	53	8,162,996
Proportion - June 30, 2014	35,202,037	29,227,810	5,974,227	228	189	39	5,974,266
Change - increase (decrease)	1,977,198	4,165,914	(2,188,716)	13	27	(14)	(2,188,730)

The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the pension liability of the Plan as of the actuarial valuation date of June 30, 2013 for the measurement date of June 30, 2014, was as follows:

	<u>Classic Members</u>	<u>New Members</u>
Proportion – June 30, 2013 (Valuation Date)	100%	100%
Proportion – June 30, 2014 (Measurement Date)	<u>100%</u>	<u>100%</u>
Change – Increase (Decrease)	<u>0%</u>	<u>0%</u>

As a result of the implementation of GASB 68 pronouncement at June 30, 2015, the Agency recognized pension expense of \$883,949 and \$0 at June 30, 2015 and 2014, respectively.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

*Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued*

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

	Classic Members		New Members		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,109,957	-	28,678	-	1,138,635	-
Differences between actual and expected experience	-	-	-	-	-	-
Change in assumptions	-	-	-	-	-	-
Differences between projected and actual earnings	-	2,007,618	-	13	-	2,007,631
Adjustments due to differences in proportions	-	223,780	-	895	-	224,675
<b>Total</b>	<b>1,109,957</b>	<b>2,231,398</b>	<b>28,678</b>	<b>908</b>	<b>1,138,635</b>	<b>2,232,306</b>

The \$1,138,635 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

As of the fiscal year ended June 30, 2014, the Agency reported deferred outflows of resources related to pensions from the following sources:

	Classic Members	New Members	Total
Pension contributions between the valuation and measurement date	\$ 790,368	5	790,373

As of June 30, 2014, employer pension contributions reported as deferred outflows of resources related to contributions between the valuation date and measurement date of \$790,373 were recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2015. Of the amount, \$790,368 is for Classic and \$5 is for PEPRA.

As a result of the implementation of the GASB 68 at June 30, 2015, the Agency recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Year ended June 30	Classic Members	New Members	Total
2016	\$ 581,826	322	582,148
2017	581,826	322	582,148
2018	565,840	260	566,100
2019	501,906	4	501,910

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***Actuarial Assumptions***

The total pension liabilities in June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Classic Members</u>	<u>New Members</u>
Valuation date	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry-age normal cost method	
Actuarial assumptions:		
Discount rate	7.50%	7.50%
Inflation rate	2.75%	2.75%
Payroll growth	2.00%	2.00%
Projected salary increase (a)	Varies by entry age and service	
Investment rate of return (b)	7.50%	7.50%
Mortality	Derived using CalPERS Membership Data for all funds	

(a) Depending on age, service and type of employment

(b) Net of pension plan investment expenses, including inflation

Mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

***Discount rate***

The Discount rate used to measure the total pension liability was 7.50% for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time CalPERS have changed its methodology.

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

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

*Discount rate, continued*

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global equity	47.00%	5.25%	5.71%
Global fixed income	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	12.00%	6.83%	6.95%
Real estate	11.00%	4.50%	5.13%
Infrastructure and forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Agency's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Agency's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	Classic Members	New Members
1% decrease	6.50%	6.50%
Net pension liability	\$ 10,644,226	69
Current discount rate	7.50%	7.50%
Net pension liability	\$ 5,974,227	39
1% increase	8.50%	8.50%
Net pension liability	\$ 2,098,572	14

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***Pension Plan Fiduciary Net Position***

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 64 to 65 for the Required Supplementary Schedules.

***Allocation of Net Pension Liability and Pension Expense to Individual Plans***

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

- 1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the Miscellaneous Risk Pool (risk pool) as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- 2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

Note: for purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

- 3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- 4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- 5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4).

The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

- 6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Please refer to the CalPERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS' website under the GASB 68 section.



**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***Allocation of Net Pension Liability and Pension Expense to Individual Plans, continued***

The plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4).

The plan's proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense. To complete the disclosure information required by GASB 68 the employer will need to use this information to calculate its total recognized employer pension expense.

**(14) Other Post Employment Benefits Assets**

The Agency provides other post-employment benefits (OPEB) to qualified employees who retire from the Agency and meet the Agency's vesting requirements. The Agency participates in CalPERS California Employer's Retiree Benefit Trust Program (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in GASB Statement No. 45. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814. The new reporting requirements for these benefit programs as they pertain to the Agency are set forth below.

***Plan Description – Eligibility***

The following requirements must be satisfied in order to be eligible for post employment medical and dental benefits:

Full time employees hired before January 1, 2009, – attainment of age 55 and retirement from the Agency (the Agency must be the last employer prior to retirement).

Full time employees hired on or after January 1, 2009, – attainment of age 55 and requires at least five years of CalPERS-eligible service earned through employment with the Agency. The amount of benefit is based on the number of CalPERS credited years ranging from 50% to 100% of premium paid by the Agency. The maximum benefit amounts are set by the State each year as provided by Government Code Section 22825.2(1).

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Active plan members	110	111	110
Retirees and beneficiaries receiving benefits	37	33	32
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	147	144	142

***Plan Description – Benefits***

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

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(14) Other Post Employment Benefits Assets, continued**

***Funding Policy***

The Agency is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The fiscal year 14/15 ARC rate is 7% of the annual covered payroll.

***Annual Cost***

For the year ended June 30, 2015, the Agency's ARC cost is \$631,795. The Agency's net OPEB asset amounted to \$4,498,947 for the year ended June 30, 2015. The Agency contributed \$658,893 and \$363,378 in adjustment contributions for current retiree OPEB premiums for the year ended June 30, 2015.

The balance at June 30, consists of the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 631,795	638,000	1,045,000
Interest on net OPEB obligation	4,478	(1,025,359)	(512,648)
Adjustment to annual required contribution	<u>7,785</u>	<u>8,440</u>	<u>53,000</u>
Total annual OPEB expense	644,058	(378,919)	585,352
Change in net OPEB payable obligation:			
Age adjusted contributions made	(363,378)	(352,917)	(354,199)
Contributions to irrevocable trust	<u>(658,893)</u>	<u>(1,134,989)</u>	<u>(1,075,309)</u>
Total change in net OPEB payable obligation	(1,022,271)	(1,487,906)	(1,429,508)
OPEB payable – beginning of year	<u>(4,120,734)</u>	<u>(2,253,909)</u>	<u>(1,409,753)</u>
OPEB payable (asset) – end of year	<u>\$ (4,498,947)</u>	<u>(4,120,734)</u>	<u>(2,253,909)</u>

The Agency's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015, and the two preceding years were as follows:

***Three-Year History of Net OPEB Obligation/Assets***

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Interest On Net OPEB</b>	<b>Adjustment to ARC</b>	<b>Annual OPEB Cost</b>	<b>Age Adjusted Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation Payable (Assets)</b>
2015	\$ 631,795	(4,478)	(7,785)	644,058	1,022,271	158.72%	4,498,947
2014	638,000	1,025,359	(8,440)	(378,919)	1,487,906	392.67%	4,120,734
2013	1,045,000	512,648	(53,000)	585,352	1,429,508	244.21%	2,253,909

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(14) Other Post Employment Benefits Assets, continued**

***Funded Status and Funding Progress of the Plan***

The most recent valuation (dated July 1, 2013) includes an Actuarial Accrued Liability of \$10,926,467. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015, was \$9,412,753. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 29.27%. See the actuarially determined Schedule of Funding Progress on page 66.

***Actuarial Methods and Assumptions***

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

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

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Amortization period	Open
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.61% – Projected at July 1, 2013
Projected salary increase	3.25%
Healthcare - discount rate	10.50%
Inflation - discount rate	7.61%
Individual salary growth	Agency bi-annual salary survey

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(15) Risk Management**

The Agency 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 Agency is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. As of June 30, 2015, the Agency limits and deductibles for liability, property, and workers compensation programs of the ACWA/JPIA are as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$59 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Property loss is paid at the replacement cost for buildings, fixed equipment, and personal property on file, if replaced within two years after the loss, otherwise paid on actual cash value basis, subject to a \$5,000 deductible per loss; and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. ACWA/JPIA purchased excess coverage for a combined total of \$100 million per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law, and Employer's Liability Coverage up to \$4 million. The Authority is self-insured up to \$2 million and excess loss insurance has been purchased.

In addition to the above, the Agency also has the following insurance coverage:

- Crime coverage up to \$1,000,000 per loss includes public employee dishonesty, including Public Officials who are required by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a \$1,000 deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2015.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 72***

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the Agency’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 73***

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the Agency’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 74***

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

**(16) Governmental Accounting Standards Board Statement Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 74, continued***

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 75***

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 76***

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

***Governmental Accounting Standards Board Statement No. 77***

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the Agency's financial statements.

**Castaic Lake Water Agency  
Notes to the Basic Financial Statements, continued  
June 30, 2015**

**(17) Commitments and Contingencies**

***Department of Water Resources (DWR) Water Contract Commitment***

On April 30, 1963, a contract was entered into between the State of California acting by and through its Department of Water Resources and the Agency (the Contract), pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California. The contract provides for a maximum annual water entitlement for the Agency of up to 41,500 acre feet. As amended, on January 1, 1991, the Agency began receiving the Devil’s Den agricultural entitlement of 12,700 acre feet. In March 1999, the Agency purchased an additional 41,000 acre feet from Wheeler Ridge-Maricopa Water Storage District, bringing the total maximum entitlement to 95,200 acre feet. The agreement contemplated water delivery of 20,100 acre feet beginning in 1981, with increasing deliveries through the years until the maximum entitlement was reached in 1991. However, as of June 30, 2003, the water delivery objectives of the Contract cannot be achieved unless additional conservation features are constructed. The term of the Contract is for the project re-payment period or 75 year, whichever is longer, and provides for a pledge of certain Agency revenues to the bondholders of the State under the Bond Act.

Provision is made in the Contract for two general charges: (1) a Delta water charge and (2) a transportation charge, which are divided into components. The Delta water charge is intended to return to the State all costs of project conservation facilities including capital, maintenance, operation and replacement components, and is charged to the Agency on the basis of water entitlement and/or delivery. The transportation charge is for facilities necessary to deliver water to the contractors and also includes a capital, maintenance, operation and replacement component.

At June 30, 2015, the remaining estimated commitment for these charges is as follows:

<u>Calendar year ending December 31</u>	<u>Amount</u>
2015	\$ 28,015,977
2016	27,472,711
2017	27,300,980
2018	27,371,004
2019-2022	96,168,725
2023-2026	96,823,995
2027-2030	97,007,582
2031-2035	<u>122,024,955</u>
Total	<u>\$ 522,185,929</u>

***Buena Vista/Rosedale-Rio Bravo (BVRRB) Water Acquisition Commitment***

On May 22, 2007, the Agency entered into a 30-year agreement with the Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District for the acquisition of 11,000 acre-feet (AF) of water supply per year for a 30-year period. The purchase price was established in FY 2006/07 at \$486.85 per AF, or \$5,335,350. The purchase price will be adjusted each calendar year by Consumer Price Index (All Urban Consumers – All Items – Southern California Area). The current purchase price is \$560.41 per AF.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015**

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

***Buena Vista/Rosedale-Rio Bravo (BVRRB) Water Acquisition Commitment, continued***

Payments due under the DWR and BVRRB agreements are similar in nature to a long-term operating lease, since the Agency does not take title to any assets of the DWR and BVRRB at the end of the water delivery period. Accordingly, no liability under this contract is recorded in the Statement of Net Assets.

***Litigation***

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

***Grant Awards***

Grant funds received by the Agency 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 Agency believes that such disallowances, if any, would not be significant.

***Construction Contracts***

The Agency has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems and other Agency activities. The financing of such contracts is being provided primarily from the Agency's replacement reserves and advances for construction. The Agency has committed to approximately \$424,060 of open construction contracts as of June 30, 2015. The contracts outstanding include:

<u>Project Name</u>	<u>Contractor</u>	<u>Total Approved Contract</u>	<u>Construction Costs to Date</u>	<u>Balance to Complete</u>
<b><i>Governmental activities:</i></b>				
RVWTP Clearwell Cover Improvements	Erosion Control Application	\$ 3,719,131	3,597,732	121,399
Sub-Total		<u>3,719,131</u>	<u>3,597,732</u>	<u>121,399</u>
<b><i>Business-type activities:</i></b>				
Toppers Pizza	Mesa Engineering	65,349	-	65,349
Habitat for Heros	Mesa Engineering	167,910	154,110	13,800
Keystone Tract 60258 Phase 2&3	Brkich Construction	847,463	827,463	20,000
Keystone Tract 60258 Phase PA 2	STAATS Construction	249,762	46,250	203,512
Sub-Total		<u>1,330,484</u>	<u>1,027,823</u>	<u>302,661</u>
Total		<u>\$ 5,049,615</u>	<u>4,625,555</u>	<u>424,060</u>

**(18) Subsequent Events**

Events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure as of November 1, 2015, which is the date the financial statements were made available to be issued.



## **Required Supplementary Information**



**Castaic Lake Water Agency**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – General Fund**  
**For the Year Ended June 30, 2015**

	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Water sales – Agency	\$ 18,434,800	17,148,631	(1,286,169)
Laboratory fees	130,000	106,854	(23,146)
Interest and investment earnings	89,300	83,425	(5,875)
Other	2,461,100	2,685,369	224,269
<b>Total revenues</b>	<b>21,115,200</b>	<b>20,024,279</b>	<b>(1,090,921)</b>
<b>Expenditures:</b>			
Water treatment operations	4,942,100	5,100,474	(158,374)
Water resources	4,746,500	5,289,336	(542,836)
Maintenance	2,849,300	2,806,058	43,242
Water quality and regulatory affairs	1,029,100	924,929	104,171
Administration	4,223,500	3,734,555	488,945
Management	1,874,000	1,841,002	32,998
Engineering	829,900	812,270	17,630
<b>Total expenditures</b>	<b>20,494,400</b>	<b>20,508,624</b>	<b>(14,224)</b>
Excess of revenues (under) expenditures	620,800	(484,345)	(1,105,145)
<b>Net change in fund balance</b>	<b>620,800</b>	<b>(484,345)</b>	<b>(1,105,145)</b>
<b>Fund balance – beginning of period</b>	<b>11,248,846</b>	<b>11,248,846</b>	
<b>Fund balance – end of period</b>	<b>\$ 11,869,646</b>	<b>10,764,501</b>	

**Castaic Lake Water Agency**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Pledged Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Property taxes	\$ 20,270,600	21,618,469	1,347,869
Facility capacity fee	10,800,000	8,193,540	(2,606,460)
Interest and investment earnings	1,333,600	1,407,338	73,738
Other	<u>800,500</u>	<u>1,010,562</u>	<u>210,062</u>
<b>Total revenues</b>	<u>33,204,700</u>	<u>32,229,909</u>	<u>(974,791)</u>
<b>Expenditures:</b>			
Capital outlay	<u>14,015,700</u>	<u>11,487,359</u>	<u>2,528,341</u>
<b>Total expenditures</b>	<u>14,015,700</u>	<u>11,487,359</u>	<u>2,528,341</u>
Excess of revenues (under) expenditures	<u>19,189,000</u>	<u>20,742,550</u>	<u>1,553,550</u>
<b>Other financing sources:</b>			
Transfers out	<u>(20,409,900)</u>	<u>(22,239,653)</u>	<u>1,829,753</u>
<b>Total other financing sources</b>	<u>(20,409,900)</u>	<u>(22,239,653)</u>	<u>1,829,753</u>
<b>Net change in fund balance</b>	<u>(1,220,900)</u>	<u>(1,497,103)</u>	<u>(276,203)</u>
<b>Fund balance - beginning of period</b>	<u>139,537,076</u>	<u>139,537,076</u>	
<b>Fund balance - end of period</b>	<u>\$ 138,316,176</u>	<u>138,039,973</u>	

**Castaic Lake Water Agency**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – State Water Contract Fund**  
**For the Year Ended June 30, 2015**

	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 24,079,700	26,070,350	1,990,650
Interest and investment earnings	179,900	231,914	52,014
Other	1,000,000	1,771,198	771,198
<b>Total revenues</b>	<b>25,259,600</b>	<b>28,073,462</b>	<b>2,813,862</b>
<b>Expenditures:</b>			
State water contract payments	23,183,700	18,919,286	4,264,414
Capital Outlay	3,500,000	2,988,301	511,699
<b>Total expenditures</b>	<b>26,683,700</b>	<b>21,907,587</b>	<b>4,776,113</b>
Excess of revenues (under) expenditures	(1,424,100)	6,165,875	7,589,975
<b>Net change in fund balance</b>	<b>(1,424,100)</b>	<b>6,165,875</b>	<b>7,589,975</b>
<b>Fund balance – beginning of period</b>	<b>28,694,755</b>	<b>28,694,755</b>	
<b>Fund balance – end of period</b>	<b>\$ 27,270,655</b>	<b>34,860,630</b>	

**Castaic Lake Water Agency**  
**Notes to the Required Supplementary Information**  
**June 30, 2015**

**Basis of Budgeting**

The Agency follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the Agency's General Manager and Administrative Services Manager prepare and submit a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the general fund, pledged revenue fund and state water contract fund.

**Castaic Lake Water Agency**  
**Schedule of the Agency's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2015**  
**Last 10 Fiscal Years\***

	<b>6/30/2014 <sup>(a)</sup></b>	
	<b>Classic Members</b>	<b>New Members (PEPRA)</b>
Plan's Proportion of the Net Pension Liability/(Asset)	0.09601%	0.0000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 5,974,227	\$ 39
Plan's Covered-Employee Payroll <sup>(b)</sup>	\$ 8,901,160	\$ 60,428
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	67.12%	0.060%
Plan's Proportionate Share of its Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	82.89%
Plan's Proportionate Share of Aggregate Employer Contributions <sup>(c), (d)</sup>	\$ 790,368	\$ 5

\* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Notes:**

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.
- (c) The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions on the Plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.
- (d) This data is not required to be displayed by GASB 68 for employer's participating in cost-sharing plans, but is being shown here because it is used in the calculation of the Plan's pension expense.

**Castaic Lake Water Agency  
Schedule of Pension Plan Contributions  
As of June 30, 2015  
Last 10 Fiscal Years\***

	<b>6/30/2014 (a)</b>	
	<b>Classic Members</b>	<b>New Members (PEPRA)</b>
Actuarially determined contribution (b)	\$ 1,041,869	\$ 7,500
Contributions in relation to the actuarially determined contribution	(1,041,869)	(7,500)
Contribution deficiency (excess)	-	-
Covered-employee payroll (c), (d)	\$ 8,901,160	\$ 60,428
Contributions as a percentage of covered-employee payroll (c)	11.70%	12.41%
Payroll from prior year (d)	\$ 8,641,903	\$ 58,668

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Notes:**

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
- (c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll recalculate the required payroll-related ratios.
- (d) Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption.



**Castaic Lake Water Agency**  
**Schedule of Funding Progress – Other Post Employment Benefits Plan (OPEB)**  
**For the Year Ended June 30, 2015**

The schedule of funding progress below shows the Agency’s actuarial value of plan assets, actuarial accrued liability, unfunded actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

<b>Fiscal Year</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2013	7/1/2011	5,373,013	12,093,000	6,719,987	44.43%	8,602,464	78.12%
2014	7/1/2013	7,524,921	10,139,000	2,614,079	74.22%	9,079,904	28.79%
2015	7/1/2013	8,171,551	10,926,467	2,754,916	74.79%	9,412,753	29.27%



## **Other Supplementary Information**

**Castaic Lake Water Agency**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Capital Projects Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Bond Proceeds	\$ 3,381,180	-	(3,381,180)
Interest and investment earnings	14,700	30,395	15,695
Others	-	1,040,081	1,040,081
<b>Total revenues</b>	<u>3,395,880</u>	<u>1,070,476</u>	<u>(2,325,404)</u>
<b>Expenditures:</b>			
Capital outlay	<u>17,159,000</u>	<u>7,143,335</u>	<u>10,015,665</u>
<b>Total expenditures</b>	<u>17,159,000</u>	<u>7,143,335</u>	<u>10,015,665</u>
Excess of revenues (under) expenditures	<u>(13,763,120)</u>	<u>(6,072,859)</u>	<u>7,690,261</u>
<b>Net change in fund balance</b>	<u>(13,763,120)</u>	<u>(6,072,859)</u>	<u>7,690,261</u>
<b>Fund balance - beginning of period</b>	<u>13,864,241</u>	<u>13,864,241</u>	
<b>Fund balance - end of period</b>	<u>\$ 101,121</u>	<u>7,791,382</u>	

**Castaic Lake Water Agency**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Debt Service Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>	\$		
Interest and investment earnings	413,500	562,502	149,002
<b>Total revenues</b>	<u>413,500</u>	<u>562,502</u>	<u>149,002</u>
<b>Expenditures:</b>			
Interest expense	9,449,877	10,251,000	(801,123)
Principal payments expense	10,960,000	12,471,250	(1,511,250)
Cost of issuance	-	187,887	(187,887)
<b>Total expenditures</b>	<u>20,409,877</u>	<u>22,910,137</u>	<u>(2,500,260)</u>
Excess of revenues (under) expenditures	<u>(19,996,377)</u>	<u>(22,347,635)</u>	<u>(2,351,258)</u>
<b>Other financing sources:</b>			
Transfers in	20,409,877	22,239,653	1,829,776
Refund bond issued	-	64,000,000	(64,000,000)
Payment to refunded bond escrow	-	(80,772,664)	80,772,664
Premium on refunding bond issue	-	10,929,869	(10,929,869)
<b>Total other financing sources</b>	<u>20,409,877</u>	<u>16,396,858</u>	<u>7,672,571</u>
<b>Net change in fund balance</b>	413,500	(5,950,777)	<u>5,321,313</u>
<b>Fund balance - beginning of period</b>	<u>14,837,289</u>	<u>14,837,289</u>	
<b>Fund balance - end of period</b>	\$ <u><u>15,250,789</u></u>	<u><u>8,886,512</u></u>	



# **Statistical Section**





**Castaic Lake Water Agency  
Statistical Section**

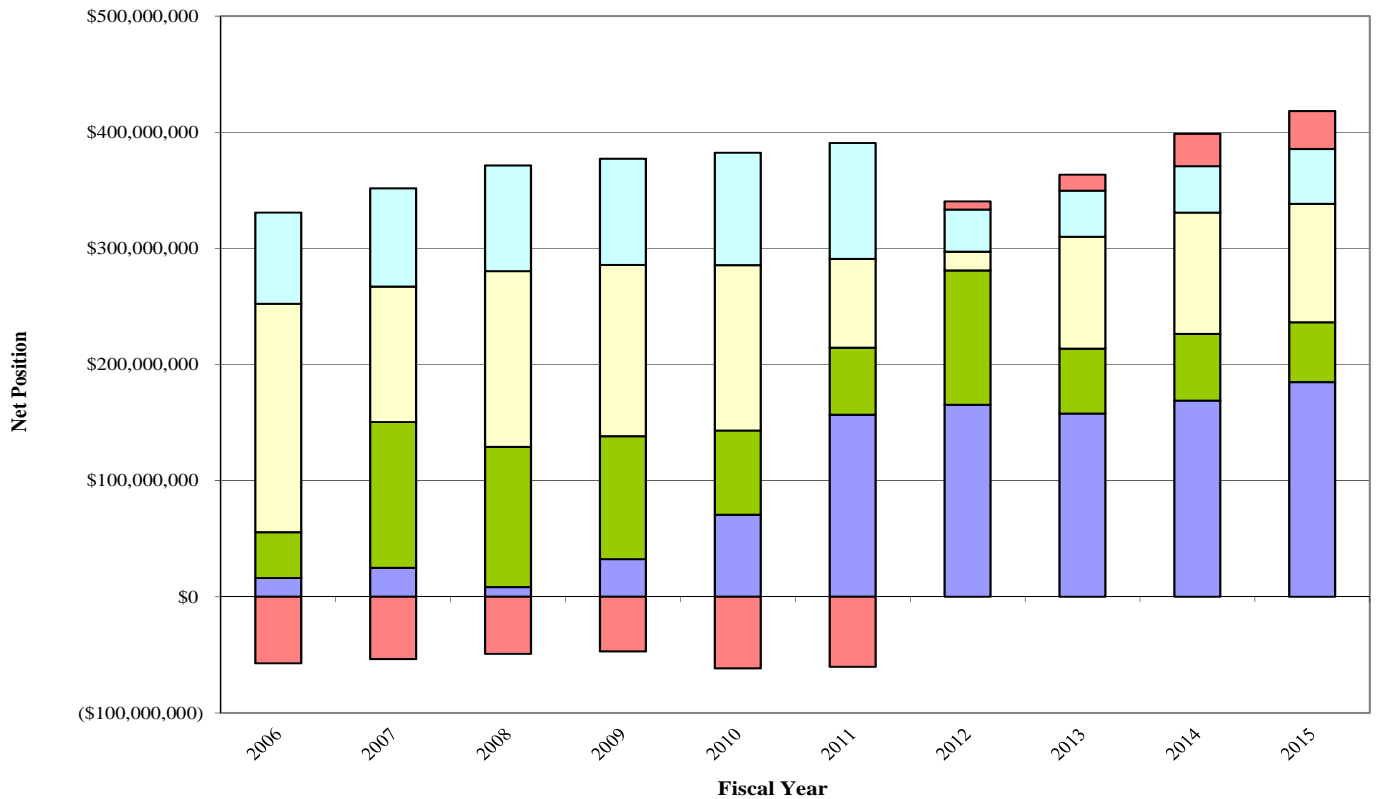
This part of the Agency’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency’s overall financial health.

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Financial Trends These schedules contain information to help the reader understand how the Agency’s financial performance and well-being have changed over time.	70
Revenue Capacity These schedules contain information to help the reader assess the Agency’s most significant own-source revenue, water sales.	82
Debt Capacity These schedules present information to help the reader assess the affordability of the Agency’s current levels of outstanding debt and the Agency’s ability to issue additional debt in the future.	86
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the Agency’s financial activities take place.	90
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the Agency’s financial report relates to the service the Agency provides.	92

## Castaic Lake Water Agency Net Position by Component Last Ten Fiscal Years

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 16,202,644	24,985,031	8,519,004	32,533,377	70,579,699
Restricted	39,455,960	125,437,488	120,596,282	105,758,118	72,605,463
Unrestricted	196,542,188	116,680,092	151,323,567	147,449,404	142,428,175
<b>Total governmental activities net position</b>	<b>252,200,792</b>	<b>267,102,611</b>	<b>280,438,853</b>	<b>285,740,899</b>	<b>285,613,337</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 78,671,449	84,453,333	90,863,292	91,383,684	96,749,019
Restricted	-	-	-	-	12,238,117
Unrestricted	(57,151,272)	(53,562,143)	(49,098,684)	(46,884,101)	(61,505,829)
<b>Total business-type activities net position</b>	<b>21,520,177</b>	<b>30,891,190</b>	<b>41,764,608</b>	<b>44,499,583</b>	<b>47,481,307</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 94,874,093	109,438,364	99,382,296	123,917,061	167,328,718
Restricted	39,455,960	125,437,488	120,596,282	105,758,118	72,605,463
Unrestricted	139,390,916	63,117,949	102,224,883	100,565,303	80,922,346
<b>Total primary government net position</b>	<b>\$ 273,720,969</b>	<b>297,993,801</b>	<b>322,203,461</b>	<b>330,240,482</b>	<b>320,856,527</b>

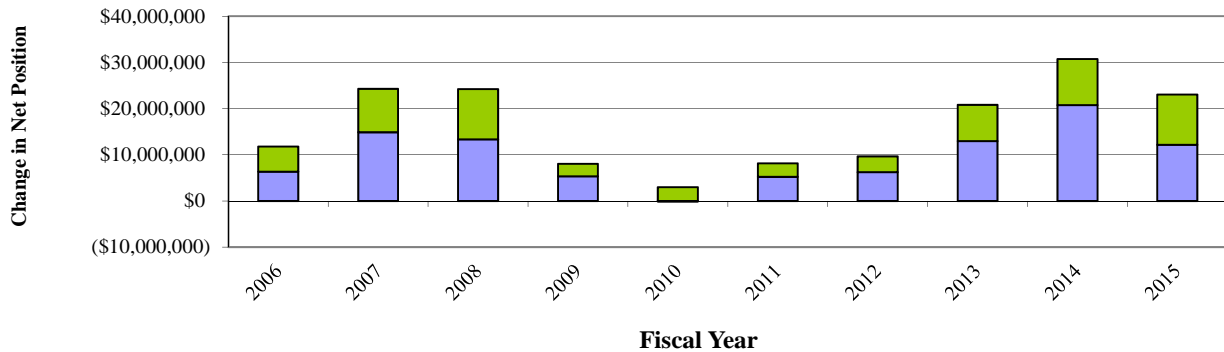


Source: Castaic Lake Water Agency audited financial statements

<b>Fiscal Year</b>				
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
156,643,758	165,223,050	157,758,346	168,967,912	184,777,073
57,911,515	115,753,427	55,760,793	57,396,285	51,538,524
<u>76,256,980</u>	<u>16,080,166</u>	<u>96,518,251</u>	<u>104,442,481</u>	<u>102,073,443</u>
<u>290,812,253</u>	<u>297,056,643</u>	<u>310,037,390</u>	<u>330,806,678</u>	<u>338,389,040</u>
99,974,771	36,339,546	39,583,851	39,893,716	47,216,529
10,692,889	10,451,190	8,307,214	3,835,076	-
<u>(60,249,188)</u>	<u>7,027,088</u>	<u>13,743,212</u>	<u>27,866,509</u>	<u>32,487,657</u>
<u>50,418,472</u>	<u>53,817,824</u>	<u>61,634,277</u>	<u>71,595,301</u>	<u>79,704,186</u>
256,618,529	201,562,596	197,342,197	208,861,628	231,993,602
57,911,515	126,204,617	64,068,007	61,231,361	51,538,524
<u>16,007,792</u>	<u>23,107,254</u>	<u>110,261,463</u>	<u>132,308,990</u>	<u>134,561,100</u>
<u>330,537,836</u>	<u>350,874,467</u>	<u>371,671,667</u>	<u>402,401,979</u>	<u>418,093,226</u>

## Castaic Lake Water Agency Changes in Net Position Last Ten Fiscal Years

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Expenses</b>					
Governmental activities:					
Wholesale water operations	\$ 31,947,220	34,087,974	38,557,149	51,285,178	47,922,365
Interest on long-term debt	13,735,436	17,174,794	18,929,576	17,021,922	19,341,062
Total governmental activities expenses	<u>45,682,656</u>	<u>51,262,768</u>	<u>57,486,725</u>	<u>68,307,100</u>	<u>67,263,427</u>
Business-type activities:					
Water enterprise	16,882,065	19,475,839	18,620,416	20,503,320	21,669,243
Total primary government expenses	<u>62,564,721</u>	<u>70,738,607</u>	<u>76,107,141</u>	<u>88,810,420</u>	<u>88,932,670</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services – wholesale water operations	7,592,481	9,243,448	10,151,507	9,933,606	11,172,749
Capital grants and contributions	10,930,741	12,192,365	9,197,376	1,824,712	4,016,683
Total governmental activities program revenues	<u>18,523,222</u>	<u>21,435,813</u>	<u>19,348,883</u>	<u>11,758,318</u>	<u>15,189,432</u>
Business-type activities:					
Charges for services – water enterprise	15,719,778	18,118,199	19,649,755	21,462,927	22,058,050
Capital grants and contributions	5,488,544	9,375,529	6,417,457	1,267,966	2,031,072
Total business-type activities program revenues	<u>21,208,322</u>	<u>27,493,728</u>	<u>26,067,212</u>	<u>22,730,893</u>	<u>24,089,122</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	(27,159,434)	(29,826,955)	(38,137,842)	(56,548,782)	(52,073,995)
Business-type activities	4,326,257	8,017,889	7,446,796	2,227,573	2,419,879
Total primary government net expense	<u>(22,833,177)</u>	<u>(21,809,066)</u>	<u>(30,691,046)</u>	<u>(54,321,209)</u>	<u>(49,654,116)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Property taxes	25,471,956	31,166,802	33,964,175	35,692,587	40,461,183
Investment income	7,882,254	10,289,735	12,131,840	9,197,675	5,393,873
Other income	118,353	3,272,237	5,378,069	16,960,566	6,091,377
Total governmental activities	<u>33,472,563</u>	<u>44,728,774</u>	<u>51,474,084</u>	<u>61,850,828</u>	<u>51,946,433</u>
Business-type activities:					
Investment income	272,604	589,923	573,857	294,234	94,742
Other income	869,786	763,201	2,852,765	213,168	467,103
Total business-type activities	<u>1,142,390</u>	<u>1,353,124</u>	<u>3,426,622</u>	<u>507,402</u>	<u>561,845</u>
Total primary government	<u>34,614,953</u>	<u>46,081,898</u>	<u>54,900,706</u>	<u>62,358,230</u>	<u>52,508,278</u>
<b>Changes in Net Position</b>					
Governmental activities	6,313,129	14,901,819	13,336,242	5,302,046	(127,562)
Business-type activities	5,468,647	9,371,013	10,873,418	2,734,975	2,981,724
Total primary government	<u>\$ 11,781,776</u>	<u>24,272,832</u>	<u>24,209,660</u>	<u>8,037,021</u>	<u>2,854,162</u>

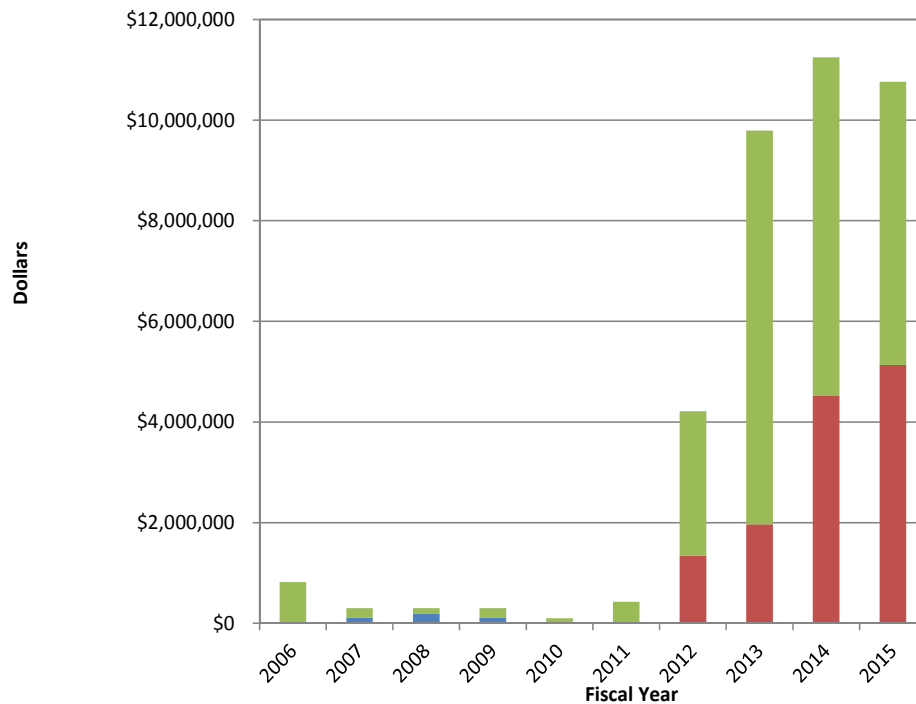


Source: Castaic Lake Water Agency audited financial statements

<b>Fiscal Year</b>				
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
49,539,982	52,630,577	51,835,649	54,000,193	52,647,241
<u>15,492,620</u>	<u>15,227,580</u>	<u>14,755,927</u>	<u>14,451,234</u>	<u>17,160,001</u>
<u>65,032,602</u>	<u>67,858,157</u>	<u>66,591,576</u>	<u>68,451,427</u>	<u>69,807,242</u>
<u>23,447,992</u>	<u>27,114,494</u>	<u>26,116,807</u>	<u>25,243,032</u>	<u>26,569,328</u>
<u>88,480,594</u>	<u>94,972,651</u>	<u>92,708,383</u>	<u>93,694,459</u>	<u>96,376,570</u>
14,433,782	17,056,699	19,578,749	18,093,049	17,255,485
<u>3,220,225</u>	<u>5,986,620</u>	<u>7,914,109</u>	<u>8,695,534</u>	<u>8,193,540</u>
<u>17,654,007</u>	<u>23,043,319</u>	<u>27,492,858</u>	<u>26,788,583</u>	<u>25,449,025</u>
25,139,755	28,697,456	31,031,943	32,504,936	28,872,861
<u>536,066</u>	<u>1,156,504</u>	<u>2,201,830</u>	<u>1,869,487</u>	<u>7,566,266</u>
<u>25,675,821</u>	<u>29,853,960</u>	<u>33,233,773</u>	<u>34,374,423</u>	<u>36,439,127</u>
(47,378,595)	(44,814,838)	(39,098,718)	(41,662,844)	(44,358,217)
<u>2,227,829</u>	<u>2,739,466</u>	<u>7,116,966</u>	<u>9,131,391</u>	<u>9,869,799</u>
<u>(45,150,766)</u>	<u>(42,075,372)</u>	<u>(31,981,752)</u>	<u>(32,531,453)</u>	<u>(34,488,418)</u>
43,220,544	42,433,421	42,630,692	44,114,076	47,688,819
<u>4,027,026</u>	<u>4,086,199</u>	<u>3,083,860</u>	<u>3,564,264</u>	<u>2,315,574</u>
<u>5,329,941</u>	<u>4,539,608</u>	<u>6,364,913</u>	<u>14,753,792</u>	<u>6,507,210</u>
<u>52,577,511</u>	<u>51,059,228</u>	<u>52,079,465</u>	<u>62,432,132</u>	<u>56,511,603</u>
154,699	162,957	132,653	148,852	280,151
<u>554,637</u>	<u>496,930</u>	<u>566,834</u>	<u>680,781</u>	<u>760,534</u>
<u>709,336</u>	<u>659,887</u>	<u>699,487</u>	<u>829,633</u>	<u>1,040,685</u>
<u>53,286,847</u>	<u>51,719,115</u>	<u>52,778,952</u>	<u>63,261,765</u>	<u>57,552,288</u>
5,198,916	6,244,390	12,980,747	20,769,288	12,153,386
<u>2,937,165</u>	<u>3,399,353</u>	<u>7,816,453</u>	<u>9,961,024</u>	<u>10,910,484</u>
<u>8,136,081</u>	<u>9,643,743</u>	<u>20,797,200</u>	<u>30,730,312</u>	<u>23,063,870</u>

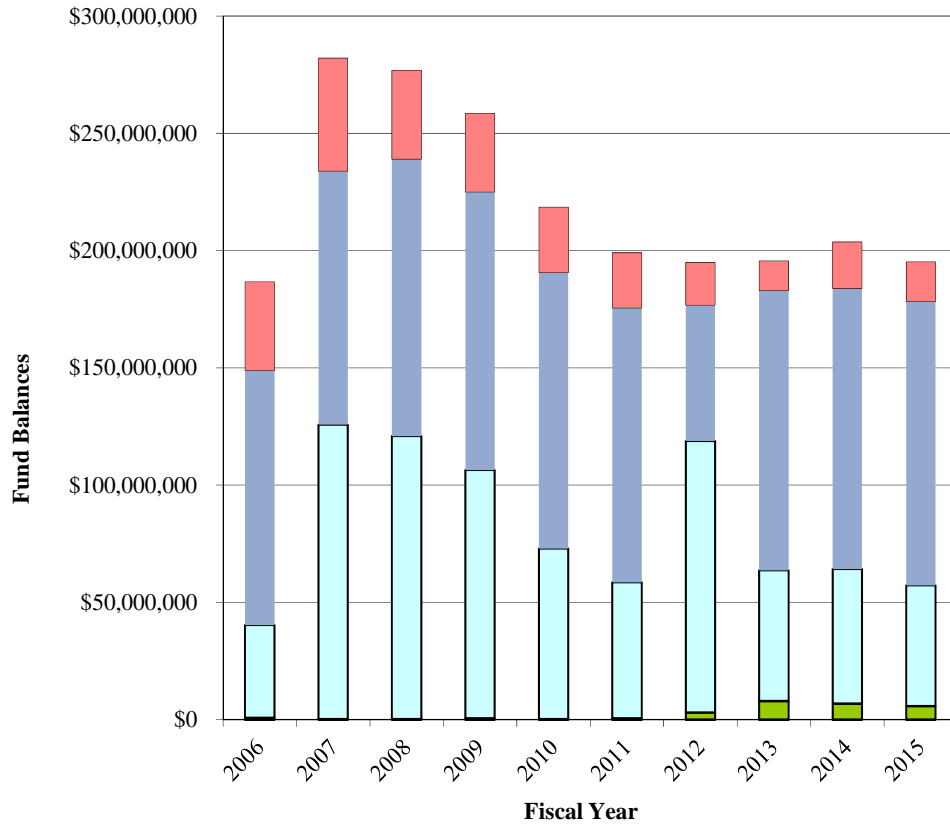
## Castaic Lake Water Agency Fund Balances – Governmental Funds Last Ten Fiscal Years

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Nonspendable	\$ 16,819	108,986	196,871	109,339	17,135
Committed	-	-	-	-	-
Assigned	799,397	191,014	103,129	190,661	82,865
<b>Total general fund</b>	<b>\$ 816,216</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>	<b>100,000</b>
All Other Governmental Funds					
Nonspendable	\$ -	3,712	17,125	345,432	228,391
Restricted	39,455,960	125,437,488	120,596,282	105,758,118	72,605,463
Committed	108,615,943	108,144,571	118,003,551	118,551,071	117,581,148
Assigned	37,721,667	48,202,445	37,971,867	33,414,877	27,931,828
Unassigned	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 185,793,570</b>	<b>281,788,216</b>	<b>276,588,825</b>	<b>258,069,498</b>	<b>218,346,830</b>



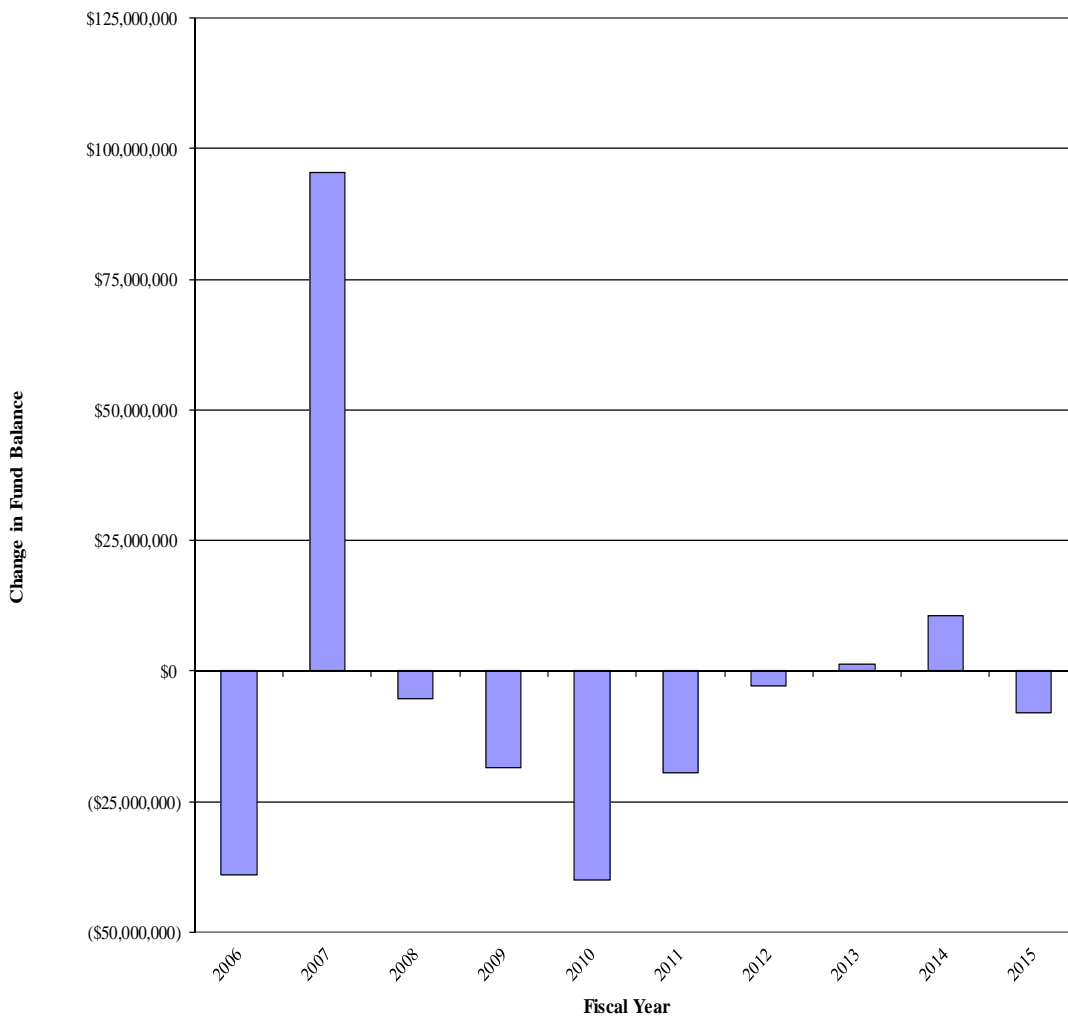
Source: Castaic Lake Water Agency audited financial statements

Fiscal Year				
2011	2012	2013	2014	2015
13,480	10,000	10,000	10,000	10,000
-	1,330,000	1,958,679	4,505,300	5,123,600
413,805	2,875,923	7,827,766	6,733,546	5,630,901
<u>427,285</u>	<u>4,215,923</u>	<u>9,796,445</u>	<u>11,248,846</u>	<u>10,764,501</u>
159,935	142,758	171,329	188,656	144,459
57,911,515	115,753,427	55,589,464	57,207,629	51,394,065
116,948,896	57,962,800	119,249,210	119,804,730	121,064,450
23,557,711	18,176,577	12,749,683	19,732,346	16,975,523
-	-	-	-	-
<u>198,578,057</u>	<u>192,035,562</u>	<u>187,759,686</u>	<u>196,933,361</u>	<u>189,578,497</u>



**Castaic Lake Water Agency  
Changes in Fund Balances – Governmental Funds  
Last Ten Fiscal Years**

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues	\$ 51,995,786	66,164,593	70,822,967	73,609,146	67,135,865
Expenditures	92,993,043	113,990,133	76,022,355	92,128,477	107,058,533
Excess of revenues over (under) expenditures	(40,997,257)	(47,825,540)	(5,199,388)	(18,519,331)	(39,922,668)
Other Financing Sources (Uses)					
Proceeds from long-term debt	1,874,975	143,303,976	-	-	-
Operating transfers in	33,399,791	80,190,557	33,335,882	36,598,715	37,440,721
Operating transfers out	(33,399,791)	(80,190,557)	(33,335,882)	(36,598,715)	(37,440,721)
Total Other Financing Sources (Uses)	1,874,975	143,303,976	-	-	-
<b>Net change in fund balances</b>	<b>\$ (39,122,282)</b>	<b>95,478,436</b>	<b>(5,199,388)</b>	<b>(18,519,331)</b>	<b>(39,922,668)</b>
Debt service ratio to non capital expenditures	45.40%	36.07%	40.91%	37.50%	40.65%



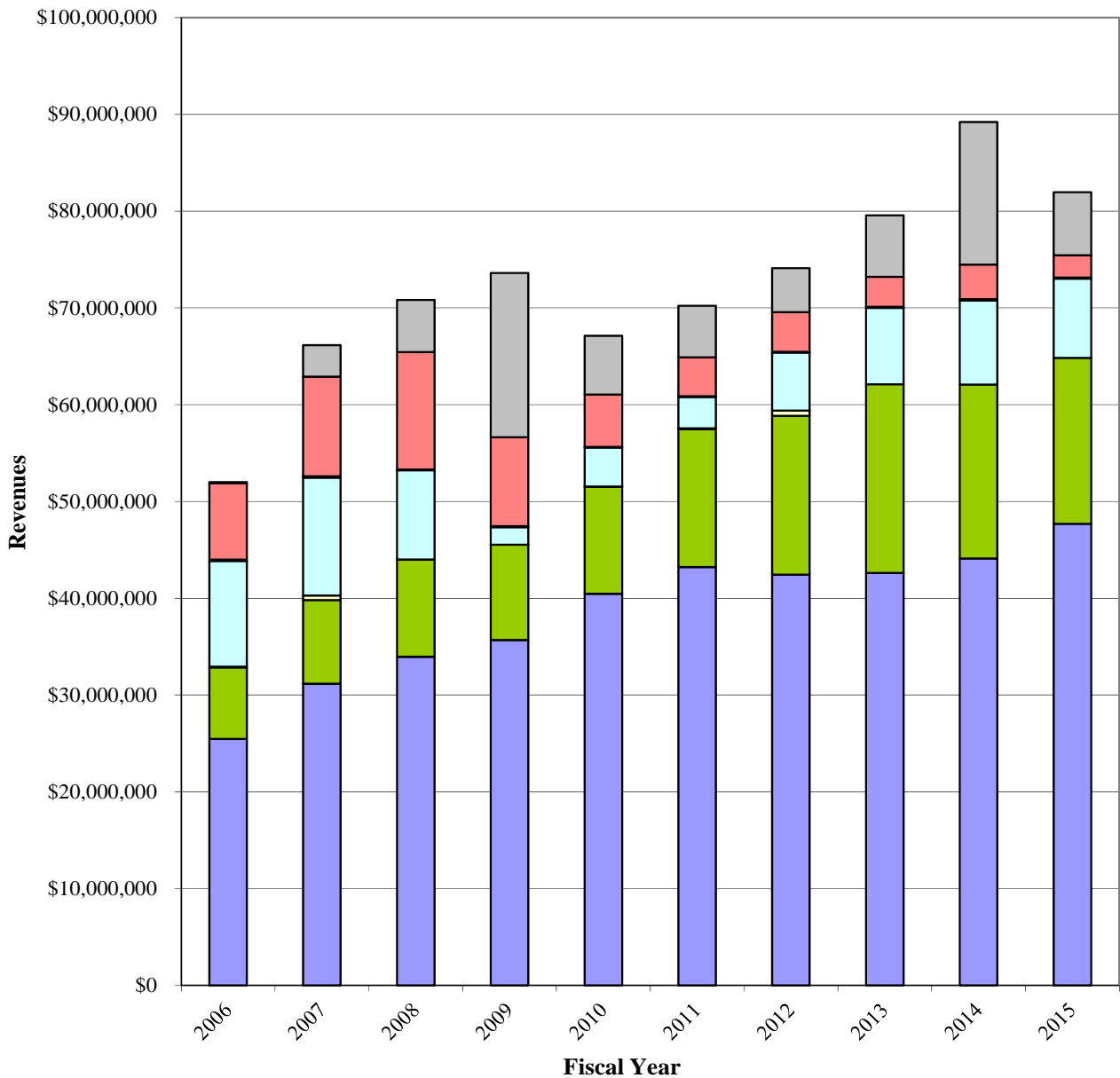
Source: Castaic Lake Water Agency audited financial statements



<b>Fiscal Year</b>				
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
70,231,518	74,102,547	79,572,323	89,220,715	81,960,628
89,673,006	76,856,404	78,267,677	78,814,475	83,957,042
(19,441,488)	(2,753,857)	1,304,646	10,406,240	(1,996,414)
-	-	-	219,836	(5,842,795)
37,469,290	81,985,446	82,826,667	26,225,116	22,239,653
(37,469,290)	(81,985,446)	(82,826,667)	(26,225,116)	(22,239,653)
-	-	-	219,836	(5,842,795)
(19,441,488)	(2,753,857)	1,304,646	10,626,076	(7,839,209)
37.18%	38.81%	39.31%	40.83%	36.56%

**Castaic Lake Water Agency  
Governmental Fund Revenues  
Last Ten Fiscal Years**

	Fiscal Year				
	2006	2007	2008	2009	2010
Property taxes	\$ 25,471,956	31,166,808	33,964,175	35,692,587	40,461,183
Water sales - Agency	7,366,376	8,653,258	10,035,533	9,831,410	11,074,364
Water sales - Devil's Den	96,231	456,963	20,819	7,114	6,434
Facility capacity fees	10,930,741	12,192,365	9,197,376	1,824,712	4,016,683
Laboratory fees	129,874	133,227	95,155	95,082	91,951
Interest	7,882,254	10,289,735	12,131,840	9,197,675	5,393,873
Other	118,354	3,272,237	5,378,069	16,960,566	6,091,377
<b>Total governmental revenues</b>	<b>\$ 51,995,786</b>	<b>66,164,593</b>	<b>70,822,967</b>	<b>73,609,146</b>	<b>67,135,865</b>

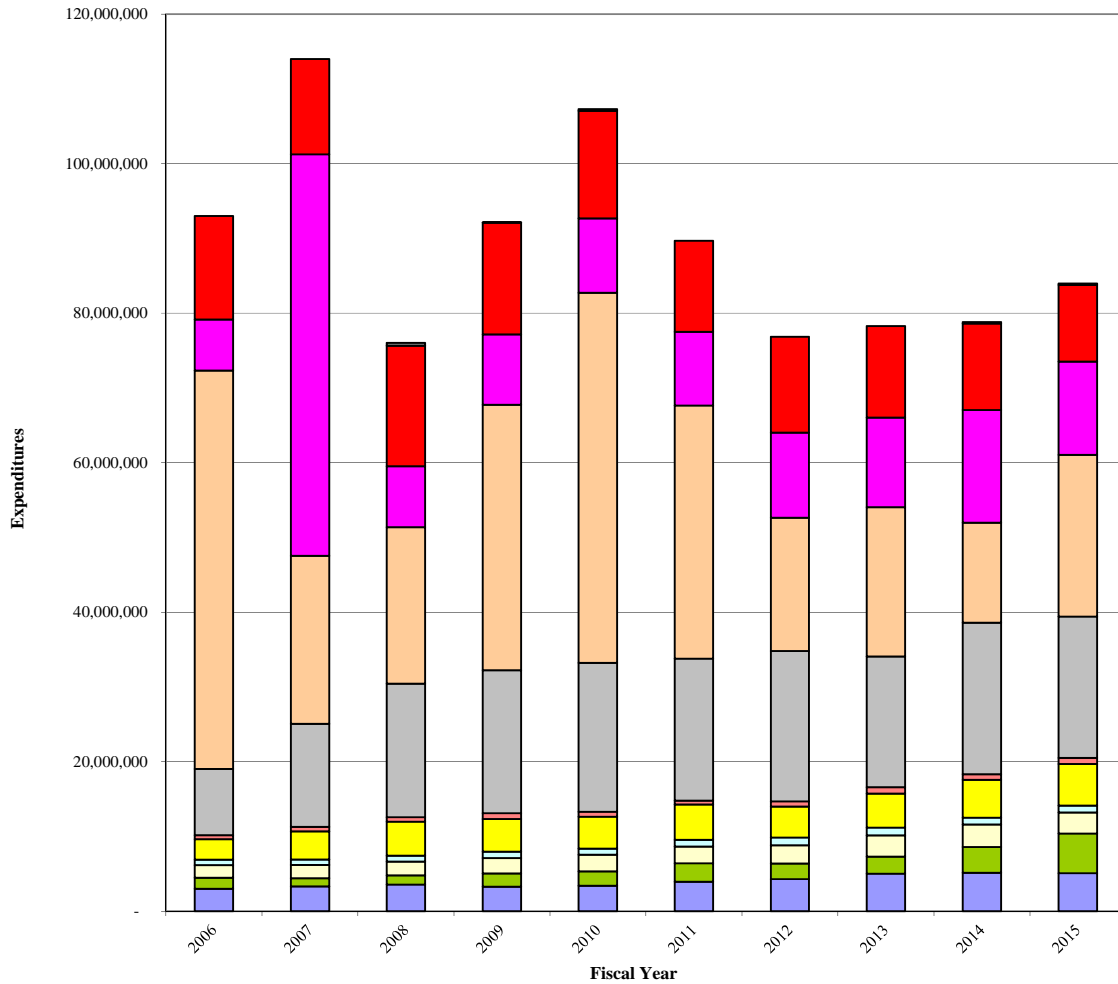


Source: Castaic Lake Water Agency audited financial statements

<b>Fiscal Year</b>				
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
43,220,544	42,433,421	42,630,692	44,114,076	47,688,819
14,236,852	16,410,876	19,474,884	17,973,854	17,148,631
114,544	560,409	-	-	-
3,220,225	5,986,620	7,914,109	8,695,534	8,193,540
82,386	85,414	103,865	119,195	106,854
4,027,026	4,086,199	3,083,860	3,564,264	2,315,574
5,329,941	4,539,608	6,364,913	14,753,792	6,507,210
<u>70,231,518</u>	<u>74,102,547</u>	<u>79,572,323</u>	<u>89,220,715</u>	<u>81,960,628</u>

## Castaic Lake Water Agency Governmental Fund Expenditures Last Ten Fiscal Years

	Fiscal Year				
	2006	2007	2008	2009	2010
Water treatment operations	\$ 3,014,978	3,314,922	3,565,133	3,295,972	3,414,408
Water resources	1,465,599	1,092,406	1,222,234	1,750,276	1,929,400
Maintenance	1,681,886	1,772,771	1,835,902	2,061,030	2,195,822
Water quality and regulatory affairs	732,276	742,508	790,097	866,709	844,750
Management and Administration	2,727,665	3,766,537	4,562,287	4,343,068	4,253,303
Engineering	555,747	606,441	593,133	788,433	656,485
State water contract payments	8,859,407	13,774,790	17,856,749	19,124,636	19,942,213
Capital outlay	53,296,758	22,470,432	20,947,111	35,521,472	49,479,405
Debt service:					
Principal	6,835,000	53,725,325	8,160,000	9,405,000	9,960,000
Interest	13,823,727	12,724,001	16,104,142	14,965,694	14,390,597
Issuance costs	-	-	385,567	6,187	233,500
<b>Total governmental expenditures</b>	<b>\$ 92,993,043</b>	<b>113,990,133</b>	<b>76,022,355</b>	<b>92,128,477</b>	<b>107,299,883</b>



Source: Castaic Lake Water Agency audited financial statements

<b>Fiscal Year</b>				
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
3,961,439	4,292,775	5,021,354	5,156,265	5,100,474
2,461,971	2,103,345	2,262,890	3,448,559	5,289,336
2,230,338	2,418,199	2,849,415	2,984,218	2,806,058
877,626	1,046,056	1,063,255	922,075	924,929
4,752,754	4,132,249	4,548,511	5,048,221	5,575,557
508,833	696,661	852,914	769,294	812,270
18,994,668	20,097,200	17,484,296	20,274,642	18,919,286
33,845,652	17,841,845	19,975,922	13,369,161	21,618,995
9,865,000	11,375,000	11,980,000	15,080,000	12,471,250
12,174,725	12,853,074	12,229,120	11,558,969	10,251,000
-	-	-	203,071	187,887
<b>89,673,006</b>	<b>76,856,404</b>	<b>78,267,677</b>	<b>78,814,475</b>	<b>83,957,042</b>

**Castaic Lake Water Agency  
Assessed Valuations – Los Angeles and Ventura Counties  
Last Ten Fiscal Years**

Fiscal Year	Secured			Unsecured			Total Direct Tax Rate
	Los Angeles County	Ventura County	Totals	Los Angeles County	Ventura County	Totals	
2006	26,726,931,679	24,345,222	26,751,276,901	843,544,054	465,032	844,009,086	0.049327%
2007	30,170,105,930	26,888,038	30,196,993,968	946,158,845	474,776	946,633,621	0.040000%
2008	32,925,381,541	27,260,648	32,952,642,189	1,048,909,083	483,493	1,049,392,576	0.040000%
2009	34,456,856,037	27,921,923	34,484,777,960	1,226,855,382	650,042	1,227,505,424	0.040000%
2010	32,423,796,679	27,668,978	32,451,465,657	1,239,808,314	662,551	1,240,470,865	0.060750%
2011	32,127,907,283	46,066,529	32,173,973,812	1,163,577,979	1,119,263	1,164,697,242	0.070600%
2012	32,293,545,857	42,944,069	32,336,489,926	1,110,112,019	1,085,258	1,111,197,277	0.070600%
2013	31,694,907,000	34,323,664	31,729,230,664	1,146,810,742	1,085,136	1,147,895,878	0.070600%
2014	32,434,666,420	33,635,458	32,468,301,878	1,138,677,261	1,158,788	1,139,836,049	0.070600%
2015	35,021,562,706	31,767,444	35,053,330,150	1,156,885,532	1,179,843	1,158,065,375	0.070600%

**Note:** Property in Los Angeles and Ventura County are reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to the actual values.

**Source:** Los Angeles and Ventura County Assessor offices

**Castaic Lake Water Agency  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Levy</b>	<b>Castaic Lake Water Agency</b>	<b>Los Angeles County</b>	<b>School Districts</b>	<b>County Sanitation Districts</b>	<b>County Flood Control</b>	<b>Total</b>
2006	1.000000	0.049327	0.000795	0.064422	0.000000	0.000049	1.114593
2007	1.000000	0.040000	0.000663	0.052689	0.000000	0.000052	1.093404
2008	1.000000	0.040000	0.000000	0.061636	0.000000	0.000000	1.101636
2009	1.000000	0.040000	0.000000	0.062621	0.000000	0.000000	1.102621
2010	1.000000	0.060750	0.000000	0.074476	0.000000	0.000000	1.135226
2011	1.000000	0.070600	0.000000	0.079079	0.000000	0.000000	1.149679
2012	1.000000	0.070600	0.000000	0.087663	0.000000	0.000000	1.158263
2013	1.000000	0.070600	0.000000	0.103757	0.000000	0.000000	1.174357
2014	1.000000	0.070600	0.000000	0.131959	0.000000	0.000000	1.202559
2015	1.000000	0.070600	0.000000	0.141497	0.000000	0.000000	1.212097

**Source:** Los Angeles and Ventura County Assessor offices

**Castaic Lake Water Agency  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Taxes Levied</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years Amount</b>	<b>Total Collections</b>	
		<b>Collections</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2006	30,232,559	28,992,344	95.90%	1,002,356	29,994,700	(1) 99.21%
2007	30,025,021	26,773,696	89.17%	2,426,245	29,199,941	97.25%
2008	32,697,975	28,267,658	86.45%	2,237,535	30,505,193	93.29%
2009	34,406,250	29,798,576	86.61%	2,435,206	32,233,782	93.69%
2010	39,040,906	34,748,670	89.01%	1,947,972	36,696,642	94.00%
2011	41,915,206	38,767,789	92.49%	1,430,650	40,198,439	95.90%
2012	42,225,389	38,357,468	90.84%	336,529	38,693,997	91.64%
2013	41,783,211	40,268,441	96.37%	276,156	40,544,597	97.04%
2014	42,822,203	41,692,241	97.36%	(596,502)	41,095,739	95.97%
2015	46,389,302	45,140,714	97.31%	(332,779)	44,807,935	96.59%

**Notes:**

(1) Property tax collected by the Agency differ from the balance collected above due to ERAF shift.

**Source:** Los Angeles and Ventura County Assessor offices



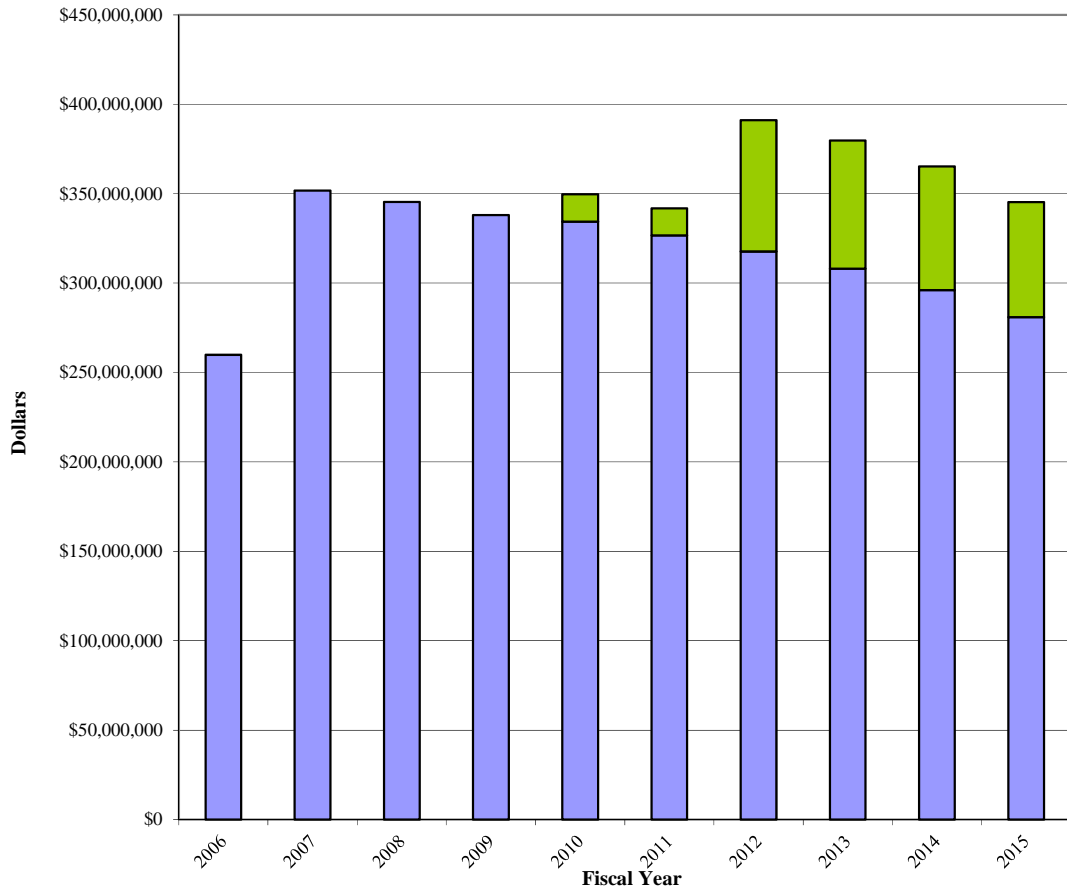
**Castaic Lake Water Agency  
Principal Property Tax Payers  
Current Fiscal Year and Nine Years Ago**

<b>Customer</b>	<b>2015</b>		<b>2006</b>	
	<b>Assessed Value</b>	<b>Percentage of Total</b>	<b>Assessed Value</b>	<b>Percentage of Total</b>
LNR Valencia Town Center	179,593,192	0.50%	100,478,403	0.36%
Newhall Land & Farming	122,795,865	0.34%	94,923,722	0.34%
Lexington Lion Clarita LP	79,400,000	0.22%	1,799,277	0.01%
California Institute of Arts	74,903,213	0.21%	47,237,919	0.17%
Premier Parks Incorporated	74,284,367	0.21%	26,908,761	0.10%
RREEF America Reit II Corp D	74,075,908	0.20%	21,705,037	0.08%
Town Center Apartments I	55,742,416	0.15%	18,365,803	0.07%
Newhl Land & Farming	52,108,945	0.14%	39,116,984	0.14%
EQR Essex Place Financing	52,054,032	0.14%	13,535,556	0.05%
LNR Town Center Entertainment	38,853,675	0.11%	29,905,829	0.11%
Total	803,811,613	2.22%	393,977,291	1.43%
All Others	35,407,583,912	97.78%	27,201,308,696	98.57%
Total Assessed Value	<u>36,211,395,525</u>	<u>100.00%</u>	<u>27,595,285,987</u>	<u>100.00%</u>

**Source:** Los Angeles and Ventura County Assessor offices

## Castaic Lake Water Agency Ratio of Outstanding Debt Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business-type Activities	Total Debt	Per Capita	As a Share of Personal Income		
					Total	Governmental Activities	Business-type Activities
2006	\$ 259,870,046	-	259,870,046	1,524.57	3.86%	3.86%	0.00%
2007	351,727,989	-	351,727,989	1,985.39	4.82%	4.82%	0.00%
2008	345,473,561	-	345,473,561	1,951.33	4.62%	4.62%	0.00%
2009	338,077,352	-	338,077,352	1,908.42	4.66%	4.66%	0.00%
2010	334,413,904	15,288,694	349,702,598	1,968.59	4.72%	4.51%	0.21%
2011	326,722,119	15,016,646	341,738,765	1,931.04	4.44%	4.25%	0.20%
2012	317,666,527	73,477,236	391,143,763	2,204.31	4.82%	3.91%	0.90%
2013	308,160,699	71,589,295	379,749,994	1,852.88	3.96%	3.21%	0.75%
2014	296,129,598	69,211,354	365,340,952	1,746.96	3.61%	2.93%	0.68%
2015	280,955,820	64,353,413	345,309,233	1,619.41	3.24%	2.64%	0.60%



Source: Castaic Lake Water Agency Audited Financial Statements

**Castaic Lake Water Agency  
Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Taxable Value of Property</u>	<u>Per Capita</u>
2006	-	N/A	N/A
2007	-	N/A	N/A
2008	-	N/A	N/A
2009	-	N/A	N/A
2010	-	N/A	N/A
2011	-	N/A	N/A
2012	-	N/A	N/A
2013	-	N/A	N/A
2014	-	N/A	N/A
2015	-	N/A	N/A

**Sources:** Castaic Lake Water Agency audited financial statements,  
Assessed Values at Schedule, and Demographic and Economics  
Schedule

**Castaic Lake Water Agency  
Direct and Overlapping Governmental Activities Debt  
At June 30, 2015**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>(1)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Los Angeles County Flood Control District	17,480,000	2.104%	367,706
Los Angeles County Sanitation District	<u>205,563,658</u>	<u>2.104%</u>	<u>4,324,204</u>
Total overlapping debt			4,691,910
Agency Governmental Activities Direct Debt	280,955,820	100.000%	<u>280,955,820</u>
Total direct and overlapping debt			<u><u>285,647,730</u></u>

2014/15 Assessed Valuation: \$36,178,448,238

Debt to Assessed Valuation Ratios	Direct Debt	0.78%
	Overlapping Debt	0.01%
	Total Debt	0.79%

(1) Percentage of overlapping debt applicable to the Agency is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping agency's assessed value that is within the boundaries of the agency divided by the agency's total taxable assessed value.

**Source:** County of Los Angeles 2014 CAFR (2015 CAFR not available)

**Castaic Lake Water Agency  
Debt Coverage  
Last Ten Fiscal Years**

Fiscal Year	Revenues <sup>(1)</sup>	Expenses <sup>(2)</sup>	Net Available Revenues	Debt Service		Total	Coverage Ratio
				Principal <sup>(3)</sup>	Interest		
2006	\$ 35,792,676	(10,178,151)	25,614,525	6,835,000	13,823,727	20,658,727	1.24
2007	52,489,442	(11,295,585)	41,193,857	7,015,000	12,724,001	19,739,001	2.09
2008	56,145,308	(11,972,443)	44,172,865	8,160,000	16,104,142	24,264,142	1.82
2009	57,708,489	(13,105,488)	44,603,001	9,405,000	14,965,694	24,370,694	1.83
2010	42,564,503	(13,294,168)	29,270,335	9,960,000	14,390,597	24,350,597	1.20
2011	42,636,122	(14,792,961)	27,843,161	9,865,000	12,174,725	22,039,725	1.26
2012	47,619,340	(14,689,285)	32,930,055	11,375,000	12,853,074	24,228,074	1.36
2013	53,922,687	(16,598,339)	37,324,348	11,980,000	12,229,120	24,209,120	1.54
2014	62,234,158	(18,328,632)	43,905,526	15,080,000	11,558,969	26,638,969	1.65
2015	52,254,188	(20,508,624)	31,745,564	12,471,250	10,251,000	22,722,250	1.40

**Notes:** Debt Coverage for Governmental Activities.

(1) Per official statements, revenue pledged includes amounts collected from all sources except State Water Contract, Capital Project and Debt Service Funds.

(2) Expenses are General Fund expenditures only

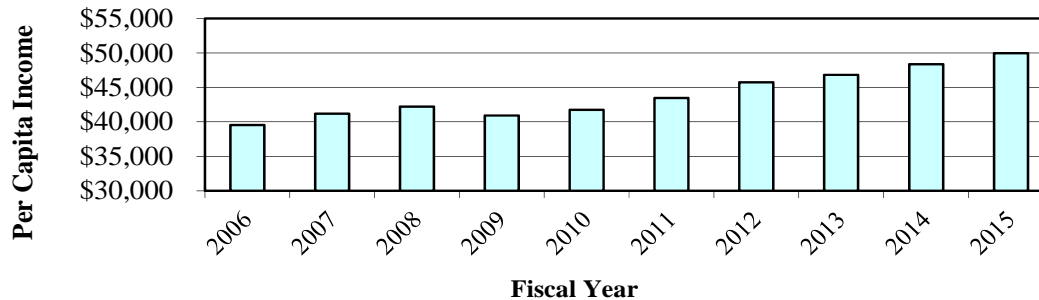
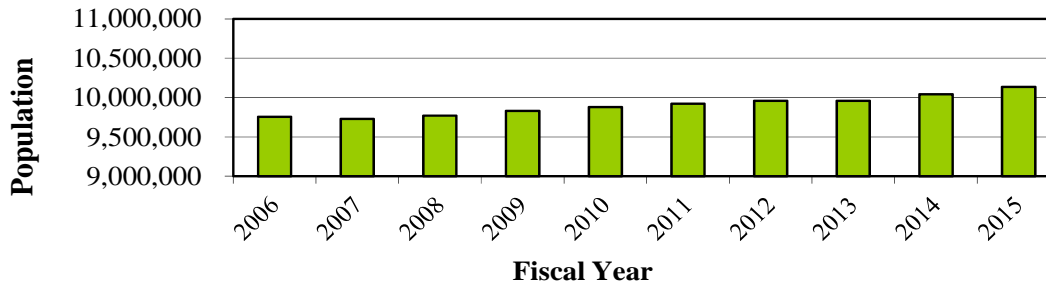
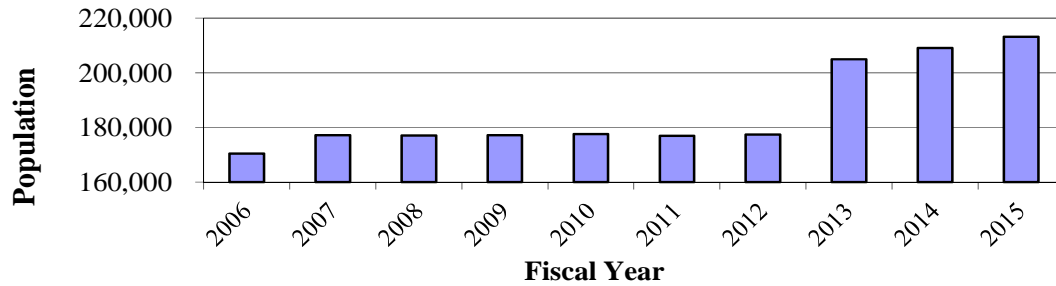
(3) Includes only normal principal payments (does not include payments as a result of refinancing or issuance of debt)

**Source:** Castaic Lake Water Agency audited financial statements

## Castaic Lake Water Agency Demographic and Economic Statistics Last Ten Fiscal Years

County of Los Angeles<sup>(1)</sup>

Year	City of Santa Clarita Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2006	170,455	4.8%	9,755,900	385,733,000	39,538
2007	177,158	5.1%	9,728,000	400,400,000	41,160
2008	177,045	7.5%	9,771,500	412,600,000	42,225
2009	177,150	11.5%	9,831,900	402,500,000	40,938
2010	177,641	12.6%	9,880,600	412,200,000	41,718
2011	176,971	12.2%	9,920,100	431,100,000	43,457
2012	177,445	10.9%	9,959,800	455,800,000	45,764
2013	204,951	9.8%	9,958,091	466,100,000	46,806
2014	209,130	8.3%	10,041,797	485,900,000	48,388
2015	213,231	7.3%	10,136,559	506,400,000	49,958



**Sources:** Los Angeles County Economic Development Corporation (The Kyser Center for Economic Research)

**Notes:**

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

**Castaic Lake Water Agency  
Principal Employers  
Current and Three Fiscal Years Ago**

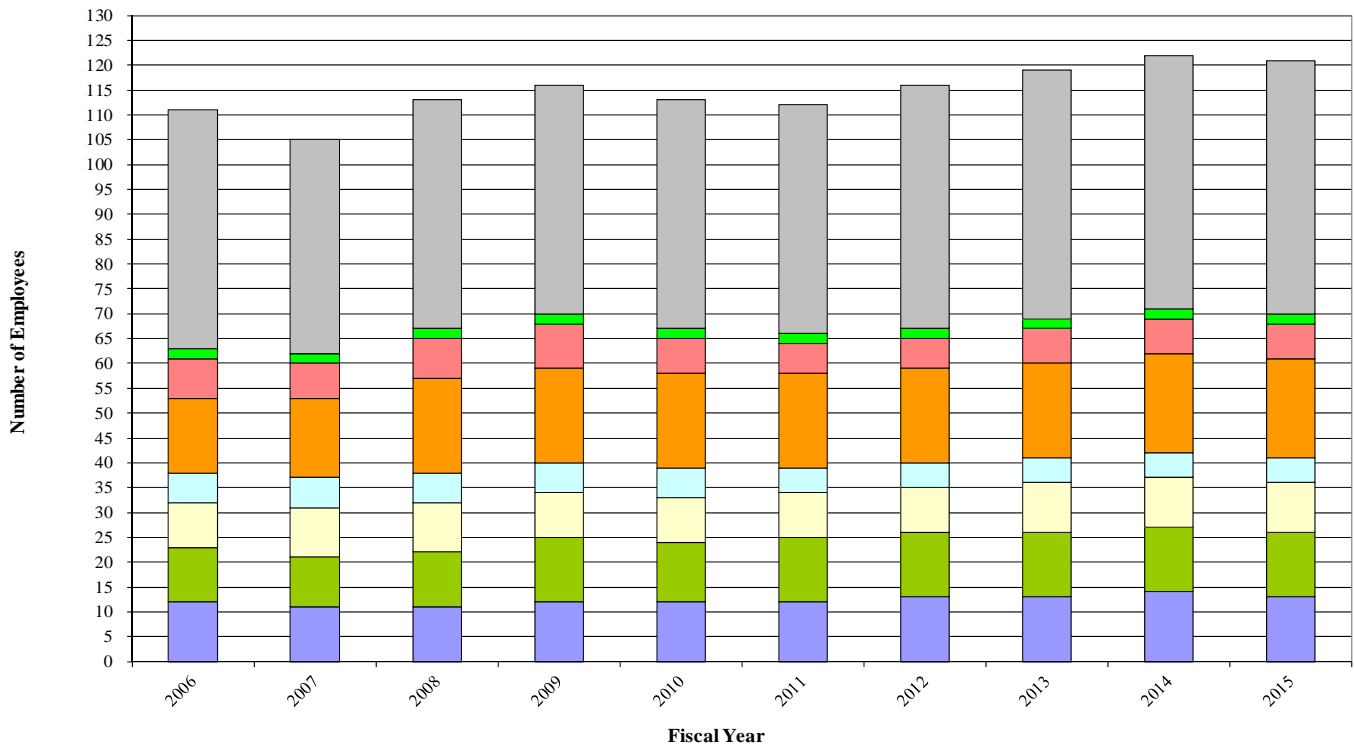
	2015			2012		
	Number of	Percent of		Number of	Percent of	
	Employees	Rank	Total Employment	Employees	Rank	Total Employment
Six Flags Magic Mountain	3,200	1	11.35%	3,800	1	16.28%
William S. Hart Union School District	2,007	2	7.12%	1,884	2	8.07%
College of the Canyons	1,911	3	6.78%	1,595	5	6.83%
Princess Cruises	1,885	4	6.69%	1,625	4	6.96%
Saugus Union School District	1,747	5	6.20%	1,840	3	7.88%
Henry Mayo Newhall Memorial Hospital	1,640	6	5.82%	1,400	7	6.00%
U.S. Postal Service	1,127	7	4.00%	1,459	6	6.25%
Quest Diagnostics (Specialty Laboratories)	850	8	3.02%	850	8	3.64%
Newhall School District	834	9	2.96%	827	9	3.54%
Boston Scientific	780	10	2.77%	-	n/a	0.00%
<b>Total</b>	<b>16,741</b>		<b>59.39%</b>	<b>16,092</b>		<b>68.95%</b>
<b>All Others</b>	<b>11,445</b>		<b>40.61%</b>	<b>7,248</b>		<b>31.05%</b>
<b>Total employment in Santa Clarita</b>	<b>28,186</b>		<b>100.00%</b>	<b>23,340</b>		<b>100.00%</b>

Source: 2015 Economic & Real Estate Outlook - Santa Clarita Valley Economic Development Corporation (data for nine years ago not available)

# Castaic Lake Water Agency Operating and Capacity Indicators Last Ten Fiscal Years

Agency Employees by Department

Department	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water Resources	12	11	11	12	12	12	13	13	14	13
Maintenance	11	10	11	13	12	13	13	13	13	13
Water Treatment Operations	9	10	10	9	9	9	9	10	10	10
Water Quality & Regul. Affairs	6	6	6	6	6	5	5	5	5	5
Administration	15	16	19	19	19	19	19	19	20	20
Engineering	8	7	8	9	7	6	6	7	7	7
Management	2	2	2	2	2	2	2	2	2	2
Retail (Water Enterprise)	48	43	46	46	46	46	49	50	51	51
	111	105	113	116	113	112	116	119	122	121



Other Operating and Capacity Indicators

Fiscal Year	Water in Storage (AF)	State Water Purchased	Service Connections	Average Consumption (MGD)	Retail Division (Water Enterprise)			
					Maximum Capacity (MGD)	Miles of Water Mains	Number of Fire Hydrants	Number of Groundwater Wells
2006	311,870	94,972	27,392	24	49	305	2,459	13
2007	269,786	74,141	27,817	24	49	305	2,493	13
2008	297,804	49,549	28,071	25	79	305	2,923	13
2009	252,006	39,221	28,244	25	72	308	2,931	14
2010	249,928	34,610	28,457	22	72	310	2,942	14
2011	309,862	28,752	28,592	21	72	312	2,954	14
2012	299,104	33,316	28,829	22	72	315	2,964	14
2013	254,815	43,152	29,157	23	72	330	2,978	14
2014	154,266	31,315	29,999	24	76	330	2,984	14
2015	110,498	33,672	30,322	21	76	330	2,984	14

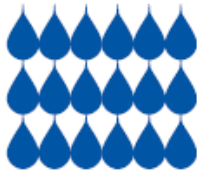
AF - Acre feet  
MGD - Millions of Gallons per Day  
N/A - Data not applicable or not available

Sources: Castaic Lake Water Agency Administration Department



# **Report on Internal Controls and Compliance**





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

Board of Directors  
Castaic Lake Water Agency  
Santa Clarita, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castaic Lake Water Agency, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 1, 2015.

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

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



**Fedak & Brown LLP**  
Cypress, California  
November 1, 2015