

# Castaic Lake Water Agency

## Santa Clarita, California

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

**A public agency providing reliable, quality water at a reasonable cost to the Santa Clarita Valley. Located in northwest Los Angeles County and eastern Ventura County in southern California.**



27234 Bouquet Canyon Road Santa Clarita, California 91350





# **Castaic Lake Water Agency**

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## **Comprehensive Annual Financial Report**

**For The Fiscal Year Ended**

**June 30, 2010**

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**CASTAIC  
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**WATER  
AGENCY**

# **Introductory Section**







September 9, 2010

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, 2010. 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 Charles Z. Fedak & Company, CPAs has conducted the audit of the Agency's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

Generally Accepted Accounting Principles (GAAP) requires 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 Auditors' 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 260,000 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 2010, actual water sales were as follows:

<u>Purveyor</u>	<u>Acre-feet</u>
Santa Clarita Water Division	15,432
Valencia Water Company	13,814
Newhall County Water Agency	4,109
L.A. County Waterworks District #36	1,178
Total Water Sales	<u>34,533</u>

The Agency began to sell recycled water in 2004. During FY 2010, 338 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 30 mgd Rio Vista Water Treatment Plant (RVWTP) 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 and eventually decreases in diameter to 42 inches before forming the header manifold for the ESIPS.
- 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 350 horsepower vertical turbine pumps, each with a rating of 1.2 to 15.5 mgd. 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 water for domestic use. 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 30 mgd; however, the site has sufficient land area for a treatment plant with an ultimate capacity of 120 mgd. The plant is currently being expanded to 60 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 clearwell 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 conveys treated water from the ESFP and RVWTP.

The Castaic Conduit serves as the pipeline connection between ESFP and RVWTP. It also serves as the main pipeline 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 area.

The Agency delivers water to the retail purveyors through 25 turnouts, as follows: CLWA Santa Clarita Water Divisions – 12, 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 Districts. 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 Pipeline 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). Two additional production wells in the alluvial aquifer tested positive for perchlorate in 2002 and 2005. Two of the affected wells have been returned to service. During FY 2009/10 the Agency rehabilitated Saugus 1 and 2 wells and completed construction and placed into service a perchlorate treatment facility and distribution pipelines. The treatment facilities include an ion exchange process located at the RVIPS. Placing the Saugus 1 and 2 wells into service restores lost capacity and help contain groundwater contamination emanating from the contaminated sites.
- Groundwater Banking Programs – The Agency has three groundwater banking accounts in two separate programs. Two accounts are in the Semitropic Water Storage Districts Groundwater Banking Program. These accounts are short-term, ten-year accounts. One account was initiated in 2002 and contains a balance of 16,650 acre-feet of excess State Water Project Table A amount that must be delivered to the Agency (or another Agency groundwater account) prior to the end of 2012. The other account was initiated in 2003 and contains 29,270 acre-feet of excess State Water Project Table A amount that must be delivered to the Agency (or another Agency groundwater account) prior to the end of 2013. For both accounts, the Agency anticipates using the banked water prior to 2012 and 2013, respectively, and 4,950 AF was extracted from the first account during FY 2009/10. The Agency anticipates that if such water is not used, it will be transferred to another groundwater banking program prior to 2012 and 2013, respectively. Withdrawals of water from the accounts in a given year may be limited by hydrology and the demands of other Program participants.

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 of other State Water Project 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.

#### 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 300 miles of pipeline. System pipe sizes range from 2 inches to 18 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 74 million gallons.

In addition to the storage reservoirs, there are five 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 29 active booster stations used to boost water throughout the SCWD water system. Individual booster stations consist of one to four pumps and range from total capacities of 59 to 2,200 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 August 2009, the Agency adopted a new wholesale rate structure for calendar years 2010, 2011 and 2012 that is designed to recover operating costs. The wholesale water rate for 2010 to 2012 are as follows:

\$420/AF on January 1, 2010  
 \$478/AF on January 1, 2011  
 \$507/AF on January 1, 2012

The Agency also charges its tenant farmer for water used at the Devil’s Den Ranch. In FY 2003/04, the Agency began selling recycled water.

- o Water Sales (Retail) - SCWD adopted a new rate structure effective January 1, 2010. This structure will be in place for three years. The rate design meets the requirements of both the current and proposed California Urban Water Conservation Council Best Management Practice 11 – Conservation Rate Structure (BMP 11). The SCWD retail water rate charges are designed to meet the cost of service. The rates consist of two separate charges: A flat meter service charge based on meter size plus a water commodity charges that includes local SCWD water usage and pass-through charges for purchased water from CLWA and power from Southern California Edison.

To encourage conservation, SCWD implemented a three tiered rate structure for Single Family Residential Customers effective January 1, 2010. Irrigation Customers have a flat third tiered rate and all Other Customer categories have a flat second tiered rate from the Single Family Residential Customer tiered rate Structure.

The Retail Water Rates for 2010 to 2012 are as follows:

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

Meter Size (Inches)	2010	2011	2012
5/8 by 3/4	\$ 14.45	16.24	17.41
3/4	18.26	20.53	22.01
1	25.89	29.10	31.20
1 1/2	44.96	50.54	54.17
2	67.84	76.26	81.75
3	128.87	144.85	155.25
4	197.52	222.01	238.00
6	388.22	436.36	467.78
8	617.06	693.58	743.51

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

Rate Block	Block Range (CCF per Month)		2010	2011	2012
	Bottom	Top			
Tier 1 -- Essential	0	14	\$ 1.3029	1.4644	1.5699
Tier 2 -- Basic	15	49	1.4532	1.6334	1.7511
Tier 3 -- Conservation	50	and above	1.9105	2.1474	2.3020

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

Commodity Charges	Current	2010	2011	2012
All Use	\$ 1.2604	1.9105	74.0000	2.3020

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

Commodity Charges	Current	2010	2011	2012
All Use	\$ 1.2604	1.4532	1.6334	1.7511

- 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 Certificate of Participation 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.

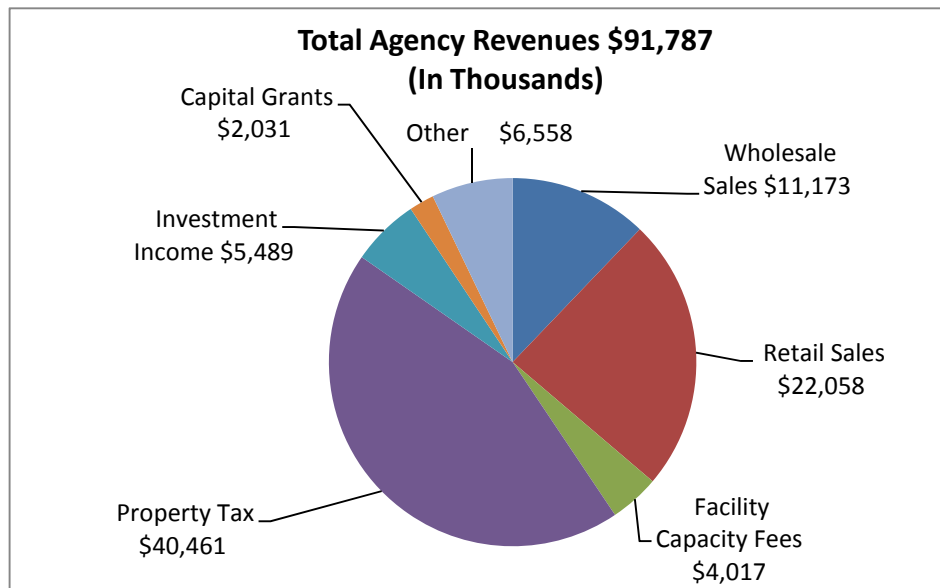
In general, these funds are allocated to debt service and capital improvement projects for existing users, as well as to core non-SWP supplies. During a three-year period from January 1, 2007 through December 31, 2009, these funds were also used for rate stabilization.

In August 2009, the Board adopted a rate structure for calendar years 2010, 2011 and 2012 that is designed to recover operating costs. The rates that have been established are as follows: \$400/AF effective January 1, 2010, \$478/AF effective January 1, 2011 (including \$20/AF designated for operating reserves) and \$507/AF effective January 1, 2012 (including \$20/AF designated for operating reserves).

- 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 COP debt.

The following chart reflects the Agency's revenue mix for the year ending June 30, 2010, 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. 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 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 Agency evaluates land use data and housing construction in the service area in conjunction with the retail water purveyors and projections prepared by "One Valley One Vision" (OVOV), a joint planning effort by the City of Santa Clarita and the Los Angeles County Department of Regional Planning. The OVOV projections indicate a 1.6 percent annual growth rate of population and households for the City of Santa Clarita and a 3.7 to 3.8 percent annual growth rate for unincorporated areas. This results in a combined growth rate of 2.3 to 2.4 percent. The retail water purveyors project an average annual increase of 2.2 percent through the year 2030, consistent with the OVOV projections.

The growth projections are consistent with the Agency's projections and the retailers' Urban Water Management Plan (UWMP). Currently, the 2005 UWMP is in effect and has a planning horizon to the year 2030. This document provides information on water use, water resources, recycled water, water quality, reliability planning, demand management measures and water shortage contingency planning. The 2005 UWMP projects future demands for residential, industrial, institutional, landscape, agricultural and other purposes, and lists available and planned supplies to meet that demand. The 2005 UWMP has found that, based on conservative water supply and demand assumptions over the next 25 years in combination with conservation of non-essential demand during certain dry years, the 2005 UWMP will successfully achieve this goal. The Agency is in the process of preparing the 2010 UWMP, which is

anticipated to be adopted in December 2010. The operating and capital programs in the FY 2010/11 Budget support the UWMP.

As of June 30, 2010, the retail water purveyors served about 69,000 connections, as follows:

<u>Retail Water Purveyor</u>	<u>Connections</u>
CLWA Santa Clarita Water Division	28,224
Valencia Water Company	29,948
Newhall County Water Agency	9,546
L.A. County Waterworks District #36	1,329
Total Connections	<u>69,047</u>

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

Facility Capacity Fees - The fiscal year capital budget is generally based on the *Data Document Providing Economic Justification for Proposed Facility Capacity Fees*. This document is prepared every one to three years to provide the data concerning the estimated cost of facilities to supply water for new development, and the proposed method and basis for allocating the costs among those lands on which new development occurs. The report considers the estimated long-term costs of the Capital Improvement Program (CIP) activities of the Agency.

The Agency's proposed CIP activities are developed to fulfill the Agency's stated mission, which is to provide reliable, quality water at a reasonable cost to the Santa Clarita Valley. The proposed CIP is structured to include facilities for the treatment, storage and transmission of water as well as the acquisition of additional water supplies. The proposed CIP also contains elements to increase reliability through a combination of additional water supplies, water banking, storage and conjunctive use.

The *Data Document Providing Economic Justification for Proposed Facility Capacity Fees* analyzes projected water demand, proposed and actual development, the economic climate, water conservation activities and the status of the CIP. This information is used to develop each fiscal year CIP and to apportion costs between existing and new users. Existing users fund their portion of the CIP through 1% Property Tax revenues and new users fund their portion of the CIP through the Facility Capacity Fees. The Facility Capacity Fees are adjusted as necessary depending on the CIP and development activity.

In January 2009, the Agency adopted its new Facility Capacity Fees.

Certificates of Participation (COP) – COP's 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 four issues to date.

- 1994, 2004 and 2008A COPs - 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 COP's totaled \$40,565,000. In May 2008, the Agency refunded all of the 2004B certificates (2008 Series A); the swap agreement remains in effect for the 2008A certificates. The remaining balance after FY 2009/10 payments is \$82,900,000 as follows: \$23,350,000 unrefunded (Series 1994); \$20,725,000 for 2004 Series A; and \$38,825,000 for 2008 Series A. Payments totaling \$10,106,644 are due during FY 2010/11. Approximately \$7.9 million in payments will be from Facility Capacity Fee Revenues and \$2.2 million from One Percent Property Tax Revenues.



- 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 unrefunded 1999 COP's totaled \$38,162,808 after the refunding. The remaining balance after FY 2009/10 payments is \$79,777,808 as follows: \$34,827,808 unrefunded (Series 1999) and \$44,350,000 for 2006 Series A. Payments totaling \$3,316,044 are due during FY 2010/11. Approximately \$2.6 million in payments will be from Facility Capacity Fee Revenues and \$748,000 from One Percent Property Tax Revenues.
- 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 2009/10 payments is \$70,595,000. Payments totaling \$3,086,708 are due during FY 2010/11. Approximately \$2.7 million in payments will be from Facility Capacity Fee Revenues and \$400,000 from One Percent Property Tax Revenues.
- 2006C COPs - 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. The remaining balance after FY 2009/10 payment is \$86,710,000. Payments totaling \$5,867,888 are due during FY 2010/11. Approximately \$4.3 million in payments will be from Facility Capacity Fee Revenues and \$1.6 million from One Percent Property Tax Revenues.
- 2010B COPs - 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. The balance at the end of the FY 2009/10 remains at \$14,475,000 since no payments were made in FY 2009/10.

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, or \$5,335,350. 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 \$518.78 per AF.

## **Relevant Financial Policies and Controls**

The Agency's Financial Policies include the Reserve Policy, the Water Rate Policy, the Investment Policy, the Debt Management 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) COP 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 will implement 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 of 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 of 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 of 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 of 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.

*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, repair and replacement, and for 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 and shall be funded over a ten-year period.
2. Rate Stabilization Reserves – The Rate Stabilization Reserve is set at 2% of retail water sales revenues from the previous fiscal year, and will be funded over a ten-year period.
3. Capital Reserves – Up to \$2,000,000 transferred to the Capital Reserve in fiscal year 2003/04 as an initial funding level for projects identified to be constructed in fiscal year 2004/05. Thereafter the target capital reserve is set and adjusted annually as part of the budget process to cover SCWD's capital improvement program expenditures.

### 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

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 Interest Rate Swap Policy and the Build America Bonds Compliance Policy supplements the Debt Management Policy.

Santa Clarita Water Division (SCWD) has incorporated into the Debt Management Policy the following guidelines from the Agency’s 2009 Strategic Plan, which states that the Agency will utilize reasonable debt financing, when appropriate, to fund long-term facility investments.

### 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.

### Risk Management

The Agency is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA). The purpose of ACWA/JPIA is to arrange and administer risk management programs for the pooling of self-insured losses, and the purchase of excess insurance and workers' compensation coverage.

### **Major Initiatives**

Major initiatives include the Rio Vista Water Treatment Plant Expansion project and funding of various minor capital project and ongoing water supply reliability activities.

### **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, 2009. This was the fifth year that the Agency has achieved these prestigious awards. 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.

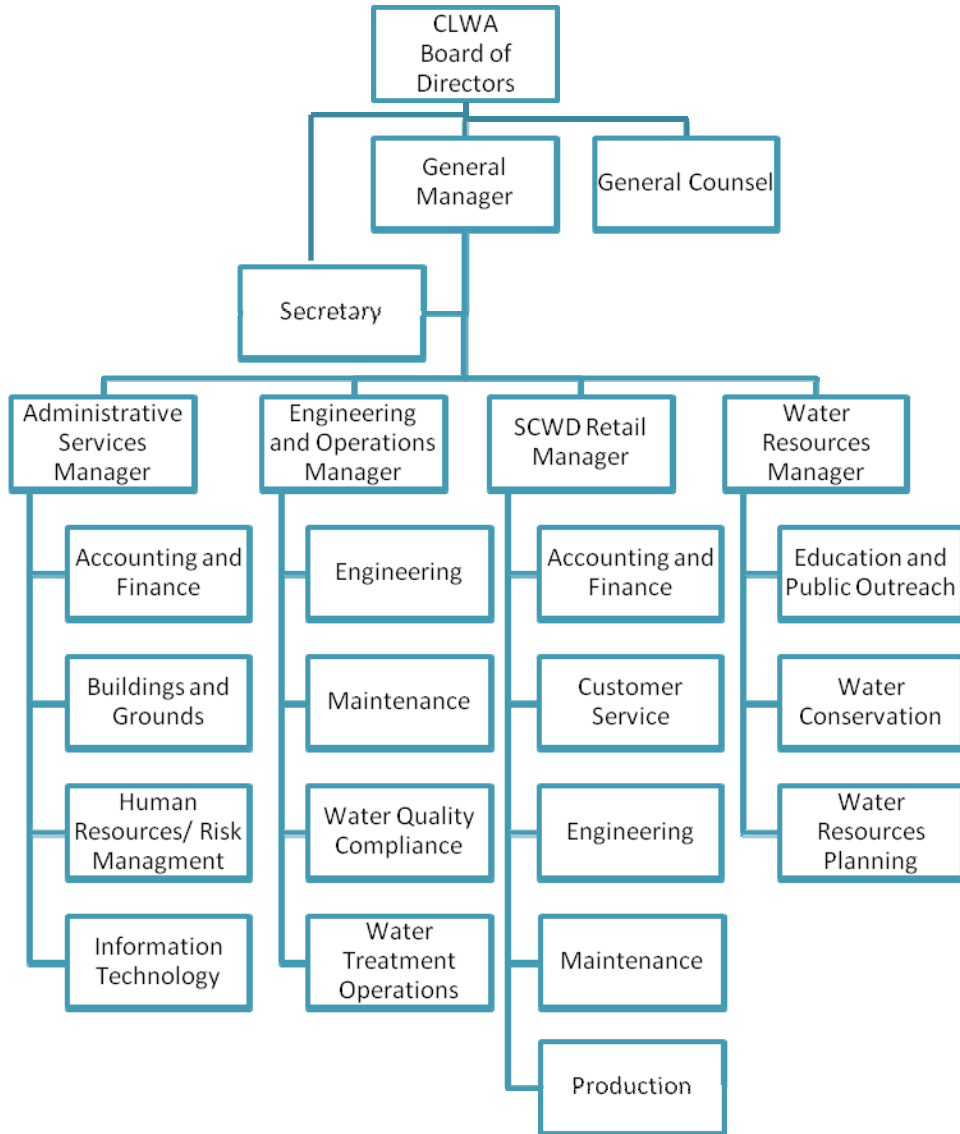
Preparation of this report was accomplished by the combined efforts of Agency staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation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

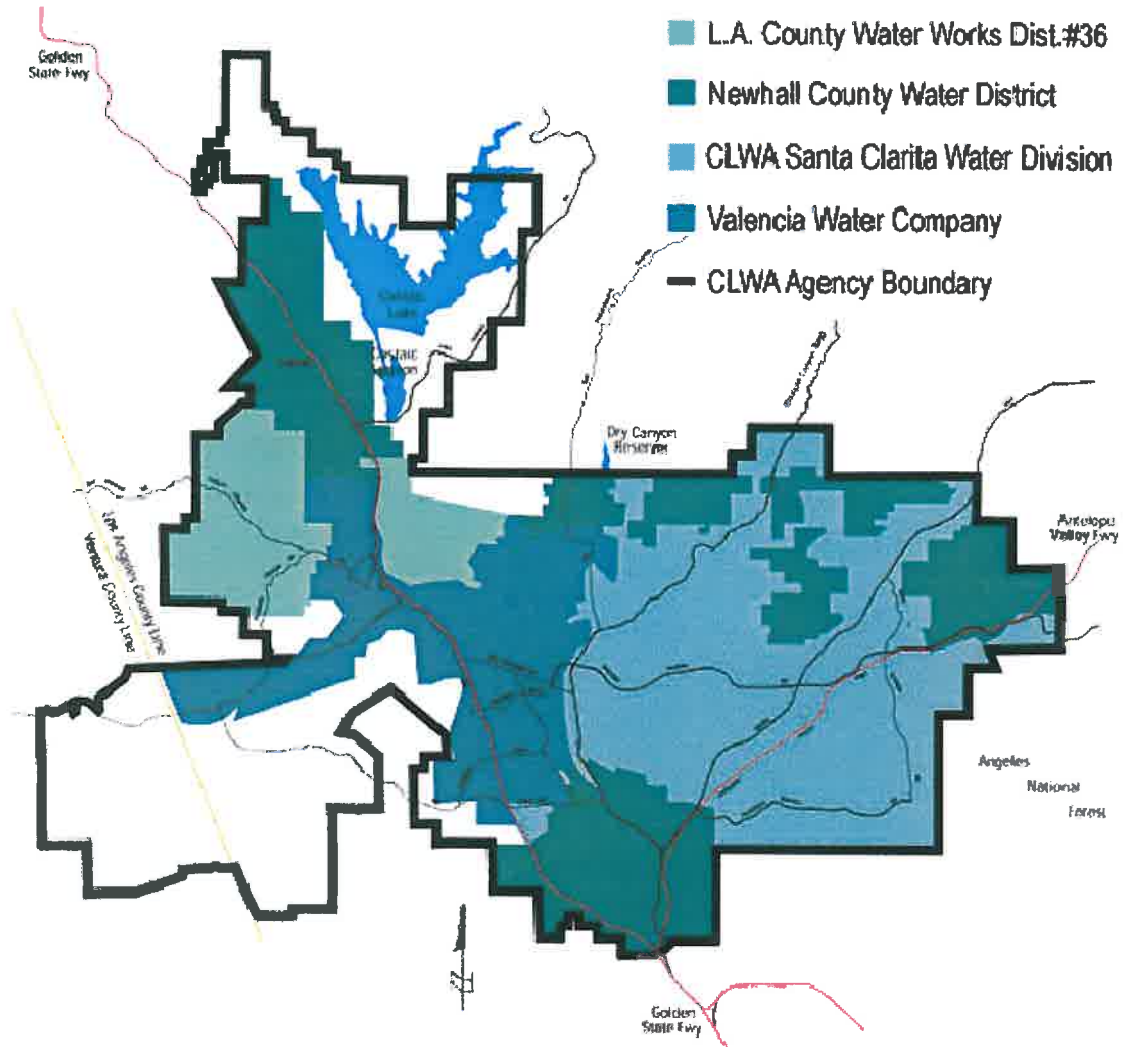
*"Providing Reliable Quality Water at a Reasonable cost to the Santa Clarita Valley."*

### **Board of Directors as of June 30, 2010**

<b>Name</b>	<b>Title</b>	<b>Division</b>	<b>Elected/ Appointed</b>	<b>Term Expires</b>
R. J. Kelly	President	1	Elected	January 2013
Peter Kavounas	Vice-President	2	Elected	January 2011
E. G. "Jerry" Gladbach	Director	2	Elected	January 2013
Robert J. DiPrimo	Director	VWC	Appointed	January 2013
Dean D. Efstathiou	Director	LA Co. #36	Appointed	January 2011
William Cooper	Director	At-Large	Elected	January 2013
William Peci	Director	3	Elected	January 2013
Thomas Campbell	Director	At-Large	Elected	January 2011
Edward Colley	Director	1	Elected	January 2011
Jacque McMillan	Director	3	Elected	January 2011
B. J. Atkins	Director	NCWD	Appointed	January 2013

**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



# 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, 2009

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



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Enow".

Executive Director



# **Financial Section**





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

# Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

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

## Independent Auditor's Report

Board of Directors  
Castaic Lake Water Agency  
Santa Clarita, California

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, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the 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, 2010, and the respective changes in net assets and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2010, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on page 82.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying budgetary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical information section are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Therefore, we did not audit this information and express no opinion on it.

September 9, 2010  
Cypress, California

*Charles Z. Fedak, CPA*  
*An Accountancy Corporation*

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**Castaic Lake Water Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010**

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, 2010. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The Agency's net assets increased 0.86% or \$2.85 million to \$333.09 million due primarily to increase in capital assets and the results of this year's operations.
- Total revenues from all sources decreased by 5.22% or \$5.06 million from the prior year due primarily to decreased investment earnings and percolrate project reimbursements.
- Total expenses increased by 0.15% or \$0.13 million from the prior year primarily due to increased operations and maintenance costs and State Water Contract payments.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Assets 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 Assets includes all of the Agency's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenue 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 Assets 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 Assets and the Statement of Activities report information about the Agency in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's *net assets* and changes in them. Think of the Agency's net assets – the difference between assets and liabilities – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net assets are one indicator of whether its *financial health* is improving or deteriorating. You 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, 2010**

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 area known as the Santa Clarita Valley. 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 16 through 51.

### 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 52 through 56. Other supplementary information can be found on page 57.

### Government-wide Financial Analysis

#### Statement of Net Assets

	Net Assets (in millions)					
	Governmental Activities		Business-Type Activities		Total Agency	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$ 230.77	265.65	(29.25)	(40.81)	201.52	224.84
Capital assets, net	404.99	370.61	96.75	91.38	501.74	461.99
<b>Total assets</b>	<u>635.76</u>	<u>636.26</u>	<u>67.50</u>	<u>50.57</u>	<u>703.26</u>	<u>686.83</u>
<b>Liabilities:</b>						
Current liabilities	22.56	22.06	4.76	5.62	27.32	27.68
Non-current liabilities	327.59	328.46	15.26	0.45	342.85	328.91
<b>Total liabilities</b>	<u>350.15</u>	<u>350.52</u>	<u>20.02</u>	<u>6.07</u>	<u>370.17</u>	<u>356.59</u>
<b>Net assets:</b>						
Net investment in capital assets	70.58	32.53	81.46	91.38	152.04	123.91
Restricted	218.34	258.18	12.24	-	230.58	258.18
Unrestricted	(3.31)	(4.97)	(46.22)	(46.88)	(49.53)	(51.85)
<b>Total net assets</b>	<u>\$ 285.61</u>	<u>285.74</u>	<u>47.48</u>	<u>44.50</u>	<u>333.09</u>	<u>330.24</u>

**Castaic Lake Water Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets of the Agency exceeded liabilities by \$333.09 million as of June 30, 2010. Compared to prior year, net assets of the Agency increased 0.86% or \$2.85 million. The Agency's net assets are made-up of three components: (1) net investment in capital assets, (2) restricted net assets and (3) unrestricted net assets.

**Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Agency	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 15.19	11.76	22.06	21.46	37.25	33.22
Cap. grants and contribs.	-	-	2.03	1.28	2.03	1.28
<b>General revenues:</b>						
Property taxes	40.46	35.69	-	-	40.46	35.69
Investment earnings	5.40	9.20	0.09	0.29	5.49	9.49
Other revenues	6.09	16.96	0.47	0.21	6.56	17.17
<b>Total revenues</b>	67.14	73.61	24.65	23.24	91.79	96.85
<b>Expenses:</b>						
Wholesale water operations	47.93	51.29	-	-	47.93	51.29
Interest on long-term debt	19.34	17.02	-	-	19.34	17.02
Water enterprise fund	-	-	21.67	20.50	21.67	20.50
<b>Total expenses</b>	67.27	68.31	21.67	20.50	88.94	88.81
<b>Change in net assets</b>	(0.13)	5.30	2.98	2.74	2.85	8.04
<b>Net assets, beginning of year</b>	285.74	280.44	44.50	41.76	330.24	322.20
<b>Net assets, end of year</b>	\$ 285.61	285.74	47.48	44.50	333.09	330.24

Government and Business-type activities increased the Agency's net assets by \$2.85 million accounting for the 0.86% increase in the net assets of the Agency. Key elements for this increase are as follows: Governmental activities decreased the Agency's net assets by \$0.13 million or 0.04% from the prior year mainly from increases from facility capacity fees and property taxes offset by decreases in investment earnings and project reimbursements.

Business activities increased the Agency's net assets by \$2.98 million or 6.70%. Total revenues increased by \$1.41 million or 6.07% from the prior year mainly from increases in capital contributions.

**Castaic Lake Water Agency  
Management's Discussion and Analysis  
For the Year Ended June 30, 2010**

**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 \$0.10 million. The budget to actual results has a positive variance mainly due to various supplies and services purchase contracts negotiated at lower costs, staff vacancies, more labor charges being charged to capital projects (other funds), and other water conservation costs carried forward to the following fiscal year.

The Pledged Revenue fund balance decreased by \$41.19 million; mainly due to transfers to the Certificates of Participation Fund for debt payments and expansion of the Rio Vista Water Treatment Plant.

The State Water Contract fund balance increased by \$1.30 million, due to increased refund received from Department of Water Resources (DWR) for prior year variable and fixed charges.

The Certificate of Participation fund balance increased by \$0.17 million, due to increased investment earnings.

**Capital Asset Administration**

	Capital Assets (in millions)					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital assets:						
Non-depreciable	\$ 73.06	70.09	10.30	7.82	83.36	77.91
Depreciable	451.27	407.42	123.41	117.46	574.68	524.88
<b>Total capital assets</b>	524.33	477.51	133.71	125.28	658.04	602.79
Accumulated depreciation	(119.34)	(106.90)	(36.96)	(33.90)	(156.30)	(140.80)
<b>Total capital assets, net</b>	\$ 404.99	370.61	96.75	91.38	501.74	461.99

At the end of fiscal year 2010, the Agency's investment in capital assets amounted to \$501.74 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 governmental activities area included the on-going construction of the Rio Vista Water Treatment Plant Expansion and various other projects. 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, 2010**

**Long-Term Debt Administration**

	Long-term Debt (in millions)					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2009	2008
Long-term debt:						
Certificates of participation	\$ 334.41	338.08	15.29	-	349.70	338.08
<b>Total long-term debt</b>	<b>\$ 334.41</b>	<b>338.08</b>	<b>15.29</b>	<b>-</b>	<b>349.70</b>	<b>338.08</b>

Long-term debt changed between fiscal years primarily due to (1) a decrease of \$9.960 million due to principal payments on the certificates of participation, (2) accretion of debt principal of \$2.35 million on the 1999 certificates of participation and (3) new debt issuance of \$15.29 million for retail water division. 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**

The Agency continues to monitor the legal and water supply issues associated with the State Water Project (SWP). A number of court actions in the last three years have resulted in operational impacts to the SWP, and ongoing litigation may result in additional, more adverse operational impacts. The Agency, in coordination with the local water retailers, continues to address the impacts through planning for and managing a diverse water supply portfolio. The Agency will continue to monitor and support the Department of Water Resources in its efforts to implement short and long-term actions, such as the Bay Delta Conservation Plan process, to provide for the recovery of endangered and threatened species and their habitats in the Delta and protect and restore water supplies.

**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.

**CASTAIC  
L A K E**



**WATER  
AGENCY**

# **Basic Financial Statements**

**Castaic Lake Water Agency**  
**Statement of Net Assets**  
**June 30, 2010**

<i>Assets</i>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents (note 2)	\$ 82,058,107	15,522,350	97,580,457
Cash and cash equivalents with fiscal agent (note 2)	14,803,072	-	14,803,072
Investments (note 2)	63,000,000	9,009,872	72,009,872
Accrued interest receivable	357,072	17,073	374,145
Accounts receivable – water sales and services	2,015,931	3,450,002	5,465,933
Accounts receivable – other	2,579,588	81,395	2,660,983
Property taxes receivable	2,279,911	-	2,279,911
Internal balances (note 3)	58,008,217	(58,008,217)	-
Materials and supplies inventory	-	417,206	417,206
Prepaid expenses and other deposits	245,526	57,812	303,338
Deferred charges, net (note 6)	1,254,850	264,575	1,519,425
Other post employment benefits asset (obligation), (note 13)	93,570	(61,241)	32,329
Deferred outflow of effective swap (note 7)	4,073,408	-	4,073,408
Capital assets - not being depreciated (note 5)	73,057,064	10,298,416	83,355,480
Capital assets, net - being depreciated (note 5)	331,936,539	86,450,603	418,387,142
	<u>\$ 635,762,855</u>	<u>67,499,846</u>	<u>703,262,701</u>
<b><i>Liabilities and Net Assets</i></b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 6,677,469	2,800,171	9,477,640
Accrued salaries and wages	223,125	128,873	351,998
Customer deposits and unearned revenue	-	433,942	433,942
Advances for construction	-	935,101	935,101
Accrued interest – certificates of participation	4,158,450	106,443	4,264,893
Long-term liabilities - due within one year:			
Compensated absences (note 4)	150,791	81,329	232,120
Certificates of participation (note 7)	11,349,861	272,123	11,621,984
Long-term liabilities - due in more than one year:			
Compensated absences (note 4)	452,371	243,986	696,357
Fair value of interest rate swap (note 7)	4,073,408	-	4,073,408
Certificates of participation, net of premium (note 7)	323,064,043	15,016,571	338,080,614
	<u>350,149,518</u>	<u>20,018,539</u>	<u>370,168,057</u>
<b>Net assets:</b>			
Invested in capital asset, net of related debt (note 8)	70,579,699	81,460,325	152,040,024
Restricted for facility capacity fees	27,801,167	-	27,801,167
Restricted for state water contract	13,762,760	-	13,762,760
Restricted for debt service	14,818,089	-	14,818,089
Restricted for capital improvement	161,964,814	12,238,117	174,202,931
Unrestricted	(3,313,192)	(46,217,135)	(49,530,327)
	<u>\$ 285,613,337</u>	<u>47,481,307</u>	<u>333,094,644</u>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency  
Statement of Activities  
For the Year Ended June 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</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	\$ 47,922,365	15,189,432	-	(32,732,933)	-	(32,732,933)
Interest on long-term debt	<u>19,341,062</u>	<u>-</u>	<u>-</u>	<u>(19,341,062)</u>	<u>-</u>	<u>(19,341,062)</u>
Total governmental activities	<u>67,263,427</u>	<u>15,189,432</u>	<u>-</u>	<u>(52,073,995)</u>	<u>-</u>	<u>(52,073,995)</u>
Business-type activities:						
Retail water enterprise	<u>21,669,243</u>	<u>22,058,050</u>	<u>2,031,072</u>	<u>-</u>	<u>2,419,879</u>	<u>2,419,879</u>
Total government	<u>\$ 88,932,670</u>	<u>37,247,482</u>	<u>2,031,072</u>	<u>(52,073,995)</u>	<u>2,419,879</u>	<u>(49,654,116)</u>
General revenues:						
Property taxes levied for general purposes				\$ 40,461,183	-	40,461,183
Interest and investment earnings				5,393,873	94,742	5,488,615
Other revenues				<u>6,091,377</u>	<u>467,103</u>	<u>6,558,480</u>
Total general revenues				<u>51,946,433</u>	<u>561,845</u>	<u>52,508,278</u>
<b>Change in net assets</b>				(127,562)	2,981,724	2,854,162
Net assets, beginning of year				<u>285,740,899</u>	<u>44,499,583</u>	<u>330,240,482</u>
Net assets, end of year				<u>\$ 285,613,337</u>	<u>47,481,307</u>	<u>333,094,644</u>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Balance Sheet – Governmental Funds**  
**June 30, 2010**

	<u>General</u>	<u>Pledged Revenue</u>	<u>State Water Contract</u>	<u>Certificates of Participation</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and investments	\$ 73,480	112,142,266	10,442,361	22,400,000	145,058,107
Cash and cash equivalents with fiscal agent	-	-	-	14,803,072	14,803,072
Accrued interest receivable	-	225,549	10,506	121,017	357,072
Accounts receivable – water sales, net	-	2,015,931	-	-	2,015,931
Accounts receivable – other	547,491	-	2,032,097	-	2,579,588
Property taxes receivable	-	973,670	1,306,241	-	2,279,911
Prepaid items	17,135	-	228,391	-	245,526
Due from other funds (note 3)	2,015,931	23,740,000	-	-	25,755,931
Advances to other funds (note 3)	-	58,008,217	-	-	58,008,217
<b>Total assets</b>	<b>\$ 2,654,037</b>	<b>197,105,633</b>	<b>14,019,596</b>	<b>37,324,089</b>	<b>251,103,355</b>
Liabilities:					
Accounts payable	\$ 990,912	5,323,721	256,836	106,000	6,677,469
Accrued expenses	223,125	-	-	-	223,125
Due to other funds (note 3)	1,340,000	2,015,931	-	22,400,000	25,755,931
<b>Total liabilities</b>	<b>2,554,037</b>	<b>7,339,652</b>	<b>256,836</b>	<b>22,506,000</b>	<b>32,656,525</b>
Fund balances:					
Reserved for: (note 9)					
Prepaid items	17,135	-	228,391	-	245,526
Facility capacity fees	-	27,801,167	-	-	27,801,167
Capital improvements	-	103,956,597	-	-	103,956,597
Advances to other funds	-	58,008,217	-	-	58,008,217
State water contract	-	-	13,534,369	-	13,534,369
Debt service	-	-	-	14,818,089	14,818,089
Unreserved reported in:					
General fund	82,865	-	-	-	82,865
<b>Total fund balances</b>	<b>100,000</b>	<b>189,765,981</b>	<b>13,762,760</b>	<b>14,818,089</b>	<b>218,446,830</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,654,037</b>	<b>197,105,633</b>	<b>14,019,596</b>	<b>37,324,089</b>	<b>251,103,355</b>

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 Assets  
June 30, 2010**

<b>Total fund balances – Governmental funds</b>		\$ 218,446,830
Deferred charges are expended in governmental funds as a costs of debt issuance while the Statement of Net Assets includes those deferred changes among the assets of the Agency and amortize them over the life of the debt service.		1,254,850
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 Assets includes those capital assets among the assets of the Agency as a whole.		
Beginning balance, net of depreciation	\$ 370,610,729	
Current year additions	46,824,052	
Current year depreciation	<u>(12,441,178)</u>	
Ending balance, net of depreciation		404,993,603
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 Assets.		
Other post employment benefits obligation	93,570	
Compensated absences and retirement payable	(603,162)	
Premium on debt	(7,343,103)	
Certificates of participation	<u>(327,070,801)</u>	
		(334,923,496)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		<u>(4,158,450)</u>
<b>Net assets of governmental activities</b>		<b>\$ <u><u>285,613,337</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, 2010**

	<u>General</u>	<u>Pledged Revenue</u>	<u>State Water Contract</u>	<u>Certificates of Participation</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ -	19,971,314	20,489,869	-	40,461,183
Water sales – Agency	-	11,074,364	-	-	11,074,364
Water sales – Devil's Den/Ranch	-	6,434	-	-	6,434
Facility capacity fee	-	4,016,683	-	-	4,016,683
Laboratory fees	-	91,951	-	-	91,951
Interest and investment earnings	-	5,181,437	43,155	169,281	5,393,873
Other	-	2,222,320	3,869,057	-	6,091,377
<b>Total revenues</b>	<u>-</u>	<u>42,564,503</u>	<u>24,402,081</u>	<u>169,281</u>	<u>67,135,865</u>
Expenditures:					
Water treatment operations	3,414,408	-	-	-	3,414,408
Water resources	1,929,400	-	-	-	1,929,400
Maintenance	2,195,822	-	-	-	2,195,822
Water quality compliance	844,750	-	-	-	844,750
Administration	3,234,127	2,655,353	97,350	-	5,986,830
Management	1,019,176	-	-	-	1,019,176
Engineering	656,485	-	-	-	656,485
State water contract payments	-	-	19,844,863	-	19,844,863
Capital outlay	-	43,661,424	3,162,628	-	46,824,052
Debt service:					
Interest	-	-	-	14,390,597	14,390,597
Principal	-	-	-	9,960,000	9,960,000
Bond issuance costs	-	-	-	233,500	233,500
<b>Total expenditures</b>	<u>13,294,168</u>	<u>46,316,777</u>	<u>23,104,841</u>	<u>24,584,097</u>	<u>107,299,883</u>
Excess of revenues over(under) expenditures	<u>(13,294,168)</u>	<u>(3,752,274)</u>	<u>1,297,240</u>	<u>(24,414,816)</u>	<u>(40,164,018)</u>
Other financing sources(uses):					
Transfers in (note 3)	13,094,168	-	-	24,346,553	37,440,721
Transfers out (note 3)	-	(37,440,721)	-	-	(37,440,721)
Refund bond issued	-	-	-	72,781,432	72,781,432
Payment to refunded bond	-	-	-	(72,540,082)	(72,540,082)
<b>Total other financing sources(uses)</b>	<u>13,094,168</u>	<u>(37,440,721)</u>	<u>-</u>	<u>24,587,903</u>	<u>241,350</u>
<b>Net change in fund balances</b>	<u>(200,000)</u>	<u>(41,192,995)</u>	<u>1,297,240</u>	<u>173,087</u>	<u>(39,922,668)</u>
Fund balance, beginning of year	<u>300,000</u>	<u>230,958,976</u>	<u>12,465,520</u>	<u>14,645,002</u>	<u>258,369,498</u>
Fund balance, end of year	<u>\$ 100,000</u>	<u>189,765,981</u>	<u>13,762,760</u>	<u>14,818,089</u>	<u>218,446,830</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, 2010**

<b>Net change in fund balances – Total governmental funds</b>	<b>\$ (39,922,668)</b>
<p>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 Net Assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount that capital expenditures (\$46,824,052) exceeded depreciation (\$12,441,178) in the current period.</p>	
	34,382,874
<p>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 Assets and do not result in an expense in the Statement of Revenues, Expenses and Change in Net Assets.</p>	
	9,960,000
<p>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.</p>	
	(2,354,981)
<p>Deferred charges consist of capitalized debt issuance costs, original issue premiums and original issue discounts on debt issued by the entity. These amounts are amortized over the life of the debt service.</p>	
	187,252
<p>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:</p>	
Net change in accrued interest for the current period	(2,595,484)
Net change in compensated absences for the current period.	(46,770)
Net change in other post retirement benefits obligation for the current period.	262,215
<b>Change in net assets of governmental activities</b>	<b>\$ <u>(127,562)</u></b>

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Statement of Net Assets – Water Enterprise Fund**  
**June 30, 2010**

<i>Assets</i>	<b>Business-Type Activities</b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 15,522,350
Accrued interest receivable	17,073
Accounts receivable – water sales and services	3,450,002
Accounts receivable – other	81,395
Materials and supplies inventory	417,206
Prepaid expenses and other deposits	57,812
<b>Total current assets</b>	<b>19,545,838</b>
<b>Non-current assets:</b>	
Investments	9,009,872
Deferred charges, net (note 6)	264,575
Capital assets – not being depreciated	10,298,416
Capital assets, net – being depreciated	86,450,603
<b>Total non-current assets</b>	<b>106,023,466</b>
<b>Total assets</b>	<b>\$ 125,569,304</b>
<i>Liabilities and Net Assets</i>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$ 2,258,842
Accrued wages and related payables	128,873
Customer deposits and deferred revenue	433,942
Advances for construction	935,101
Accrued interest	106,443
Long-term liabilities - due within one year:	
Compensated absences (note 4)	81,329
Due to other funds	541,329
Certificates of participation, net of premium (note 7)	272,123
<b>Total current liabilities</b>	<b>4,757,982</b>
<b>Non-current liabilities:</b>	
Long-term liabilities - due in more than one year:	
Other post employment benefits obligation	61,241
Compensated absences (note 4)	243,986
Certificates of participation, net of premium (note 7)	15,016,571
Advances from other funds	58,008,217
<b>Total non-current liabilities</b>	<b>73,330,015</b>
<b>Total liabilities</b>	<b>78,087,997</b>
<b>Net assets:</b>	
Net investment in capital assets	81,460,325
Restricted for capital improvement	12,238,117
Unrestricted	(46,217,135)
<b>Total net assets</b>	<b>\$ 47,481,307</b>

See accompanying notes to the basic financial statements.

**Castaic Lake Water Agency**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets – Water Enterprise Fund**  
**For the Year Ended June 30, 2010**

	<u>Business-type Activities</u>
<b>Operating revenues:</b>	
Water consumption sales and services	\$ 21,438,038
Other charges and services	<u>620,012</u>
<b>Total operating revenues</b>	<u>22,058,050</u>
<b>Operating expenses:</b>	
Source of supply	5,333,651
Pumping	2,379,094
Water treatment	938,645
Transmission and distribution	3,402,988
Customer accounts	861,911
Engineering	350,751
General and administrative	<u>2,180,737</u>
<b>Total operating expenses</b>	<u>15,447,777</u>
Operating income before depreciation and amortization	6,610,273
Depreciation and amortization	<u>(3,164,185)</u>
<b>Operating income</b>	<u>3,446,088</u>
<b>Non-operating revenue(expense)</b>	
Interest earnings	94,742
Interest expense	(3,057,281)
Other non-operating revenues, net	<u>467,103</u>
<b>Total non-operating, net</b>	<u>(2,495,436)</u>
<b>Net income before capital contributions</b>	950,652
<b>Capital contributions – developer and customer</b>	<u>2,031,072</u>
<b>Change in net assets</b>	2,981,724
<b>Net assets, beginning of year</b>	<u>44,499,583</u>
<b>Net assets, end of year</b>	<u>\$ 47,481,307</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, 2010**

	<b>Business-type Activities</b>
<b>Cash flows from operating activities:</b>	
Cash receipts from customers for water sales and services	\$ 21,878,287
Cash paid to employees for salaries and wages	(3,282,108)
Cash paid to vendors and suppliers for materials and services	(11,679,523)
Net cash provided by operating activities	6,916,656
<b>Cash flows from non-capital financing activities:</b>	
Rental revenue	213,374
Cash paid to other funds	(883,247)
Net cash used in non-capital financing activities	(669,873)
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(8,529,520)
Capital contributions	2,031,072
Proceeds from certificates of participation, net	15,293,202
Cost of issuance of certificates of participation	(266,013)
Interest paid on advances from other funds	(2,955,345)
Decrease in construction deposits	(2,151,199)
Net cash provided by capital and related financing activities	3,422,197
<b>Cash flows from investing activities:</b>	
Purchase of investments	(11,000,000)
Proceeds from sale of investments	5,000,000
Interest earnings	115,238
Net cash used in investing activities	(5,884,762)
<b>Net increase in cash and cash equivalents</b>	3,784,218
<b>Cash and cash equivalents, beginning of year</b>	11,738,132
<b>Cash and cash equivalents, end of year</b>	\$ 15,522,350
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
<b>Operating income</b>	\$ 3,446,088
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation and amortization	3,164,185
Other non-operating revenues, net	255,166
<b>Changes in assets and liabilities:</b>	
(Increase)decrease in assets:	
Accounts receivable – water sales and services, net	(514,307)
Accounts receivable – other	79,378
Materials and supplies inventory	(27,513)
Prepaid expenses and other deposits	(11,762)
Increase(decrease) in liabilities:	
Accounts payable and accrued expenses	628,577
Accrued salaries and wages	13,859
Customer deposits and deferred revenue	19,869
Compensated absences and other post employment benefits	(136,884)
<b>Total adjustments</b>	3,470,568
<b>Net cash provided by operating activities</b>	\$ 6,916,656
<b>Non-cash investing, capital and financing transactions:</b>	
Developer contributions of capital assets	\$ 850,910

See accompanying notes to the basic financial statements

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements**  
**June 30, 2010**

**(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 Company (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, one director at-large, and one director appointed by each of the four retail water purveyors.

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 39 (an amendment of No. 14). 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 Company (Company) 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, the Company 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 Company 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 Company.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(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.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

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

*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 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 \$37,440,721 (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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and propriety fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Agency has elected not to follow subsequent private-sector guidance.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

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

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.

The funds of the financial reporting entity are described below:

***Governmental Fund Types***

**General Fund** – This fund is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources that are legally restricted for special purposes.

**Debt Service Funds** – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

***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 all expenditures except those required to be accounted for in another fund.

**Pledged Revenue Fund** – is used to account for all financial resources and all revenues collected by the Agency except those required to be accounted for in another fund.

**State Water Contract Fund** – is used to account for all revenues 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.

**Certificates of Participation Fund** – is used to account for resources and payments of various certificates of participation issued by the Agency.



**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

***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.

**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.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

**C. Financial Statement Elements, continued**

**7. Deferred Charges**

The deferred charges are from issuance costs, and unamortized premiums and discounts on the Agency's certificates of deposit that will be amortized over the remaining life of their respective debt service.

**8. Premium on Debt Issued**

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

**9. 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, 2010**

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

**C. Financial Statement Elements, continued**

**10. Compensated Absences**

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

Governmental fund types recognize the vested vacation and sick leave as expenditure in the current year to the extent it is paid during the year. The General Fund has 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 funds is included as a long-term liability in the in the Statement of Net Assets as those are payable from future resources and within the Statement of Net Assets for amounts relating to the proprietary fund type.

**11. Net Assets/Fund Balances**

The government-wide financial statements utilize a net assets presentation. Net assets categorizes are as follows:

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

In the fund financial statements, reserves and designations segregate portions of fund balances that are either not available or have been earmarked for specific purposes. Reservations and designations of fund balance are described below:

- **Reserved** – Some of the assets reported in governmental funds are not available for spending in the subsequent year's budget. Fund balance also is reserved to indicate situations where a position of fund balance is not available for spending on any and all purposes of the fund.
- **Unreserved Designated** – Designations essentially reflect a government's self imposed limitations on the use of otherwise available current financial resources.

**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, 2010**

**(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 certificate of participation fund. The Adopted Original Budget is also the Final Budget as there was no supplemental budget appropriations for the fiscal year ended June 30, 2010.

**(2) Cash and Investments**

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

	<b>2010</b>
Cash and cash equivalents	\$ 97,580,457
Cash and cash equivalents with fiscal agent	14,803,072
Investments and cash equivalents	72,009,872
Total cash and investments	\$ 184,393,401

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

	<b>2010</b>
Cash on hand	\$ 1,600
Deposits with financial institutions	28,663,773
Investments and cash equivalents	155,728,028
Total cash and investments	\$ 184,393,401

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

***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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
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	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.

<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

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

***Custodial Credit Risk***

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

The California Government Code and the 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. The Agency had deposits with bank balances of \$2,291,168 as of June 30, 2010. 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 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' 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.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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, 2010 were as follows:

<b>Investment Type</b>	<b>Total</b>	<b>Remaining Maturity (in Months)</b>		
		<b>12 Months Or Less</b>	<b>13 to 24 Months</b>	<b>25-60 Months</b>
Federal Home Loan Bank	\$ 55,299,620	10,299,620	5,000,000	40,000,000
Federal Home Loan Mortgage Corp.	13,000,000	3,000,000	10,000,000	-
Local Agency Investment Fund (LAIF)	58,948,807	58,948,807	-	-
Los Angeles County Pooled Investment Fund (LACPIF)	1,039,073	1,039,073	-	-
Money market funds	22,441,878	22,441,878	-	-
United States Treasury Issues	4,998,650	4,998,650	-	-
<b>Total</b>	<b>\$ 155,728,028</b>	<b>100,728,028</b>	<b>15,000,000</b>	<b>40,000,000</b>

***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, 2009 were as follows:

<b>Investment Types</b>	<b>Total</b>	<b>Minimum Legal Rating</b>	<b>Exempt From Disclosure</b>	<b>Rating as of Year End</b>	
				<b>AAA</b>	<b>Not Rated</b>
Federal Home Loan Bank	\$ 55,299,620	AAA	\$ -	55,299,620	-
Federal Home Loan Mortgage Corp.	13,000,000	AAA	-	13,000,000	-
Local Area Investment Fund (LAIF)	58,948,807	N/A	-	-	58,948,807
Los Angeles County Pooled Investment Fund (LACPIF)	1,039,073	AAA	-	-	1,039,073
Money market funds	22,441,878	AAA	22,441,878	-	-
United States Treasury Issues	4,998,650	N/A	-	4,998,650	-
<b>Total</b>	<b>\$ 155,728,028</b>		<b>\$ 22,441,878</b>	<b>73,298,270</b>	<b>59,987,880</b>

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(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 Home Loan Bank	Federal agency securities	\$ 55,299,620
Federal Home Loan Mortgage Corp.	Federal agency securities	13,000,000

**(3) Interfund Receivables and Payables**

***Due from/to Other Funds***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Pledged Revenue	Cert. of Particip.	\$ 22,400,000
Pledged Revenue	General Fund	1,340,000
General Fund	Pledged Revenue	<u>2,015,931</u>
	Total	<u>\$ 25,755,931</u>

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

***Advances to/from Other Funds***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Pledged Revenue	Water Enterprise	<u>\$ 58,008,217</u>

Advances from the Pledged Revenue Fund to the Water Enterprise Fund are to provide funds for the acquisition of the Company and amount to \$58,008,217 at June 30, 2010. The advance bears annual interest of 5.04%. The advance plus any accrued interest is due the 25<sup>th</sup> of each month.

***Interfund Transfers***

<u>Transfers From</u>	<u>Transfers to</u>	<u>Amount</u>
Pledged Revenue	General Fund	\$ 13,094,168
Pledged Revenue	Cert. of Particip.	<u>24,346,553</u>
	Total	<u>\$ 37,440,721</u>

Transfers are used to move revenues received and recorded in the Pledged Revenue Fund to: (1) the General Fund to provide resources to pay for expenditures and (2) Certificates of Participation Fund to provide funds to pay debt service payments as they become due.



**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(4) Compensated Absences**

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

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

	<u>Balance 2009</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2010</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$	556,393	317,514	270,745	603,162	150,791	452,371

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

	<u>Balance 2009</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2010</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
\$	297,144	156,735	128,564	325,315	81,329	243,986

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(5) Capital Assets**

***Governmental Activities***

Changes in capital assets for the year were as follows:

	<u>Balance 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2010</u>
Non-depreciable assets:				
Land	\$ 28,372,111	-	-	28,372,111
Construction-in-process	41,715,727	34,158,292	(31,189,066)	44,684,953
Total non-depreciable assets	<u>70,087,838</u>	<u>34,158,292</u>	<u>(31,189,066)</u>	<u>73,057,064</u>
Depreciable assets:				
Contractual state water project rights	119,106,180	3,162,628	-	122,268,808
Contractual water rights - other agencies	35,438,470	5,918,415	-	41,356,885
Treatment plant	114,971,384	34,529,273	-	149,500,657
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	100,894,014	7,545	-	100,901,559
Castaic turnout	398,243	-	-	398,243
Services and meters	304,220	-	-	304,220
Maintenance facility	188,310	-	-	188,310
Large tools and equipment	794,339	81,827	-	876,166
Furniture and fixtures	221,952	7,787	-	229,739
Vehicles	533,981	41,885	-	575,866
Office equipment	1,530,333	105,466	-	1,635,799
Total depreciable assets	<u>407,417,537</u>	<u>43,854,826</u>	<u>-</u>	<u>451,272,363</u>
Accumulated depreciation and amortization:				
Contractual state water project rights	(53,586,672)	(2,357,811)	-	(55,944,483)
Contractual water rights - other agencies	(3,521,498)	(1,474,063)	-	(4,995,561)
Treatment plant	(23,077,639)	(4,497,431)	-	(27,575,070)
Water mains	(6,869,031)	(534,945)	-	(7,403,976)
Reservoirs and tanks	(956,963)	(32,999)	-	(989,962)
Reclaimed water	(989,288)	(132,540)	-	(1,121,828)
Control system	(15,793,899)	(2,813,813)	-	(18,607,712)
Castaic turnout	(230,985)	(7,966)	-	(238,951)
Services and meters	(252,559)	(7,158)	-	(259,717)
Maintenance facility	(150,887)	(6,277)	-	(157,164)
Large tools and equipment	(543,760)	(139,592)	-	(683,352)
Furniture and fixtures	(76,810)	(45,948)	-	(122,758)
Vehicles	(401,895)	(94,309)	-	(496,204)
Office equipment	(442,760)	(296,326)	-	(739,086)
Total accum depr. and amort.	<u>(106,894,646)</u>	<u>(12,441,178)</u>	<u>-</u>	<u>(119,335,824)</u>
Total depreciable assets, net	<u>300,522,891</u>	<u>31,413,648</u>	<u>-</u>	<u>331,936,539</u>
Total capital assets, net	<u>\$ 370,610,729</u>	<u>65,571,940</u>	<u>(31,189,066)</u>	<u>404,993,603</u>

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(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 \$12,441,178.

***Business-Type Activities***

Changes in capital assets for the year were as follows:

	<u>Balance 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2010</u>
Non-depreciable assets:				
Land and land rights	\$ 640,837	-	-	640,837
Construction-in-process	7,181,341	7,839,853	(5,363,615)	9,657,579
Total non-depreciable assets	<u>7,822,178</u>	<u>7,839,853</u>	<u>(5,363,615)</u>	<u>10,298,416</u>
Depreciable assets:				
Transmission and distribution mains	56,578,165	2,619,652	(36,217)	59,161,600
Reservoirs and tanks	21,971,972	1,272,277	(24,645)	23,219,604
Services	13,706,655	(474,989)	-	13,231,666
Hydrants	7,862,991	185,982	-	8,048,973
Boosters	7,368,187	640,602	(34,007)	7,974,782
Meters	2,255,533	27,212	-	2,282,745
Wells	1,640,952	382,562	-	2,023,514
Structures and improvements	1,731,723	238,909	-	1,970,632
Machinery and equipment	3,201,078	1,077,223	(2,954)	4,275,347
Transportation equipment	1,101,590	83,852	-	1,185,442
General plant	38,546	-	-	38,546
Total depreciable assets	<u>117,457,392</u>	<u>6,053,282</u>	<u>(97,823)</u>	<u>123,412,851</u>
Accumulated depreciation and amortization:				
Transmission and distribution mains	(11,969,240)	(915,237)	36,217	(12,848,260)
Reservoirs and tanks	(7,322,501)	(699,391)	24,645	(7,997,247)
Services	(4,590,028)	(368,830)	-	(4,958,858)
Hydrants	(3,032,737)	(229,876)	-	(3,262,613)
Boosters	(2,402,368)	(283,484)	34,007	(2,651,845)
Meters	(1,006,703)	(153,017)	-	(1,159,720)
Wells	(735,802)	(62,302)	-	(798,104)
Structures and improvements	(708,598)	(63,836)	-	(772,434)
Machinery and equipment	(1,268,660)	(384,065)	2,954	(1,649,771)
Transportation equipment	(847,758)	(1,795)	-	(849,553)
General plant	(11,491)	(2,352)	-	(13,843)
Total accumulated depreciation and amortization	<u>(33,895,886)</u>	<u>(3,164,185)</u>	<u>97,823</u>	<u>(36,962,248)</u>
Total depreciable assets, net	<u>83,561,506</u>	<u>2,889,097</u>	<u>-</u>	<u>86,450,603</u>
Total capital assets, net	<u>\$ 91,383,684</u>	<u>10,728,950</u>	<u>(5,363,615)</u>	<u>96,749,019</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 \$3,164,185.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(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>2009</u>	<u>2010</u>
Rio Vista water treatment plant and expansion	\$ 7,733,462	35,459,990
Recycled water project	2,440,971	2,734,183
Lateral extension and storage projects	1,489,126	2,050,528
Perchlorate groundwater treatment	27,615,634	-
Various minor projects	<u>2,436,534</u>	<u>4,440,252</u>
Construction-in-process	<u>\$ 41,715,727</u>	<u>44,684,953</u>

***Business-Type Activities***

The balance at June 30, consists of the following projects:	<u>2009</u>	<u>2010</u>
Internal construction projects	\$ 560,378	4,794,833
Developer on-site construction projects	<u>6,620,963</u>	<u>4,862,746</u>
Construction-in-process	<u>\$ 7,181,341</u>	<u>9,657,579</u>

**(6) Deferred Charges**

Deferred charges are being amortized over the length of the debt service, as follows:

***Governmental Activities***

The Balance at June 30, consists of the following:	<u>Original Amount</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Deferred charges:			
1999 Series A Revenue COP's	\$ 2,913,577	(1,060,218)	1,853,359
2004 Series A Revenue Refunding COP's	(2,938,998)	653,111	(2,285,887)
2006 Series A Revenue Refunding COP's	58,890	(10,242)	48,648
2006 Series C Revenue COP's	95,822	(12,776)	83,046
2008 Series A Revenue COP's	1,222,225	(244,239)	977,986
2010 Series A Revenue COP's	<u>752,071</u>	<u>(174,373)</u>	<u>577,698</u>
Deferred charges, net	<u>\$ 2,103,587</u>	<u>(848,737)</u>	<u>1,254,850</u>

***Business-Type Activities***

The Balance at June 30, consists of the following:	<u>Original Amount</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Deferred charges:			
2010 Series B Revenue COP's	\$ 266,013	(1,438)	264,575
Deferred charges, net	<u>\$ 266,013</u>	<u>(1,438)</u>	<u>264,575</u>

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation**

The following is a summary of the Agency's Certificates of Participation debt as of June 30:

***Governmental Activities***

	<u>Balance 2009</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>Balance 2010</u>
Certificates of Participation (COPs):				
1994 Revenue Refunding COPs	\$ 28,240,000	-	(4,890,000)	23,350,000
1999 Series A Revenue COPs - Current Interest	1,165,000	-	(1,165,000)	-
1999 Series A Revenue COPs - Capital Appr.	40,160,820	2,354,981	-	42,515,801
2001 Series A Revenue COPs	70,360,000	-	(70,360,000)	-
2004 Series A Revenue Refunding COPs	20,780,000	-	(55,000)	20,725,000
2006 Series A Revenue Refunding COPs	44,515,000	-	(165,000)	44,350,000
Premium on issuance - 2006 Series A	995,928	-	(49,796)	946,132
2006 Series C Revenue COPs	88,305,000	-	(1,595,000)	86,710,000
Premium on issuance - 2006 Series C	4,480,604	-	(165,949)	4,314,655
2008 Series A Revenue Refunding COPs	39,075,000	-	(250,000)	38,825,000
2010 Series A Revenue Refunding COP's	-	70,595,000	-	70,595,000
Premium on issuance - 2010 Series A	-	2,082,316	-	2,082,316
Total	<u>338,077,352</u>	<u>75,032,297</u>	<u>(78,695,745)</u>	<u>334,413,904</u>
Less: Current Portion	<u>(10,175,745)</u>			<u>(11,349,861)</u>
Total Non-Current	<u>\$ 327,901,607</u>			<u>323,064,043</u>

***Business-Type Activities***

	<u>Balance 2009</u>	<u>Additions</u>	<u>Payments/ Retirements</u>	<u>Balance 2010</u>
Certificates of Participation (COPs):				
2010 Series B Revenue Refunding COP's	-	14,475,000	-	14,475,000
Premium on issuance - 2010 Series B	-	818,202	(4,508)	813,694
Total	<u>-</u>	<u>15,293,202</u>	<u>(4,508)</u>	<u>15,288,694</u>
Less: Current Portion	<u>-</u>			<u>(272,123)</u>
Total Non-Current	<u>\$ -</u>			<u>15,016,571</u>

***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.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation, continued**

***1994 Refunding Revenue Certificates of Participation, continued***

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). 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, 2010 is \$82,900,000 as follows: \$23,350,000 Series 1994; \$20,725,000 for 2004 Series A; and \$38,825,000 for 2008 Series A. (See 2004 Series A, 2004 Series B and 2008 Series A Certificates of Participation for their respective debt service requirements.)

Annual debt service requirements on the on the 1994 Refunding Revenue Certificates of Participation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,245,000	1,456,081	6,701,081
2012	5,625,000	1,069,075	6,694,075
2013	6,020,000	661,500	6,681,500
2014	6,460,000	225,400	6,685,400
Total	23,350,000	<u>3,412,056</u>	<u>26,762,056</u>
Less current portion	<u>(5,245,000)</u>		
Total non-current	<u>\$ 18,105,000</u>		

***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, 2010**

**(7) Certificates of Participation, 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, and principal is due annually on August 1<sup>st</sup>. The outstanding balance at June 30, 2010, is \$86,865,801 as follows: \$42,515,801 Series 1999 remaining; and \$44,350,000 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.

Annual debt service requirements on the on the 1999 Series A Revenue Certificates of Participation are as follows:

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 \$42,515,801.

	<b>Fiscal Year</b>	<b>Principal Issued</b>
Balance as of June 30, 2010		\$ 42,515,801
Annual principal issued:	2011	2,493,075
	2012	2,639,268
	2013	2,794,032
	2014	2,957,873
	2015	3,131,320
	2016-2017	6,824,266
	2018-2022	20,584,799
	2023-2027	16,071,245
	2028-2031	4,438,321
	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.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation, continued**

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

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.)

***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, 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. 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. Annual debt service requirements on the 2004 Series A Revenue Refunding Certificates of Participation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 55,000	1,032,245	1,087,245
2012	55,000	1,030,485	1,085,485
2013	60,000	1,028,350	1,088,350
2014	60,000	1,025,950	1,085,950
2015	2,505,000	962,125	3,467,125
2016-2017	5,430,000	1,530,500	6,960,500
2018-2021	12,560,000	1,295,000	13,855,000
Total	20,725,000	7,904,655	28,629,655
Less current portion	(55,000)		
Total non-current	\$ 20,670,000		



**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation, continued**

***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 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>
2011	\$ 1,330,000	1,986,044	3,316,044
2012	1,385,000	1,932,610	3,317,610
2013	1,430,000	1,877,176	3,307,176
2014	1,490,000	1,818,786	3,308,786
2015	1,550,000	1,757,976	3,307,976
2016-2019	6,860,000	6,338,379	13,198,379
2020-2024	10,620,000	5,808,880	16,428,880
2025-2029	13,430,000	2,971,353	16,401,353
2030-2031	6,255,000	284,514	6,539,514
Total	44,350,000	<u>24,775,718</u>	<u>69,125,718</u>
Less current portion	<u>(1,330,000)</u>		
Total non-current	<u>\$ 43,020,000</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 them being price 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.

***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.

Additional security for the certificates is provided by a rate covenant and reserve requirement. Pursuant to the rate covenant, the Agency is required to establish a special rate stabilization fund and maintain a balance in that fund that at a minimum exceeds the Agency's required installment payments for the current year. This determination is made annually on July 1.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation, continued**

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

If the balance does not exceed the required minimum level, the Agency must fix and collect rates and charges for water service sufficient to yield revenues equal to 120% of the certificates debt service for the fiscal year and any amounts required to be paid pursuant to the surety bond described below.

If the balance equals the required level, the Agency must fix and collect revenues (other than developer impact fees) sufficient to yield revenues equal to 120% of operation and maintenance costs for the fiscal year. Pursuant to the reserve requirement, \$5,866,322 was placed in a debt service reserve fund on the issuance date of the certificates. The full amount was funded with proceeds from the certificates. At June 30, 2008, the amount held in reserve was \$5,866,322. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2037. Certificates are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 3.5% to 5.0% per annum.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,660,000	4,207,888	5,867,888
2012	1,725,000	4,131,563	5,856,563
2013	1,810,000	4,053,369	5,863,369
2014	1,880,000	3,985,400	5,865,400
2015	1,950,000	3,918,375	5,868,375
2016-2019	8,695,000	14,694,125	23,389,125
2020-2024	13,550,000	15,620,000	29,170,000
2025-2029	17,290,000	11,783,000	29,073,000
2030-2034	22,080,000	6,885,000	28,965,000
2035-2037	16,070,000	1,231,250	17,301,250
Total	86,710,000	<u>70,509,970</u>	<u>157,219,970</u>
Less current portion	<u>(1,660,000)</u>		
Total non-current	<u>\$ 85,050,000</u>		

***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 them 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.

***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 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.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation, continued**

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

Annual debt service requirements on the 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>
2011	\$ 275,000	2,043,318	2,318,318
2012	275,000	2,061,330	2,336,330
2013	300,000	2,009,815	2,309,815
2014	275,000	1,998,226	2,273,226
2015	4,775,000	1,792,262	6,567,262
2016-2019	21,075,000	4,474,899	25,549,899
2020-2021	11,850,000	443,055	12,293,055
Total	38,825,000	<u>14,822,905</u>	<u>53,647,905</u>
Less current portion	<u>(275,000)</u>		
Total non-current	<u>\$ 38,550,000</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. During the fiscal year, the Agency hired Fieldman Rolapp and Associates to conduct an analysis of the swap valuation that complies on all the reporting requirement of the GASB Statement No. 53.

***Discussion of Swap Valuation***

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.

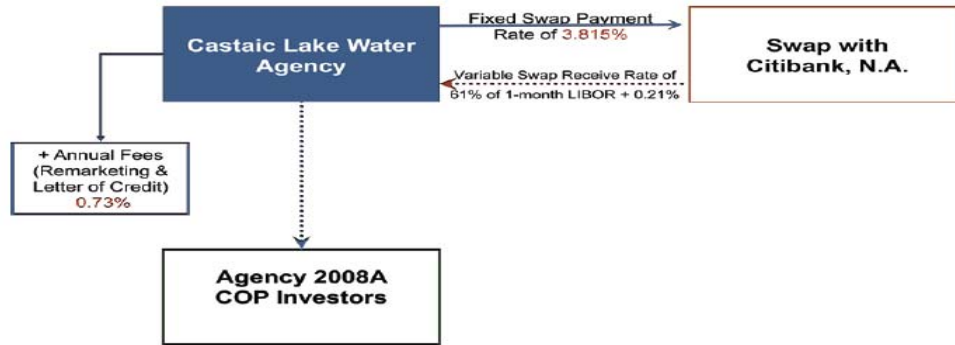
On June 10, 2004, the Agency entered into an interest rate swap agreement in connection with the 2004 Series B Refunding Certificates of Participation. On May 9, 2008, the Agency refunded all of the 2004B certificates (2008 Series A); the swap agreement was amended and restated as of May 6, 2008 to relate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

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation, continued**

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

**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.

**Fair Value:** Because interest rates have declined, the swap had a negative fair value or marked-to-market value of \$4.07 million as of June 30, 2010. The fair value was arrived at by taking into account certain interest rate curves as reported by Bloomberg Professional Services and utilizing standard interest rate swap valuation methodology. The methodology incorporated the Agency’s option to cancel the swap, without any cash settlement of the then fair value, starting on August 1, 2014.

A detailed cash flow of the Agency’s swap valuation is as follow:

Period Ending	Notional Outstanding	Reduction Amounts	Agency Future Payments (3.815%)	Expected Future Payments of Counterparty*	Net Payments to Agency	Present Value of Net Payments to Agency*
August 4, 2010	\$ 38,825,000	275,000	(255,091)	28,223	(226,868)	(226,814)
August 3, 2011	38,550,000	275,000	1,466,597	223,083	(1,243,515)	(1,238,303)
August 1, 2012	38,275,000	300,000	1,456,135	356,882	(1,099,253)	(1,083,682)
August 7, 2013	37,975,000	275,000	1,448,746	561,631	(887,115)	(859,465)
August 6, 2014	37,700,000	300,000	1,438,255	733,813	(704,442)	(665,144)
						\$ (4,073,408)

\* Based on certain interest rate curves reported by Bloomberg Professional Services as of 6/30/2010.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation, continued**

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

***Analysis of Hedge Effectiveness***

One method to evaluate the effectiveness of the swap to hedge the interest rates on the Agency's 2008 A Certificates is the Synthetic Instrument Method (SIM). As stated previously, the swap's objective is to achieve a "synthetic" fixed borrowing rate of approximately 3.815%, or the stated fixed rate paid on the swap. This method therefore assesses the all-in interest cost the Agency pays, including the swap payments and the interest payments on the Certificates. For the hedge provided by the swap to be considered "effective", GASB Statement No. 53 requires this all-in rate to be at least 90% and no greater than 111% of the swap's fixed rate.

Based on the analysis made by Fieldman Rolapp and Associates of the period July 1, 2009 through June 30, 2010, the Agency's Certificates had an average interest rate of approximately 0.19%; the variable swap payment rates had an average reset of 0.37%. The Agency's SIM rate for this period was therefore approximately 3.636%, or 95% of the 3.815% fixed rate on the swap. The swap is therefore deemed "effective" based upon GASB Statement No. 53 requirements.

***Identification of Risks Associated with SWAP***

***Basis Risk:*** The variable swap payments may differ from the rate the Agency pays on the hedged Certificates. For instance, this could result from a general market disparity between weekly rates paid by municipal borrowers compared to 1-month LIBOR. It could also result from higher relative rates on the Agency's Certificates compared to similar securities. This could be related to factors such as negative investor perception of the credit quality of the Certificates.

***Counterparty Credit Risk:*** The counterparty, Citibank, N.A., could be in default on swap payments owed to the Agency, or file for bankruptcy. This could result in a termination event, in which case the Agency could immediately owe (or be owed) the fair market value of the swap. Additionally, if the counterparty's credit rating falls below certain thresholds (BBB+ by S&P or Baa1 by Moody's) or is withdrawn, a termination event may result, in which case the Agency could immediately owe (or be owed) the fair market value of the swap.

***Agency Credit Risk:*** If the Agency's credit rating on the Certificates falls below certain thresholds (BBB- by S&P or Baa3 by Moody's) or is withdrawn, a termination event may result, in which case the Agency could immediately owe (or be owed) the fair market value of the swap.

***Liquidity / Credit Enhancement on Certificates – Credit and Extension Risk:*** The Agency's Certificates are supported by Wells Fargo Bank through a direct-pay letter of credit facility. Such a facility is required for the Certificates to remain marketable and outstanding as variable rate securities. If Certificates investors perceive this facility negatively, the Agency's Certificates may bear higher rates than comparable securities (which may result in basis risk). In addition, the Certificate credit and liquidity facility must be extended periodically or replaced by a comparable provider. The current facility expires on May 6, 2013. To the extent the facility cannot be replaced or extended, various potential impacts of this, including accelerations of Certificate principal repayment, could result in a swap termination event.

***Collateral Posting Risk:*** Based on certain thresholds of the fair market value of the swap and the ratings of the Agency or the counterparty, either party may be required to post collateral (i.e. cash or certain allowable securities). These are specified in Schedule II of the Credit Support Annex of the Swap Master Agreement.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(7) Certificates of Participation, continued**

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

**Termination Event Risk:** A number of events are specified in the swap legal documents that could result in the Agency immediately owing (or owed) the swap's fair market value. These include, but are not limited to, downgrades to either the Agency's or the counterparty's credit rating, events of default or bankruptcy of either party, and unscheduled redemptions of principal or modifications to the amortization schedule of the Agency's Certificates.

***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 on the 2010 Series A Revenue Refunding Certificates of Participation are as follows:

Annual debt service requirements on the 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>
2011	\$ 1,300,000	1,786,708	3,086,708
2012	2,310,000	3,008,706	5,318,706
2013	2,360,000	2,948,406	5,308,406
2014	2,430,000	2,867,606	5,297,606
2015	2,520,000	2,774,606	5,294,606
2016-2019	11,220,000	9,911,349	21,131,349
2020-2024	17,080,000	9,235,730	26,315,730
2025-2029	21,415,000	4,833,509	26,248,509
2030-2031	9,960,000	491,329	10,451,329
Total	70,595,000	<u>37,857,949</u>	<u>108,452,949</u>
Less current portion	<u>(1,300,000)</u>		
Total non-current	\$ <u>69,295,000</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, 2010**

**(7) Certificates of Participation, 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. The balance at the end of the FY 2009/10 remains at \$14,475,000 since no payments were made in FY 2009/10.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 245,000	718,488
2012	250,000	713,588
2013	255,000	708,588
2014	265,000	700,938
2015	275,000	692,988
2016-2019	1,195,000	2,666,439
2020-2024	1,820,000	3,007,875
2025-2029	2,335,000	2,488,288
2030-2034	3,015,000	1,807,626
2035-2040	4,820,000	967,075
Total	14,475,000	<u>14,471,893</u>
Less current portion	<u>(245,000)</u>	
Total non-current	\$ <u>14,230,000</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.

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

This component of net assets 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 assets component as the unspent proceeds. At June 30, 2010, the net investment in capital assets for governmental activities was \$70,579,699 and the net investment in capital assets for business-type activities was \$81,460,325.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
The balance consists of the following:		
Capital assets, net	\$ 404,993,603	96,749,019
COPs payable	<u>(334,413,904)</u>	<u>(15,288,694)</u>
Total	<u>\$ 70,579,699</u>	<u>81,460,325</u>

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(9) Reserves of Fund Balances**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

**Facility Capacity Fee** – The majority of the Agency’s Capital Improvement Program (CIP) is debt financed. The future users portion of the CIP is funded by a charge referred to as a facility capacity fee, and which is in the nature of a connection fee, for the right to make a new retail connection to the water distribution system of any retail water distributor within the agency which obtains all, or any portion of its water supplies from the agency. The amount of fees collected each year is dependent upon market demand and general economic conditions. In the past several years the Agency’s service area has experienced rather substantial building activity and as a result, fees collected have exceeded the annual debt service. At June 30, 2010, fund balance of \$27,801,167 has been reserved as fees collected have exceeded the related costs.

**Capital Improvements** – One percent property tax and 2006 certificate of participation proceeds, which have not been expended, have been reserved for the Agency’s capital improvements.

**Advances to Other Funds** – Fund balance of \$58,008,217 has been reserved for the amount advanced to the Enterprise Fund for the acquisition of the stock of the Company. This amount is reserved as the funds are considered not to be available to fund current expenditures.

**State Water Contract** – Fund balance reserved for payments on the state water contract.

**Debt Service** – Fund balance reserved for payment of debt service.

**(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, 2010 was \$5,083,978.

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.



**Castaic Lake Water Agency  
Notes to the Basic Financial Statements, continued  
June 30, 2010**

**(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, 2010 was \$242,939.

**(12) Defined Benefit Pension Plan**

***Plan Description***

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

***Funding Policy***

The contribution rate for plan members in the CalPERS, 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary. The Agency makes these contributions required of Agency employees on their behalf and for their account. Also, the Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2010, 2009, and 2008 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For Fiscal years 2010, 2009, and 2008, the Agency's annual contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as follows:

***Three Years CalPERS Funding Information***

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2007-2008	\$ 834,015	100%	-	11.975%
2008-2009	923,850	100%	-	11.935%
2009-2010	965,318	100%	-	11.935%

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(13) Other Post Employment Benefits Payable**

The Agency provides other post-employment benefits (OPEB) to qualified employees who retire from the Agency and meet the Agency’s vesting requirements. In June 2009, the Agency implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. In April 2009, the Agency participated 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 base 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:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Active plan members	105	104	101
Retirees and beneficiaries receiving benefits	32	30	28
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>137</u>	<u>134</u>	<u>129</u>

***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.

***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 FY 09/10 ARC rate is 10.46% of the annual covered payroll.

In June 2009, the Agency partially pre-funded the cost of the post-employment benefit plan. The Agency partially pre-funded the plan and maintains reserves (and records a liability) for the difference between the funded amount and the actuarially determined ARC cost.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(13) Other Post Employment Benefits Payable, continued**

***Annual Cost***

For the year ended June 30, 2010, the Agency's ARC cost is \$834,000. The Agency's net OPEB asset amounted to \$32,329 for the year ended June 30, 2010. The Agency contributed \$973,408 and \$287,862 in adjustment contributions for current retiree OPEB premiums for the year ended June 30, 2010.

The balance at June 30, consists of the following:	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 834,000	1,148,000	-
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Total annual OPEB expense	<u>834,000</u>	<u>1,148,000</u>	<u>-</u>
Change in net OPEB payable obligation:			
Age adjusted contributions made	(287,862)	(289,534)	-
Contributions to irrevocable trust	(973,408)	(463,525)	-
Total change in net OPEB payable obligation	<u>(1,261,270)</u>	<u>(753,059)</u>	<u>-</u>
OPEB payable – beginning of year	<u>394,941</u>	<u>-</u>	<u>-</u>
OPEB payable (assets) – end of year	<u>\$ (32,329)</u>	<u>394,941</u>	<u>-</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 2010 and the two preceding years were as follows:

<u>Three-Year History of Net OPEB Obligation/Assets</u>				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable (Assets)</u>
2010	\$ 834,000	1,261,270	151.23%	\$ (32,329)
2009	1,148,000	753,059	65.60%	394,941
2008*	-	-	-	-

\* The information is not available.

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

The most recent valuation (dated July 1, 2009) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$6,599,068. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2010 was \$7,975,000. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 82.75%. (See page 55)

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(13) Other Post Employment Benefits Payable, continued**

***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, 2009
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	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75% – Projected at July 1, 2009
Projected salary increase	3.25%
Inflation - discount rate	7.75%
Individual salary growth	Agency bi-annual salary survey

**(14) Property Taxes and Sale of a Receivable**

Under the provisions of the State of California Proposition 1A and as part of the fiscal year 09/10 State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider any additional borrowings within a ten-year period. The amount of borrowing pertaining to the Agency was \$1,663,377.

Authorized with the fiscal year 09/10 State of California budget package, the State of California Proposition 1A Securitization Program (Securitization Program) was instituted by the California Statewide Communities Development Authority (California Communities), a joint-powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their State of California Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the State of California Proposition 1A receivables and issued bonds (Prop 1A Bonds) to provide California local governmental agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the California local governmental agencies equaled 100% of the amount of the property tax reduction. All transaction costs of the issuance and interest were paid by the State of California. Participating California local governmental agencies have no obligation on the bonds and no credit exposure to the State of California. The Agency participated in the Securitization Program and accordingly property tax revenue has been recorded in the same manner as if the State of California had not exercised its rights under State of California Proposition 1A. The receivable sale proceeds were equal to the book value of the property tax reduction for each agency and, as a result, no gain or loss was recorded to recognize these proceeds.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

**(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, 2010, 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: \$49 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 2010. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2010.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2010, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 54***

In February 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is not effective for this District until the fiscal year ended June 30, 2011. The statement is not expected to have a significant impact on the presentation of the District's financial statements.

***Governmental Accounting Standards Board Statement No. 59***

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This statement is not effective for this Agency until the fiscal year ended June 30, 2011. This statement is not expected to have a significant impact on the presentation of the Agency's financial statements.

**(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.

**Castaic Lake Water Agency  
Notes to the Basic Financial Statements, continued  
June 30, 2010**

**17) Commitments and Contingencies, continued**

At June 30, 2010, the remaining estimated commitment for these charges is as follows:

<b>Calendar year ending December 31,</b>	<b>Amount</b>
2010	\$ 21,801,760
2011	22,459,593
2012-2016	116,480,134
2017-2021	112,067,709
2022-2026	105,106,185
2027-2031	98,494,507
2032-2035	75,827,255
Total	\$ 552,237,143

***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 \$518.78 per AF.

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.

**Castaic Lake Water Agency**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2010**

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

***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 \$12,155,193 of open construction contracts as of June 30, 2010. 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 Expansion	GSE Construction, Inc.	\$ 37,960,996	27,601,118	10,359,878
Sub-Total		<u>37,960,996</u>	<u>27,601,118</u>	<u>10,359,878</u>
<b><i>Business-type activities:</i></b>				
Mains, services & hydrants	Mesa Engineering	1,000,498	837,541	162,957
Mains, services & hydrants	Mesa Engineering	307,356	304,806	2,550
Mains, services & hydrants	Mesa Engineering	298,655	294,470	4,185
Booster station	Mesa Engineering	199,609	185,719	13,890
Mains, services & hydrants	Mesa Engineering	395,107	343,334	51,773
1.5 MG tank-Pardee Homes	Pacific Tank	601,800	598,800	3,000
Mains, services & hydrants	Staats Const.	1,182,081	1,152,401	29,680
SCADA upgrades	Northern Digital	1,489,772	291,583	1,198,189
Bouquet well	Bakersfield Pump	189,467	137,652	51,815
Dismantle stadium well	Layne	32,000	29,600	2,400
Seco Cyn relocation pipe line	Brkich	247,654	29,778	217,876
Upgrade 10" Main Sierra Hwy	Brkich	68,300	11,300	57,000
Sub-Total		<u>6,012,299</u>	<u>4,216,984</u>	<u>1,795,315</u>
Total		<u>\$ 43,973,295</u>	<u>31,818,102</u>	<u>12,155,193</u>



## **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, 2010**

	<b>Original &amp; Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ -	-	-
Water sales – Agency	-	-	-
Water sales – Devil's Den/Ranch	-	-	-
Facility capacity fee	-	-	-
Laboratory fees	-	-	-
Interest and investment earnings	-	-	-
Other	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>			
Water treatment operations	3,993,400	3,414,408	578,992
Water resources	2,290,900	1,929,400	361,500
Maintenance	2,593,800	2,195,822	397,978
Water quality compliance	1,040,400	844,750	195,650
Administration	3,595,900	3,234,127	361,773
Management	962,700	1,019,176	(56,476)
Engineering	557,400	656,485	(99,085)
<b>Total expenditures</b>	<b>15,034,500</b>	<b>13,294,168</b>	<b>1,740,332</b>
Excess of revenues (under) expenditures	(15,034,500)	(13,294,168)	1,740,332
<b>Other financing sources:</b>			
Transfers in	15,034,500	13,094,168	(1,940,332)
<b>Total other financing sources</b>	<b>15,034,500</b>	<b>13,094,168</b>	<b>(1,940,332)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(200,000)</b>	<b>(200,000)</b>
<b>Fund balance – beginning of period</b>	<b>300,000</b>	<b>300,000</b>	
<b>Fund balance – end of period</b>	<b>\$ 300,000</b>	<b>100,000</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, 2010**

	<b>Original &amp; Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Property taxes	\$ 20,903,400	19,971,314	(932,086)
Water sales - Agency	12,702,100	11,074,364	(1,627,736)
Water sales - Devil's Den/Ranch	7,500	6,434	(1,066)
Facility capacity fee	2,500,000	4,016,683	1,516,683
Laboratory fees	90,000	91,951	1,951
Interest and investment earnings	5,390,800	5,181,437	(209,363)
Other	5,850,500	2,222,320	(3,628,180)
<b>Total revenues</b>	<u>47,444,300</u>	<u>42,564,503</u>	<u>(4,879,797)</u>
<b>Expenditures:</b>			
Capital outlay	49,607,900	43,661,424	5,946,476
Administration	5,131,100	2,655,353	2,475,747
<b>Total expenditures</b>	<u>54,739,000</u>	<u>46,316,777</u>	<u>(8,422,223)</u>
Excess of revenues (under) expenditures	<u>(7,294,700)</u>	<u>(3,752,274)</u>	<u>3,542,426</u>
<b>Other financing sources:</b>			
Transfers out	<u>(37,800,768)</u>	<u>(37,440,721)</u>	<u>360,047</u>
<b>Total other financing sources</b>	<u>(37,800,768)</u>	<u>(37,440,721)</u>	<u>360,047</u>
<b>Net change in fund balance</b>	<u>(45,095,468)</u>	<u>(41,192,995)</u>	<u>3,902,473</u>
<b>Fund balance - beginning of period</b>	<u>230,958,976</u>	<u>230,958,976</u>	
<b>Fund balance - end of period</b>	<u>\$ 185,863,508</u>	<u>189,765,981</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, 2010**

	<u>Original &amp; Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 17,384,500	20,489,869	3,105,369
Interest and investment earnings	96,200	43,155	43,155
Other	1,000,000	3,869,057	2,869,057
<b>Total revenues</b>	<u>18,480,700</u>	<u>24,402,081</u>	<u>6,017,581</u>
<b>Expenditures:</b>			
Administration	672,200	97,350	574,850
State water contract payments	16,341,700	19,844,863	(19,844,863)
Capital Outlay	4,935,000	3,162,628	1,772,372
<b>Total expenditures</b>	<u>21,948,900</u>	<u>23,104,841</u>	<u>(17,497,641)</u>
Excess of revenues (under) expenditures	<u>(3,468,200)</u>	<u>1,297,240</u>	<u>(11,480,060)</u>
<b>Other financing sources:</b>			
Transfers out	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>(3,468,200)</u>	<u>1,297,240</u>	<u>(11,480,060)</u>
<b>Fund balance – beginning of period</b>	<u>12,465,520</u>	<u>12,465,520</u>	
<b>Fund balance – end of period</b>	<u>\$ 8,997,320</u>	<u>13,762,760</u>	

**Castaic Lake Water Agency  
 Schedule of Funding Progress – Other Post Employment Benefits Plan (OPEB)  
 For the Year Ended June 30, 2010**

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>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>
7/1/2008	\$ 463,525	9,223,000	8,759,475	5.03%	\$ 6,787,000	129.06%
7/1/2009	1,436,932	8,036,000	6,599,068	17.88%	7,975,000	82.75%

GASB No. 45 was implemented in fiscal year 2009 and there was no other actuarial valuation available prior to implementation.

**Castaic Lake Water Agency**  
**Notes to the Required Supplementary Information**  
**June 30, 2010**

**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. The Adopted Original Budget is also the Final Budget as there was no supplemental budget appropriations for the fiscal year ended June 30, 2010.

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## **Other Supplementary Information**



**Castaic Lake Water Agency**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Certificates of Participation Fund**  
**For the Year Ended June 30, 2010**

	<b>Original &amp; Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>	\$		
Interest and investment earnings	150,000	169,281	19,281
Other	-	-	-
<b>Total revenues</b>	<u>150,000</u>	<u>169,281</u>	<u>19,281</u>
<b>Expenditures:</b>			
Interest expense	14,746,600	14,390,597	356,003
Principal payments expense	9,960,000	9,960,000	-
Bond issuance costs	-	233,500	(233,500)
<b>Total expenditures</b>	<u>24,706,600</u>	<u>24,584,097</u>	<u>122,503</u>
Excess of revenues (under) expenditures	<u>(24,556,600)</u>	<u>(24,414,816)</u>	<u>122,503</u>
<b>Other financing sources:</b>			
Transfers in	24,706,600	24,346,553	360,047
Refund bond issued	-	72,781,432	(72,781,432)
Payment to refunded bond	-	(72,540,082)	72,540,082
<b>Total other financing sources</b>	<u>24,706,600</u>	<u>24,587,903</u>	<u>72,900,129</u>
<b>Net change in fund balance</b>	150,000	173,087	<u>173,087</u>
<b>Fund balance - beginning of period</b>	<u>14,645,002</u>	<u>14,645,002</u>	
<b>Fund balance - end of period</b>	\$ <u><u>14,795,002</u></u>	<u><u>14,818,089</u></u>	

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# **Statistical Section**



**Castaic Lake Water Agency  
Statistical Section**

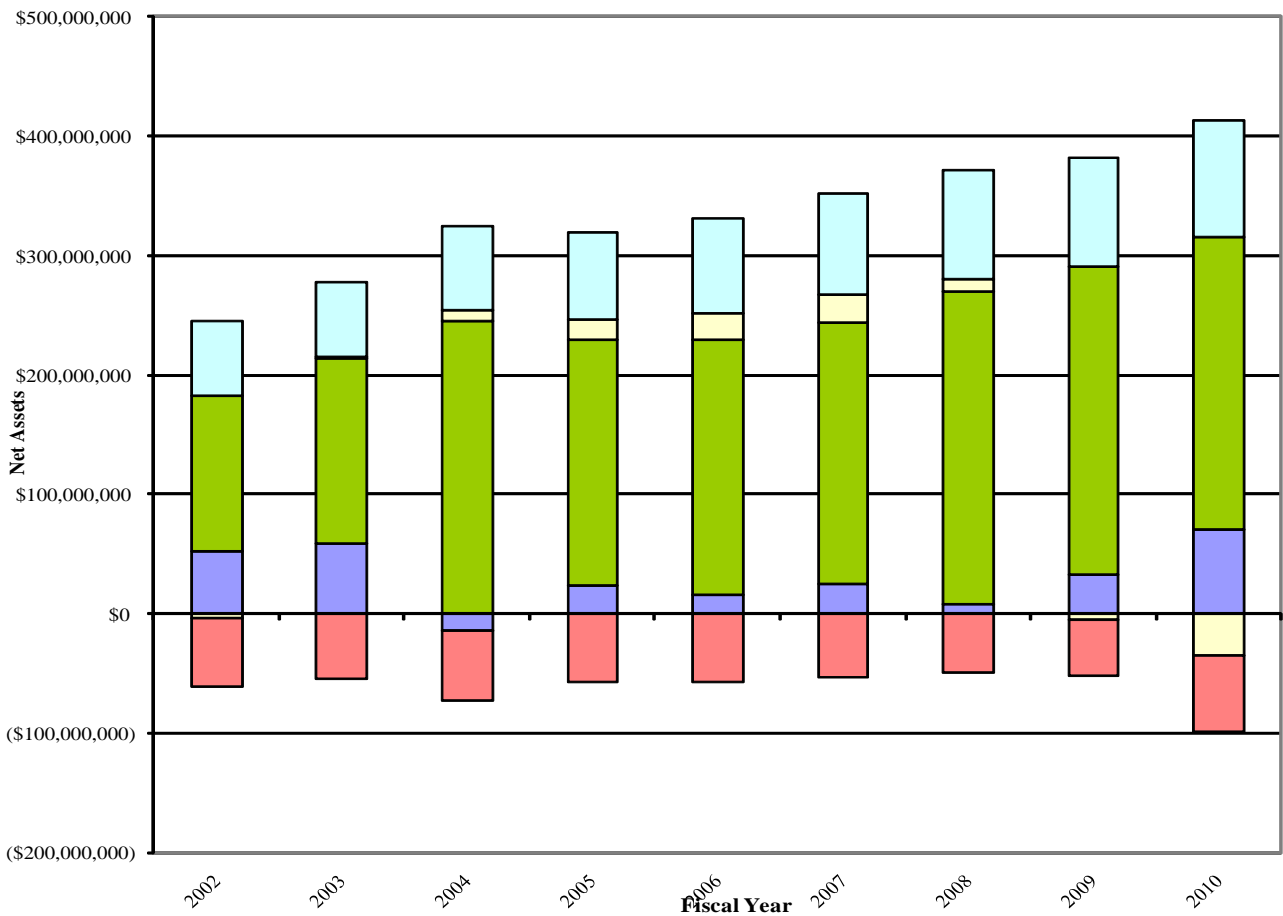
This part of the Agency’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency’s overall financial health.

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	<b><u>Page No.</u></b>
Financial Trends These schedules contain information to help the reader understand how the Agency’s financial performance and well-being have changed over time.	59
Revenue Capacity These schedules contain information to help the reader assess the Agency’s most significant own-source revenue, water sales.	71
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.	75
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the Agency’s financial activities take place.	79
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.	81

## Castaic Lake Water Agency Net Assets by Component Last Nine Fiscal Years

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 52,470,394	59,024,560	(13,814,808)	23,863,608	16,202,644
Restricted	129,539,949	154,402,666	244,710,911	205,441,420	213,243,334
Unrestricted	(4,194,104)	1,502,587	9,126,042	16,582,635	22,754,814
<b>Total governmental activities net assets</b>	<b>177,816,239</b>	<b>214,929,813</b>	<b>240,022,145</b>	<b>245,887,663</b>	<b>252,200,792</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 63,174,471	62,860,482	71,284,753	73,607,123	78,671,449
Restricted	-	-	-	-	-
Unrestricted	(57,393,530)	(54,856,673)	(59,029,584)	(57,555,593)	(57,151,272)
<b>Total business-type activities net assets</b>	<b>5,780,941</b>	<b>8,003,809</b>	<b>12,255,169</b>	<b>16,051,530</b>	<b>21,520,177</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 115,644,865	121,885,042	57,469,945	97,470,731	94,874,093
Restricted	129,539,949	154,402,666	244,710,911	205,441,420	213,243,334
Unrestricted	(61,587,634)	(53,354,086)	(49,903,542)	(40,972,958)	(34,396,458)
<b>Total primary government net assets</b>	<b>\$ 183,597,180</b>	<b>222,933,622</b>	<b>252,277,314</b>	<b>261,939,193</b>	<b>273,720,969</b>



**Note:** The Agency began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

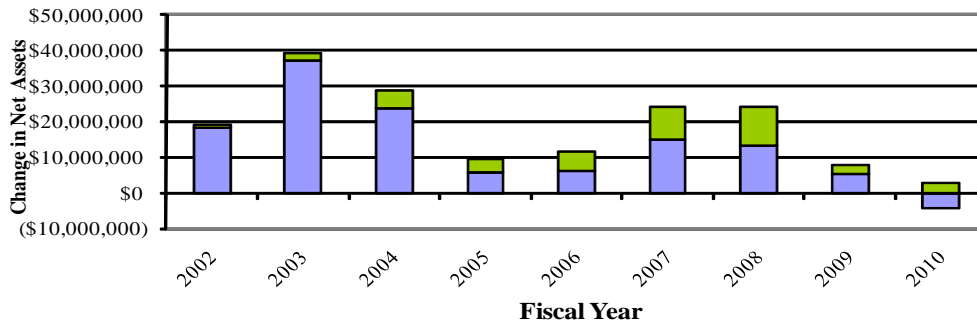
**Source:** Castaic Lake Water Agency audited financial statements



<b>Fiscal Year</b>			
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
24,985,031	8,519,004	32,533,377	70,579,699
218,955,854	261,573,357	258,178,837	218,346,830
23,161,726	10,346,492	(4,971,315)	(3,313,192)
<u>267,102,611</u>	<u>280,438,853</u>	<u>285,740,899</u>	<u>285,613,337</u>
84,453,333	90,863,292	91,383,684	81,460,325
-	-	-	12,238,117
<u>(53,562,143)</u>	<u>(49,098,684)</u>	<u>(46,884,101)</u>	<u>(46,217,135)</u>
<u>30,891,190</u>	<u>41,764,608</u>	<u>44,499,583</u>	<u>47,481,307</u>
109,438,364	99,382,296	123,917,061	152,040,024
218,955,854	261,573,357	258,178,837	230,584,947
<u>(30,400,417)</u>	<u>(38,752,192)</u>	<u>(51,855,416)</u>	<u>(49,530,327)</u>
<u>297,993,801</u>	<u>322,203,461</u>	<u>330,240,482</u>	<u>333,094,644</u>

## Castaic Lake Water Agency Changes in Net Assets Last Nine Fiscal Years

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities:					
Wholesale water operations	\$ 27,024,591	29,125,468	32,761,995	34,515,111	31,947,220
Interest on long-term debt	15,467,035	15,323,683	13,609,987	15,288,323	13,735,436
Total governmental activities expenses	42,491,626	44,449,151	46,371,982	49,803,434	45,682,656
Business-type activities:					
Water enterprise	13,848,342	14,343,877	15,275,983	16,442,910	16,882,065
Total primary government expenses	56,339,968	58,793,028	61,647,965	66,246,344	62,564,721
<b>Program Revenues</b>					
Governmental activities:					
Charges for services – wholesale water operations	21,871,731	43,385,135	36,460,809	27,029,026	18,523,222
Business-type activities:					
Charges for services – water enterprise	12,492,268	12,613,885	14,531,302	14,600,129	15,719,778
Capital grants and contributions	1,880,262	3,679,976	4,817,892	5,215,408	5,488,544
Total business-type activities program revenues	14,372,530	16,293,861	19,349,194	19,815,537	21,208,322
<b>Net (Expense)/Revenue</b>					
Governmental activities	(20,619,895)	(1,064,016)	(9,911,173)	(22,774,408)	(27,159,434)
Business-type activities	524,188	1,949,984	4,073,211	3,372,627	4,326,257
Total primary government net expense	(20,095,707)	885,968	(5,837,962)	(19,401,781)	(22,833,177)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Property taxes	29,662,530	31,359,376	27,994,094	21,854,724	25,471,956
Investment income	8,688,133	6,702,681	5,789,396	6,560,796	7,882,254
Other income	556,960	115,533	112,992	224,406	118,353
Total governmental activities	38,907,623	38,177,590	33,896,482	28,639,926	33,472,563
Business-type activities:					
Investment income	118,531	94,666	42,996	124,422	272,604
Other income	359,641	178,218	504,843	299,312	869,786
Total business-type activities	478,172	272,884	547,839	423,734	1,142,390
Total primary government	39,385,795	38,450,474	34,444,321	29,063,660	34,614,953
<b>Changes in Net Assets</b>					
Governmental activities	18,287,728	37,113,574	23,985,309	5,865,518	6,313,129
Business-type activities	1,002,360	2,222,868	4,621,050	3,796,361	5,468,647
Total primary government	\$ 19,290,088	39,336,442	28,606,359	9,661,879	11,781,776



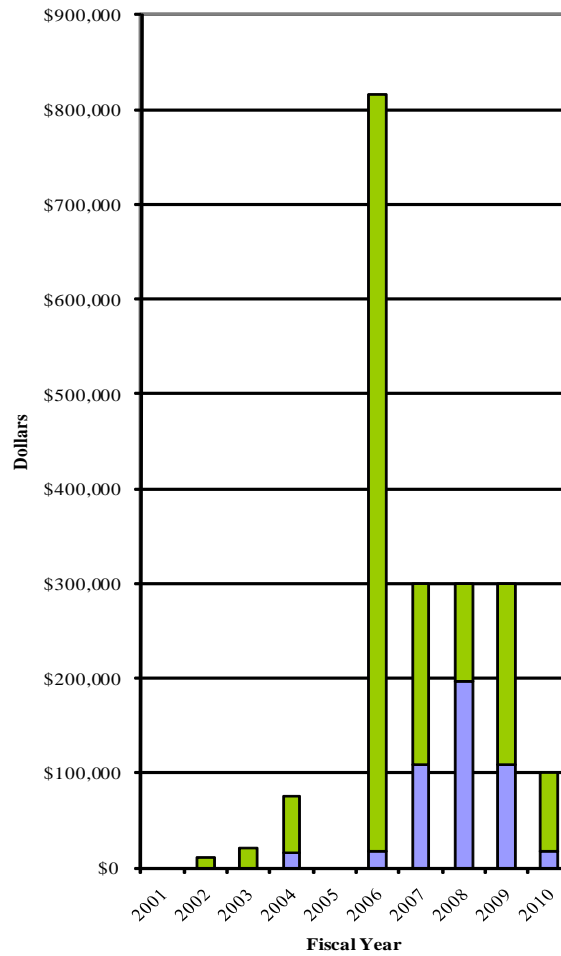
**Note:** The Agency began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

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

<b>Fiscal Year</b>			
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
34,087,974	38,557,149	51,285,178	47,922,365
<u>17,174,794</u>	<u>18,929,576</u>	<u>17,021,922</u>	<u>19,341,062</u>
<u>51,262,768</u>	<u>57,486,725</u>	<u>68,307,100</u>	<u>67,263,427</u>
<u>19,475,839</u>	<u>18,620,416</u>	<u>20,503,320</u>	<u>21,669,243</u>
<u>70,738,607</u>	<u>76,107,141</u>	<u>88,810,420</u>	<u>88,932,670</u>
<u>21,435,813</u>	<u>19,348,883</u>	<u>11,758,318</u>	<u>15,189,432</u>
18,118,199	19,649,755	21,462,927	22,058,050
<u>9,375,529</u>	<u>6,417,457</u>	<u>1,267,966</u>	<u>2,031,072</u>
<u>27,493,728</u>	<u>26,067,212</u>	<u>22,730,893</u>	<u>24,089,122</u>
(29,826,955)	(38,137,842)	(56,548,782)	(52,073,995)
<u>8,017,889</u>	<u>7,446,796</u>	<u>2,227,573</u>	<u>2,419,879</u>
<u>(21,809,066)</u>	<u>(30,691,046)</u>	<u>(54,321,209)</u>	<u>(49,654,116)</u>
31,166,802	33,964,175	35,692,587	40,461,183
10,289,735	12,131,840	9,197,675	5,393,873
<u>3,272,237</u>	<u>5,378,069</u>	<u>16,960,566</u>	<u>6,091,377</u>
<u>44,728,774</u>	<u>51,474,084</u>	<u>61,850,828</u>	<u>51,946,433</u>
589,923	573,857	294,234	94,742
<u>763,201</u>	<u>2,852,765</u>	<u>213,168</u>	<u>467,103</u>
<u>1,353,124</u>	<u>3,426,622</u>	<u>507,402</u>	<u>561,845</u>
<u>46,081,898</u>	<u>54,900,706</u>	<u>62,358,230</u>	<u>52,508,278</u>
14,901,819	13,336,242	5,302,046	(127,562)
<u>9,371,013</u>	<u>10,873,418</u>	<u>2,734,975</u>	<u>2,981,724</u>
<u>24,272,832</u>	<u>24,209,660</u>	<u>8,037,021</u>	<u>2,854,162</u>

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

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved	\$ -	-	-	16,080	-
Unreserved	68	10,697	20,643	59,649	-
<b>Total general fund</b>	<b>\$ 68</b>	<b>10,697</b>	<b>20,643</b>	<b>75,729</b>	<b>-</b>
All Other Governmental Funds					
Reserved	\$ 213,340,210	225,722,951	251,572,927	330,728,883	225,726,498
<b>Total all other governmental funds</b>	<b>\$ 213,340,210</b>	<b>225,722,951</b>	<b>251,572,927</b>	<b>330,728,883</b>	<b>225,726,498</b>



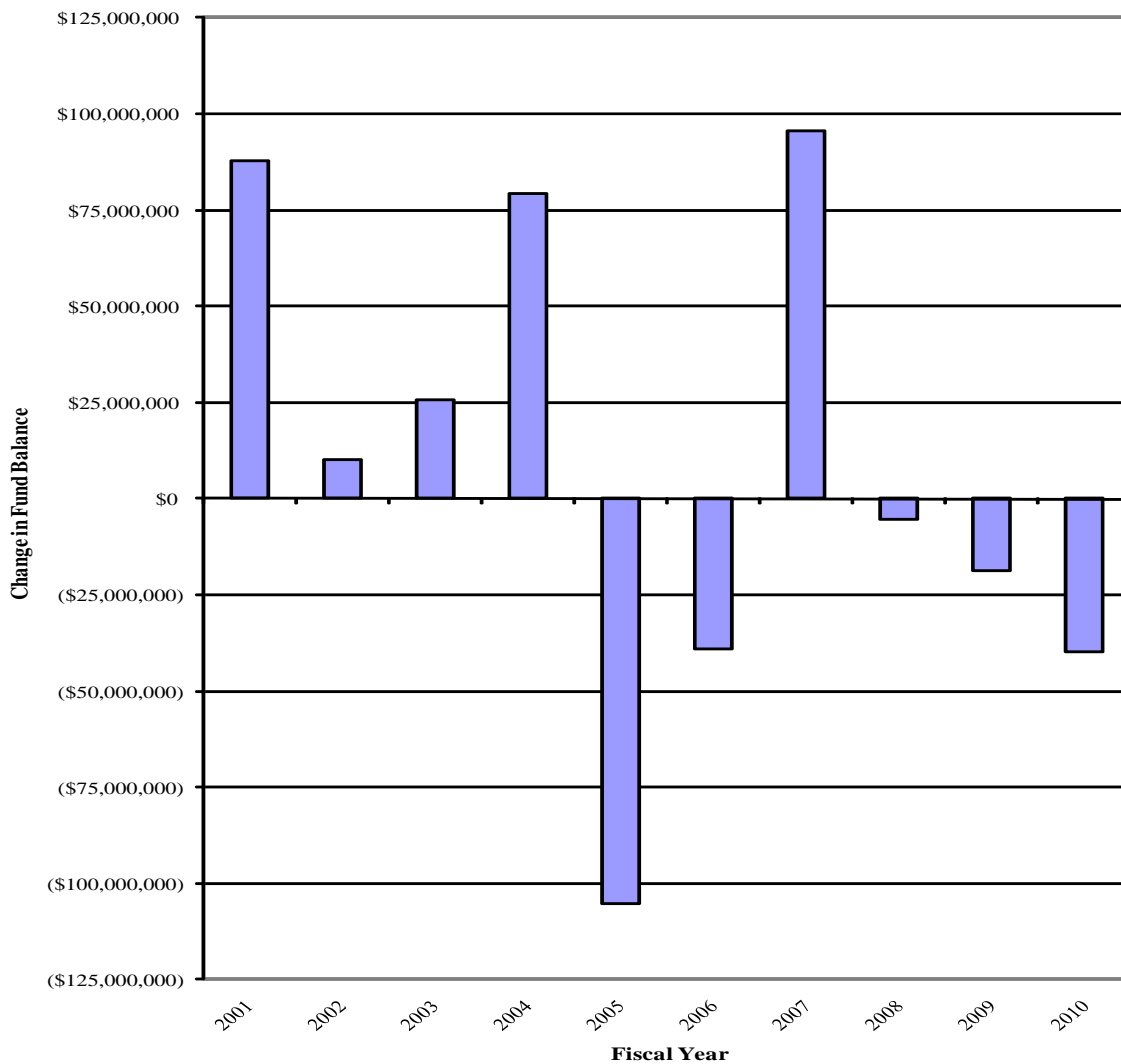
Source: Castaic Lake Water Agency audited financial statements

**Fiscal Year**

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
16,819	108,986	196,871	109,339	17,135
799,397	191,014	103,129	190,661	82,865
<u>816,216</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>100,000</u>
185,793,570	281,788,216	276,588,828	258,069,498	218,346,830
<u>185,793,570</u>	<u>281,788,216</u>	<u>276,588,828</u>	<u>258,069,498</u>	<u>218,346,830</u>

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Revenues	\$ 50,159,660	60,549,326	77,688,500	70,357,291	55,668,952
Expenditures	43,723,975	51,980,076	53,408,922	62,211,930	162,518,185
Excess of revenues over (under) expenditures	6,435,685	8,569,250	24,279,578	8,145,361	(106,849,233)
Other Financing Sources (Uses)					
Proceeds from long-term debt	81,410,119	1,492,807	1,580,344	71,065,681	1,771,119
Operating transfers in	29,135,411	23,833,158	26,154,481	30,192,676	28,434,115
Operating transfers out	(29,135,411)	(23,833,158)	(26,154,481)	(30,192,676)	(28,434,115)
Total Other Financing Sources (Uses)	81,410,119	1,492,807	1,580,344	71,065,681	1,771,119
<b>Net change in fund balances</b>	<b>\$ 87,845,804</b>	<b>10,062,057</b>	<b>25,859,922</b>	<b>79,211,042</b>	<b>(105,078,114)</b>
Debt service ration to non capital expenditures	44.04%	43.96%	43.73%	46.24%	40.08%

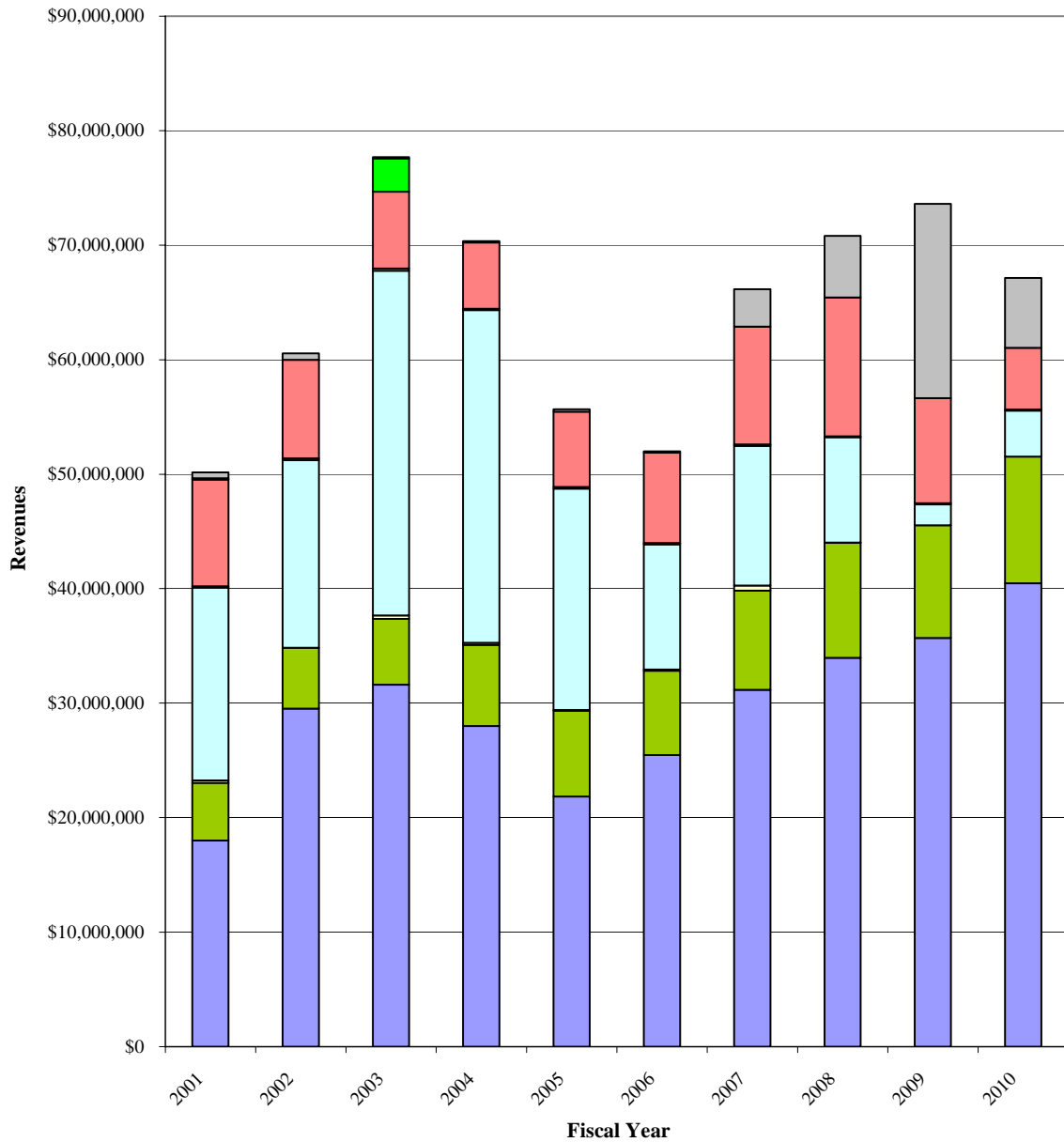


Source: Castaic Lake Water Agency audited financial statements

<b>Fiscal Year</b>				
<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
51,995,786	66,164,593	70,822,967	73,609,146	67,135,865
92,993,043	113,990,133	76,022,355	92,128,477	107,058,533
(40,997,257)	(47,825,540)	(5,199,388)	(18,519,331)	(39,922,668)
1,874,975	143,303,976	-	-	-
33,399,791	80,190,557	33,335,882	36,598,715	37,440,721
(33,399,791)	(80,190,557)	(33,335,882)	(36,598,715)	(37,440,721)
1,874,975	143,303,976	-	-	-
(39,122,282)	95,478,436	(5,199,388)	(18,519,331)	(39,922,668)
45.40%	36.07%	40.91%	37.50%	40.65%

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Property taxes	\$ 17,988,947	29,530,534	31,613,416	27,994,094	21,854,724
Water sales - Agency	5,050,974	5,307,405	5,738,667	7,086,757	7,497,748
Water sales - Devil's Den	216,439	8,928	311,395	180,807	42,432
Developer impact fees	16,823,432	16,377,598	30,105,457	29,073,470	19,344,720
Laboratory fees	124,728	177,800	191,780	119,775	144,126
Interest	9,331,273	8,590,101	6,717,842	5,789,396	6,560,796
Reimbursements from other governments	103,829	-	2,894,410	-	-
Other	520,038	556,960	115,533	112,992	224,406
Total governmental revenues	<u>\$ 50,159,660</u>	<u>60,549,326</u>	<u>77,688,500</u>	<u>70,357,291</u>	<u>55,668,952</u>



Source: Castaic Lake Water Agency audited financial statements

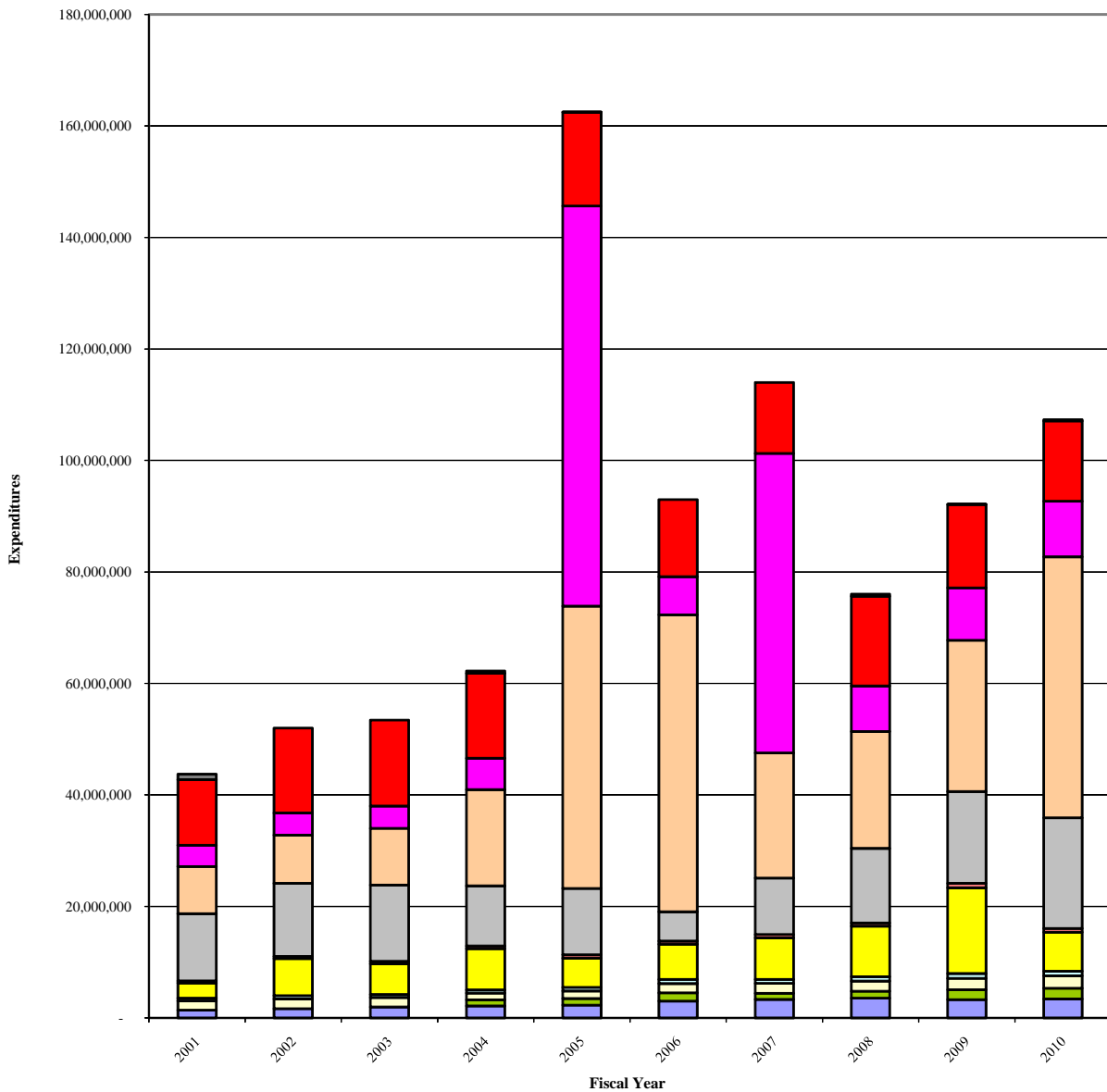


**Fiscal Year**

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

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Water treatment operations	\$ 1,387,283	1,675,874	1,974,258	2,165,160	2,309,507
Water resources	-	-	-	1,100,784	1,148,487
Maintenance	1,671,536	1,708,958	1,674,485	1,184,524	1,385,888
Water quality compliance	474,977	601,392	546,962	586,995	644,293
Management and Administration	2,750,944	6,680,896	5,518,236	7,386,752	5,249,661
Engineering	357,882	382,268	439,053	494,802	579,220
State water contract payments	12,046,868	13,086,121	13,691,126	10,789,038	11,933,100
Capital outlay	8,484,885	8,666,166	10,172,830	17,233,597	50,621,964
Debt service:					
Principal	3,805,000	3,945,000	3,985,000	5,635,000	71,800,000
Interest	11,753,357	15,233,401	15,406,972	15,229,594	16,796,283
Discount on certificates	-	-	-	-	-
Issuance costs	991,243	-	-	405,684	49,782
<b>Total governmental expenditures</b>	<b>\$ 43,723,975</b>	<b>51,980,076</b>	<b>53,408,922</b>	<b>62,211,930</b>	<b>162,518,185</b>



Source: Castaic Lake Water Agency audited financial statements

**Fiscal Year**

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
3,014,978	3,314,922	3,565,133	3,295,972	3,414,408
1,465,599	1,092,406	1,222,234	1,750,276	1,929,400
1,681,886	1,772,771	1,835,902	2,061,030	2,195,822
732,276	742,508	790,097	866,709	844,750
6,330,451	7,424,163	9,050,675	15,377,959	7,006,006
555,747	606,441	593,133	788,433	656,485
5,256,621	10,117,164	13,368,361	16,484,367	19,844,863
53,296,758	22,470,432	20,947,111	27,126,850	46,824,052
6,835,000	53,725,325	8,160,000	9,405,000	9,960,000
13,823,727	12,724,001	16,104,142	14,965,694	14,390,597
-	-	-	-	-
-	-	385,567	6,187	233,500
<u>92,993,043</u>	<u>113,990,133</u>	<u>76,022,355</u>	<u>92,128,477</u>	<u>107,299,883</u>

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

<b>Fiscal Year</b>	<b>Secured</b>			<b>Unsecured</b>		
	<b>Los Angeles County</b>	<b>Ventura County</b>	<b>Totals</b>	<b>Los Angeles County</b>	<b>Ventura County</b>	<b>Totals</b>
2001	14,021,929,618	12,376,502	14,034,306,120	706,736,188	48,638	706,784,826
2002	15,448,824,281	12,729,497	15,461,553,778	854,312,495	433,040	854,745,535
2003	17,209,012,030	13,137,215	17,222,149,245	834,333,529	439,536	834,773,065
2004	19,567,307,922	14,607,860	19,581,915,782	807,016,399	449,092	807,465,491
2005	22,320,368,880	13,214,641	22,333,583,521	795,317,454	456,457	795,773,911
2006	26,726,931,679	24,345,222	26,751,276,901	843,544,054	465,032	844,009,086
2007	30,170,105,930	26,888,038	30,196,993,968	946,158,845	474,776	946,633,621
2008	32,925,381,541	27,260,648	32,952,642,189	1,048,909,083	483,493	1,049,392,576
2009	34,456,856,037	27,921,923	34,484,777,960	1,226,855,382	650,042	1,227,505,424
2010	32,423,796,679	27,668,978	32,451,465,657	1,239,808,314	662,551	1,240,470,865

**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>
2001	1.000000	0.060614	0.001314	0.000298	0.000498	0.001552	1.064276
2002	1.000000	0.123017	0.001128	0.041235	0.000561	0.001073	1.167014
2003	1.000000	0.106227	0.001033	0.069731	0.000487	0.000881	1.178359
2004	1.000000	0.066000	0.000992	0.079461	0.000328	0.000462	1.147243
2005	1.000000	0.056169	0.000923	0.064493	0.000321	0.000245	1.122151
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

**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>
2001	16,783,235	15,973,034	95.17%	398,972	16,372,006	97.55%
2002	29,206,338	28,023,885	95.95%	443,127	28,467,012	97.47%
2003	30,581,534	28,692,841	93.82%	1,178,213	29,871,054	97.68%
2004	26,613,032	24,692,446	92.78%	1,424,326	26,116,772	98.14%
2005	28,180,368	26,233,000	93.09%	1,184,838	27,417,838	(1) 97.29%
2006	30,232,559	28,992,344	95.90%	1,002,356	29,994,700	(1) 99.21%
2007	32,793,473	28,740,556	87.64%	2,426,245	31,166,801	95.04%
2008	35,789,640	31,168,378	87.09%	2,795,797	33,964,175	94.90%
2009	37,560,780	33,257,381	88.54%	2,435,206	35,692,587	95.03%
2010	42,646,597	38,463,408	90.19%	1,997,775	40,461,183	94.88%

**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

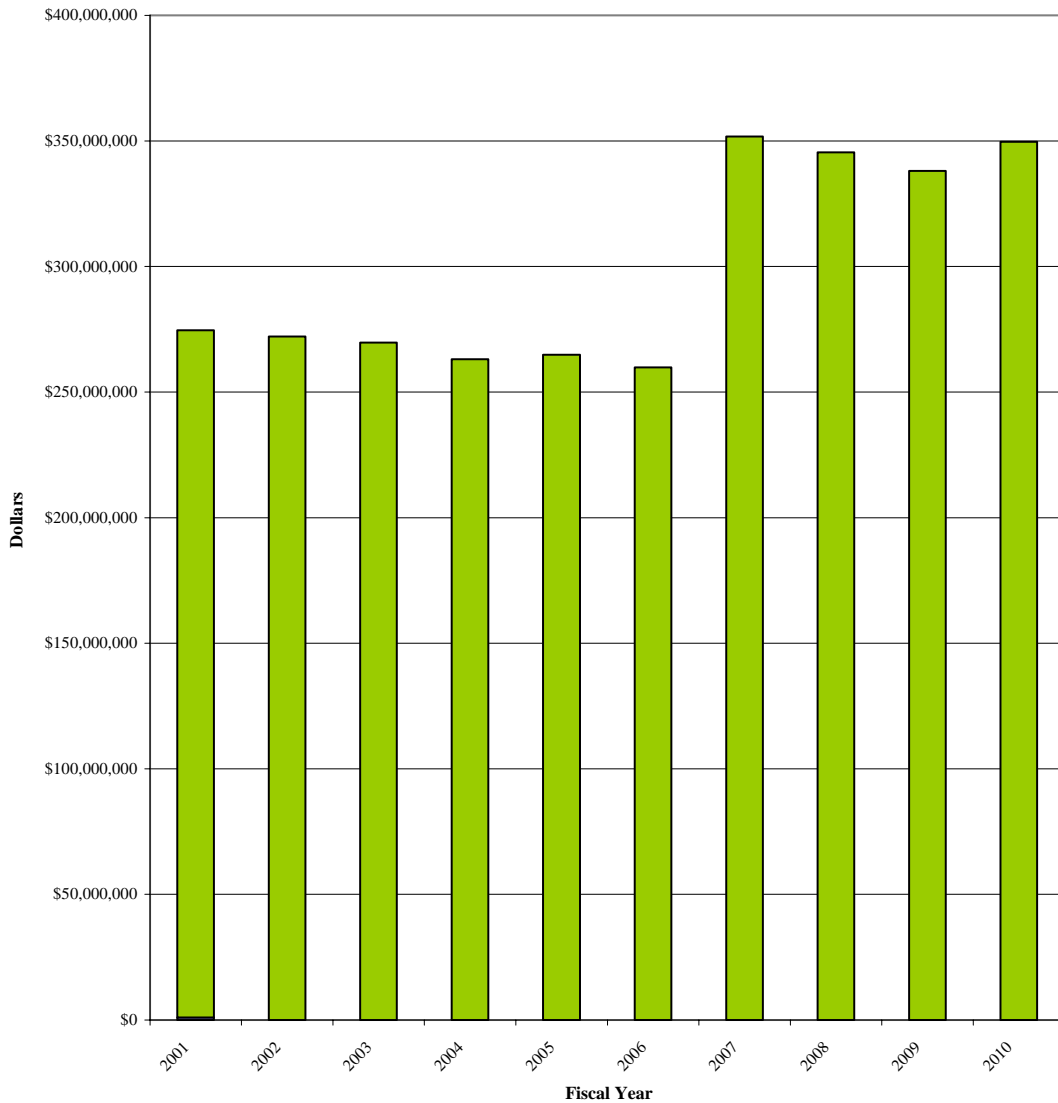
**Castaic Lake Water Agency  
Principal Property Tax Payers  
Current Fiscal Year and Nine Years Ago**

<b>Customer</b>	<b>2010</b>		<b>2001</b>	
	<b>Assessed Value</b>	<b>Percentage of Total</b>	<b>Assessed Value</b>	<b>Percentage of Total</b>
LNR Valencia Town Center	121,543,540	0.36%	52,794,096	0.36%
Newhall Land & Farming	112,512,072	0.33%	49,875,515	0.34%
Premier Parks Incorporated	71,709,291	0.21%	14,138,598	0.10%
RREEF America Reit II Corp D	69,424,253	0.21%	11,404,419	0.08%
California Institute of Arts	59,005,169	0.18%	24,820,092	0.17%
Town Center Apartments I	51,937,998	0.15%	9,649,894	0.07%
EQR Essex Place Financing	48,693,391	0.14%	7,111,950	0.05%
Newhl Land & Farming	47,744,975	0.14%	20,553,131	0.14%
Lexington Lion Clarita LP	43,172,983	0.13%	945,389	0.01%
LNR Town Center Entertainment	36,175,535	0.11%	15,713,339	0.11%
Total	661,919,207	1.96%	207,006,424	1.40%
All Others	33,030,017,315	98.04%	14,534,084,522	98.60%
Total Assessed Value	33,691,936,522	100.00%	14,741,090,946	100.00%

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

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

Fiscal Year	General Obligation Bonds	Certificates of Participation	Total		
			Debt	Per Capita	As a Share of Personal Income
2001	\$ 1,000,000	273,592,787	274,592,787	1,783.38	5.85%
2002	-	272,140,594	272,140,594	1,717.97	5.58%
2003	-	269,735,938	269,735,938	1,655.46	5.30%
2004	-	263,058,953	263,058,953	1,594.47	5.00%
2005	-	264,830,071	264,830,071	1,576.80	4.84%
2006	-	259,870,046	259,870,046	1,524.57	4.58%
2007	-	351,727,989	351,727,989	1,985.39	5.78%
2008	-	345,473,561	345,473,561	1,951.33	5.48%
2009	-	338,077,352	338,077,352	1,908.42	4.98%
2010	-	349,702,598	349,702,598	1,968.59	5.08%



Source: Castaic Lake Water Agency Audited Financial Statements



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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Taxable Value of Property</b>	<b>Per Capita</b>
2001	1,000,000	0.01%	6.49
2002	-	0.00%	0.00
2003	-	N/A	N/A
2004	-	N/A	N/A
2005	-	N/A	N/A
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

**Sources:** Castaic Lake Water Agency audited financial statements,

N/A - Not applicable

**Castaic Lake Water Agency  
Direct and Overlapping Governmental Activities Debt  
At June 30, 2010**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Los Angeles County Flood Control District	84,705,000	1.700%	1,439,985
Los Angeles County Sanitation District	359,424,393	1.700%	6,110,215
Los Angeles Unified School District	<u>8,046,220,000</u>	<u>1.700%</u>	<u>136,785,740</u>
Total overlapping debt			144,335,940
Agency Governmental Activities Direct Debt	334,413,904	100.000%	<u>334,413,904</u>
Total direct and overlapping debt			<u><u>478,749,844</u></u>
2009/10 Assessed Valuation: \$33,663,604,993			
Debt to Assessed Valuation Ratios	Direct Debt	0.99%	
	Overlapping Debt	0.43%	
	Total Debt	1.42%	

**Source:** County of Los Angeles 2009 CAFR (2010 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		
2001	\$ 40,260,336	(5,553,408)	34,706,928	3,805,000	11,753,357	15,558,357	2.23
2002	39,852,555	(6,353,501)	33,499,054	2,945,000	15,233,401	18,178,401	1.84
2003	53,464,957	(6,765,472)	46,699,485	3,985,000	15,406,972	19,391,972	2.41
2004	54,114,110	(7,846,597)	46,267,513	5,635,000	15,229,594	20,864,594	2.22
2005	40,280,631	(8,816,584)	31,464,047	2,445,000	16,796,283	19,241,283	1.64
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

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

(1) Per official statements, revenue pledged includes amounts collected from all sources

(2) Expenses are General Fund expenditures only

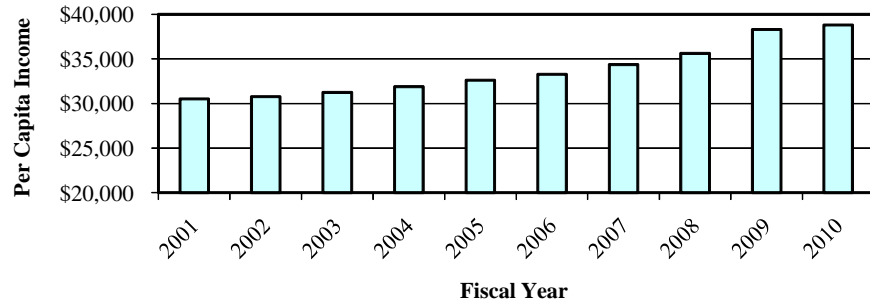
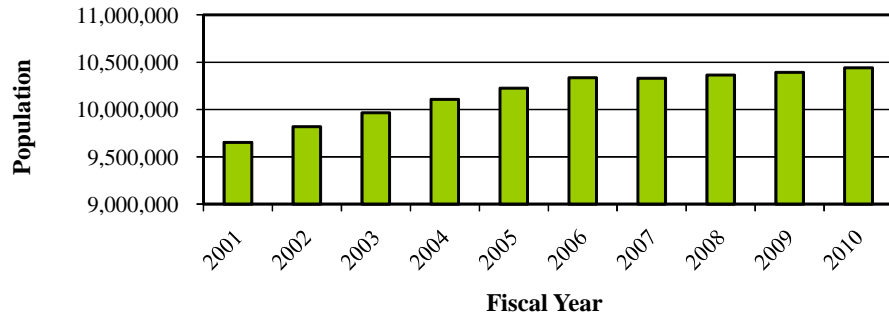
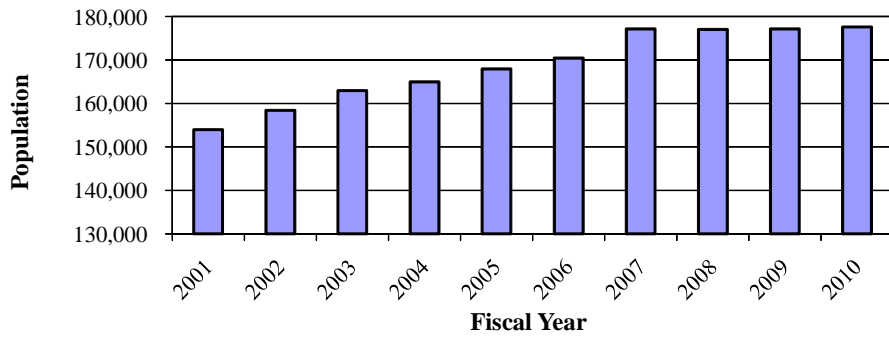
(3) Includes only normal principal payments (does not include payments as a result of refinancing or issuance of debt)

**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
2001	153,973	5.7%	9,653,900	294,508,314	30,507
2002	158,408	6.8%	9,817,400	302,123,332	30,774
2003	162,937	7.0%	9,966,200	311,285,326	31,234
2004	164,982	6.5%	10,107,451	322,180,312	31,876
2005	167,954	5.3%	10,226,506	333,456,623	32,607
2006	170,455	5.0%	10,336,231	344,127,235	33,293
2007	177,158	4.9%	10,331,939	355,138,307	34,373
2008	177,045	8.2%	10,363,850	369,174,348	35,621
2009	177,150	12.6%	10,393,185	398,000,000	38,294
2010	177,641	13.3%	10,441,080	405,000,000	38,789



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

**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  
Last Three Fiscal Years**

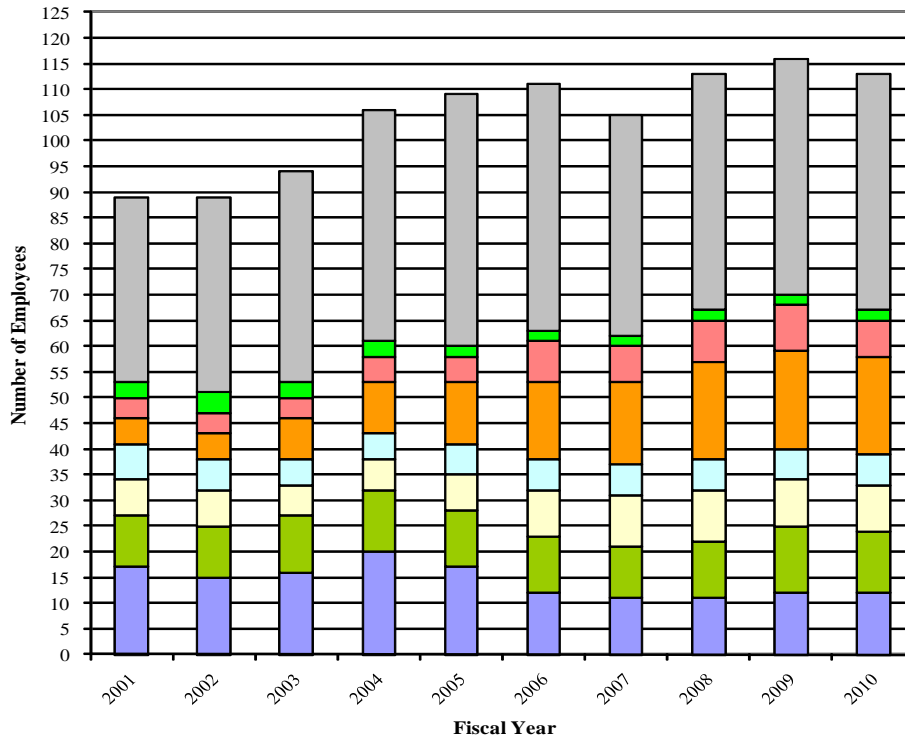
	2010		2008		2007	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Six Flags Magic Mountain	3,800	17.32%	3,689	15.64%	3,165	13.42%
Princess Cruises	2,000	9.12%	2,100	8.90%	2,100	8.90%
Henry Mayo Newhall Memorial Hospital	1,200	5.47%	1,212	5.14%	1,133	4.80%
H.R. Textron	716	3.26%	845	3.58%	845	3.58%
The Master's College	780	3.56%	755	3.20%	748	3.17%
Specialty Laboratories	850	3.87%	725	3.07%	725	3.07%
Arvato Services	580	2.64%	586	2.48%	586	2.48%
California Institute of Art	525	2.39%	500	2.12%	500	2.12%
Aerospace Dynamics	440	2.01%	450	1.91%	420	1.78%
Fanfare Media Works	400	1.82%	407	1.73%	407	1.73%
<b>Total</b>	<b>11,291</b>	<b>51.46%</b>	<b>11,269</b>	<b>47.77%</b>	<b>10,629</b>	<b>45.05%</b>
<b>All Others</b>	<b>10,650</b>	<b>48.54%</b>	<b>12,323</b>	<b>52.23%</b>	<b>12,963</b>	<b>54.95%</b>
<b>Total employment in Santa Clarita</b>	<b>21,941</b>	<b>100.00%</b>	<b>23,592</b>	<b>100.00%</b>	<b>23,592</b>	<b>100.00%</b>

Source: California Department of Finance (2009 not available)

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

**District Employees by Department**

Department	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water Resources	17	15	16	20	17	12	11	11	12	12
Maintenance	10	10	11	12	11	11	10	11	13	12
Water Treatment Operations	7	7	6	6	7	9	10	10	9	9
Water Quality Compliance	7	6	5	5	6	6	6	6	6	6
Administration	5	5	8	10	12	15	16	19	19	19
Engineering	4	4	4	5	5	8	7	8	9	7
Management	3	4	3	3	2	2	2	2	2	2
Retail (Water Enterprise) <sup>(1)</sup>	36	38	41	45	49	48	43	46	46	46
	89	89	94	106	109	111	105	113	116	113



**Other Operating and Capacity Indicators**

Fiscal Year	Water in Storage (AF)	State Water Purchased	Retail Division (Water Enterprise) <sup>(1)</sup>					Number of Fire Hydrants	Number of Groundwater Wells
			Service Connections	Average Consumption (MGD)	Maximum Capacity (MGD)	Miles of Water Mains			
2001	276,377	31,939	23,548	N/A	N/A	N/A	N/A	N/A	
2002	304,188	68,817	24,175	N/A	N/A	N/A	N/A	N/A	
2003	314,523	55,736	25,175	N/A	N/A	N/A	N/A	N/A	
2004	277,601	89,735	26,161	N/A	N/A	N/A	N/A	N/A	
2005	307,677	55,828	26,979	23	49	295	2,413	13	
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	

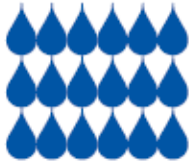
AF - Acre feet  
MGD - Millions of Gallons per Day  
N/A - Data not applicable or not available

Sources: Castaic Lake Water Agency Administration Department

# **Report on Internal Controls and Compliance**







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## **Independent Auditor's Report on Internal Controls and Compliance Over Financial Reporting 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 the basic financial statements of the Castaic Lake Water Agency (Agency) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

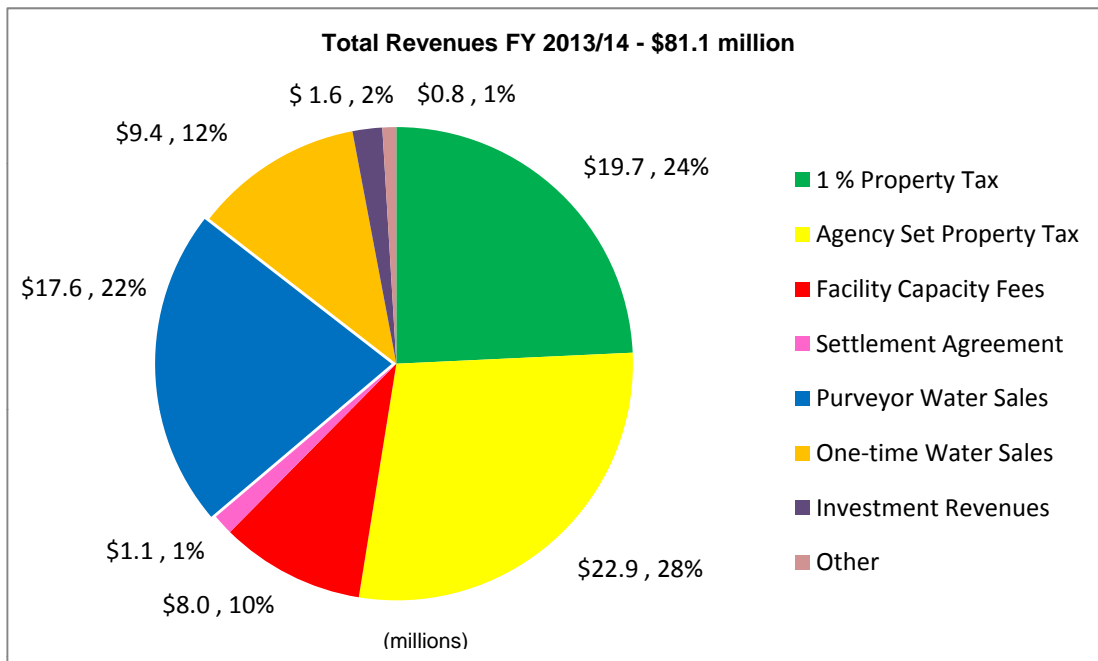
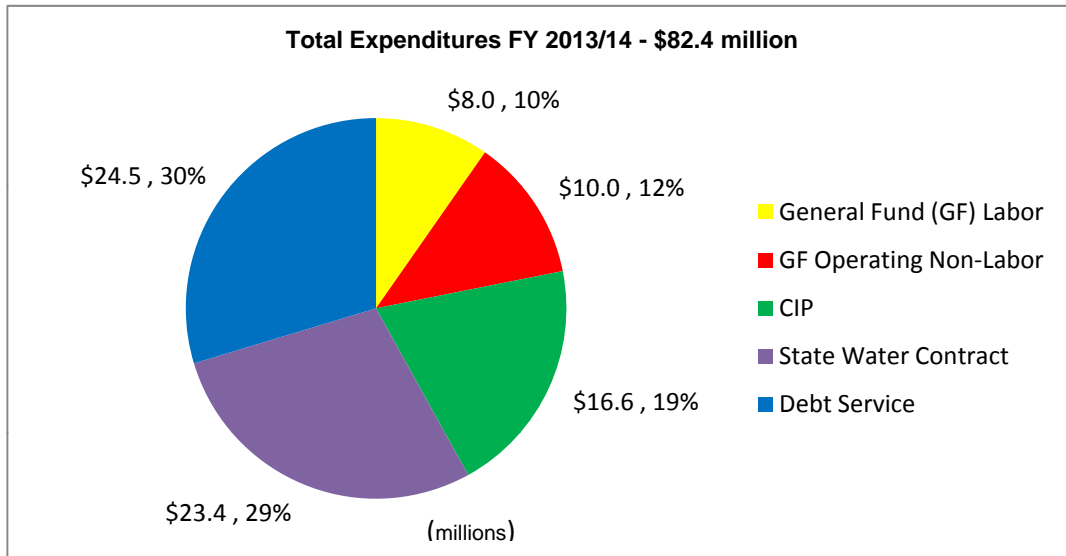
As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the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

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

September 9, 2010  
Cypress, California

*Charles Z. Fedak, CPA*  
*An Accountancy Corporation*

CASTAIC LAKE WATER AGENCY  
 Financial Summary  
 FY 2013/14 Budget



Castaic Lake Water Agency  
Financial Summary  
FY 2013/14 Budget

Description	General Fund/ Operating	Capital Improvement Program					TOTAL	
		Pledged Revenue Fund		Capital Project Fund	Total Capital Improvement Program	State Water Contract Fund		Debt Service Fund
		Facility Capacity Fee	One Percent Property Tax					
<b>Fund Balance 7/1/2013 (estimated)</b>	\$ 8,904,416	\$ 247,544	\$ 69,672,227	\$ 14,779,829	\$ 84,699,600	\$ 24,747,354	\$ 14,533,487	\$ 132,884,857
<b>RESERVES:</b>								
Operating Reserve	\$ (4,505,300)	\$ -	\$ (9,920,900)	\$ -	\$ (9,920,900)	\$ -	\$ -	\$ (4,505,300)
Debt Service Reserves	-	-	(16,309,700)	-	(16,309,700)	-	-	(9,920,900)
Capital Reserves	-	-	(30,055,600)	-	(30,055,600)	-	-	(16,309,700)
Economic Uncertainties/Catastrophic Situations	-	-	(310,000)	-	(310,000)	-	-	(30,055,600)
Repair and Replacement Reserves (new)	-	-	-	-	-	-	-	(310,000)
Trustee Held	-	-	-	-	-	-	-	(14,533,487)
Subtotal	\$ (4,505,300)	\$ -	\$ (56,596,200)	\$ -	\$ (56,596,200)	\$ -	\$ (14,533,487)	\$ (75,634,987)
Net Available	\$ 4,399,116	\$ 247,544	\$ 13,076,027	\$ 14,779,829	\$ 28,103,400	\$ 24,747,354	\$ -	\$ 57,249,870
<b>REVENUES:</b>								
Water Sales - Fixed Charges	\$ 13,138,300	\$ -	\$ 9,350,000	\$ -	\$ 9,350,000	\$ -	\$ -	\$ 22,488,300
Water Sales - Variable	3,775,200	-	-	-	-	-	-	3,775,200
Water Sales - Purveyors - Reserves	-	-	-	-	-	-	-	-
Recycled Water Sales	185,600	-	-	-	-	-	-	185,600
Saugus 1 and 2 Water Sales	471,500	-	-	-	-	-	-	471,500
Laboratory Revenues	109,000	-	-	-	-	-	-	109,000
Communications Revenues	165,000	-	-	-	-	-	-	165,000
Facility Capacity Fees	-	8,000,000	-	-	8,000,000	-	-	8,000,000
One Percent Property Tax	-	-	19,665,700	-	19,665,700	-	-	19,665,700
Agency Set Property Tax	-	-	-	-	-	-	-	-
Settlement Agreement (CIP)	1,135,000	-	-	-	-	-	-	1,135,000
Settlement Agreement (O&M)	49,000	-	427,900	-	427,900	-	-	476,900
Grants and Reimbursements	42,100	302,400	775,200	15,000	1,092,600	94,300	413,500	1,642,500
Investment Revenues	19,100	-	-	-	-	-	-	22,922,100
Miscellaneous	-	-	-	-	-	-	-	-
Subtotal	\$ 19,089,800	\$ 8,302,400	\$ 30,218,800	\$ 15,000	\$ 38,536,200	\$ 23,016,400	\$ 413,500	\$ 81,055,900
<b>EXPENDITURES:</b>								
Operating	\$ (18,021,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (18,021,000)
Saugus 1 and 2 Wells MOU	-	-	-	-	-	-	-	-
Transfer to Reserves	-	-	-	-	-	-	-	-
Capital Improvement Program	-	-	(11,649,800)	(4,925,200)	(16,575,000)	-	-	(16,575,000)
Department of Water Resources	-	-	-	-	-	(23,390,400)	-	(23,390,400)
Debt Service Principal and Interest Payments	-	(8,300,000)	(16,154,300)	-	(24,454,300)	-	-	(24,454,300)
Subtotal	\$ (18,021,000)	\$ (8,300,000)	\$ (27,804,100)	\$ (4,925,200)	\$ (41,029,300)	\$ (23,390,400)	\$ -	\$ (82,440,700)
<b>Fund Balance</b>	\$ 5,467,916	\$ 249,944	\$ 15,490,727	\$ 9,869,629	\$ 25,610,300	\$ 24,373,354	\$ 413,500	\$ 55,865,070
Addition to Reserves	-	-	-	-	-	-	-	-
<b>Available Fund Balance 6/30/2014 (Estimated)</b>	\$ 5,467,916	\$ 249,944	\$ 15,490,727	\$ 9,869,629	\$ 25,610,300	\$ 24,373,354	\$ 413,500	\$ 55,865,070

General Fund  
Operating  
FY 2013/14

	Actual FY 2011/12	Budget FY 2012/13	Estimated FY 2012/13	Budget FY 2013/14
<b>Fund Balance, Beginning</b>	\$ 427,287	\$ 4,226,687	\$ 3,734,516	\$ 8,904,416
<b>RESERVES</b>				
Operating Reserves	\$ (637,379)	\$ (1,288,579)	\$ (1,295,408)	\$ (4,505,300)
<b>Net Available</b>	<b>\$ (210,092)</b>	<b>\$ 2,938,108</b>	<b>\$ 2,439,108</b>	<b>\$ 4,399,116</b>
<b>REVENUES</b>				
Water Sales - Purveyors - Fixed Charges	\$ -	\$ -	\$ -	\$ 13,138,300
Water Sales - Purveyors - Variable	15,260,161	16,324,600	17,252,500	3,775,200
Water Sales - Purveyors - Reserves	647,829	654,600	708,500	-
Water Sales - Recycled	183,272	156,000	156,000	185,600
Water Sales - Saugus 1 and 2 Wells	319,613	434,600	351,900	471,500
Laboratory Revenues	85,414	109,000	109,000	109,000
Communications Revenues	158,314	162,000	162,000	165,000
Reimbursement from Settlement Agreement (O&M)	974,274	1,307,500	1,253,400	1,135,000
Grants and Reimbursements	-	338,600	930,100	49,000
Investment Revenues	7,675	9,500	34,300	42,100
Miscellaneous Revenues	161,060	-	350,200	19,100
<b>Total Revenues</b>	<b>\$ 17,797,612</b>	<b>\$ 19,496,400</b>	<b>\$ 21,307,900</b>	<b>\$ 19,089,800</b>
<b>EXPENDITURES</b>				
Management	\$ (853,542)	\$ (1,333,000)	\$ (889,900)	\$ (1,438,600)
Administration	(3,278,703)	(3,951,900)	(3,764,600)	(4,155,900)
Engineering	(696,662)	(794,700)	(890,000)	(844,800)
Maintenance	(2,418,201)	(2,800,200)	(2,936,000)	(2,776,900)
Water Quality and Regulatory Affairs	(1,046,056)	(1,193,000)	(970,000)	(1,009,400)
Water Resources	(2,103,346)	(2,596,500)	(2,305,800)	(3,056,700)
Water Treatment Operations	(4,292,773)	(4,548,700)	(4,678,800)	(4,738,700)
Transfers to Reserves	(647,829)	(654,600)	(708,500)	-
<b>Total Expenditures</b>	<b>\$ (15,337,112)</b>	<b>\$ (17,872,600)</b>	<b>\$ (17,143,600)</b>	<b>\$ (18,021,000)</b>
<b>TRANSFERS</b>				
Saugus 1 and 2 Wells MOU	\$ 188,700	\$ 306,500	\$ 282,500	\$ -
To Reserves, from Fund Balance	-	-	(2,486,792)	-
<b>Net Transfers</b>	<b>\$ 188,700</b>	<b>\$ 306,500</b>	<b>\$ (2,204,292)</b>	<b>\$ -</b>
<b>Available Fund Balance, Ending</b>	<b>\$ 2,439,108</b>	<b>\$ 4,868,408</b>	<b>\$ 4,399,116</b>	<b>\$ 5,467,916</b>
<b>Additions to Reserves</b>				
Reserves, from water sales	\$ 647,829	\$ 654,600	\$ 708,500	\$ -
Reserves, from Saugus 1 and 2 wells MOU	10,200	15,500	14,600	-
Reserves, from Fund Balance	-	-	2,486,792	-
<b>Total Addition to Reserves</b>	<b>\$ 658,029</b>	<b>\$ 670,100</b>	<b>\$ 3,209,892</b>	<b>\$ -</b>
<b>Ending Fund Balance</b>	<b>\$ 3,097,137</b>	<b>\$ 5,538,508</b>	<b>\$ 7,609,008</b>	<b>\$ 5,467,916</b>
<b>Operating Reserves</b>				
<b>Beginning Balance</b>	\$ 637,379	\$ 1,288,579	\$ 1,295,408	\$ 4,505,300
<b>Additions</b>	658,029	670,100	3,209,892	-
<b>Ending Balance</b>	\$ 1,295,408	\$ 1,958,679	\$ 4,505,300	\$ 4,505,300

Capital Improvement Program  
Pledged Revenue Fund  
Facility Capacity Fee  
FY 2013/14

	Actual FY 2011/12	Budget FY 2012/13	Estimated FY 2012/13	Budget FY 2013/14
<b>Fund Balance, Beginning</b>	\$ 15,731,139	\$ 2,200,935	\$ 3,396,344	\$ 247,544
<b>RESERVES</b>				
Debt Service Reserves	\$ (1,000,000)	\$ -	\$ -	\$ -
Economic Uncertainties/Catastrophic Situations	-	-	-	-
Previous Agency Reserve Requirement	-	-	-	-
<b>Total Reserves</b>	<b>\$ (1,000,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Available</b>	<b>\$ 14,731,139</b>	<b>\$ 2,200,935</b>	<b>\$ 3,396,344</b>	<b>\$ 247,544</b>
<b>REVENUES</b>				
Facility Capacity Fees	\$ 5,986,620	\$ 5,300,000	\$ 7,000,000	\$ 8,000,000
Investment Revenues	264,239	-	151,200	302,400
<b>Total Revenues</b>	<b>\$ 6,250,859</b>	<b>\$ 5,300,000</b>	<b>\$ 7,151,200</b>	<b>\$ 8,302,400</b>
<b>EXPENDITURES</b>				
Debt Service Principal and Interest Payments	\$ (18,683,250)	\$ (6,950,000)	\$ (10,300,000)	\$ (8,300,000)
Major Capital Projects	-	-	-	-
Cost Allocation	-	-	-	-
<b>Total Expenditures</b>	<b>\$ (18,683,250)</b>	<b>\$ (6,950,000)</b>	<b>\$ (10,300,000)</b>	<b>\$ (8,300,000)</b>
<b>Fund Balance, Ending</b>	<b>\$ 2,298,748</b>	<b>\$ 550,935</b>	<b>\$ 247,544</b>	<b>\$ 249,944</b>
Principal from Interfund Loan	97,596	-	-	-
<b>Available Fund Balance, Ending</b>	<b>\$ 2,396,344</b>	<b>\$ 550,935</b>	<b>\$ 247,544</b>	<b>\$ 249,944</b>

Capital Improvement Program  
Pledged Revenue Fund  
One Percent Property Tax  
FY 2013/14

	Actual FY 2011/12	Budget FY 2012/13	Estimated FY 2012/13	Budget FY 2013/14
<b>Fund Balance, Beginning</b>	\$ 68,103,834	\$ 73,380,929	\$ 72,131,227	\$ 69,672,227
<b>RESERVES</b>				
Debt Service Reserves	\$ (9,075,300)	\$ (10,025,100)	\$ (10,025,100)	\$ (9,920,900)
Capital Reserves	(18,032,900)	(15,501,100)	(15,501,100)	(16,309,700)
Economic Uncertainties/Catastrophic Situations	(29,854,600)	(31,657,500)	(31,657,500)	(30,055,600)
Repair and Replacement Reserve (new)	-	-	-	(310,000)
<b>Total Reserves</b>	<b>\$ (56,962,800)</b>	<b>\$ (57,183,700)</b>	<b>\$ (57,183,700)</b>	<b>\$ (56,596,200)</b>
<b>Net Available</b>	<b>\$ 11,141,034</b>	<b>\$ 16,197,229</b>	<b>\$ 14,947,527</b>	<b>\$ 13,076,027</b>
<b>REVENUES</b>				
One Percent Property Tax Revenues	\$ 19,511,363	\$ 19,600,000	\$ 19,665,700	\$ 19,665,700
Reimbursement from Settlement Agreement (CIP)	-	155,000	-	-
Reimbursement from Settlement Agreement (O&M)	105,600	105,600	105,600	-
Grants and Reimbursements	459,615	500,000	463,000	427,900
One-time Water Sales	-	4,125,000	4,125,000	9,350,000
Investment Revenues	690,631	242,200	590,700	775,200
<b>Total Revenues</b>	<b>\$ 20,767,209</b>	<b>\$ 24,727,800</b>	<b>\$ 24,950,000</b>	<b>\$ 30,218,800</b>
<b>EXPENDITURES</b>				
Debt Service Principal and Interest Payments - Existing Users	\$ (4,965,212)	\$ (5,161,600)	\$ (5,698,700)	\$ (5,742,500)
Debt Service Principal and Interest Payments - Future Users*	-	(12,447,000)	(8,259,100)	(10,411,800)
Major Capital Projects	(463)	(55,000)	-	-
Minor Capital Projects	(778,906)	(946,000)	(672,200)	(1,856,000)
Capital Planning, Studies and Administration	(9,707,933)	(9,446,400)	(9,573,500)	(9,256,200)
New Capital Equipment	(150,115)	(324,800)	(265,300)	(352,600)
Repair and Replacement Projects	(1,084,682)	(355,000)	(264,300)	(185,000)
Saugus 1 and 2 Wells MOU	(198,900)	(322,000)	(297,100)	-
Refund of Annexation Water Supply Payment	-	(2,378,800)	(2,378,800)	-
<b>Total Expenditures</b>	<b>\$ (16,886,211)</b>	<b>\$ (31,436,600)</b>	<b>\$ (27,409,000)</b>	<b>\$ (27,804,100)</b>
<b>Fund Balance, Ending</b>	<b>\$ 15,022,032</b>	<b>\$ 9,488,429</b>	<b>\$ 12,488,527</b>	<b>\$ 15,490,727</b>
Principal from Interfund Loan	146,395	-	-	-
<b>Available Fund Balance, Ending</b>	<b>\$ 15,168,427</b>	<b>\$ 9,488,429</b>	<b>\$ 12,488,527</b>	<b>\$ 15,490,727</b>

\* An Interfund Loan to Facility Capacity Fees.

Capital Improvement Program  
 Capital Project Fund  
 FY 2013/14

	Actual FY 2011/12	Budget FY 2012/13	Estimated FY 2012/13	Budget FY 2013/14
<b>Fund Balance, Beginning</b>	\$ 24,414,734	\$ 79,894,719	\$ 79,767,129	\$ 14,779,829
<b>REVENUES</b>				
Bond Proceeds (2011A Revenue Bonds)	\$ 58,138,085	\$ -	\$ -	\$ -
Investment Revenues	252,189	253,500	149,300	15,000
<b>Total Revenues</b>	<b>\$ 58,390,274</b>	<b>\$ 253,500</b>	<b>\$ 149,300</b>	<b>\$ 15,000</b>
<b>EXPENDITURES</b>				
Capital Projects *	\$ (3,037,879)	\$ (9,314,500)	\$ (65,136,600)	\$ (4,925,200)
<b>Total Expenditures</b>	<b>\$ (3,037,879)</b>	<b>\$ (9,314,500)</b>	<b>\$ (65,136,600)</b>	<b>\$ (4,925,200)</b>
<b>Available Fund Balance, Ending</b>	<b>\$ 79,767,129</b>	<b>\$ 70,833,719</b>	<b>\$ 14,779,829</b>	<b>\$ 9,869,629</b>

\* FY2012/13 Expenditures include \$58,640,000 for the acquisition of the stock of the Valencia Water Company and \$6,496,600 million for major capital projects.

State Water Contract Fund  
FY 2013/14

	Actual FY 2011/12	Budget FY 2012/13	Estimated FY 2012/13	Budget FY 2013/14
<b>Fund Balance, Beginning</b>	\$ 18,663,696	\$ 20,183,996	\$ 21,235,554	\$ 24,747,354
<b>REVENUES</b>				
Agency Set Property Tax Revenues	\$ 22,922,058	\$ 22,700,000	\$ 22,922,100	\$ 22,922,100
Investment Income	69,122	35,000	103,100	94,300
<b>Total State Water Contract Fund Revenues</b>	<b>\$ 22,991,180</b>	<b>\$ 22,735,000</b>	<b>\$ 23,025,200</b>	<b>\$ 23,016,400</b>
<b>EXPENDITURES</b>				
DWR Variable Charge	\$ (3,815,512)	\$ (4,500,000)	\$ (4,820,000)	\$ (5,784,000)
State Water Contract Payments	(19,110,997)	(20,430,300)	(15,545,800)	(18,430,300)
DWR Delta Conveyance Charges	-	(730,600)	-	-
Legal Consulting	(28,420)	(25,000)	(25,000)	(25,000)
State Water Contractors/SWPCA Dues	(197,111)	(177,600)	(177,600)	(206,100)
SWC Audit	(27,025)	(45,000)	(45,000)	(45,000)
Refunds from State	2,759,743	1,100,000	1,100,000	1,100,000
<b>Total State Water Contract Fund Expenditures</b>	<b>\$ (20,419,322)</b>	<b>\$ (24,808,500)</b>	<b>\$ (19,513,400)</b>	<b>\$ (23,390,400)</b>
<b>Available Fund Balance, Ending</b>	<b>\$ 21,235,554</b>	<b>\$ 18,110,496</b>	<b>\$ 24,747,354</b>	<b>\$ 24,373,354</b>
<b>Tax Rate per \$100 in Assessed Valuation</b>	<b>\$ 0.070600</b>	<b>\$ 0.070600</b>	<b>\$ 0.070600</b>	<b>\$ 0.070600</b>



Castaic Lake Water Agency  
Financial Summary  
FY 2012/13 Estimated

Description	General Fund/ Operating	Capital Improvement Program					Debt Service Fund	TOTAL
		Pledged Revenue Fund		Capital Project Fund	Total Capital Improvement Program	State Water Contract Fund		
		Facility Capacity Fee	One Percent Property Tax					
<b>Fund Balance 7/1/2012 (estimated)</b>	\$ 3,734,516	\$ 3,396,344	\$ 72,131,227	\$ 79,767,129	\$ 155,294,700	\$ 21,235,554	\$ 194,798,257	
<b>RESERVES:</b>								
Operating Reserve	\$ (1,295,408)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,295,408)	
Debt Service Reserves	-	-	(10,025,100)	-	(10,025,100)	-	(10,025,100)	
Capital Reserves	-	-	(15,501,100)	-	(15,501,100)	-	(15,501,100)	
Economic Uncertainties/Catastrophic Situations Trustee Held	-	-	(31,657,500)	-	(31,657,500)	-	(31,657,500)	
Subtotal	\$ (1,295,408)	\$ -	\$ (57,183,700)	\$ -	\$ (57,183,700)	\$ (14,533,487)	\$ (73,012,595)	
Net Available	\$ 2,439,108	\$ 3,396,344	\$ 14,947,527	\$ 79,767,129	\$ 98,111,000	\$ 21,235,554	\$ 121,785,662	
<b>REVENUES:</b>								
Water Sales - Fixed Charges	\$ 17,252,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,252,500	
Water Sales - Variable	708,500	-	4,125,000	-	4,125,000	-	708,500	
Water Sales - Purveyors - Reserves	156,000	-	-	-	-	-	156,000	
Recycled Water Sales	351,900	-	-	-	-	-	351,900	
Saugus 1 and 2 Water Sales	109,000	-	-	-	-	-	109,000	
Laboratory Revenues	162,000	-	-	-	-	-	162,000	
Communications Revenues	-	7,000,000	-	-	7,000,000	-	7,000,000	
Facility Capacity Fees	-	-	19,665,700	-	19,665,700	-	19,665,700	
Agency Set Property Tax	-	-	-	-	-	22,922,100	22,922,100	
Settlement Agreement (CIP)	-	-	-	-	-	-	-	
Settlement Agreement (O&M)	1,253,400	-	105,600	-	105,600	-	1,359,000	
Grants and Reimbursements	930,100	-	463,000	-	463,000	-	1,393,100	
Investment Revenues	34,300	151,200	590,700	149,300	891,200	103,100	1,442,100	
Miscellaneous	350,200	-	-	-	-	-	350,200	
Subtotal	\$ 21,307,900	\$ 7,151,200	\$ 24,950,000	\$ 149,300	\$ 32,250,500	\$ 23,025,200	\$ 76,997,100	
<b>EXPENDITURES:</b>								
Operating	\$ (16,435,100)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,435,100)	
Saugus 1 and 2 Wells MOU	282,500	-	(297,100)	-	(297,100)	-	(14,600)	
Refund of Annexation Payment	-	-	(2,378,800)	-	(2,378,800)	-	(2,378,800)	
Transfer to Reserves	(3,195,292)	-	-	-	-	-	(3,195,292)	
Capital Improvement Program	-	-	(10,775,300)	(65,136,600)	(75,911,900)	-	(75,911,900)	
Department of Water Resources	-	-	-	-	-	(19,513,400)	(19,513,400)	
Debt Service Principal and Interest Payments	-	(10,300,000)	(13,957,800)	-	(24,257,800)	-	(24,257,800)	
Subtotal	\$ (19,347,892)	\$ (10,300,000)	\$ (27,409,000)	\$ (65,136,600)	\$ (102,845,600)	\$ (19,513,400)	\$ (141,706,892)	
<b>Fund Balance</b>	\$ 4,399,116	\$ 247,544	\$ 12,488,527	\$ 14,779,829	\$ 27,515,900	\$ 24,747,354	\$ 57,075,870	
Addition to Reserves	3,209,892	-	-	-	-	-	3,209,892	
<b>Available Fund Balance 6/30/2013 (Estimated)</b>	\$ 7,609,008	\$ 247,544	\$ 12,488,527	\$ 14,779,829	\$ 27,515,900	\$ 24,747,354	\$ 60,285,762	

Castaic Lake Water Agency  
Financial Summary - FY 2011/12 Actual

Description	General Fund/ Operating	Capital Improvement Program					State Water Contract Fund	Debt Service Fund	TOTAL
		Pledged Revenue Fund		Capital Project Fund	Total Capital Improvement Program	-			
		Facility Capacity Fee	One Percent Property Tax						
<b>Fund Balance 7/1/2011</b>	\$ 427,287	\$ 15,731,139	\$ 68,103,834	\$ 24,414,734	\$ 108,249,707	\$ 18,663,696	\$ 14,533,487	\$ 141,874,177	
<b>RESERVES:</b>									
Operating Reserve	\$ (637,379)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (637,379)	
Debt Service Reserves	-	(1,000,000)	(9,075,300)	-	(10,075,300)	-	-	(10,075,300)	
Capital Reserves	-	-	(18,032,900)	-	(18,032,900)	-	-	(18,032,900)	
Economic Uncertainties/Catastrophic Situations	-	-	(29,854,600)	-	(29,854,600)	-	-	(29,854,600)	
Trustee Held	-	-	-	-	-	-	(14,533,487)	(14,533,487)	
Subtotal	\$ (637,379)	\$ (1,000,000)	\$ (56,962,800)	\$ -	\$ (57,962,800)	\$ -	\$ (14,533,487)	\$ (73,133,666)	
Net Available	\$ (210,092)	\$ 14,731,139	\$ 11,141,034	\$ 24,414,734	\$ 50,286,907	\$ 18,663,696	\$ -	\$ 68,740,511	
<b>REVENUES:</b>									
Water Sales	\$ 15,260,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,260,161	
Water Sales - Purveyors - Reserves	647,829	-	-	-	-	-	-	647,829	
Ranch Water Sales	-	-	-	-	-	-	-	-	
Recycled Water Sales	183,272	-	-	-	-	-	-	183,272	
Saugus 1 and 2 Water Sales	319,613	-	-	-	-	-	-	319,613	
Laboratory Revenues	85,414	-	-	-	-	-	-	85,414	
Communications Revenues	158,314	-	-	-	-	-	-	158,314	
Facility Capacity Fees	-	5,986,620	-	-	5,986,620	-	-	5,986,620	
One Percent Property Tax	-	-	19,511,363	-	19,511,363	-	-	19,511,363	
Agency Set Property Tax	-	-	-	-	-	-	-	-	
Settlement Agreement (CIP)	-	-	-	-	-	-	-	-	
Settlement Agreement (O&M)	974,274	-	105,600	-	105,600	-	-	1,079,874	
Investment Revenues	7,675	264,239	690,631	252,189	1,207,059	69,122	415,647	1,699,503	
Bond Proceeds	-	-	-	58,138,085	58,138,085	-	-	58,138,085	
Others	161,060	-	459,615	-	459,615	-	-	620,675	
Subtotal	\$ 17,797,612	\$ 6,250,859	\$ 20,767,209	\$ 58,390,274	\$ 85,408,342	\$ 22,991,180	\$ 415,647	\$ 126,612,761	
<b>EXPENDITURES:</b>									
Operating	\$ (14,689,283)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,689,283)	
Saugus 1 and 2 Wells MOU	188,700	-	(198,900)	-	(198,900)	-	-	(10,200)	
Firming Programs	-	-	-	-	-	-	-	-	
Transfer to Reserves	(647,829)	-	-	(3,037,879)	(14,759,978)	-	-	(647,829)	
Capital Improvement Program	-	-	(11,722,099)	-	(14,759,978)	-	-	(14,759,978)	
Department of Water Resources	-	-	(4,965,212)	-	(23,648,462)	(20,419,322)	-	(20,419,322)	
Debt Service Principal and Interest Payments	-	(18,683,250)	(16,886,211)	(3,037,879)	(38,607,340)	(20,419,322)	-	(23,648,462)	
Subtotal	\$ (15,148,412)	\$ (18,683,250)	\$ (16,886,211)	\$ (3,037,879)	\$ (38,607,340)	\$ (20,419,322)	\$ -	\$ (74,175,074)	
<b>Fund Balance</b>	\$ 2,439,108	\$ 2,298,748	\$ 15,022,032	\$ 79,767,129	\$ 97,087,909	\$ 21,235,554	\$ 415,647	\$ 121,178,218	
Addition to Reserves	658,029	-	-	-	-	-	-	658,029	
Principal from Interfund Loan	-	97,596	146,395	-	243,991	-	-	243,991	
<b>Available Fund Balance 6/30/2012</b>	\$ 3,097,137	\$ 2,396,344	\$ 15,168,427	\$ 79,767,129	\$ 97,331,900	\$ 21,235,554	\$ 415,647	\$ 122,080,238	

Castaic Lake Water Agency  
Financial Summary  
Five-year Summary

Description	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Estimated	FY 2013/14 Budget
<b>Beginning Fund Balance</b>	\$ 199,138,449	\$ 160,154,007	\$ 141,874,177	\$ 194,798,257	\$ 132,884,857
<b>RESERVES:</b>					
Agency Reserve Requirement	(59,572,931)	(58,566,820)	(58,600,179)	(58,479,108)	(60,791,500)
Reserve and Replacement Reserve	-	-	-	-	(310,000)
Trustee Held	(14,546,830)	(14,533,487)	(14,533,487)	(14,533,487)	(14,533,487)
Net Available	\$ 125,018,688	\$ 87,053,700	\$ 68,740,511	\$ 121,785,662	\$ 57,249,870
<b>REVENUES:</b>					
Water Sales	\$ 10,928,237	\$ 13,282,806	\$ 15,260,161	\$ 21,377,500	\$ 26,263,500
Water Sales - Purveyors - Reserves	-	628,422	647,829	708,500	-
Recycled Water Sales	146,127	157,787	183,272	156,000	185,600
Saugus 1 and 2 Water Sales	-	167,837	319,613	351,900	471,500
Laboratory Revenues	91,951	82,386	85,414	109,000	109,000
Communications Revenues	153,048	156,974	158,314	162,000	165,000
Facility Capacity Fees	4,016,683	3,220,225	5,986,620	7,000,000	8,000,000
1% Property Tax	19,811,658	19,780,599	19,511,363	19,665,700	19,665,700
Agency Set Property Tax	20,489,869	23,439,944	22,922,058	22,922,100	22,922,100
Settlement Agreement (CIP)	161,715	45,671	-	-	-
Settlement Agreement (O&M)	-	306,663	1,079,874	1,359,000	1,135,000
Grants and Reimbursements	-	620,675	620,675	1,393,100	476,900
Investment Revenues	5,221,438	3,978,331	1,699,503	1,442,100	1,642,500
Bond Proceeds	-	-	58,138,085	-	-
Others	2,086,428	1,479,392	-	350,200	19,100
Subtotal	\$ 63,107,154	\$ 66,727,037	\$ 126,612,781	\$ 76,997,100	\$ 81,055,900
<b>EXPENDITURES:</b>					
Operating	\$ (13,294,172)	\$ (14,792,958)	\$ (14,689,283)	(16,435,100)	(18,021,000)
Saugus 1 and 2 Wells MOU	-	(8,957)	(10,200)	(14,600)	-
Firming Programs	-	(95,413)	-	(2,378,800)	-
Transfer to Reserves	-	(628,422)	(647,829)	(3,195,292)	-
Capital Improvement Program	(46,316,776)	(30,691,107)	(14,759,978)	(75,911,900)	(16,575,000)
Department of Water Resources	(19,235,784)	(18,600,677)	(20,419,322)	(19,513,400)	(23,390,400)
Debt Service Principal and Interest Payments	(24,346,550)	(21,802,178)	(23,648,462)	(24,257,800)	(24,454,300)
Subtotal	\$ (103,193,282)	\$ (86,619,712)	\$ (74,175,074)	\$ (141,706,892)	\$ (82,440,700)
<b>Fund Balance</b>	\$ 84,932,560	\$ 67,161,025	\$ 121,178,218	\$ 57,075,870	\$ 55,865,070
Addition to Reserves	-	637,379	658,029	3,209,892	-
Principal from Interfund Loan	1,124,654	1,382,811	243,991	-	-
<b>Available Fund Balance</b>	\$ 86,057,214	\$ 69,181,215	\$ 122,080,238	\$ 60,285,762	\$ 55,865,070

Castaic Lake Water Agency  
Changes in Fund Balances  
FY 2013/14 Budget

**CHANGES IN FUND BALANCE FOR FY 2013/14**

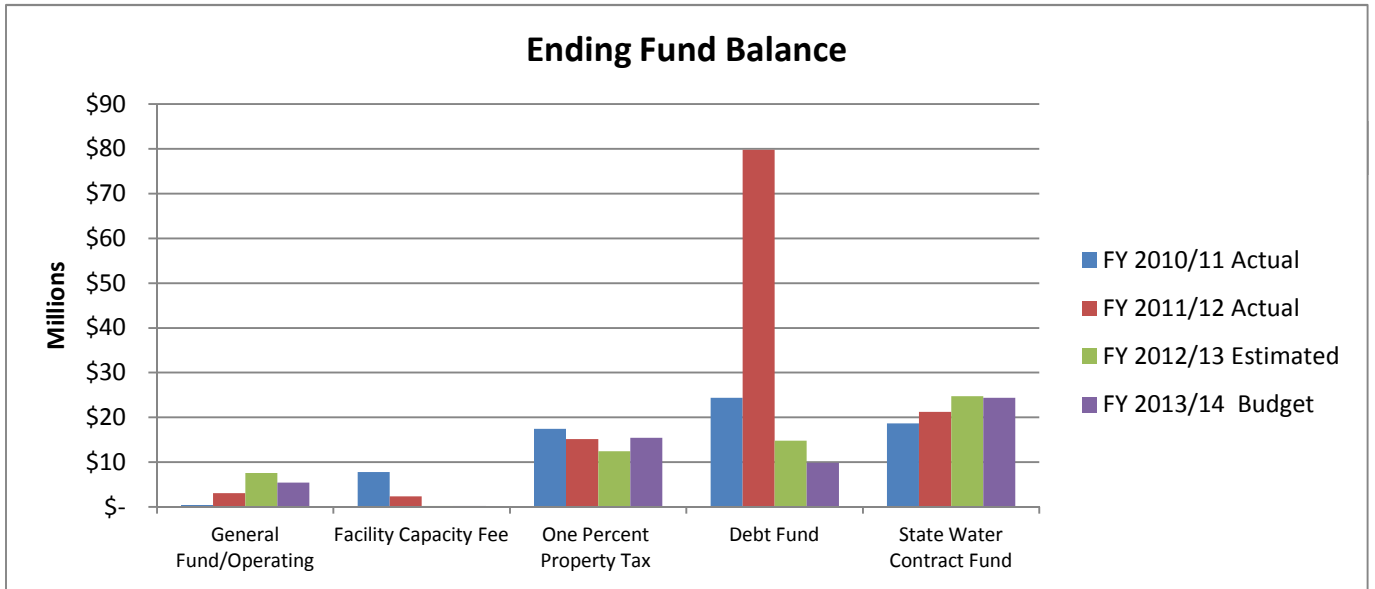
FUND	Estimated Fund Balance 7/1/2013 (including reserves)	Available Fund Balance 6/30/2014	Add back Reserves	Estimated Fund Balance 7/1/2014 (including reserves)	Change
General Fund/Operating	\$ 8,904,416	\$ 5,467,916	\$ 4,505,300	\$ 9,973,216	12% (1)
Pledged Revenue Fund - Facility Capacity Fee	247,544	249,944	-	249,944	1%
Pledged Revenue Fund - One Percent Property Tax	69,672,227	15,490,727	56,596,200	72,086,927	3%
Capital Project Fund - Debt Fund	14,779,829	9,869,629	-	9,869,629	-33% (2)
State Water Contract Fund	24,747,354	24,373,354	-	24,373,354	-2%
	<b>\$ 118,351,370</b>	<b>\$ 55,451,570</b>	<b>\$ 61,101,500</b>	<b>\$ 116,553,070</b>	

**Changes in Fund Balance of More than Ten Percent**

- (1) Reflects additions to reserves and increased revenues from water sales.  
(2) Reflects expenditures for the acquisition of the stock of the Valencia Water Company and on capital improvement projects.

**CHANGES IN AVAILABLE FUND BALANCE - FOUR YEAR HISTORY (in millions)**

FUND	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Estimated	FY 2013/14 Budget
General Fund/Operating	\$ 0.43	\$ 3.10	\$ 7.61	\$ 5.47
Facility Capacity Fee	7.84	2.40	0.25	0.25
One Percent Property Tax	17.43	15.17	12.49	15.49
Debt Fund	24.41	79.77	14.78	9.87
State Water Contract Fund	18.66	21.24	24.75	24.37
	<b>\$ 68.77</b>	<b>\$ 121.66</b>	<b>\$ 59.87</b>	<b>\$ 55.45</b>



Summary of Personnel Costs - General Fund/Operating  
FY 2013/14

	FY 2011/12 Actual	FY 2012/13 Budget	FY 2012/13 Estimated	FY 2013/14 Budget
<b>Management</b>				
Salary	\$ 279,734	\$ 305,200	\$ 280,200	\$ 305,200
Overtime	7,483	10,000	10,000	10,000
Burden and Benefits	171,008	180,000	219,900	180,500
<b>Administration</b>				
Salary	\$ 1,359,369	\$ 1,408,200	\$ 1,397,800	\$ 1,412,800
Less Reimbursement from SCWD	(261,205)	(275,400)	(263,400)	(277,900)
Overtime	6,236	14,000	10,000	14,000
Burden and Benefits	819,502	884,600	1,033,300	897,400
Less Reimbursement from SCWD	(146,682)	(162,400)	(157,100)	(165,000)
<b>Engineering</b>				
Salary	\$ 258,465	\$ 283,700	\$ 277,800	\$ 275,700
Overtime	369	-	-	-
Burden and Benefits	161,571	197,500	241,500	182,100
<b>Maintenance</b>				
Salary	\$ 1,094,555	\$ 1,194,500	\$ 1,144,100	\$ 1,141,600
Overtime	62,739	40,000	40,000	40,000
On Call Premium	-	19,500	19,500	19,500
Burden and Benefits	662,410	767,000	878,900	753,300
<b>Water Quality and Regulatory Affairs</b>				
Salary	\$ 431,125	\$ 539,400	\$ 414,800	\$ 455,300
Overtime	320	500	500	500
Burden and Benefits	235,105	307,600	297,500	283,800
<b>Water Resources</b>				
Salary	\$ 634,978	\$ 689,500	\$ 672,100	\$ 702,700
Less Reimbursement from SCWD	(10,232)	(11,800)	(13,100)	(12,400)
Overtime	22,973	22,500	20,000	22,500
Burden and Benefits	242,026	287,900	368,500	297,300
Less Reimbursement from SCWD	(5,816)	(7,500)	(7,700)	(7,900)
<b>Water Treatment Operations</b>				
Salary	\$ 830,942	\$ 849,200	\$ 879,600	\$ 853,700
Overtime	118,504	110,000	115,000	110,000
Burden and Benefits	454,830	481,900	584,100	490,900
<b>TOTAL</b>				
Salary	\$ 4,889,168	\$ 5,269,700	\$ 5,066,400	\$ 5,147,000
Less Reimbursement from SCWD	(271,437)	(287,200)	(276,500)	(290,300)
Overtime	218,624	197,000	195,500	197,000
On Call Premium	-	19,500	19,500	19,500
Burden and Benefits	2,760,544	3,124,300	3,638,269	3,100,800
Less Reimbursement from SCWD	(152,498)	(169,900)	(164,800)	(172,900)
Less Directors Burden and Benefits	(14,092)	(17,800)	(14,569)	(15,500)
<b>Total Personnel Costs</b>	<b>\$ 7,430,309</b>	<b>\$ 8,135,600</b>	<b>\$ 8,463,800</b>	<b>\$ 7,985,600</b>
Burden and Benefits as a % of Salary	56.17%	58.94%	72.21%	59.97%

Staff Count\*  
 FY 2013/14 Budget  
 Page 1 of 2

		FY 2010/11 Budget	FY 2011/12 Budget	FY 2012/13 Budget	FY 2013/14 Budget	FY 2013/14 FTE
<b>Management</b>						
		1	1	1	1	1
		1	1	1	1	1
		<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Administration</b>						
		1	1	1	1	1
		1	1	1	1	1
		1	1	1	1	1
		1	1	1	1	1
		0	0	0	1	1
		1	1	1	0	0
		1	1	1	1	1
		1	1	1	1	1
		2	2	2	1	1
		0	0	0	1	1
		1	1	1	1	1
	C	1	1	1	1	0.8
		0	0	0	2	2
		3	3	3	1	1
		1	1	1	1	1
		3	3	3	3	3
		1	1	1	1	1
		<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>18.8</b>
<b>Engineering</b>						
	A	0.25	0.25	0.25	0.25	0.25
		2	2	2	2	2
		1	1	1	1	1
		1	1	1	1	1
		1	1	1	1	1
		1	1	1	1	1
		<b>6.25</b>	<b>6.25</b>	<b>6.25</b>	<b>6.25</b>	<b>6.25</b>
<b>Maintenance</b>						
	A	0.25	0.25	0.25	0.25	0.25
	B	0.5	0.5	0.5	0.5	0.5
		1	1	1	1	1
		1	1	1	1	1
		1	1	1	1	1
		1	1	1	1	2
		2	2	2	2	2
		2	2	2	2	2
		4	4	4	4	4
		1	1	1	1	0
		<b>13.75</b>	<b>13.75</b>	<b>13.75</b>	<b>13.75</b>	<b>13.75</b>
<b>Water Quality and Regulatory Affairs</b>						
	A	0.25	0.25	0.25	0.25	0.25
		1	1	1	1	1
		1	1	1	1	1
		3	3	3	3	3
		1	1	1	1	1
		<b>6.25</b>	<b>6.25</b>	<b>6.25</b>	<b>6.25</b>	<b>6.25</b>

- A Allocation of employee to four Departments.
- B Allocation of employee to two Departments.
- C Part-time.

\* This chart reflects authorized positions.

Staff Count\*  
 FY 2013/14 Budget  
 Page 2 of 2

	FY 2010/11 Budget	FY 2011/12 Budget	FY 2012/13 Budget	FY 2013/14 Budget	FY 2013/14 FTE
<b>Water Resources</b>					
Water Resources Manager	1	1	1	1	1
Principal Water Resources Planner	1	1	1	1	1
Senior Water Resources Planner	1	1	1	1	1
Water Resources Planner	0	0	0	0	0
Administrative Analyst	1	1	1	1	1
Water Conservation Program Coordinator	1	1	1	1	1
Water Conservation Education Specialist	C 10	10	10	10	3.5
	15	15	15	15	8.5
<b>Water Treatment Operations</b>					
Engineering and Operations Manager	A 0.25	0.25	0.25	0.25	0.25
Operations and Maintenance Superintendent	B 0.5	0.5	0.5	0.5	0.5
Plant Operations Supervisor	1	1	1	0	0
Senior Treatment Plant Operator	6	6	6	6	6
Treatment Plant Operator	3	3	3	3	3
	10.75	10.75	10.75	9.75	9.75
<b>TOTAL AUTHORIZED POSITIONS</b>	<b>73.0</b>	<b>73.0</b>	<b>73.0</b>	<b>72.0</b>	<b>65.30</b>

- A Allocation of employee to four Departments.
- B Allocation of employee to two Departments.
- C Part-time.

\* This chart reflects authorized positions.