

**CALLEGUAS MUNICIPAL WATER DISTRICT**

**FINANCIAL STATEMENTS  
WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**PREPARED BY:  
DAN SMITH  
MANAGER OF FINANCE  
AND HUMAN RESOURCES**

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CALLEGUAS MUNICIPAL WATER DISTRICT

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## **INTRODUCTORY SECTION**

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**CALLEGUAS MUNICIPAL WATER DISTRICT**  
**BOARD OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**

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**BOARD OF DIRECTORS**

<b><u>Name</u></b>	<b><u>District</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Thomas L. Slosson	1	President	12/2/2020
Andres Santamaria	4	Vice President	12/2/2018
Scott H. Quady	2	Treasurer	12/2/2020
Andy Waters	3	Secretary	12/7/2020
Steve Blois	5	Director	12/7/2018

**MANAGEMENT PERSONNEL**

<b><u>Name</u></b>	<b><u>Position</u></b>
Susan B. Mulligan, P.E.	General Manager
Kristine McCaffrey, P.E	Manager of Engineering
Eric Bergh	Manager of Resources
Tony Goff	Manager of Operations and Maintenance
Dan Smith	Manager of Finance and Human Resources
Henry Graumlich	Manager of Strategic Planning

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Calleguas Municipal Water District  
Thousand Oaks, California

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

We have audited the accompanying financial statements of Calleguas Municipal Water District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calleguas Municipal Water District, as of June 30, 2017, the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plan and the schedule of funding progress - other post-employment benefits plan, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the supplementary information, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and the supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the District's internal control over financial reporting and compliance.

*White Nelson Nick Evans LLP*

Irvine, California  
December 15, 2017

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## BACKGROUND: WHO IS CALLEGUAS?

The Calleguas Municipal Water District (“District”) was created as a special district in 1953 by ballot measure for the purpose of providing Ventura County with a reliable supply of high quality supplemental water. Today Calleguas provides water service to an estimated population of 660,000 through 21 retail water purveyors. The District's 365-square-mile service area includes the cities of Oxnard, Port Hueneme, Camarillo, Thousand Oaks, Simi Valley, Moorpark, and surrounding unincorporated areas including Naval Base Ventura County, Oak Park, Lake Sherwood, Somis and Bell Canyon.

### **Calleguas’ Mission**

To provide the service area with a reliable supplemental supply of regional and locally developed water in an environmentally and economically responsible manner.

The District is a member agency of the Metropolitan Water District of Southern California (MWD). Water is delivered into the Calleguas service area through a system connection with Metropolitan. The majority of Calleguas' water supply is treated at Metropolitan's Jensen Treatment Facility in Granada Hills. The District then conveys the high quality drinking water through 150 miles of 20 inch to 78 inch diameter pipelines, nine reservoirs, five hydroelectric generators, and five pump stations to local cities and water agencies for delivery to consumers. In order provide customers with water during outages of imported supplies, the District also owns and operates a lake with a surface water treatment plant and an aquifer storage and recovery (ASR) facility with 18 wells. To facilitate development of local brackish groundwater supplies and potable reuse of recycled water, Calleguas operates an 18 mile long brine disposal pipeline with a 4,500 long outfall extending into the Pacific Ocean.

## WATER SUPPLY

The District is one of the few MWD member agencies that is largely dependent on the State Water Project because there is limited infrastructure in place to deliver Colorado River Water to Ventura County. During the recent drought, MWD met 15 to 30% of the District’s demands with Colorado River water delivered through its Greg Avenue pump station in Burbank and through pipelines owned and operated by the Los Angeles Department of Water and Power in the San Fernando Valley.

As a result of dry weather conditions over the past four years and environmental restrictions on conveyance of State Water Project water through the Sacramento Delta, there has been a significant shortage of imported water. In May 2015 the state of California implemented mandatory cutbacks of water use by urban consumers, averaging about 25% in the Calleguas service area. These cutbacks resulted in a 15.1% decrease to the District’s annual water sales in fiscal year 2015-16. Sales in fiscal year 2016-17 were similar to those in the previous year with only a 1.3% increase, despite winter storms that alleviated the drought condition. In order to absorb the loss of water sales, the District reduced operational expenses and implemented water rate increases to ensure funding for the District’s operations, capital needs, and debt service.

Throughout the drought, the District was able to meet its obligations to its customers through the limited supply of State Water Project water, Colorado River water, and storage reserves. In response to the on-going need to "drought-proof" its service area and minimize the potentially debilitating effects associated with seismic activity, Calleguas has embarked on an ambitious capital improvement program. The District is proactively strengthening its infrastructure to withstand seismic events, building a regional brine disposal system which facilitates local water supply projects and developing interconnections with

neighboring water utilities. These projects reduce the region's reliance upon vulnerable imported water supplies; thereby enhancing supply reliability for over 75 percent of Ventura County's residents.

## STORAGE

Calleguas stores water locally so that it is available when imported water supplies are limited due to scheduled maintenance shutdowns, earthquake, or other emergency. Lake Bard has a storage capacity of approximately 10,500 acre-feet, of which 7,500 acre-feet of treated water is readily available with existing facilities. The Las Posas Aquifer Storage and Recovery (ASR) Project has an estimated storage capacity of 30,000 acre-feet in an underground aquifer. Water is stored by injecting it into wells and is recovered by pumping those wells. Both the ASR Project and Lake Bard have provided reliable and sufficient supplies to the service area.

The remaining reservoirs in the system are covered and serve to balance daily fluctuations in water supplies and deliveries. The capacity of this covered storage is currently 57 million gallons in 11 different locations. These reservoirs are constructed of either welded steel or reinforced concrete. In the past fifteen years, the District has performed seismic analysis on all of these reservoirs according to the latest design standards. As a result, three reservoirs have been replaced and another has been seismically strengthened. All reservoirs now comply with current seismic standards.

## SALINITY MANAGEMENT PIPELINE

The Salinity Management Pipeline (SMP) is a regional pipeline that collects salty water generated by groundwater desalting facilities and potable reuse treatment plants and conveys that water to the ocean for discharge. The SMP improves water supply reliability by facilitating the development of over 40,000 acre feet of local water supplies each year. Highly treated wastewater which is too saline for discharge to local streams is also sent to the SMP during wet periods when it is not needed for irrigation.

The SMP is being constructed in phases, generally extending from the ocean in Port Hueneme, across the unincorporated Oxnard Plain, through Camarillo and Somis, terminating west of Moorpark. A branch of the SMP will extend from Camarillo, through the Santa Rosa Valley, terminating in Simi Valley. The pipeline is complete through Port Hueneme, Oxnard, Camarillo, and Somis. The ocean outfall for discharge of the brine is also complete. The SMP began operation in early 2014 and there are currently two dischargers of concentrate from brackish groundwater retreatment plants and two discharges of highly treated wastewater.

These supplies are relatively drought-proof and therefore more reliable than imported supplies from the State Water Project. Dischargers to the SMP pay a unit price per acre-foot for discharge. Dischargers include water agencies developing brackish groundwater desalting facilities, agricultural entities treating brackish groundwater to remove salts for improved crop yields and reduced water usage, wastewater agencies treating water to a level suitable for supplementing potable water, and wastewater agencies discharging excess recycled water.

## REPORTING OVERVIEW

This section of the Calleguas Municipal Water District's ("District") annual financial report presents management's analysis of the District's financial performance during the year ended June 30, 2017 Please read this in conjunction with the financial statements, which follow this section.



### **FINANCIAL HIGHLIGHTS**

- District net position increased approximately \$10.9 million or 2.4 percent, compared to an increase of \$5.1 million or 1.1 percent for the prior fiscal year.
- The District's operating revenues increased by \$5.2 million or 4.5 percent, compared to a decrease of \$13.4 million or 10.4 percent for the prior fiscal year. The increase in operating revenues is primarily attributed to an increase in the volume of water sold to the District's purveyors and an increase in water rates.
- During the year, the District operating revenues were \$2.6 million more than its operating expenses of \$117.5 million. Prior year operating revenues were \$4.1 million less than operating expenses of \$119.0 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements section also includes notes that discuss information in the Financial Statements in more detail.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District provide information about the District using accounting methods similar to those used in private industry. The Statement of Net Position provides a snapshot of the District's current and long-term assets (resources) and liabilities (obligations) as of the end of the District's fiscal year 2017. The Statement of Revenues, Expenses and Changes in Net Position provides information on the District's financial activity during the year. This statement provides a summary of the District's revenues generated from water sales and other user fees and expenses associated with providing services to the District's customers. The Statement of Cash Flows' primary purpose is to show information about the District's sources of cash, such as customer receipts and return on investments, and uses of cash such as operating expenses, utility plant expansion and payment of debt.

## **FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION**

The following condensed financial information provides an overview of the District's financial activities for the years ended June 30, 2017, 2016 and 2015.

### **Condensed Statement of Fund Net Position (In Millions of Dollars)**

	2017	2016	2015	2017-2016 Variance		2016-2015 Variance	
				Dollar Change	Percent Change	Dollar Change	Percent Change
<b><u>ASSETS</u></b>							
Current and Other Assets	\$ 256.3	\$ 244.2	\$ 253.2	\$ 12.1	5.0 %	\$ (9.0)	(3.6)%
Capital Assets	461.4	468.3	465.2	(6.9)	(1.5)%	3.1	0.7 %
Total Assets	\$ 717.7	\$ 712.5	\$ 718.4	\$ 5.2	0.7 %	\$ (5.9)	(0.8)%
Deferred outflows of resources	7.8	6.8	6.6	1.0	14.7 %	0.2	3.0 %
Total Assets and Deferred Outflows of Resources	\$ 725.5	\$ 719.3	\$ 725.0	\$ 6.2	0.9 %	\$ (2.6)	(0.4)%
<b><u>LIABILITIES</u></b>							
Long-term Debt Outstanding	\$ 224.7	\$ 232.5	\$ 241.1	\$ (7.8)	(3.4)%	\$ (8.6)	(3.6)%
Other Liabilities	36.1	32.5	34.1	3.6	11.1 %	(1.6)	(4.7)%
Total Liabilities	\$ 260.8	\$ 265.0	\$ 275.2	\$ (4.2)	(1.6)%	\$ (10.2)	(3.7)%
Deferred inflows of resources	0.6	\$ 1.1	\$ 1.7	(0.5)	0.0 %	(0.6)	0
Total Assets and Deferred Inflows of Resources	\$ 261.4	\$ 266.1	\$ 276.9	\$ (4.7)	(1.8)%	\$ (12.4)	(4.5)%
<b><u>NET POSITION</u></b>							
Invested in Capital Assets							
Net of Related Debt	\$ 242.3	\$ 235.0	\$ 222.6	\$ 7.3	3.1 %	\$ 12.4	5.6 %
Restricted	12.7	11.4	12.8	\$ 1.3	11.4 %	(1.4)	(10.9)%
Unrestricted	209.1	206.8	212.7	2.3	1.1 %	(5.9)	(2.8)%
Total Net Position	\$ 464.1	\$ 453.2	\$ 448.1	\$ 10.9	2.4 %	\$ 5.1	1.1 %

**Capital and other assets** – Total assets increased \$5.2 million, or less than 1 percent, with current and other assets increasing by \$12.1 million and Capital Assets decreasing by \$6.9 million. The change in the other assets is primarily due to an increase in investments of \$5.6 million and an increase in water inventory of \$4.2 million. The increase to investments is due to the sale of the recycled system to Triunfo Sanitation District for \$11.6 million. The retirement of the assets related to the sale resulted in removing \$14.1 million in capital assets and \$4.6 million of accumulated depreciation. This was offset by additions to construction in progress and land and rights of way of \$17.0 million and depreciation of \$13.3 million.

**Long-term and other liabilities** – Long-Term Debt decreased by \$7.8 million or 3.4% and is attributed to the annual bond principal payments. Other liabilities increased by \$3.6 million or 11.1% and is primarily due to an increase in accounts payable for outstanding bills attributed to the purchase of water from Metropolitan Water District.

Net position – Total Net position increased by \$10.9 million or 2.4 percent. Unrestricted net position consist of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017-2016 Variance</u>		<u>2016-2015 Variance</u>	
				<u>Dollar Change</u>	<u>Percent Change</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	\$ 120.1	\$ 114.9	\$ 128.3	\$ 5.2	4.5 %	\$ (13.4)	(10.4)%
Nonoperating Revenues	13.7	14.2	13.6	(0.5)	(3.5)%	0.6	4.4 %
Total Revenues	<u>133.8</u>	<u>129.1</u>	<u>141.9</u>	<u>4.7</u>	<u>3.6 %</u>	<u>(12.8)</u>	<u>(9.0)%</u>
Depreciation Expense	13.3	13.6	13.1	(0.3)	(2.2)%	0.5	3.8 %
Other Operating Expense	104.2	105.4	114.6	(1.2)	(1.1)%	(9.2)	(8.0)%
Nonoperating Expense	7.1	8.2	9.4	(1.1)	(13.4)%	(1.2)	(12.8)%
Total Expense	<u>124.6</u>	<u>127.2</u>	<u>137.1</u>	<u>(2.6)</u>	<u>(2.0)%</u>	<u>(9.90)</u>	<u>(7.2)%</u>
Income Before Capital Contributions	9.2	1.9	4.8	7.3	384.2 %	(2.9)	(60.4)%
Capital Contributions	1.7	3.2	2.5	(1.5)	(46.9)%	0.7	28.0 %
Change in Net Position	10.9	5.1	7.3	5.8	314.0 %	(2.2)	(63.2)%
Beginning Net Position	453.2	448.1	440.8	5.1	1.1 %	7.3	1.7 %
Ending Net Position	<u>\$ 464.1</u>	<u>\$ 453.2</u>	<u>\$ 448.1</u>	<u>\$ 10.9</u>	<u>2.4 %</u>	<u>\$ 5.1</u>	<u>1.1 %</u>

Revenues – The District generates its primary revenue through the sale of water. At June 30, 2017, water revenues were \$106.4 million, or 80 percent, of operating revenues and at June 30, 2016 they were \$101.6 million, or 88 percent of operating revenues. The District increased its charge for the Capacity Charge in January 2017 resulting in collection of a larger amount of fixed revenues as it relates to operating revenues.

The main sources of the District's non-operating revenues and losses are return on investments, gain on sale of capital assets, capital construction charges, property taxes and standby charges. At June 30, 2017, the District earned \$2.1 million of non-operating revenues on sale of capital assets, \$2.1 million in investment interest and collected \$1.2 million in capital construction charges. Property taxes and standby charges represented \$9.3 million in non-operating revenues. These revenues were offset by market value loss on investments of \$1.0 million dollars.

Expenses – The District's other operating expenses decreased by \$1.2 million, or 1.1 percent. There was an increase of \$3.0 million in the cost of water and \$0.8 million in salaries. These are offset by \$2.7 million in expenses due to the transfer of the Port Hueneme Water Agency SMP Connection during 2015-16, a decrease in the readiness-to-serve charge of \$0.8 and a decrease in conservation of \$0.6. The District's non-operating expenses decreased by \$1.1 million or 13.4 percent, primarily due to a decrease in interest and redemption expense and tax collection, bank and bond fees.

Capital Contributions – Capital contributions received decreased \$1.5 million over last fiscal year, due to less grant funding received from the state for the Salinity Management Pipeline. The District is actively seeking grants to help offset its capital expenditures.

**BUDGET ANALYSIS AND VARIANCES**

The District's final Fiscal Year 2016-17 operating revenues were \$120.1 million, which was \$3.7 million under the final approved budget. The difference was primarily due to lower than anticipated water sales of \$3.4 million. The largest variance in non-operating revenue was an unanticipated gain on the sale of the recycled water system of \$2.1 million. This was offset by the rescinding of the capital construction charge causing the fees to be \$1.3 million dollars under budget.

The District's Fiscal Year 2016-17 operating and other administrative costs were \$124.6 million, which was \$6.6 million under the final approved budget. The variance was due to lower than anticipated water purchases that resulted in \$3.0 million in savings and lower than expected other operational administrative expenses of \$1.8 million. Interest expense was budgeted at the full expense not taking into account \$1.6 million being transferred to construction in progress.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets – At June 30, 2017, the District had \$620.5 million invested in its water distribution facilities, construction in progress and other capital assets (See table below). Net capital assets (including additions and disposals) increased by \$1.7 million, or less than 1 percent, over last year.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017-2016 Variance</u>		<u>2016-2015 Variance</u>	
				<u>Dollar Change</u>	<u>Percent Change</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Water distribution facilities	\$ 547.0	\$ 536.9	\$ 532.8	\$ 10.1	1.9 %	\$ 4.1	0.8 %
Construction in progress	29.7	39.3	33.3	(9.6)	(24.4)%	6.0	18.0 %
Land and rights of way	13.3	12.1	9.8	1.2	9.9 %	2.3	23.5 %
Buildings	4.0	4.0	3.7	-	0.0 %	0.3	8.1 %
Computer Systems	19.1	19.1	18.4	-	100.0 %	0.7	0.0 %
Other depreciable assets	7.4	7.4	7.1	-	0.0 %	0.3	4.2 %
Subtotal	<u>\$ 620.5</u>	<u>\$ 618.8</u>	<u>\$ 605.1</u>	<u>\$ 1.7</u>	<u>0.3 %</u>	<u>\$ 13.7</u>	<u>2.3 %</u>
Less Accumulated							
Depreciation	<u>159.2</u>	<u>150.6</u>	<u>140.1</u>	<u>8.6</u>	<u>5.7 %</u>	<u>10.5</u>	<u>7.5 %</u>
Net Capital Assets	<u><u>\$ 461.3</u></u>	<u><u>\$ 468.2</u></u>	<u><u>\$ 465.0</u></u>	<u><u>\$ (6.9)</u></u>	<u><u>(1.5)%</u></u>	<u><u>\$ 3.2</u></u>	<u><u>0.7 %</u></u>

The construction of major capital projects is financed by the issuance of long-term debt and current revenues of capital construction charges, water sales and interest income.

## CAPITAL IMPROVEMENT PROGRAM

The District's Capital Improvement Program (CIP) is designed to ensure a reliable water supply to its purveyors. Major components of the CIP through 2024 include: enhancements to the Las Posas Basin Aquifer Storage and Recovery Project, continued construction of the Salinity Management Pipeline, interconnection with neighboring water suppliers, improvements to existing facilities, and rehabilitation, replacement, and relocation projects. The infrastructure rehabilitation projects include seismic retrofits, pipeline rehabilitation, pump and motor replacements, and similar projects which are required to maintain the reliability of water facilities which are up to 50 years old.

Preventative maintenance, which consists of performing inspections and maintenance tasks, is performed on a regularly scheduled basis. Information gathered during these activities often results in infrastructure rehabilitation projects.

Following is a summary of the major capital projects completed in fiscal year 2016-17:

<u>Project</u>	<u>Amount (in Millions)</u>
Salinity Management Pipeline Phase 2B	\$14.1
Salinity Management Pipeline Phase 2D	\$9.6

Debt – At June 30, 2017, the District had \$224.5 million in bonds outstanding versus \$233.2 million at June 30, 2016, a decrease of \$8.7 million. Further discussion of the District's long-term debt may be found in Note 4 of the financial statements.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our purveyors, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the District's Finance Department at Calleguas Municipal Water District, 2100 Olsen Road, Thousand Oaks, CA 91360.

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## **BASIC FINANCIAL STATEMENTS**

CALLEGUAS MUNICIPAL WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

ASSETS:

CURRENT ASSETS:

UNRESTRICTED ASSETS:

Cash and cash equivalents	\$ 1,627,273
Investments	176,322,961
Accounts receivable	17,501,919
Interest receivable	597,321
Inventory	<u>46,596,019</u>

TOTAL UNRESTRICTED ASSETS	<u>242,645,493</u>
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RESTRICTED ASSETS:

Cash and cash equivalents	<u>13,646,472</u>
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TOTAL CURRENT ASSETS	<u>256,291,965</u>
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NONCURRENT ASSETS:

Capital assets:

Land and rights of way	13,324,491
Construction in progress	29,656,014
Water distribution facilities	547,056,826
Buildings and improvements	4,017,324
Computer systems and equipment	<u>26,524,622</u>
Total capital assets	620,579,277
Less: accumulated depreciation	<u>(159,258,962)</u>

Total capital assets, net	461,320,315
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Other post-employment benefits asset	28,607
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Deposits	<u>30,000</u>
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TOTAL NONCURRENT ASSETS	<u>461,378,922</u>
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TOTAL ASSETS	<u>717,670,887</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred amounts from pension plan	2,262,358
Deferred amount on refunding	<u>5,503,442</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,765,800</u>
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See accompanying notes to basic financial statements.

(Continued)



CALLEGUAS MUNICIPAL WATER DISTRICT

STATEMENT OF NET POSITION  
(CONTINUED)

June 30, 2017

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	\$ 21,808,004
Accrued expenses	306,076
Interest payable	4,340,223
Retentions payable	1,124,535
Deposits	129,079
Compensated absences, current portion	23,137
Bonds payable, current portion	<u>8,410,000</u>

TOTAL CURRENT LIABILITIES	<u>36,141,054</u>
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LONG-TERM LIABILITIES:

Compensated absences, net of current portion	541,186
Bonds payable, net of current portion	216,058,642
Net pension liability	<u>7,978,753</u>

TOTAL LONG-TERM LIABILITIES	<u>224,578,581</u>
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TOTAL LIABILITIES	<u>260,719,635</u>
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DEFERRED INFLOWS OF RESOURCES:

Deferred amounts from pension plan	<u>583,250</u>
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NET POSITION:

Net investment in capital assets	242,355,115
Restricted	12,722,684
Unrestricted	<u>209,056,003</u>

TOTAL NET POSITION	<u><u>\$ 464,133,802</u></u>
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See accompanying notes to basic financial statements.

CALLEGUAS MUNICIPAL WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2017

OPERATING REVENUES:	
Water sales	\$ 106,446,669
Capacity reservation charge	5,167,044
Readiness to serve-purveyors	6,843,084
Pumping power revenue	1,461,814
SMP fees	168,526
TOTAL OPERATING REVENUES	<u>120,087,137</u>
OPERATING EXPENSES:	
Cost of water	79,972,984
Capacity reservation charge - MWD	2,275,560
Readiness to serve - MWD	6,753,818
Pumping power	1,086,072
Depreciation	13,347,542
Salaries and benefits	8,908,928
Utilities	303,269
Vehicle expense	106,602
Operations and maintenance supplies	554,143
Office supplies	53,539
Outside services	1,475,542
Consultants and studies	1,031,975
Permits, leases and fees	184,103
Travel and training	96,865
Memberships	158,240
Insurance	91,023
Legal	225,649
Conservation	100,418
Miscellaneous	1,721
Project expenses	758,740
Elections	58,788
TOTAL OPERATING EXPENSES	<u>117,545,521</u>
OPERATING INCOME	<u>2,541,616</u>
NONOPERATING REVENUES (EXPENSES):	
Interest income	2,077,261
Water standby charges	1,390,885
Tax revenue	7,927,979
Tax collection, bank and bond fees	(470,579)
Loss on investments	(1,007,313)
Gain on sale of capital assets	2,078,877
Capital construction charges	1,202,608
Other income	61,112
Interest and redemption expense	(6,590,563)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>6,670,267</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	9,211,883
CAPITAL CONTRIBUTIONS	<u>1,694,664</u>
CHANGES IN NET POSITION	10,906,547
NET POSITION - BEGINNING OF YEAR	<u>453,227,255</u>
NET POSITION - END OF YEAR	<u>\$ 464,133,802</u>

See accompanying notes to basic financial statements.

CALLEGUAS MUNICIPAL WATER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 121,838,965
Cash payments to suppliers of goods and services	(96,841,211)
Cash payments to employees for salaries and wages	(8,955,705)
Miscellaneous income	1,451,997
	<u>17,494,046</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Tax revenue, net of collection fees paid	<u>7,457,400</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	
	<u>7,457,400</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash paid in acquisition and construction of capital assets	(14,577,695)
Proceeds from sale of capital assets	11,586,048
Capital construction charges	1,202,608
Capital contributions received	1,694,664
Repayments of long-term liabilities	(7,350,000)
Interest and redemption expenses paid	(8,647,794)
	<u>(16,092,169)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale of investments	303,170,384
Purchase of investments	(310,105,358)
Interest income received	1,978,566
	<u>(4,956,408)</u>
NET CASH USED BY INVESTING ACTIVITIES	
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	3,902,869
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>11,370,876</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,273,745</u>
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:	
Unrestricted assets:	
Cash and cash equivalents	\$ 1,627,273
Restricted assets:	
Cash and cash equivalents	<u>13,646,472</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 15,273,745</u>

See accompanying notes to basic financial statements.

(Continued)

CALLEGUAS MUNICIPAL WATER DISTRICT

STATEMENT OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2017

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 2,541,616
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	13,347,542
Miscellaneous income	1,451,997
Changes in operating assets, deferred outflows, liabilities and deferred inflows:	
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	(102,059)
Grants receivable	1,848,750
Inventory	(4,209,537)
Prepaid expenses	5,000
Other post-employment benefits (OPEB) asset	1,001
Deferred outflows of resources from pension plan	(1,428,957)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	2,965,443
Accrued expenses	45,051
Retentions payable	(359,118)
Deposits	5,137
Compensated absences	(23,482)
Net pension liability	1,906,566
Deferred inflows of resources from pension plan	(500,904)
 Total adjustments	 <u>14,952,430</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 17,494,046</u>

See accompanying notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Organization and Description of the Reporting Entity:

The Calleguas Municipal Water District (the District) was organized in December 1953 as a special district under the State of California Water Code Sections 71001 et seq. to provide a supplemental supply of water for the portion of Ventura County lying within District boundaries.

The Board of Directors consists of five members, which has governance responsibilities over all activities related to the District. Board members are elected by the public to four-year terms. They have decision-making authority, power to designate management, responsibility to significantly influence operations and accountability for fiscal matters.

b. Basic Financial Statements:

The basic financial statements are composed of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the notes to the basic financial statements.

c. Basis of Presentation:

The accounts of the District are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

d. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. New Accounting Pronouncements:

**Current Year Standards:**

GASB 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016, and did not impact the District.

GASB 74 - *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for periods beginning after June 15, 2016, and did not impact the District.

GASB 77 - *Tax Abatement Disclosure*, effective for periods beginning after December 15, 2015, and did not impact the District.

GASB 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for periods beginning after December 15, 2015, and did not impact the District.

GASB 79 - *Certain External Investment Pools and Pool Participants*, contains certain provisions on portfolio quality, custodial credit risk and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the District.

GASB 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the District.

**Pending Accounting Standards:**

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

- GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- GASB 81 - *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016.
- GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. New Accounting Pronouncements (Continued):

**GASB Pending Accounting Standards (Continued):**

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.
- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

f. Cash and Cash Equivalents:

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

g. Investments and Investment Policy:

Investments are reported at fair value, which is determined using selected basis. Short-term investments are reported at amortized cost, which approximates fair value. Investments in government and corporate obligations are valued on over-the-counter bid quotations available at year-end. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

h. Accounts Receivable:

The District grants credit to its customers, substantially all of whom are member purveyors in Ventura County, California. The District charges doubtful accounts arising from receivables to bad debt expense when it is probable that the accounts will be uncollectible.



CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Prepaid Expenses:

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

j. Inventory:

Inventory consists primarily of water and pipes in storage and is stated at lower of cost or market using a first in, first out basis.

k. Capital Assets:

The cost of purchased and self-constructed additions to utility plant and major replacements of property are capitalized. Cost includes materials, direct labor, transportation and such indirect items as engineering, supervision, employee fringe benefits and interest incurred during the construction period. Repairs, maintenance and minor replacements of property are charged to expense. The District's policy has set the capitalization threshold by asset category starting at \$5,000. Contributed assets are recorded at estimated fair market value at the date of acquisition. 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 the straight-line basis over the estimated useful lives of the assets as follows:

Water distribution system	10 to 50 years
Buildings	50 years
Building improvements	10 to 25 years
Computer system and equipment	5 to 10 years

l. Capitalized Interest:

The District capitalizes interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful lives of such assets.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category.

- Deferred amount on refunding reported in the Statement of Net Position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over five years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category.

- Deferred outflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. Deferred Outflows/Inflows of Resources (Continued):

- Deferred inflows related to pensions for the changes in proportion and differences between employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

n. Compensated Absences:

It is the District's policy to permit employees to accumulate earned but unused vacation benefits up to 480 hours. Any excess accumulation is forfeited by the employees if they reach the maximum limit. Upon termination, retirement or death of an employee, the District pays any accrued vacation in a lump-sum payment to the employee or beneficiary. All accumulated vacation is recorded as an expense and a liability at the time the benefit is earned. As of June 30, 2017, total accrued compensated absences were \$564,323.

o. Capital Contributions:

Capital contributions are composed of federal, state and local grants and contributions. These grants are typically of a cost reimbursement nature. The District pays for the subject costs and then the granting agency reimburses the District for eligible expenses. The portion of the grants used for capital purposes are reflected as capital contributions in the statement of revenues, expenses and changes in net position when they are earned.

p. Net Position:

In the Statement of Net Position, net position is classified in the following categories:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted net position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

q. Use of Restricted/Unrestricted Net Position:

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

r. Operating Revenues and Expenses:

Operating revenues, such as charges for services (water sales), result from exchange transactions associated with the principal activity of the District. Nonoperating revenues, such as property taxes and assessments, and investment income, result from nonexchange transactions or ancillary activities in which the District receives value without directly giving equal value in exchange.

Operating expenses include the cost of water, services, water treatment, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

s. Property Taxes and Assessments:

The District receives property taxes and standby charges collected for the District by the County of Ventura. Property taxes attach as an enforceable lien on property as of November 1 each year for the fiscal year July 1 to June 30. Taxes are levied on November 1 and are due and payable on December 10 of that year. Half of the taxes levied on November 1 become delinquent December 10 of that year and the remaining half is due on February 10 of the following year and become delinquent on April 10 of that year.

t. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

u. Income Taxes:

The District's income is exempt from income taxation under provisions of the Internal Revenue Code and related California provisions; accordingly, no income tax provision is required.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

v. Use of Estimates:

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from the estimates.

2. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments as of June 30, 2017, are reported in the accompanying statement of net position as follows:

Unrestricted Current Assets:	
Cash and cash equivalents	\$ 1,627,273
Investments	176,322,961
Restricted Assets:	
Cash and cash equivalents	<u>13,646,472</u>
Total Cash and Investments	<u>\$ 191,596,706</u>

Cash and investments as of June 30, 2017, consisted of the following:

Cash on hand	\$ 1,627,273
Restricted escrow accounts	923,788
Restricted investments	12,722,684
Unrestricted investments	<u>176,322,961</u>
Total Cash and Investments	<u>\$ 191,596,706</u>

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk and concentration of credit risk.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by the California Government Code and the District's Investment Policy (Continued):**

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Credit Rating</u>
United States Government Sponsored Agency Securities	5 years	None	None	None
United States Treasury Bills, Notes and Bonds	5 years	None	None	N/A
Banker's Acceptances	180 days	40%	5%	A-1
Commercial Paper	270 days	25%	5%	A-1, P-1, F-1
Collateralized Certificates of Deposit	5 years	30%	15%	AA above \$250,000 deposit
Asset-Backed Securities	5 years	20%	None	AAA
Mortgage-Backed Securities	5 years	20%	None	AAA, Aaa
Medium-Term Notes	5 years	30%	5%	A, A2
Money Market Funds	None	20%	None	AAAm, Aaa
Municipal Securities	5 years	20%		A2/A
County of Ventura Investment Pool	None	(1)	None	None
Local Agency Investment Fund (LAIF)	(2)	(2)	(2)	(2)

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

(1) Maximum investment in the County of Ventura Investment Pool is \$15 million per the District's investment policy.

(2) The District may invest up to the maximum permitted by LAIF as detailed in the District's investment policy.

N/A - Not Applicable

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by Debt Agreements:**

Investment of debt proceeds held by the bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

**Disclosures Relating to Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2017.

Investment Type	Remaining Maturity (in Years)		
	Less than 1 Year	1 to 5 Years	Total
Money Market (Mutual) Funds	\$ 945,991	\$ -	\$ 945,991
Federal Farm Credit Bank (FFCB)	6,140,776	8,478,543	14,619,319
Federal Home Loan Bank (FHLB)	14,388,256	20,095,400	34,483,656
Federal Home Loan Mortgage Corporation (FHLMC)	3,646,796	8,229,872	11,876,668
Federal National Mortgage Association (FNMA)	1,699,750	2,982,618	4,682,368
U.S. Treasury Notes	9,624,032	4,070,039	13,694,071
Mortgage-Backed Securities	-	17,383,368	17,383,368
Municipal Securities	6,655,047	1,616,160	8,271,207
Medium-Term Notes	20,057,569	22,277,030	42,334,599
Local Agency Investment Fund (LAIF)	16,451,447	-	16,451,447
Ventura County Investment Pool (VCIP)	11,580,267	-	11,580,267
Held by Fiscal Agent:			
Money Market (Mutual) Funds	12,722,684	-	12,722,684
	<u>\$ 103,912,615</u>	<u>\$ 85,133,030</u>	<u>\$ 189,045,645</u>

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to 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 in the following table are the minimum rating required by (where applicable) the California Government Code, the District's investment policy or debt agreements and the actual Moody's credit rating as of June 30, 2017, for each investment type.

Investment Type	Minimum Legal Rating	Total	Ratings as of Year End				
			Not Rated or *Not Required				
			to be Rated	Aaa	Aa1	Aa2	Other
Money Market (Mutual) Funds	Aaa	\$ 945,991	\$ -	\$ 945,991	\$ -	\$ -	\$ -
FFCB	N/A	14,619,319	-	14,619,319	-	-	-
FHLB	N/A	34,483,656	-	34,483,656	-	-	-
FHLMC	N/A	11,876,668	-	11,876,668	-	-	-
FNMA	N/A	4,682,368	-	4,682,368	-	-	-
U.S. Treasury Notes *	N/A	13,694,071	13,694,071	-	-	-	-
Mortgage-Backed Securities	Aaa	17,383,368	-	17,383,368	-	-	-
Municipal Securities	A2	8,271,207	-	-	1,616,160	1,000,000	5,655,047
Medium-Term Notes	A2	42,334,599	-	2,430,313	912,286	5,639,925	33,352,075
LAIF	N/A	16,451,447	16,451,447	-	-	-	-
VCIP	N/A	11,580,267	11,580,267	-	-	-	-
Held by Fiscal Agent:							
Money Market (Mutual) Funds	N/A	<u>12,722,684</u>	<u>-</u>	<u>12,722,684</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 189,045,645</u>	<u>\$ 41,725,785</u>	<u>\$ 99,144,367</u>	<u>\$ 2,528,446</u>	<u>\$ 6,639,925</u>	<u>\$ 39,007,122</u>

\* - The U.S. Treasury notes are not required to be rated.

The ratings for the "Other" category above are as follows:

Investment Type	Aa3-	A1	A2	A3	Total
Municipal Securities	\$ 5,655,047	\$ -	\$ -	\$ -	\$ 5,655,047
Medium-Term Notes	<u>9,545,272</u>	<u>18,699,500</u>	<u>5,107,303</u>	<u>-</u>	<u>33,352,075</u>
	<u>\$ 15,200,319</u>	<u>\$ 18,699,500</u>	<u>\$ 5,107,303</u>	<u>\$ -</u>	<u>\$ 39,007,122</u>



CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

**Concentration of Credit Risk:**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code with the exception of banker's acceptances, commercial paper, collateralized certificates of deposit and medium-term notes, which are limited to an investment in any one issuer of 5%, 5%, 15% and 5%, respectively.

**Custodial Credit Risk:**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District 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, the District 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 and County of Ventura Investment Pool).

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

As of June 30, 2017, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

**Investment in State Investment Pool:**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's prorated 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.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

**Investment in Ventura County Investment Pool:**

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

**Fair Value Measurements:**

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District has the following recurring fair value measurements as of June 30, 2017:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
FFCB	\$ -	\$ 14,619,319	\$ -	\$ 14,619,319
FHLB	-	34,483,656	-	34,483,656
FHLMC	-	11,876,668	-	11,876,668
FNMA	-	4,682,368	-	4,682,368
U.S. Treasury Notes	-	13,694,071	-	13,694,071
Mortgage-Backed Securities	-	17,383,368	-	17,383,368
Municipal Securities	-	8,271,207	-	8,271,207
Medium-Term Notes	-	42,334,599	-	42,334,599
<b>Total Leveled Investments</b>	<b>\$ -</b>	<b>\$ 147,345,256</b>	<b>\$ -</b>	<b>147,345,256</b>
Local Agency Investment Fund*				16,451,447
Ventura County Investment Pool*				11,580,267
Money Market (Mutual) Funds*				945,991
Held by Fiscal Agent:				
Money Market (Mutual) Funds*				12,722,684
<b>Total Investment Portfolio</b>				<b>\$ 189,045,645</b>

\* Not subject to fair value measurements.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

3. INVENTORY:

Inventory balance at June 30, 2017, is as follows:

Water Inventory:	
Lake water	\$ 9,343,862
Tanks and lines	323,755
Basin	<u>32,479,402</u>
Total water inventory	42,147,019
Pipe inventory	<u>4,449,000</u>
Total Inventory	<u>\$ 46,596,019</u>

4. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2017, are as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:				
Land and rights of way	\$ 12,106,814	\$ 1,217,677	\$ -	\$ 13,324,491
Construction in progress	<u>39,306,287</u>	<u>15,781,638</u>	<u>(25,431,911)</u>	<u>29,656,014</u>
Total capital assets, not being depreciated	<u>51,413,101</u>	<u>16,999,315</u>	<u>(25,431,911)</u>	<u>42,980,505</u>
Capital assets, being depreciated:				
Water distribution system	536,903,062	24,212,621	(14,058,857)	547,056,826
Buildings and improvements	4,017,324	-	-	4,017,324
Computer system and equipment	<u>26,493,400</u>	<u>196,205</u>	<u>(164,983)</u>	<u>26,524,622</u>
Total capital assets, being depreciated	<u>567,413,786</u>	<u>24,408,826</u>	<u>(14,223,840)</u>	<u>577,598,772</u>
Less accumulated depreciation for:				
Water distribution system	(141,509,076)	(11,081,231)	4,558,203	(148,032,104)
Buildings and improvements	(747,869)	(123,814)	-	(871,683)
Computer system and equipment	<u>(8,371,146)</u>	<u>(2,142,497)</u>	<u>158,468</u>	<u>(10,355,175)</u>
Total accumulated depreciation	<u>(150,628,091)</u>	<u>(13,347,542)</u>	<u>4,716,671</u>	<u>(159,258,962)</u>
Total capital assets, being depreciated, net	<u>416,785,695</u>	<u>11,061,284</u>	<u>(9,507,169)</u>	<u>418,339,810</u>
Total capital assets, net	<u>\$ 468,198,796</u>	<u>\$ 28,060,599</u>	<u>\$ (34,939,080)</u>	<u>\$ 461,320,315</u>

Depreciation expense for the depreciable capital assets was \$13,347,542 in 2017.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

5. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2017, were as follows:

	Balance			Balance		Due Within
	June 30, 2016	Additions	Reductions	June 30, 2017	One Year	
2007 Series A	\$ 1,315,000	\$ -	\$ (1,315,000)	\$ -	\$ -	-
2008 Series A	40,300,000	-	-	40,300,000	-	-
2010 Series A	11,665,000	-	(2,165,000)	9,500,000	2,235,000	
2010 Series B	77,400,000	-	-	77,400,000	-	
2012 Series A	18,550,000	-	(3,580,000)	14,970,000	3,630,000	
2014 Series A	46,660,000	-	-	46,660,000	1,325,000	
2016 Series A	<u>27,585,000</u>	<u>-</u>	<u>(290,000)</u>	<u>27,295,000</u>	<u>1,220,000</u>	
Subtotal	223,475,000	-	(7,350,000)	216,125,000	8,410,000	
Add (Less):						
Unamortized bond premiums	<u>9,762,922</u>	<u>-</u>	<u>(1,419,280)</u>	<u>8,343,642</u>	<u>-</u>	
Total	<u>\$233,237,922</u>	<u>\$ -</u>	<u>\$ (8,769,280)</u>	<u>\$224,468,642</u>	<u>\$ 8,410,000</u>	

**2007 Series A Revenue Bonds:**

Pursuant to an indenture dated August 1, 2007, the Calleguas-Las Virgenes Public Financing Authority issued the 2007 Series A Revenue Bonds in the amount of \$58,265,000 and 2007 Series B Auction Rate Revenue Bonds in the amount of \$40,000,000 to provide funds to the District to finance the acquisition and construction of water system improvements, to purchase a debt service reserve fund surety bond for the Bonds and pay costs of issuance. The 2007 Series B Auction Rate Revenue Bonds were redeemed on May 1, 2008 by bond proceeds of the 2008 Series A Variable Rate Refunding Revenue Bonds. The 2007 Series A Revenue Bonds were partially defeased with the issuance of the 2014 Series A Refunding Revenue Bonds. The remaining principal on the 2007 Series A Revenue Bonds is payable annually on July 1 of each year with the final payment due July 1, 2017, and interest is payable semiannually on July 1 and January 1 of each year bearing interest rates at 4.0%. During the fiscal year ended June 30, 2017, the outstanding balance on the 2007 Series A Refunding Revenue Bonds was paid in full.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED):

**2008 Series A Variable Rate Refunding Revenue Bonds:**

Pursuant to an indenture dated March 1, 2008, the Calleguas-Las Virgenes Public Financing Authority issued the 2008 Series A Variable Rate Refunding Revenue Bonds in the amount of \$40,300,000 to provide funds to the District to refund the 2007 Series B Auction Rate Revenue Bonds and pay costs of issuance. Principal is payable annually on July 1 of each year beginning July 1, 2022 and ending July 1, 2037. Interest is paid at a variable rate, which is determined weekly. Interest is payable monthly on the first business day of the month so long as the bonds bear interest at the weekly rate. The District, at its option, may convert the bonds to a fixed interest rate upon 60 days' notice to the bond counsel. Payments of principal redemption (but not any premium) and interest are supported by a letter of credit issued by Wells Fargo Bank, National Association. The credit facility will also be drawn on if other funds are not available to purchase bonds tendered by the owner. At June 30, 2017, the outstanding balance on the 2008 Series A Variable Rate Refunding Revenue Bonds amounted to \$40,300,000.

**2010 Series A Tax-Exempt Water Revenue Bonds:**

Pursuant to an indenture dated February 1, 2010, the Calleguas-Las Virgenes Public Financing Authority issued the 2010 Series A Tax-Exempt Water Revenue Bonds in the amount of \$21,355,000 to provide funds to the District to finance the acquisition and construction of water system improvements and pay costs of issuance. Principal is payable annually on July 1 of each year with the final payment due on July 1, 2020, and interest is payable semiannually on July 1 and January 1 of each year bearing interest rates ranging from 2.5% to 5.0%. At June 30, 2017, the outstanding balance on the 2010 Series A Tax-Exempt Water Revenue Bonds amounted to \$9,500,000.

**2010 Series B Water Revenue Bonds:**

Pursuant to an indenture dated February 1, 2010, the Calleguas-Las Virgenes Public Financing Authority issued the 2010 Series B Water Revenue Bonds in the amount of \$77,400,000 to provide funds to the District to finance the acquisition and construction of water system improvements and pay costs of issuance. Principal is payable annually on July 1 of each year with the final payment due July 1, 2040, and interest is payable semiannually on July 1 and January 1 of each year bearing interest rates ranging from 5.449% to 5.944%. The bonds are federally taxable Build America Bonds issued under the American Recovery and Reinvestment Act of 2009. Under the Build America Bonds program, the District will receive a cash subsidy from the U.S. Treasury equal to 35% of the interest paid, payable biannually. The bonds are subject to mandatory sinking fund requirements starting July 1, 2021. At June 30, 2017, the outstanding balance on the 2010 Series B Water Revenue Bonds amounted to \$77,400,000.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED):

**2012 Series A Refunding Revenue Bonds:**

Pursuant to an indenture dated June 1, 2012, the Calleguas-Las Virgenes Public Financing Authority issued the 2012 Series A Refunding Revenue Bonds in the amount of \$29,115,000 to provide funds to the District refund and defease the 2003 Series B Refunding Revenue Bonds and pay costs of issuance. Principal is payable annually on July 1 of each year with the final payment due July 1, 2020, and interest is payable semiannually on July 1 and January 1 of each year bearing interest rates ranging from 1.418% to 2.601%. The net proceeds of the 2012 Series A Refunding Revenue Bonds and amounts from the 2003 Series B Refunding Revenue Bonds reserve funds were deposited in an irrevocable trust with an escrow agent to purchase U.S. government securities to provide for debt service and refunding of the 2003 Series B Refunding Revenue Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$2.1 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2020 using the straight-line method. The advance refunding decreased the total debt service payments by approximately \$2,720,974 over the nine years and resulted in an economic gain of \$2,500,706. For financial reporting purposes, the 2003 Series B Refunding Revenue Bonds has been considered defeased and therefore removed as a liability from the financial statements. The 2003 Series B Refunding Revenue Bonds were redeemed on July 1, 2013. At June 30, 2017, the outstanding balance of the 2012 Series A Refunding Revenue Bonds amounted to \$14,970,000.

**2014 Series A Refunding Revenue Bonds:**

Pursuant to an indenture dated June 1, 2014, the Calleguas-Las Virgenes Public Financing Authority issued the 2014 Series A Refunding Revenue Bonds in the amount of \$46,660,000 to provide funds to the District partially refund and defease the 2007 Series A Revenue Bonds and pay costs of issuance. Principal is payable annually on July 1 of each year with the final payment due July 1, 2037, and interest is payable semiannually on July 1 and January 1 of each year bearing interest rates ranging from 3.75% to 5.0%. The net proceeds of the 2014 Series A Refunding Revenue Bonds and amounts from the 2007 Series A Revenue Bonds reserve fund were deposited in an irrevocable trust with an escrow agent to purchase U.S. government securities to provide for debt service and refunding of the 2007 Series A Revenue Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$3.9 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2037 using the straight-line method. The advance refunding decreased the total debt service payments by approximately \$4,543,860 over the 23 years and resulted in an economic gain of \$3,169,541. For financial reporting purposes, the 2007 Series A Revenue Bonds has been considered partially defeased and therefore partially removed as a liability from the financial statements. The 2007 Series A Revenue Bonds were redeemed on July 1, 2016. At June 30, 2017, the outstanding balance of the 2014 Series A Refunding Revenue Bonds amounted to \$46,660,000.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED):

**2016 Series A Refunding Revenue Bonds:**

Pursuant to an indenture dated April 1, 2016, the Calleguas-Las Virgenes Public Financing Authority issued the 2016 Series A Refunding Revenue Bonds in the amount of \$27,585,000 to provide funds to the District partially refund and defease the 2006 Series A Revenue Bonds and pay costs of issuance. Principal is payable annually on July 1 of each year with the final payment due July 1, 2032, and interest is payable semiannually on July 1 and January 1 of each year bearing interest rates ranging from 3% to 5%. The net proceeds of the 2016 Series A Refunding Revenue Bonds and amounts from the 2006 Series A Revenue Bonds reserve fund were deposited in an irrevocable trust with an escrow agent to purchase U.S. government securities to provide for debt service and refunding of the 2006 Series A Revenue Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$1.5 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2032 using the straight-line method. The advance refunding decreased the total debt service payments by \$4,917,385 over the 17 years and resulted in an economic gain of \$4,105,122. For financial reporting purposes, the 2006 Series A Revenue Bonds has been considered defeased and therefore partially removed as a liability from the financial statements. The 2006 Series A Revenue Bonds were redeemed on July 1, 2016. At June 30, 2017, the outstanding balance of the 2016 Series A Refunding Revenue Bonds amounted to \$27,295,000.

**All Revenue Bonds:**

The annual debt service requirements, including computing interest at 0.87% for the 2008 Series A Refunding Revenue Bonds, for all the Bonds outstanding at June 30, 2017, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,410,000	\$ 9,361,943	\$ 17,771,943
2019	8,645,000	9,337,328	17,982,328
2020	8,920,000	9,321,490	18,241,490
2021	9,280,000	9,134,290	18,414,290
2022	5,655,000	8,902,864	14,557,864
2023 - 2027	38,480,000	41,635,745	80,115,745
2028 - 2032	47,585,000	31,639,821	79,224,821
2033 - 2037	59,945,000	16,976,269	76,921,269
2038 - 2042	<u>29,205,000</u>	<u>2,730,435</u>	<u>31,935,435</u>
	<u>\$ 216,125,000</u>	<u>\$ 139,040,185</u>	<u>\$ 355,165,185</u>

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED):

Changes in the deferred outflows of resources regarding the loss on defeasement of the Revenue Bonds for the year ended June 30, 2017, were as follows:

	Balance			Balance
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Deferred amount on refunding	\$ 6,029,061	\$ -	\$ (525,619)	\$ 5,503,442

**General Provisions:**

The Board of Directors of the District passed resolution number 823 as amended by resolution number 889 to govern certain provisions applicable to all debt securities issued by the District, the parity obligations. Under these resolutions, and the terms of the debt agreements, all net operating revenues of the District, as defined, are irrevocably pledged for debt service. The bonds are subject to a rate covenant, which states that the District must collect net operating revenues, as defined, equal to or greater than 125% of the installment payments due on all parity obligations plus certain reserves. The District is prohibited from issuing additional parity obligations if the rate covenant is less than 125% for the 12 consecutive month period prior to issuance of the new obligations. The bond obligation's principal and interest payments are payable from net operating revenues received by the District from all sources including amounts held in accounts established by the bond indenture.

The District is required by bond indenture covenants to allocate all revenues in the following order each month:

1. An amount sufficient to provide for the current and next succeeding calendar month's estimated maintenance and operations.
2. An amount equal to the monthly pro rata share of the interest payable on the next interest payment date for all outstanding fixed rate parity obligations and 110% of the estimated interest payable on outstanding variable rate parity obligations.
3. One-twelfth the aggregate annual principal amount due on outstanding parity obligations.
4. One-sixth of any deficiency in reserve funds required by the parity obligations.
5. The remainder can be used to pay other obligations of the District that are subordinate to the parity obligations, finance construction or for any other legal use.

**Line of Credit:**

In conjunction with the issuance of the 2008 Series A Variable Rate Refunding Revenue Bonds, the District had a line of credit in the amount of \$40,903,891 that was used to fund construction. The line of credit expires on April 24, 2019. As of June 30, 2017, no amounts are drawn on the line of credit.



CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

6. RETIREMENT PLAN:

a. General Information about the Pension Plans:

**Plan Descriptions:**

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS's website.

**Benefits Provided:**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.89%	6.25%
Required employer contribution rates		
Normal cost rate	8.38%	6.56%
Payment of unfunded liability	\$ 348,863	\$ -

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

6. RETIREMENT PLAN (CONTINUED):

a. General Information about the Pension Plans (Continued):

**Contributions:**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 7,978,753</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

6. RETIREMENT PLAN (CONTINUED):

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The District's proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2015 and 2016, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.22133%
Proportion - June 30, 2016	0.22968%
Change - Increase (Decrease)	0.00835%

For the year ended June 30, 2017, the District recognized pension expense of \$825,984. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 849,279	\$ -
Differences between actual and expected experience	28,126	(6,444)
Change in assumptions	-	(266,098)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(310,708)
Net differences between projected and actual earnings on plan investments	1,384,953	
Total	<u>\$ 2,262,358</u>	<u>\$ (583,250)</u>

An amount of \$849,279 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ (103,011)
2019	(37,558)
2020	611,679
2021	358,719
2022	-
Thereafter	-

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

6. RETIREMENT PLAN (CONTINUED):

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

**Actuarial Assumptions:**

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016, total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service.  
 (2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 Experience Study report (based on CalPERS demographic data from 1977 to 2011) available on the CalPERS's website.  
 (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS's website under Forms and Publications.

**Change of Assumptions:**

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

6. RETIREMENT PLAN (CONTINUED):

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS's website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund, Public Employees Retirement Funds' (PERF), cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

6. RETIREMENT PLAN (CONTINUED):

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

**Discount Rate (Continued):**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS's Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

6. RETIREMENT PLAN (CONTINUED):

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

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

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

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 12,591,596
Current Discount Rate	7.65%
Net Pension Liability	\$ 7,978,753
1% Increase	8.65%
Net Pension Liability	\$ 4,166,467

**Pension Plans Fiduciary Net Position:**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**Subsequent Events:**

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017, measurement date reports and will result in an increase to employer's total pension liabilities.

- c. Payable to the Pension Plans:

At June 30, 2017, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

a. Plan Description:

The District offers post-retirement health insurance benefits to retired employees. Retired employees hired by the District before July 1, 1995 are eligible to receive benefits, equal to their full insurance premium, if the employee has reached age 50, has five years of covered service and retires directly from the District. Retired employees hired by the District on or after July 1, 1995 and before January 1, 2013 are eligible to receive benefits, equal to the premium for the second highest premium for insurance products offered through the CalPERS Public Employees' Medical & Hospital Care Act (PEMHCA) plan, if the employee has reached age 50, has 12 years of District service and retires directly from the District.

Retirees hired on or after July 1, 1995 that have not met the service requirement are entitled to the minimum PEMHCA premium. The plan also has provisions for surviving spouses and disability. Benefits are paid either to CalPERS or directly to the retiree if the retiree has elected out of CalPERS.

Retired employees hired on or after January 1, 2013 receive no direct reimbursement for the cost of health insurance. During their employment, the District makes contributions to a Health Savings Account Plan designed to provide reimbursement of qualified medical expenses upon retirement under the provisions of Section 213(d) of the Internal Revenue Service Tax Code.

b. Funding Policy:

The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District has elected to make contributions equal to the pay-as-you-go amount.

c. Annual OPEB Cost and Net OPEB Obligation:

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years.



CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

c. Annual OPEB Cost and Net OPEB Obligation (Continued):

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 435,000
Interest on Net OPEB Obligation (NOO)	(1,999)
NOO Amortization Adjustment to ARC	<u>3,000</u>
Annual OPEB cost (expense)	436,001
Actual contributions made	<u>(435,000)</u>
Decrease in net OPEB obligation	1,001
Net OPEB (asset) - beginning of year	<u>(29,608)</u>
Net OPEB (asset) - end of year	<u>\$ (28,607)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB (asset) obligations for the years ended June 30, 2017, 2016 and 2015, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB (Asset) Obligation
6/30/15	\$ 391,000	0%	\$ 391,000
6/30/16	422,392	199.6%	(29,608)
6/30/17	436,001	99.8%	(28,607)

d. Funded Status and Funding Progress:

As of June 30, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$8,617,000, and the actuarial value of assets was \$5,189,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,428,000. Assets were valued using a five-year smoothing formula with an 80% corridor and 120% of market value. The covered payroll (annual payroll of active employees covered by the plan) was \$5,983,000 and the ratio of the UAAL to the covered payroll was 57.3%.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

d. Funded Status and Funding Progress (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level percent of payroll
Remaining Amortization Period	20 years as of the valuation date
Asset Valuation Method	Initial projected asset value equal to projected market value
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	CalPERS 1997-2011 Experience Study

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

8. RISK MANAGEMENT:

The District has elected to participate in a self-insured unemployment insurance plan with the State of California, whereby unemployment insurance claims are reimbursed directly to the Employment Development Department as incurred. These payments are made in lieu of funding an account through regular quarterly payroll tax contributions. There were no material expenditures for unemployment insurance claims for the year ended June 30, 2017.

The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (Association), which arranges for and provides general liability, property damage and dam failure liability insurance to its member agencies. The District pays a premium commensurate with the level of coverage requested. The District's property insurance has a \$2,500 deductible and reinsurance up to a maximum of \$100 million per loss, limited to insurable value. Liability insurance has no deductible, pooled self-insurance to \$1 million and excess liability of \$60 million per occurrence without an aggregate limit. The District has elected not to carry dam insurance.

The Association is governed by a board consisting of elected representatives of member agencies. This governing board controls the operation of the Association independent of any influence by the District beyond any elected District representation on the Association governing board. The Association is independently accountable for its fiscal matters and maintains its own accounting records. Association budgets are not subject to any approval other than by its governing board. Member agencies share surpluses and deficits proportionately to their participation in the Association. The relationship between the District and the Association is such that the Association is not a component unit of the District for financial reporting purposes.

9. INTEREST EXPENSE:

Interest expense for the year ended June 30, 2017, is as follows:

Amount expensed	\$ 6,590,563
Amount capitalized as a cost of construction projects	<u>1,398,537</u>
Total	<u>\$ 7,989,100</u>

10. RELATED-PARTY TRANSACTIONS:

A member of the District's Board of Directors retired from a construction company in 2003. The Board member's direct family member currently serves as the President and CEO of the construction company. In fiscal year 2016-2017, the District paid \$2,757,512 to the construction company for services provided. As of June 30, 2017, the District has accounts payable to the construction company in the amount of \$105,514. In addition, as of June 30, 2017, the District has outstanding contracts with the construction company totaling \$1,257,500.

CALLEGUAS MUNICIPAL WATER DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2017

11. COMMITMENTS AND CONTINGENCIES:

**Construction Contracts:**

At June 30, 2017, the District had capital projects under construction with an estimated cost to complete of approximately \$10,580,156.

**Litigation:**

From time to time in the ordinary course of business, the District is involved in litigation. In the estimation of management, the ultimate result of any litigation would not have a material adverse effect on the financial statements.

12. SUBSEQUENT EVENTS:

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 15, 2017, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

CALLEGUAS MUNICIPAL WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.22968%	0.22133%	0.23824%
Plan's proportionate share of the net pension liability	\$ 7,978,753	\$ 6,072,187	\$ 5,888,063
Plan's covered - employee payroll	\$ 6,053,807	\$ 5,708,587	\$ 5,942,768
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	131.80%	106.37%	99.08%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	81.13%	80.86%
Plan's proportionate share of aggregate employer contributions	\$ 978,798	\$ 903,297	\$ 672,871

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

\* - Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

CALLEGUAS MUNICIPAL WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years\*

Fiscal year ended	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 849,279	\$ 787,114	\$ 723,318
Contributions in relation to the actuarially determined contributions	<u>(849,279)</u>	<u>(787,114)</u>	<u>(723,318)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 5,756,932	\$ 6,053,807	\$ 5,708,587
Contributions as a percentage of covered - employee payroll	14.75%	13.00%	12.67%

Notes to Schedule:

Valuation Date	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market value***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2% @60), 52 years (2% @62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS's Board.**

\* - Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

\*\* - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15-Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CALLEGUAS MUNICIPAL WATER DISTRICT

SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS PLAN

For the year ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
06/30/2010	\$ -	\$ 9,985,000	\$ 9,985,000	0.00%	\$ 5,197,000	192.13%
06/30/2013	-	6,856,000	6,856,000	0.00%	5,635,000	121.67%
06/30/2015	5,189,000	8,617,000	3,428,000	60.22%	5,983,000	57.30%



## **SUPPLEMENTARY INFORMATION**

CALLEGUAS MUNICIPAL WATER DISTRICT

SUPPLEMENTAL SCHEDULE OF HISTORIC AND PROJECTED WATER SALES IN ACRE FEET (UNAUDITED)

(As of June 30,)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>PURVEYORS:</b>			
City of Simi Valley:			
Ventura County Water Works District #8	\$ 22,304	\$ 23,713	\$ 19,885
Golden State Water	6,646	6,751	5,816
	<u>28,950</u>	<u>30,464</u>	<u>25,701</u>
City of Thousand Oaks:			
City of Thousand Oaks	12,183	12,794	10,772
California American Water Company	17,279	18,084	15,476
California Water Service Company	8,042	8,619	7,375
	<u>37,504</u>	<u>39,497</u>	<u>33,623</u>
City of Moor park:			
Ventura County Water Works District #1	8,762	8,914	8,622
City of Camarillo:			
City of Camarillo	5,661	5,133	4,811
Camrosa County Water District	6,671	6,954	5,566
	<u>12,332</u>	<u>12,087</u>	<u>10,377</u>
City of Oxnard:			
City of Oxnard	14,543	14,567	11,781
Unincorporated:			
Berylwood Heights Mutual Water Company	3	-	1
Brandeis Mutual Water Company	74	76	63
Butler Ranch Mutual Water Company	-	-	-
Crestview Mutual Water Company	364	324	370
Lake Sherwood Community Services District	1,367	1,532	1,339
Oak Park Water Service	2,723	2,856	2,281
Pleasant Valley Mutual Water Company	269	405	299
Solano Verde Mutual Water Company	328	412	370
Ventura County Water Works District #19	310	982	640
	<u>5,438</u>	<u>6,587</u>	<u>5,363</u>
Total Unincorporated	<u>5,438</u>	<u>6,587</u>	<u>5,363</u>
<b>TOTAL WATER SALES</b>	<u><u>\$ 107,529</u></u>	<u><u>\$ 112,116</u></u>	<u><u>\$ 95,467</u></u>

2016	2017	Projected		
		2018	2020	2025
\$ 16,713	\$ 17,930	\$ 18,513	\$ 19,166	\$ 20,582
4,989	4,785	4,940	5,114	5,492
<u>21,702</u>	<u>22,715</u>	<u>23,453</u>	<u>24,280</u>	<u>26,074</u>
8,969	9,284	9,586	9,924	10,657
13,123	13,483	13,921	14,412	15,477
5,634	6,163	6,363	6,588	7,075
<u>27,726</u>	<u>28,930</u>	<u>29,870</u>	<u>30,924</u>	<u>33,209</u>
<u>6,735</u>	<u>7,102</u>	<u>7,333</u>	<u>7,592</u>	<u>8,153</u>
4,282	4,309	4,449	4,606	4,946
4,793	4,110	4,244	4,394	4,719
<u>9,075</u>	<u>8,419</u>	<u>8,693</u>	<u>9,000</u>	<u>9,665</u>
<u>11,268</u>	<u>10,931</u>	<u>11,286</u>	<u>11,685</u>	<u>12,549</u>
16	6	6	6	6
55	54	56	58	62
-	-	-	-	-
165	72	74	77	83
1,157	1,192	1,231	1,274	1,368
1,800	1,944	2,007	2,078	2,231
261	434	448	464	498
305	303	313	324	348
766	223	230	238	254
<u>4,525</u>	<u>4,228</u>	<u>4,365</u>	<u>4,519</u>	<u>4,850</u>
<u>\$ 81,031</u>	<u>\$ 82,325</u>	<u>\$ 85,000</u>	<u>\$ 88,000</u>	<u>\$ 94,500</u>

CALLEGUAS MUNICIPAL WATER DISTRICT

SUPPLEMENTAL SCHEDULE OF ANNUAL WATER RATES (UNAUDITED)

(As of January 1)

<u>Year</u>	<u>MWD Charge</u>	<u>O &amp; M</u>	<u>Capital Charge</u>	<u>Total</u>
2009	\$ 579	\$ 53	\$ 137	\$ 769
2010	701	54	145	900
2011	744	54	183	981
2012	794	54	208	1,056
2013	847	54	218	1,119
2014	890	58	225	1,173
2015	923	60	227	1,210
2016	942	75	240	1,257
2017	979	77	244	1,300
2018	1,015	77	283	1,375

CALLEGUAS MUNICIPAL WATER DISTRICT

SUPPLEMENTAL SCHEDULE OF ASSESSED VALUATION AND SECURED TAX LEVY(UNAUDITED)

(As of June 30)

<u>Fiscal Year</u>	<u>Assessed Valuation Within District (1)</u>	<u>Percent Change</u>	<u>Property Tax Levy</u>	<u>Percent Change</u>
2007	\$ 73,473,921	12.1%	\$ 5,436,319	11.5%
2008	79,585,931	8.3%	6,668,149	22.7%
2009	81,726,063	2.7%	5,989,004	-10.2%
2010	79,733,173	-2.4%	5,799,127	-3.2%
2011	78,837,469	-1.1%	5,847,124	0.8%
2012	78,639,098	-0.3%	5,844,261	0.0%
2013	79,342,029	0.9%	5,855,700	0.2%
2014	81,710,493	3.0%	6,054,333	3.4%
2015	86,590,685	6.0%	6,433,015	6.3%
2016	90,722,781	4.8%	6,754,044	5.0%
2017	91,778,094	1.2%	7,051,746	4.4%

(1) 000's omitted

CALLEGUAS MUNICIPAL WATER DISTRICT

SUPPLEMENTAL SCHEDULE OF HISTORIC OPERATING RESULTS (UNAUDITED)

(Fiscal Year Ended June 30,)

	2013	2014	2015	2016	2017
Revenues:					
Water sales	\$ 119,607,581	\$ 131,509,521	\$ 116,046,979	\$ 101,584,944	\$ 106,446,669
Pumping power revenue	1,267,882	1,352,128	1,179,776	1,114,426	1,461,814
Readiness to serve - purveyors	6,310,092	6,988,128	6,660,509	7,975,542	6,843,084
Capacity reservation charge	4,226,016	4,495,074	4,417,776	4,089,852	5,167,044
Capital construction charges	1,919,876	1,996,485	3,179,023	2,989,902	1,202,608
Water standby charges	1,376,829	1,410,179	1,395,562	1,382,897	1,390,885
Interest income	2,119,552	1,797,644	1,683,175	1,866,627	2,077,261
Taxes	6,710,934	6,714,601	7,006,003	7,502,189	7,927,979
Build America Bond Subsidy	1,516,587	1,471,399	1,469,813	1,477,741	1,464,164
Other revenues	870,272	107,809	234,194	2,326,266	61,112
SMP revenues			49,293	172,828	168,526
<b>Total Revenues</b>	<b>145,925,621</b>	<b>157,842,968</b>	<b>143,322,103</b>	<b>132,483,214</b>	<b>134,211,146</b>
Expenditures:					
Cost of water	90,221,908	99,047,868	87,771,553	76,806,767	79,972,984
Capacity reservation charge-MWD	1,597,320	1,635,520	2,232,485	2,581,645	2,275,560
Readiness to serve - MWD	6,226,931	7,022,708	7,764,817	7,496,173	6,753,818
Pumping power	1,007,144	1,194,301	1,249,061	1,127,358	1,086,072
O & M expenses	12,883,324	13,789,430	16,079,416	20,114,869	14,580,124
<b>Total Expenditures</b>	<b>111,936,627</b>	<b>122,689,827</b>	<b>115,097,332</b>	<b>108,126,812</b>	<b>104,668,558</b>
<b>Net Revenues</b>	<b>\$ 33,988,994</b>	<b>\$ 35,153,141</b>	<b>\$ 28,224,771</b>	<b>\$ 24,356,402</b>	<b>\$ 29,542,588</b>
Debt Service Coverage	2.44	2.02	1.64	1.42	1.93
Cash Balance - End of Year	\$ 165,772,065	\$ 180,164,728	\$ 181,399,880	\$ 170,093,882	\$ 177,950,234

CALLEGUAS MUNICIPAL WATER DISTRICT

SUPPLEMENT SCHEDULE OF PROJECTED OPERATING RESULTS (UNAUDITED)

(Fiscal Year Ended June 30,)

	2018	2019	2020	2021	2022
<b>Revenues:</b>					
Water sales	\$ 113,494,420	\$ 122,148,850	\$ 129,841,870	\$ 138,083,490	\$ 147,611,550
Pumping power revenue	750,000	750,000	750,000	750,000	750,000
Readiness to serve - purveyors	6,379,890	6,717,180	7,080,690	7,458,750	7,851,920
Capacity reservation charge	6,529,440	6,636,240	7,308,090	8,437,420	8,980,760
Water standby charges	1,375,000	1,375,000	1,375,000	1,375,000	1,375,000
Power sales	730,000	751,900	774,460	797,690	821,620
Interest income	1,800,000	1,784,710	1,606,790	1,723,720	1,438,990
Taxes	7,800,000	7,956,000	8,115,120	8,277,420	8,442,970
Build America Bond Subsidy	1,447,000	1,447,620	1,447,620	1,447,620	1,401,470
Other revenues	58,970	59,940	60,930	61,940	62,970
SMP fees	199,890	187,900	520,510	867,100	1,147,050
<b>Total Revenues</b>	<b>140,564,610</b>	<b>149,815,340</b>	<b>158,881,080</b>	<b>169,280,150</b>	<b>179,884,300</b>
<b>Expenditures:</b>					
Cost of water	84,631,080	90,029,030	95,946,430	102,697,680	110,007,900
Capacity reservation charge-MWD	2,010,680	2,092,480	2,156,000	2,277,000	2,387,000
Readiness to serve - MWD	6,379,890	6,717,180	7,080,690	7,458,750	7,851,920
Pumping power	1,350,000	1,390,500	1,432,220	1,475,190	1,519,450
O & M expenses	15,583,509	16,154,640	16,704,270	17,569,550	18,081,390
SMP operating	470,000	507,690	520,380	595,490	610,370
<b>Total Expenditures</b>	<b>110,425,159</b>	<b>116,891,520</b>	<b>123,839,990</b>	<b>132,073,660</b>	<b>140,458,030</b>
<b>Net Revenues</b>	<b>\$ 30,139,451</b>	<b>\$ 32,923,820</b>	<b>\$ 35,041,090</b>	<b>\$ 37,206,490</b>	<b>\$ 39,426,270</b>
<b>Debt Service:</b>					
Interest expense	\$ 8,959,710	\$ 8,820,290	\$ 8,629,000	\$ 8,372,140	\$ 8,141,970
Bond principal payments	8,410,000	8,645,000	8,920,000	9,280,000	5,655,000
<b>Total Debt Service</b>	<b>\$ 17,369,710</b>	<b>\$ 17,465,290</b>	<b>\$ 17,549,000</b>	<b>\$ 17,652,140</b>	<b>\$ 13,796,970</b>
Debt Service Coverage	1.74	1.89	2.00	2.11	2.86
Projected Water Sales (Acre Feet)	85,000	86,700	88,000	89,760	91,560

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