

CAMROSA WATER DISTRICT

Audit Reports, Management Discussion and Analysis and Financial Statements June 30, 2011 and 2010

Prepared by:

POINDEXTER AND COMPANY

Certified Public Accountant

*Post office Box 4488
Ventura, California 93007
(805) 659-3600*

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Camrosa Water District

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Camrosa Water District
Governing Board of Directors
As of June 30, 2011

<u>Name</u>	<u>Office</u>
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Board Members:

Al E. Fox	President
Eugene F. West	Vice President
Jeffrey C. Brown	Director
Timothy H. Hoag	Director
Terry L. Foreman	Director

Management:

Frank Royer	General Manager
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POINDEXTER & COMPANY

Certified Public Accountant

To the Board of Directors of
Camrosa Water District

INDEPENDENT AUDITOR'S REPORT

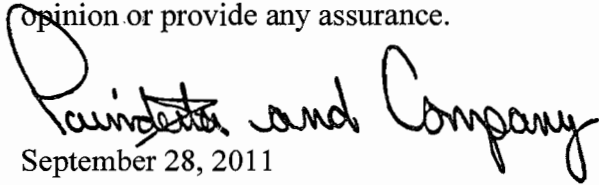
I have audited the accompanying financial statements of Camrosa Water District as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Camrosa Water District as of June 30, 2011 and 2010, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with Government Auditing Standards, I have also issued my report dated September 28, 2011, on my consideration of the Camrosa Water District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages three through ten and the funded status of the pension benefit plan on page twenty-seven 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 considered it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "P. R. and Company". The signature is written in black ink and is positioned above the date.

September 28, 2011

Board of Directors

Al E. Fox
Division 1
Jeffrey C. Brown
Division 2
Timothy H. Hoag
Division 3
Eugene F. West
Division 4
Terry L. Foreman
Division 5

General Manager

Frank E. Royer

**Management's Discussion and Analysis
(For the year ended June 30, 2011)**

Our discussion and analysis of the Camrosa Water District (the "District") financial performance during the period provides an overview of the District's operational activities that had an impact on the financial performance of the District. Please review it in conjunction with the transmittal letter and the District's basic financial statements that begin on page 12.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements with accompanying notes. The Statement of Net Assets reflects the solubility of the District at the end of the period and provides a comparison to assets and liabilities as they existed at the end of the prior fiscal year. The Statement of Revenues and Expenses and Changes in Net Assets provides the results from operations for the fiscal year, compares those results to the prior period and shows how the operating results for the current and prior period affected the net assets of the District for those periods respectively.

One way of evaluating the District's financial health is through the Statement of Net Assets. One can think of the District's *net assets*, the difference between assets (what the District owns) and liabilities (what the District owes)... as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. One must be cautious, however, to consider other non-financial factors such as changes in the District's jurisdiction, the status of capital projects, and the level of continuing constituent support to assess the overall health of the District.

Method of Accounting: The District uses a single enterprise fund for accounting and reporting the results of all operations. The statements referenced above include all assets and liabilities using an accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Notes to Financial Statements: The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17-26 of this report.

District as a Whole

The District is operated and reported as a single enterprise fund; there are no subsidiary fund statements presented as part of this report. The operating results reported in the accompanying financial statements reflect the total performance of the District as a whole.

Background

Fiscal Year 2010-11 brought much needed rainfall to California after the preceding hydrologic drought experienced in 2008 and 2009. The rainfall and runoff from snow pack in the Sierra's have filled California's reservoirs. In March 2011, the Governor declared a formal end to the drought. The Department of Water Resources (DWR) announced to water contractors an expected delivery of 80% of State Water Project (SWP) water orders due to improved reservoir levels. However, California still faces a "regulatory" drought as result of a judicial decision to restrict pumping by the SWP from the San Francisco Bay Delta for regulatory reasons. Allocation reductions are expected into the future from DWR until the pumping restrictions are removed.

Operating performance for any given year is driven by changing weather patterns that dominate water use decisions by consumers. Water demand correlates well to rainfall patterns, particularly to the amount of effective rain received, because most of the water used is applied to outdoor irrigation needs. Effective rain is the amount of rain needed to benefit the evapotranspiration requirements of plants. Rain, which falls after the plant's root zone has sufficient moisture, adds no benefit. Such is the case in years when rain is received in a very few heavy downpours. Minor amounts of rain, which do not penetrate the root zone, likewise are of no benefit. Ideally rain will come in smaller amounts, enough to penetrate the root zone and will be spaced several days apart throughout the rainy season

The average total annual rainfall in the District is 15.08 inches. The average annual effective rainfall is 7.36 inches. In the previous audit report, it was noted that the year ending June 30, 2010 (the comparison year in this report) had below normal rainfall, with a total rainfall for the year of 14.07 inches but with effective rainfall of 11.24 – well above normal. The annual rainfall during the fiscal year ending June 30, 2011, was above normal with total rainfall for the year of 20.10 inches; and the effective rainfall was even higher than the comparison year at 12.51 inches or 1.7 times the annual average. The significant rainfall dampened the irrigation demand during the fiscal year and resulted in below normal water sales for the period.

In addition to the above normal rainfall, the District's potable water sales were further reduced through customers' voluntary conservation in response to reduced allocations of imported water from Metropolitan Water District and through the expansion of the Non-Potable Distribution system to meet irrigation needs. Over the long term, the

District intends to broaden its use of local and imported water resources through planned expansion of the Non-Potable water system. The expansion will further dampen future fluctuations in imported water supply.

Asset Analysis

The following is a summary of the *Statement of Net Assets* of the District and the change in comparison to the prior fiscal year.

	<i>Net Assets (in millions)</i>	
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current Assets	\$ 9.2	\$8.3
Restricted Assets	1.4	2.2
Capital Assets (net of Depreciation)	47.7	48.2
Other Assets	0.7	0.8
<u>Total Assets</u>	<u>\$59.0</u>	<u>\$59.5</u>
<u>Liabilities</u>		
Long Term Debt	\$ 8.1	\$9.1
Other Liabilities	3.1	3.0
<u>Total Liabilities</u>	<u>\$11.2</u>	<u>\$12.1</u>
<u>Net Assets</u>		
Capital invested in Capital Assets (Net of Related Debt)	\$38.7	\$38.3
Unrestricted Net Assets	9.1	9.1
<u>Total Net Assets</u>	<u>\$47.8</u>	<u>\$47.4</u>

Current Assets increased by \$0.9 million and are primarily attributable to reclassification of \$0.8 million Restricted Assets to Current Assets. The reclassification occurred as result of the Trustee releasing the debt service reserves related to the maturity of the 1995 Certificates of Participation.

Total Assets (net of Depreciation) declined slightly by \$0.5 million as a result of several actions. During the audit year the District performed a comprehensive Capital Asset Inventory of the District's assets. The inventory identified the need to dispose of assets of \$0.07 million (Net of Depreciation), and the need to adjust the asset depreciation schedules in the amount of \$0.19 million, for a total combined decrease in assets of \$0.26 million.

In addition to the asset adjustments described above, construction was completed on projects totaling \$1.3 million which were capitalized during the audit year and new capital projects increased Construction in Progress by \$0.5 million for total increases of \$1.8 million. Significant projects that were completed during the period included Sewer Service to Terra Bella Lane, PS #3 MCC Replacement & Meter Rehabilitation, rip-rap replacement around the storage ponds to prevent erosion, installation of Variable Frequency Controllers at the Water Reclamation Facility, rehabilitation of manholes in the sewer collection system, and the continuation of meter replacements necessary to implement the Automated Meter Reading (AMR) system.

Depreciation expense in the amount of \$2.1 million was accrued.

Long Term Debt reflects a decrease of \$1.0 million in the District's annual debt service payments related to final payment of the 1995 Certificates of Participation and the 2001 Revenue Bonds.

Overall, Total Net Assets increased by \$0.44 million. The following is a summary of the *Statement of Activities and Changes in Net Assets* of the District with a comparison to the prior fiscal year.

	<i>Changes in Net Assets (in millions)</i>	
	2011	2010
Beginning Balance	\$47.42	\$46.00
Effects of Change in Accounting Estimate	(0.19)	0.00
Capital Contributions	0.00	0.66
Water Capital Fees	0.02	0.12
Sewer Capital Fees	0.08	0.00
Grants	0.00	0.00
Operating Results	0.53	0.64
<u>Total Net Assets</u>	<u>\$47.86</u>	<u>\$47.42</u>

Effects of Change in Accounting Estimate reflect net depreciation adjustments of the District's Assets' life of (\$0.19), as a result of the comprehensive Capital Asset Inventory performed in accordance with the recently adopted Fixed Asset Policy.

Contributions from water and sewer capital fees vary widely from year to year. Fiscal Year ending June 30, 2011 continues to reflect a slowdown in housing development with a minimal contribution of capital connection fees.

Revenue/Expense Analysis

Revenue generated from operations produces more than 96% of total revenue while non-operating revenues such as taxes, interest revenue and miscellaneous administrative fees make up the remainder. The following summary of revenues by source is provided for the past two fiscal years:

	<u>Total Revenues (in millions)</u>	
	<u>2011</u>	<u>2010</u>
<u>Operating Revenue</u>		
Water Revenue	\$10.3	\$10.0
Meter Revenue	1.6	1.6
Sewer Revenue	2.7	2.5
Other	0.1	0.1
<u>Total Operating Revenue</u>	<u>\$14.7</u>	<u>\$14.2</u>
<u>Non-Operating Revenue</u>		
Property Taxes	\$.5	\$.5
Interest Income	.1	.1
Miscellaneous Revenue	.1	.1
<u>Total Non-Operating Revenue</u>	<u>\$.7</u>	<u>\$.7</u>

Water Revenue for the Fiscal Year ending June 30, 2010 reflects a cool and wet weather pattern. A second consecutive cool wet weather season was experienced for the Fiscal Year ending 30, 2011, and is reflected in the Water Revenue.

Water rates are comprised of a commodity (usage) charge and a fixed meter service fee. In January 2011, the water commodity (usage) fees were increased, on average 4.3%, through the District's Pass-Through Ordinance to offset the increased wholesale cost of imported water.

Sewer rates are a fixed fee billed monthly. The sewer rates were increased on July 2010, by approximately 4%, to reflect higher operating costs and increasingly more stringent regulatory standards. The fees include a Capital Replacement Contribution to rebuild reserves for future planned infrastructure replacements.

All other miscellaneous revenues have remained relatively constant over the period.

Expenses for Water Purchases and Utilities represent 63% of total direct operating expenses while Salaries, Wages and Benefits account for 21%. All other expenses

account for less than 16% of the total expenses for the period. The following summary of expenses by category is provided for the past two fiscal years:

	<u>Total Expenses (in millions)</u>	
<u>Operating Expenses</u>	<u>2011</u>	<u>2010</u>
Water Purchases	\$6.6	\$6.4
Salaries, Wages & Benefits	2.6	2.4
Utilities	1.1	1.1
Other	2.0	1.9
<u>Direct Operating Expenses</u>	<u>\$12.3</u>	<u>\$11.8</u>
Depreciation	2.1	2.0
<u>Total Operating Expenses</u>	<u>\$14.4</u>	<u>\$13.8</u>
 <u>Non-Operating Expenses</u>		
Loss on Disposal of Capital Assets	.1	.0
Interest Expense	.4	.5
<u>Total Non-Operating Expense</u>	<u>\$.5</u>	<u>\$.5</u>

Even though the wet cool season and conservation efforts of our customers resulted in below normal demand, the total cost of water purchases has increased by \$0.2 million because the wholesale cost of imported water for Fiscal Year 2011 increased by \$43 per acre-foot. For Fiscal Year 2011, 6,069 acre-feet of imported water was purchased in comparison with 6,785 acre-feet in Fiscal Year 2010.

Salaries, Wages & Benefits increased by \$0.2 million as a result of filling vacant positions and the successful recruitment of a District Planner. Minor increases in the cost in medical benefits were also realized.

Loss from Disposal of Capital Assets of \$0.1 million is related to the comprehensive Capital Asset inventory performed and reflects the removal of partially depreciated assets which were inappropriately classified as Capital Assets.

ACTUAL RESULTS VS. BUDGET

The Board of Directors adopts an annual budget in June of each year for the following Fiscal Year beginning on July 1st. Performance compared to the budget is monitored throughout the year. The following is a summary of actual results for the audit year in comparison to the budget:

	<i>Budget to actual (in millions)</i>	
	<u>Actual</u>	<u>Budget</u>
Total Operating Revenue	\$14.7	\$17.4
Less: Operating Expenses (water/power)	(7.7)	(9.7)
Salaries & Benefits	(2.6)	(2.7)
Supplies & Services	<u>(2.0)</u>	<u>(2.4)</u>
Net Operating Revenue	\$2.4	\$2.6
Non-Operating Revenue		
Property Taxes	\$ 0.5	\$ 0.5
Interest Income	0.1	0.1
Miscellaneous Income	<u>0.1</u>	<u>0</u>
Total Non-Operating Revenue	\$0.7	\$0.6
Non-Operating Expenses		
Loss on Disposal of Capital Assets	(0.1)	
Interest Expense	<u>(0.4)</u>	<u>(0.8)</u>
<u>Net Income before Depreciation and Capital Contributions</u>	\$ 2.6	\$ 2.4
Less: Depreciation	(2.1)	
Plus: Grants	0.0	
Capital Fees	0.1	
Capital Contributions	<u>0.0</u>	
Change in Equity	\$ 0.6	

Operating Revenue and Expenses are generally budgeted upon the assumption that normal weather patterns will be experienced during the budget year. Total Operating Revenue for the period was under budget as a result of a second consecutive cool and wet weather season. The decrease in imported state water purchases is a direct result of decreased water consumption and that decrease is reflected in the Actual Operating Expenses compared to the Budget. Net operating revenue for the period was \$0.2 million under budget.

The District anticipated a bond issuance in Fiscal Year 2010-11 and the related increase in interest expense was included in the budget. However, interest expense for the period is actually \$0.4 million and reflects the delay of the bond issuance into Fiscal Year 2011-12. The decrease in interest expense offset the reduction in revenue and resulted in a favorable increase in net income of approximately \$0.2 million.

Property taxes received during Fiscal Year 2011 were equal to the budget, and represent the second fiscal year without the property tax shift to the State of California as permitted by California Proposition 1A. Interest income was equal to budget and continues to remain at historical lows as a result of low interest earnings held with the Local Agencies Investment Fund (LAIF).

Capital Assets and Debt Administration

Capital Assets: Total Capital Assets increased \$1.8 million (before depreciation) during the period reflecting primarily a net increase in the value of the Water Plant, Sanitation Plant and Construction in Progress.

Several capital replacement projects in Fiscal Year 2011-2012 will improve the long-term reliability of the potable distribution system and wastewater system. Final completion for the expansion of the disinfection process at the Water Reclamation Facility will allow the plant to be re-rated from 1.5 MGD to 2.25 MGD to accommodate future growth through ultimate build out.

Progress is being made in installing a new Automated Meter Reading (AMR) system in the eastern area of the Camrosa Office to improve potable water accounting and reduce the cost and manpower necessary to conduct monthly meter reading. To date, over 4,400 AMR units have been installed. The AMR system interfaces directly with the newly installed customer information system to significantly improve customer relations management at the District.

It has been a key priority of the District during the past several years to develop its own diverse portfolio of water resources to provide reliable and affordable water services to its customers. An Integrated Facilities Master Plan (FMP) is near completion and a Capital Financial Plan has been drafted to identify funding required to implement the capital projects identified in the FMP. A nexus study will be conducted for water capital fees to ensure established fee structures for anticipated new developments will fully fund any increased system capacity requirements to meet new demand. The Capital Financial Plan will also ensure that sound operating ratios are attained, reserves remain healthy and the goal of maintaining a debt service ratio of 1.45:1 is achieved.

Debt Administration: At year-end, the District had the following long-term debt obligation:

Revenue Bonds (interest rates 2.00% to 4.75%)	\$ 8,085,000
Ford Motor Credit	<u>9,638</u>
Total Long Term Debt (net of current - \$1,002,883)	\$ 8,094,638

The final installment on the 1995 Certificates of Participation was made in Fiscal Year 2010-2011 and the series has been retired. The purchase a new vehicle for the District was the only new long-term debt incurred during the period.

It is anticipated that there will be a debt issuance during Fiscal Year 2011-2012 to help finance construction of projects identified in the FMP. The Capital Financing Plan outlines the time-cost and phasing of the projects in the FMP. The District anticipates approximately \$8.9 million in projects will be funded by a new debt issuance which is scheduled to be completed in the Fall of 2011.

Economic Factors: The Fiscal Year 2011-2012 Budget has been prepared with the anticipation of a normal weather pattern throughout the year. Sewer rates were increased by 4.8% on July 2011 to reflect higher operating costs per Equivalent Dwelling Unit and additional, more modest, increases are anticipated to continue to meet increasing operational costs and to rebuild reserves in anticipation of future plant replacement projects.

The cost of imported water will increase by approximately 9% on January 1, 2012 and it is anticipated that the District will pass that increased cost through to its retail water customers.

Housing starts are expected to remain very low and capital fees will not increase appreciably in the near future.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, 7385 Santa Rosa Road, Camarillo, CA 93012.

Camrosa Water District
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,654,626	\$ 5,961,901
Receivables:		
Customer - Net of Allowance for Doubtful Accounts of \$7,500 and \$45,827 at June 30, 2011 and 2010, respectively	2,332,375	2,168,021
Interest	8,029	33,689
Property Taxes	41,087	41,087
Grants and Other Reimbursements	5,817	7,726
Prepaid Expenses and Other Current Assets	113,717	68,867
Current Portion of Notes Receivable	56,521	53,503
Total Current Assets	9,212,172	8,334,794
RESTRICTED ASSETS		
Cash and Cash Equivalents	1,439,365	2,222,961
CAPITAL ASSETS		
Land	867,874	867,874
Water Plant	48,533,925	47,262,538
Sanitation Plant	29,287,966	28,948,327
Buildings and Equipment	2,264,143	3,142,255
Construction in Progress	1,548,836	1,092,822
Accumulated Depreciation	(34,812,429)	(33,097,851)
Net Capital Assets	47,690,315	48,215,965
Notes Receivable, Net of Current Portion	613,711	670,232
Debt Issuance, Net of Accumulated Amortization of \$110,557 and \$98,868 at June 30, 2011 and 2010, respectively	99,842	111,531
Total Assets	\$ 59,055,405	\$ 59,555,483

Camrosa Water District
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,405,381	\$ 1,269,105
Wages, Benefits and Payroll Taxes Payable	34,986	25,645
Compensated Absences	263,257	247,466
Other Liabilities	37,172	103,397
Unearned Capital Fees	101,412	175,000
Current Portion of Long Term Debts	1,002,883	950,000
Total Current Liabilities	2,845,091	2,770,613
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued Interest Payable	184,747	205,610
Customer Surety Deposits	67,113	68,113
Total Current Liabilities Payable from Restricted Assets	251,860	273,723
LONG-TERM LIABILITIES		
Long-Term Debt	8,094,638	9,085,000
Other	2,389	2,654
Total Long-Term Liabilities	8,097,027	9,087,654
Total Liabilities	11,193,978	12,131,990
NET ASSETS		
Net Assets - Invested in Capital Assets, Net of Related Debt	38,692,636	38,292,496
Unrestricted Net Assets	9,168,791	9,130,997
Total Net Assets	47,861,427	47,423,493
Total Liabilities and Net Assets	\$ 59,055,405	\$ 59,555,483

Camrosa Water District
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Water Revenue	\$ 10,314,160	\$ 10,012,122
Sewer Revenue	2,715,834	2,480,174
Meter Revenue	1,628,392	1,628,975
Other	50,750	58,618
Total Operating Revenues	14,709,136	14,179,889
OPERATING EXPENSES		
Water Purchases	6,595,635	6,429,288
Salaries and Wages	1,892,086	1,793,409
Employee Benefits	719,646	648,625
Utilities	1,103,378	1,075,069
Communications	39,394	42,423
Outside Contracts	801,008	707,781
Professional Services	182,412	279,017
Repairs and Maintenance	489,433	267,935
Supplies	222,810	239,102
Legal Services	26,086	24,263
Dues and Subscriptions	37,185	31,680
Conference and Travel	18,318	16,358
Safety and Training	19,024	11,872
Board	44,215	38,523
Bad Debt	5,085	11,219
Fees and Charges	59,440	71,103
Insurance	71,984	67,140
Depreciation	2,065,661	2,044,529
Total Operating Expenses	14,392,800	13,799,336
Operating Gain/(Loss)	316,336	380,553
NON-OPERATING REVENUES AND (EXPENSES)		
Property Taxes	506,299	526,832
Interest Income	104,910	126,871
Miscellaneous Revenue	122,676	91,617
Loss on Disposal of Capital Assets	(73,920)	
Interest Expense	(444,148)	(488,170)
Total Non-Operating Revenues and (Expenses)	215,817	257,150
Net Gain/(Loss) Before Capital Contributions and Grants	532,153	637,703
Capital Contributions	92,737	780,358
Change in Net Assets	624,890	1,418,061
Net Assets at Beginning of Year	47,423,493	46,005,432
Effects of a Change in Accounting Estimate	(186,956)	
Net Assets at Beginning of Year - Restated	47,236,537	46,005,432
Net Assets at End of Year	\$ 47,861,427	\$ 47,423,493

Camrosa Water District
Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Cash Received from User Charges	\$ 14,426,344	\$ 14,152,698
Cash Payments to Employees	(1,866,954)	(1,774,321)
Cash Payments for Operating Expenses	(10,362,191)	(10,101,808)
Net Cash Provided/(Used) By Operating Activities	2,197,199	2,276,569
Cash Flows From Noncapital Financing Activities		
Property Taxes	506,299	485,746
Surety Deposits	(1,000)	63,543
Net Cash Provided/(Used) By Non-Capital Financing Activities	505,299	549,289
Cash Flows From Capital and Related Financing Activities		
Purchase of Capital Assets	(1,788,366)	(1,106,595)
Proceeds from Water and Sewer Capital Fees	92,737	121,000
Repayment of Grants and Other Reimbursements	1,909	237,526
Principal on Capital Note Receivable	53,503	50,646
Repayment of Long-Term Debt	(952,811)	(900,000)
Interest Payments	(453,587)	(495,947)
Net Cash Provided/(Used) By Capital and Related Financing Activities	(3,046,615)	(2,093,370)
Cash Flows From Investing Activities		
Interest Income	130,570	130,969
Miscellaneous Revenue	122,676	91,616
Net Cash Provided/(Used) by Investing Activities	253,246	222,585
Net Increase/(Decrease) in Cash and Cash Equivalents	(90,871)	955,073
Cash and Cash Equivalents at Beginning of Year	8,184,862	7,229,789
Cash and Cash Equivalents at End of Year	\$ 8,093,991	\$ 8,184,862

**Camrosa Water District
Statements of Cash Flows**

For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Change in Net Assets	\$ 316,336	\$ 380,553
Adjustments to Reconcile Operating Net Income to Net Cash Provided/(Used) by Operating Activities		
Depreciation	2,068,472	2,044,529
(Increase)/Decrease in Operating Assets:		
Customer Receivable	(164,354)	(27,575)
Other Current Assets	(44,850)	384
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	136,276	(235,380)
Wages, Benefits and Payroll Taxes Payable	9,341	15,656
Compensated Absences	15,791	3,432
Other Current Liabilities	(66,225)	94,970
Unearned Capital Fees	(73,588)	
	<u>\$ 2,197,199</u>	<u>\$ 2,276,569</u>
 Non-Cash Capital and Related Financing Activities		
Vehicle acquired through issuance of a note payable	<u>\$ 15,332</u>	<u>\$ 0</u>

Camrosa Water District
Notes to Financial Statements

June 30, 2011 and 2010

Note 1 - ORGANIZATION OF THE DISTRICT

Nature of the Entity:

The Camrosa Water District (the "District"), a special district of the State of California, was created in 1962 under authority of the County Water District Law of the State of California. The District is primarily engaged in the activities of selling and delivering water and collecting and treating sewage. The District's service area includes portions of the cities of Camarillo, Thousand Oaks and Moorpark, and an unincorporated portion of the County of Ventura. The District's five-member Board of Directors comprises representatives from five geographical divisions of the District who are elected at large.

Reporting Entity:

The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility and determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by Financial Accounting Standards Board. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

The accompanying financial statements include the accounts of the District and Camrosa Water District Public Facilities Corporation (the "Corporation"), which was formed for the purpose of rendering financial assistance to the District by financing, refinancing, acquiring, constructing, improving, leasing, selling or otherwise conveying public improvements and property of any kind, through the issuance of certificates of participation or similar security arrangements. The Corporation is governed and controlled entirely by the District.

Note 2 - MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 28, 2011, the date that the financial statements were available to be issued.

Camrosa Water District
Notes to Financial Statements

June 30, 2011 and 2010

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The Camrosa Water District is accounted for as an enterprise fund in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the expenses, including depreciation, of providing goods or services to the general public are recovered through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, and other purposes. Because the Camrosa Water District is accounted for as an enterprise fund, the District uses the economic resources measurement focus and the accrual basis of accounting is used for financial statement reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The net assets are segregated into invested in capital and unrestricted net assets.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Financial Statements:

The fund financial statements provide information about the District's proprietary fund. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District maintains one proprietary fund.

Camrosa Water District
Notes to Financial Statements

June 30, 2011 and 2010

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accruals for purchases of nonpotable water amounted to approximately \$409,247 at June 30, 2011 and \$512,842 at June 30, 2010 and required use of significant estimates. The District believes the techniques and assumptions used in establishing this liability are appropriate.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the District considers all highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. The District considers funds in the Local Agency Investment Fund (including restricted assets) to be cash equivalents.

Investments:

Statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. agencies, bankers' acceptances, repurchase and reverse repurchase agreements, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, certificates of deposit, money market checking accounts and the LAIF.

Capital Assets:

Capital assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Water Plant	20-40 years
Sanitation Plant	20-50 years
Buildings and Equipment	3-40 years

Compensated Absences:

The District accrues the estimated obligations for vacation and sick pay as they are earned.

Debt Issuance Costs:

Debt issuance costs are amortized on a straight-line basis over the term of the related debt.

Water Revenue:

Water revenues resulting from customer usage occurring after the last meter reading date and prior to the end of the year are estimated and accrued. Unbilled receivables for these items totaled approximately \$882,740 at June 30, 2011 and \$894,107 at June 30, 2010.

Camrosa Water District
Notes to Financial Statements

June 30, 2011 and 2010

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Capital:

Deeded facilities received from developers are recorded at estimated construction cost. Such facilities are recorded as District assets and are depreciated in accordance with established policies for similar capital assets.

The District requires prepayment of water and sewer capital fees prior to commencement of construction of residential and commercial developments. Such fees, which are nonrefundable, are recorded as contributed capital upon receipt.

Net Assets:

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations or other governments, or through constitutional provisions, or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets.

Income Taxes:

The District is exempt from income taxes.

Budgetary Process:

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Formal Budgetary integration is employed as a management control device during the year.
- The Board approved the total budget and is authorized to make any budget adjustments during the year.
- Unused appropriations lapse at the end of the year.

Camrosa Water District
Notes to Financial Statements

June 30, 2011 and 2010

Note 4 - DEPOSITS AND INVESTMENTS

The District's carrying value of deposits was (\$32,867), and \$283,646 at June 30, 2011 and 2010, respectively. The corresponding bank balance was \$280,076, and \$480,844, respectively. Of the bank balance, \$280,076 and \$437,548 was covered by Federal deposit insurance at June 30, 2011 and 2010, respectively. The California Government Code requires all financial institutions to secure a local governmental agency's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the District. All cash held by financial institutions is, therefore, entirely insured or collateralized.

At June 30, 2011, the District had the following investments (all of which are considered Cash Equivalents):

	<u>Fair Value</u>	<u>Carrying Value</u>
State of California - Local Agency Investment Fund ("LAIF")	\$ 6,687,217	\$ 6,687,217
Money Market Accounts	704,586	704,586
Bond Investment Accounts		
Time Certificates of Deposit		
U.S. Treasury Bills	<u>734,728</u>	<u>734,780</u>
TOTAL	<u><u>\$ 8,126,531</u></u>	<u><u>\$ 8,126,583</u></u>

At June 30, 2010, the District had the following investments (all of which are considered Cash Equivalents):

	<u>Fair Value</u>	<u>Carrying Value</u>
State of California - Local Agency Investment Fund ("LAIF")	\$ 5,677,980	\$ 5,677,980
Money Market Accounts	721,019	721,019
Bond Investment Accounts	769,900	769,900
Time Certificates of Deposit	250,000	250,000
U.S. Treasury Bills	<u>483,129</u>	<u>482,042</u>
TOTAL	<u><u>\$ 7,902,028</u></u>	<u><u>\$ 7,900,941</u></u>

The State of California Local Agency Investment Fund ("LAIF") is an external investment pool. The investment pool does not have a credit rating. LAIF operates in accordance with appropriate state laws and regulations. The share value of the District's investment in LAIF is \$6,687,217 and \$5,677,980 at June 30, 2011 and 2010, respectively.

Camrosa Water District
Notes to Financial Statements

June 30, 2011 and 2010

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

Under the provision of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government or its agencies
- Certificates of Deposit (or Time Deposits placed with commercial banks and or/savings & loan companies)
- State of California Local Agency Investment Fund (State Pool) Deposits
- Interest bearing demand accounts with commercial banks and/or savings & loan companies

The money market accounts, bond investment accounts, time certificates of deposit and the U.S. Treasury bills are held with U.S. Bank, a subsidiary of U.S. Bancorp. U.S. Bancorp has a Standard & Poor's credit rating of A+. The bond investment is comprised of debt indentures with HSBC Bank USA, N.A. (formerly Republic National Bank) and are subject to an Investment Agreement for the maintenance of reserve funds for the District's revenue bonds and certificates of participation. The credit rating of the debt indenture with HSBC Bank USA, N.A. was AA at June 30, 2011.

To address credit risk, the District invests its funds in accordance with state statutes and the District's investment policy. The criteria for selecting investments are, in order of priority, (1) safety – consideration of the potential loss of principal or interest, (2) liquidity – the ability to have funds available at any moment in time with a minimal potential loss and (3) yield – the optimum rate of return while preserving capital.

Note 5 - NOTES RECEIVABLE

Notes receivable consisted of the following at June 30:

	2011	2010
Capital Facilities Fee contract receivable from California State University, Channel Islands (CSUCI) whereby CSUCI agrees to pay the District \$7,664.41 per month which includes interest at 5.5% for the construction of the recycled water system on the premises of CSUCI.	\$ 670,232	\$ 723,735
Less Current Portion	(56,521)	(53,503)
NET NOTES RECEIVABLE	\$ 613,711	\$ 670,232

Camrosa Water District
Notes to Financial Statements
 June 30, 2011 and 2010

Note 6 - LONG-TERM DEBT

Long-term debt consists of the following debt issues:

	<u>Issuance Date</u>	<u>Security</u>	<u>Interest Rates</u>	<u>Balance 6/30/10</u>	<u>Proceeds/Retirement</u>	<u>Balance 6/30/11</u>	<u>Current</u>	<u>Long-Term</u>
2001 Refunding Bonds	12/1/01	Revenues	2.0%-4.75%	\$ 9,500,000	\$ (415,000)	\$ 9,085,000	\$ 1,000,000	\$ 8,085,000
1995 Certificates of Participation	6/15/95	Revenues	5.0%-6.0%	535,000	(535,000)	0	0	0
Note Payable	8/28/10	Vehicle	5.44%	0	12,521	12,521	2,883	9,638
				<u>\$ 10,035,000</u>	<u>\$ (937,479)</u>	<u>\$ 9,097,521</u>	<u>\$ 1,002,883</u>	<u>\$ 8,094,638</u>

<u>Fiscal Year Ending June 30,</u>	<u>2001 Revenue Bonds</u>	<u>Note Payable</u>	<u>Total Interest</u>	<u>Total</u>
2012	\$ 1,000,000	\$ 2,883	\$ 408,188	\$ 1,411,071
2013	855,000	3,044	367,527	1,225,571
2014	890,000	3,213	331,448	1,224,661
2015	940,000	3,381	274,489	1,217,870
2016	980,000		209,986	1,189,986
2017-2038	<u>4,420,000</u>		<u>595,045</u>	<u>5,015,045</u>
	<u>\$ 9,085,000</u>	<u>\$ 12,521</u>	<u>\$ 2,186,683</u>	<u>\$ 11,284,204</u>

Note 7 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Generally, all eligible employees may elect to defer receipt of a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In 1999, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, which requires that all assets and income of Internal Revenue Code Section 457 deferred compensation be placed in trust for the exclusive benefit of participants and their beneficiaries. The District has placed \$1,216,639 and \$949,115 in trust at June 30, 2011 and 2010, respectively. The adoption of GASB 32 had no impact on fund balance.

Note 8 - DEFINED BENEFIT PENSION PLAN

Plan Description:

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

**Camrosa Water District
Notes to Financial Statements**

June 30, 2011 and 2010

Note 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy:

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the rate for fiscal year 2010/2011 is 12.562% for all employees of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost:

For fiscal year 2009/2010, the District's annual pension cost of \$341,390 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.55% to 14.45% that vary depending on age, service and type of employment, (c) 3.25% per year cost-of-living adjustments, and (d) 3.00% inflation. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two to five year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 18 years.

Three year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$ 318,181	100%	\$ 0
6/30/2010	\$ 323,792	100%	\$ 0
6/30/2011	\$ 341,390	100%	\$ 0

Note 9 - PROFIT SHARING PLAN

The District has a profit sharing plan, pursuant to Section 401 of the Internal Revenue Code, for non-exempt employees. Annual contributions are made at the sole discretion of the District. Contributions were \$12,553 and \$16,160 in 2011 and 2010, respectively.

The plan includes a provision under Section 414(h)(2) whereby each plan participant that is classified as management is required to contribute 5% of salary. The District has elected to pay for the mandatory contributions which totaled \$57,861 and \$51,209 for 2011 and 2010, respectively.

Camrosa Water District
Notes to Financial Statements

June 30, 2011 and 2010

Note 10 - JOINT POWERS INSURANCE AUTHORITY/RISK MANAGEMENT

Beginning in fiscal year 1994, the District participates in the property, liability and workers' compensation program organized by the Association of California Water Agencies/Joint Powers Insurance Authority ("JPIA"). JPIA is a Joint Powers Authority ("JPA") created to provide a self-insurance program to water agencies in the State of California. The JPA is not a component unit of the District for financial reporting purposes, as explained below.

JPIA provides liability, property and workers' compensation insurance for the District, which is one of approximately 291 participating water districts and agencies, for losses in excess of the member districts' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. JPIA is governed by a board composed of members from participating districts. The board controls the operations of JPIA, including selection of management and approval of operating budgets, independent of any influence by the members from beyond their representation on the board. Each member shares surpluses and deficiencies proportionately to its participation in JPIA.

Based on audited financial statements, at September 30, 2010 JPIA had total assets, liabilities and fund balance of \$127,965,405, \$83,963,531 and \$44,001,874, respectively. The District paid premiums of \$109,177 and \$104,078 to JPIA for property, general liability and workers' compensation insurance during the years ended June 30, 2011 and 2010 respectively.

The District's specified self-insurance retention level under the JPIA program is \$5,000 per claim. Assistance with disposition of claims within the self-insured retentions is provided through the JPIA. The District had no outstanding claims under JPIA and no liabilities relating to outstanding claims (including estimates for incurred but not reported claims) were recorded as of June 30, 2011 and 2010.

Camrosa Water District
Notes to Financial Statements

June 30, 2011 and 2010

Note 11 - LEASE

The District has various leases for vehicles and equipment that are classified as operating leases. Total rent expense for all operating leases for 2011 and 2010 were \$66,788 and \$64,389, respectively.

Future minimum lease payments under the non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

Year Ending June 30:	
2012	\$ 66,788
2013	66,788
2014	54,792
2015	15,309
2016	<u>6,464</u>
Total	<u>\$ 210,141</u>

Note 12 - PRIOR PERIOD ADJUSTMENT

The prior years net assets have been restated to reflect a change in accounting estimate resulting in a decrease in the net assets of \$186,956. The change in accounting estimate relates to changes in the estimated useful lives of depreciable capital assets.

Camrosa Water District
Required Supplementary Information
For the Years Ended June 30, 2011 and 2010

FUNDING STATUS OF THE PENSION PLAN

In 2003, mandatory pooling was required for plans with less than 100 active members. At the time of joining the pool, a Side Fund was created to account for the difference between the funded status of the pool and the funded status of the District's plan. The District's negative Side Fund will cause the required employer contribution rate to be increase by the amortization of the Side Fund. The data on the Side Fund is as follows:

<u>Valuation Date</u>	<u>Side Fund</u>	<u>Amortization Period</u>
6/30/2007	\$ (693,624)	20 years
6/30/2008	\$ (696,110)	19 years
6/30/2009	\$ (697,122)	18 years

POINDEXTER & COMPANY

Certified Public Accountant

To the Board of Directors of
Camrosa Water District

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

I have audited the financial statements of the Camrosa Water District, as of and for the years ended June 30, 2011 and 2010, and have issued my report thereon dated September 28, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts.

Internal Control Over Financial Reporting

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

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

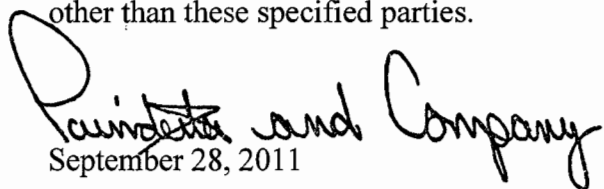
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.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

Compliance and Other Matters

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

I noted certain other matters that I reported to management of Camrosa Water District in a separate letter (management letter) dated September 28, 2011.

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


September 28, 2011