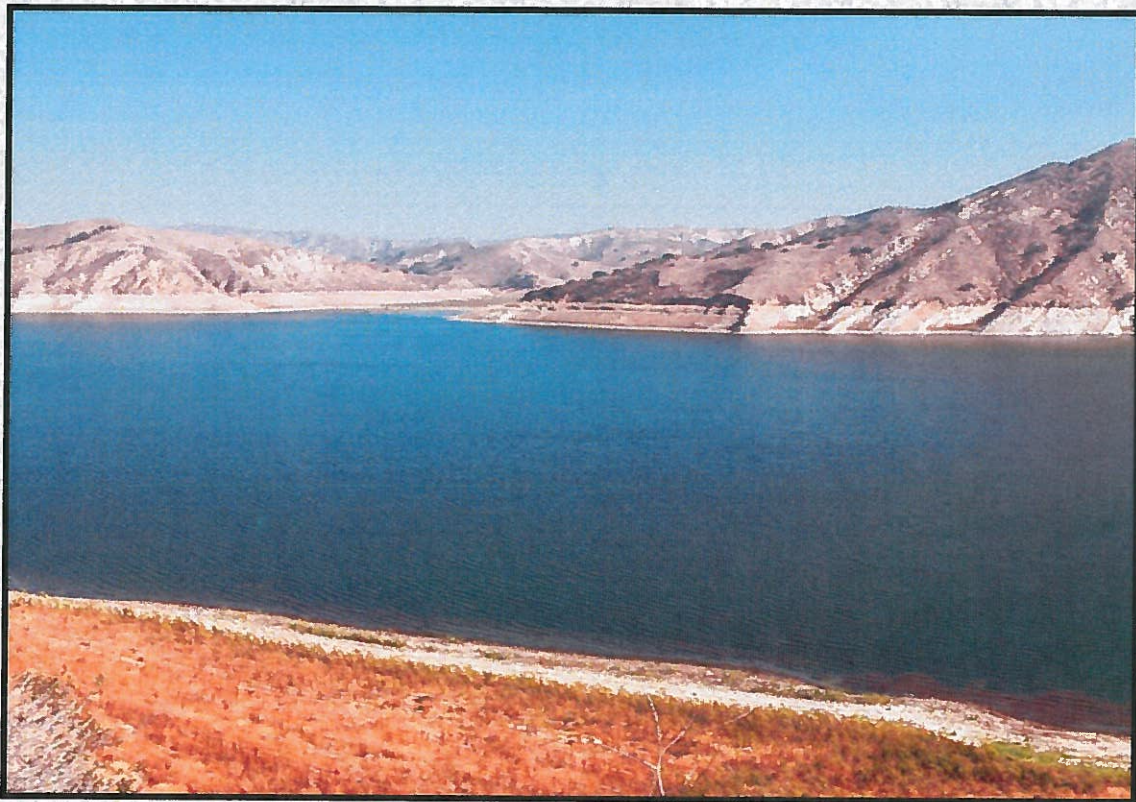


United Water Conservation District

*Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2014*



**Prepared By:
Finance Division**

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United Water Conservation District
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	2-8
GFOA Certificate of Achievement	9
District Board of Directors and Executive Management	10
Organizational Chart.....	11

FINANCIAL SECTION

Independent Auditor’s Report	12-14
Management’s Discussion and Analysis	15-34
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position.....	35
Statement of Activities	36
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	37
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	38
Statement of Net Position – Proprietary Funds	39-40
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	41-42
Statement of Cash Flows – Proprietary Funds	43-44
Statement of Fiduciary Net Position.....	45
Statement of Changes in Fiduciary Net Position.....	46
Notes to the Basic Financial Statements	47-69
Required Supplementary Information:	
Schedule of Funding Progress-Pension Plan.....	70
Schedule of Funding Progress-Other Post Employment Benefits.....	71
Budgetary Comparison Schedule - General Fund	72
Budgetary Comparison Schedule -State Water Import Fund	73
Notes to the Required Supplementary Information.....	74

STATISTICAL SECTION

Net Position by Component.....	75
Changes in Net Position.....	76-77
Fund Balances of Governmental Funds	78
Changes in Fund Balances of Governmental Funds	79
General Governmental Revenues by Source and Expenditures by Function.....	80
Enterprise Funds Revenue by Source and Expenses by Function	81
Water Production.....	82
Groundwater Pumping by Zone.....	83
Groundwater Charge Rates.....	84
Pipeline Deliveries per Acre Foot and Rate Charge	85-86
10 Largest Customers by Revenues.....	87
Ratios of Outstanding Debt by Type	88
Ratios of General Bonded Debt Outstanding.....	89
Direct and Overlapping Debt.....	90
Summary of Historic Operating Results and Debt Service Coverage.....	91
Demographic and Economic Statistics	92-95
Operating Information	96-99

Board of Directors
Lynn Maulhardt, President
Bruce E. Dandy, Vice President
Robert Eranio, Secretary/Treasurer
Sheldon G. Berger
Edwin T. McFadden III
Michael W. Mobley
Daniel C. Naumann



UNITED WATER CONSERVATION DISTRICT
“Conserving Water since 1927”

Legal Counsel
Anthony H. Trembley

General Manager
E. Michael Solomon

December 17, 2014

To the Honorable Board of Directors of United Water Conservation District:

We are pleased to present the United Water Conservation District's (District) Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014. This report was prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) and other accounting and rule making bodies.

District management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not exceed its anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Fanning and Karrh, Certified Public Accountants, have issued an unmodified opinion on the District's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report (pages 12-14).

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

In 1925, the founding organization of today's United Water Conservation District, the Santa Clara River Protection Association (Association), was formed to protect the runoff of the Santa Clara River from being exported outside the watershed. This effort was successful, and in 1927 the Association was reorganized into the Santa Clara Water Conservation District by vote of the county residents.

In 1950, the District reformed under the State Water Conservation Act of 1931, as the United Water Conservation District to recognize the projected population growth within the District and the need for a reliable water source. This allowed the District to issue bonds to raise money for construction of the Santa Felicia Dam (SFD), creating Lake Piru

and other conservation facilities. The District is divided into seven divisions and is governed by an elected seven-member Board of Directors, serving four year staggered terms.

The District covers approximately 214,000 acres in central Ventura County, California.

The District administers a "basin management" program for the sub-basins that make up the Santa Clara River Valley Basin, utilizing the Santa Clara River and its tributaries for replenishment of groundwater.

The District's facilities include the Santa Felicia Dam, Lake Piru and Lake Piru Recreation Area, Saticoy, El Rio and Piru spreading grounds, the Freeman Diversion, the Saticoy Well Field, the Pleasant Valley, Oxnard-Hueneme and Pumping Trough delivery systems (pipelines) that include wells, reservoirs and booster pumping stations.

The District's mission is to *manage, protect, conserve and enhance the water resources of the Santa Clara River, its tributaries, and associated aquifers in the most cost effective and environmentally balanced manner.* This mission statement provides the overall policy direction for District staff to manage and prioritize its programs and activities.

The Board adopts the District's annual operating and capital improvement budget by no later than June 30th for the upcoming fiscal year (July 1 through June 30). The budget is prepared by staff on a fund, department, account (e.g. utilities, maintenance, etc.) and project basis in order to proportionally allocate costs to the District's primary cost centers (funds) and submitted to the Board in a fund-account presentation with a detailed discussion of the proposed budget which is reviewed and deliberated on from approximately May 1 until the public hearing in June when the spending plan is adopted.

Local Economy

The District is located in the center of Ventura County, a county with a strong economic base with a large and diverse labor pool. The area includes major industries: agriculture, biotechnology, telecommunications and advanced technologies, manufacturing, tourism, military testing and development. The Port of Hueneme (which is located within the boundaries of the District) is the State's smallest but only deep-water port between Los Angeles and San Francisco and plays a significant role in the local economy.

Some of the best soil in the nation for agriculture production resides within Ventura County. According to the Ventura County Agricultural Commission 2013 Crop and Livestock Report, the gross crop value for calendar year 2013 was \$2.1 billion, approximately \$131 million more than 2012, representing a 6.7 percent increase. Ventura County ranks in 10th place for agricultural production among California counties. Within the District boundaries, agriculture remains especially important along the coastal Oxnard Plain and the interior Santa Clara Valley communities of Santa Paula, Fillmore and Piru.

Economic Indicators for Ventura County show moderate yet positive signs of a strengthening economy. County wide population increased 0.8% between January 2013

(835,981) and January 2014 (842,967) according to the California Department of Finance. By October 2014, the local unemployment rate of 6.3%, had not only improved by 1.0% over the prior year figure, but also remained below the statewide figure of 7.3%. Annual home sales within Ventura County through September 2014 decreased 10.8% as compared to the same period in the prior year, while the median home price increased by 8.4%. Home foreclosures and defaults continued to decline, while the tourist industry improved.

In FY 2013-14, property assessment for the County increased 11% as compared to FY 2012-13. The County Assessor's Office projects that in FY 2014-15, countywide property tax assessments will increase 5.7%, which will have a positive impact on the District's General Fund.

Short and Long-term Financial Planning Outlook

In FY 2013-14, the District issued no new debt but instead focused on the completion of several capital projects that were funded in prior years with Series 2005B and 2009 Certificates of Participation. No new debt is planned for FY 2014-15. For FY 2013-14, completed capital improvement projects include: Pleasant Valley Pipeline (PVP) Reservoir Leak Repair CIP and the Lake Piru Playground Equipment replacement.

In FY 2013-14, the District made substantial progress on the Multiple Species Habitat Conservation Plan (MSHCP). Environmental Planning and Conservation Department (EPCD) staff and the District's consultants continued work on development of various components of the MSHCP. Much of their time focused on assessing the effects of operations at the Freeman Diversion on the Santa Clara River and its estuary and designing the new fish passage facility. The District also completed the public scoping process as part of compliance with the California Environmental Quality Act (CEQA). The District worked with National Marine Fisheries Service and US Fish and Wildlife Service (Services) on the process to contract with a consultant to complete compliance with National Environmental Policy Act (NEPA) process for the Services' issuance of incidental take permits for the MSHCP. This contract was recently agreed to and signed by all parties.

During FY 2013-14, the District continued the evaluation of alternatives to remediate the spillway capacity and overtopping risk during a Probable Maximum Flood event. The evaluation study is being required by the Federal Energy Regulatory Commission (FERC) and Department of Dam Safety (DODS) to address deficiencies identified in the Probable Maximum Precipitation/Flood (PMP/PMF) study. Consultants were hired to perform the evaluation of the alternatives and it is anticipated the District, through its consultant, will analyze and present to FERC and DSOD a series of proposed flood remediation projects that will reduce the risk to people and property below Santa Felicia Dam.

The District's effort to comply with the new SFD FERC License made good progress in FY 2013-14. To date, five of the nine required plans have been approved by FERC and the

District completed implementation of one of the approved plans, the study plan of geomorphic effects.

Years ago, it was determined that the existing Ventura County Regional Groundwater Flow Model is not sufficiently detailed to be used to address the types of groundwater resource management planning and demands now being required of the District. Over the past four-years the District's Groundwater Department has undertaken efforts to update the model. In FY 2013-14 the District continued to make significant progress to update the model which is currently in the initial test phase. When complete the new model will be a valuable tool in understanding the impact different scenarios will have on Ventura County's groundwater basins.

While recreation is not part of the core operation of the District, providing public access to, and recreational facilities at, Lake Piru is a requirement of the permit that was issued as part of the construction of the Santa Felicia Dam in 1955. The District operates recreation services and activities through an agreement with a recreation concessionaire. A new concessionaire, Parks Management Company, assumed operating responsibilities at Lake Piru as of January 1, 2014. In FY 2013-14, the District completed the installation of playground equipment and continued working on a capital improvement project to replace of the park service office. An asphalt repair project at Lake Piru was not completed and had to be carried over into FY 2014-15. The picnic pavilion project was cancelled due to unforeseen and costly expenditures necessary to comply with the Americans with Disabilities Act. The District operates recreation services and activities through an agreement with a Parks Management Company.

In December 2013, the District discovered invasive quagga mussels in the District's Lake Piru reservoir. Quagga Mussels are a species of freshwater mussels that can clog water infrastructure, such as intake structures, pipes, valves, and hydroelectric plants. Unfortunately, Lake Piru is an almost ideal environment for quagga mussels, and they have been multiplying rapidly. Quagga are nearly impossible to eradicate from a water body. The District will now have to dedicate resources to manage the quagga mussel infestation as well as increased maintenance costs.

In FY 2013-14, the District continued to mount a defense in the lawsuits filed by the City of San Buenaventura over groundwater extraction rates approved by the Board for FY 2011-12, FY 2012-13, and FY 2013-14. The District has filed an appeal of the Santa Barbara Superior Court's September 6, 2013 decision ordering the District to pay the City a partial refund of groundwater extraction fees from FY 2011-12 and FY 2012-13. The parties have filed briefs with the Court of Appeal and oral argument occurred in June 2014. At the request of the Court of Appeal, the parties have also filed supplemental letter briefs concerning the Sustainable Groundwater Management Act, and responses to amicus briefs filed by other parties interested in the appeal. It is unknown when the Court of Appeal will issue its decision. The lawsuit for the FY 2013-14 groundwater extraction rates are under review and jurisdiction of the Santa Barbara Superior Court. The results of the San Buenaventura lawsuits could have a major impact to future District financial planning.

The District continues to face some significant, but unknown, costs both in the short and long term. Compliance with environmental and regulatory mandates are the largest expected impacts while rehabilitation and/or replacement of aging infrastructure will be necessary to prevent operational impacts. Moving forward as the required actions become clear, the District will need to determine how to finance the identified capital projects and their associated costs.

The extended drought conditions, recent groundwater legislation and the quagga mussels at Lake Piru have highlighted the need for the District to evaluate its entire operations including the three pipelines, as well as, the associated rate structures. These factors added to the significant capital project needs, only reinforce the conclusion that higher water costs within the District boundaries in the future, are unavoidable.

Relevant Financial Policies

The District has written, detailed financial policies for:

- Reserves
- Investments
- Budget Amendments
- Budget Submittal/Preparation
- Procurement
- Expense Reimbursement
- Disclosure of Reimbursement (Government Code Section 53065.5)
- Fixed Assets
- Vehicle and Equipment Replacement and Maintenance
- Engineering Projects and Contract Administration
- Financial Records Management Retention and Destruction
- Fraud Prevention/Detection Policy
- Environmental Activity Cost Allocation Policy
- Disposition of Surplus Assets

In September 2014, the District adopted an Accounts Receivables and Write-off Policy to provide guidelines in the management of accounts receivables and the process for writing off uncollectable debt.

Major Issues/Challenges

As discussed in the section entitled “Short and Long-Term Financial Planning”, the District faces some substantial financial challenges and uncertainties as a result of:

- Section 10 Endangered Species Act compliance for the operation of the Freeman Diversion.
- Section 7 Endangered Species Act and FERC mandate compliance for the operation of the Santa Felicia Dam.

- FERC and DSOD expected requirements for modifications of the SFD spillway and possibly the dam's parapet wall after analysis of a series of proposed alternative flood remediation projects (PMF/PMP).
- Rate related lawsuits by the City of San Buenaventura which challenge the District's future rate structure and funding.
- Aging and structural deficiencies in existing infrastructure that must be rehabilitated to continue on-going operations related to the District's water conservation requirements.
- A complaint filed against the District and the State Water Board by the Wishtoyo Foundation.
- The quagga mussel infestation at Lake Piru.

At the same time, the District faces current drought conditions (that are being felt state-wide) and are expected to continue, at least in the short-term, and possibly becoming more of a regular occurrence as a result of climate change. The District also must deal with the loss of future water yield from projects/facilities, used by the District to recharge the over drafted groundwater basins, as a result of the Environmental Species Act and other regulatory compliance requirements.

In summary, less available water to deal with the existing overdraft conditions, substantial costs and operational changes for regulatory, legal and environmental compliance that results in no new water, and the realization that any new water that can be found (i.e. recycled water, desalted groundwater, state-water, etc.) will come with a hefty price tag. These are issues/challenges that confront not only the District, but other water agencies throughout the state.

Conclusion

The current strong financial position of the District is the result of very tough rate decisions made by the Board over the last few years. The Board and its constituents should be aware that even more challenging issues will need to be addressed by the District over the next 5-10 years, as mentioned earlier. Preparing for these challenges needs to begin immediately even with so many variables still needing to be resolved. Specifically, a capital needs planning model that projects different scenarios, including what we believe is most likely to need to be done, when the work will occur, in what years will the money be needed and how much, needs to be developed. Then discussions of how these funds will become available to the District (i.e. bonds, pay-as-you-go, rate issues, etc.) will need to take place. It is anticipated that the model will be updated frequently, as new information becomes available, thereby generating the most current "plan" which can be discussed and prepared for. The development of the model and the "what-if" scenarios may require the assistance of an outside financial consultant. Insufficient planning and policy considerations could result in more surprises than annual rate setting/funding can keep up with. The District needs to develop as much certainty as it can, even given a very uncertain future, to stay ahead of the curve and ensure that the financial management of the District happens via sound management practices and preparation, and not in reactive mode.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Staff believes that the current CAFR continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for their certificate.

Acknowledgments

We would like to thank the entire staff (in particular Christine Williams, the District's Controller, and Cathy Taylor-Reed, Accountant) and the entire Finance Division for their contributions and assistance in the preparation of this year's Comprehensive Annual Financial Report. We would also like to recognize the efforts of the District's auditors, Fanning and Karrh, CPA's. Finally, to the Board of Directors, sincere appreciation for its innovative leadership, and the latitude and support in maintaining a sound financial system that includes integrity, reliability and appropriate technical support, without which this report could not be prepared.

We would like to assure the Board that its dedicated staff embraces the mission of the District and pursues continuous improvements to our operations, while remaining fiscally responsible and accountable to all those whom we serve.

Respectfully submitted,



E. Michael Solomon
General Manager



Tina Rivera
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**United Water Conservation
District, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**United Water Conservation District
BOARD OF DIRECTORS
AND EXECUTIVE MANAGEMENT
June 30, 2014**

Board of Directors

Lynn E. Maulhardt President Representing Division 4	
Bruce Dandy Vice President Representing Division 5	Robert Eranio Secretary/Treasurer Representing Division 3
Sheldon G. Berger Representing Division 7	Daniel C. Naumann Representing Division 6
Edwin T. McFadden III Representing Division 1	Michael Mobley Representing Division 2

Executive Management

E. Michael Solomon General Manager
Anthony H. Trembley Legal Counsel



INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors of
United Water Conservation District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of United Water Conservation District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise United Water Conservation 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of United Water Conservation District as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Required Supplementary Information on pages 15 through 34 and 70 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise United Water Conservation District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of United Water Conservation District's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Water Conservation District's internal control over financial reporting and compliance.

Janning : Karl

Ventura, California
December 17, 2014

Management's Discussion and Analysis (MD&A)

This section of United Water Conservation District's (District) annual financial report presents management's narrative overview and analysis of the District's financial activities during the fiscal year that ended on June 30, 2014 (FY 2014). The purpose of the MD&A is to provide users of the District's basic financial statements with a narrative introduction, overview and analysis of those statements. The goal is to provide the MD&A in an objective and easily readable format of the District's financial activities based on currently known facts, decisions and conditions. You are encouraged to read the MD&A in conjunction with the transmittal letter, which can be found at the front of this report and the District's financial statements, which follow this MD&A section. Generally Accepted Accounting Principles (GAAP) identifies specific topics that are to be addressed in the MD&A relative to the District's particular circumstances. The letter of transmittal, which can be found on pages 2-8, provides the appropriate place for District management to address topics not identified by GAAP for inclusion within the MD&A.

Financial Highlights

- The District's total assets (\$113,236 thousand) and deferred outflows of resources (\$58 thousand) exceeded its total liabilities (\$31,827 thousand) and deferred inflows of resources at the end of FY 2014 by \$81,467 thousand. The District's total net position increased by \$6,770 thousand over the course of this year's operations (total net position as of June 30, 2013 was \$74,697 thousand compared to \$81,467 thousand at June 30, 2014).
- The \$6,770 thousand increase in the District's total net position is the result of a \$5,736 thousand increase in governmental activities (after beginning balance restatement) combined with a \$1,034 thousand increase in business-type activities during the fiscal year ended June 30, 2014. The majority of the increase in net position in governmental activities is attributed to the General Fund which is deliberately building up its operational and capital improvement reserves.
- The total net position of the District at the close of the fiscal year ended June 30, 2014 (\$81,467 thousand) includes \$20,202 thousand (24.8%) in unrestricted net position that may be used by the District to meet ongoing obligations to constituents, customers and creditors. The District's unrestricted net position increased by \$6,581 thousand from \$13,621 thousand at June 30, 2013.
- Of the District's total net position (\$81,467 thousand), \$59,042 thousand (72.5%) comprises net investment in capital assets (e.g. land, dams, structures, buildings, machinery and equipment etc.) less any related debt used to acquire those assets that are still outstanding as of June 30, 2014. These capital assets are used to provide District services and therefore are not available for future spending. The \$59,042 thousand at June 30, 2014 represents a \$217 thousand decrease in net investment in capital assets from \$59,259 thousand at June 30, 2013.
- Current year-end restricted net position of \$2,223 thousand comprises the remaining balance of the District's total net position, an increase of \$406 thousand from the prior year's restricted net position of \$1,817 thousand. Restricted net position represents assets of the District

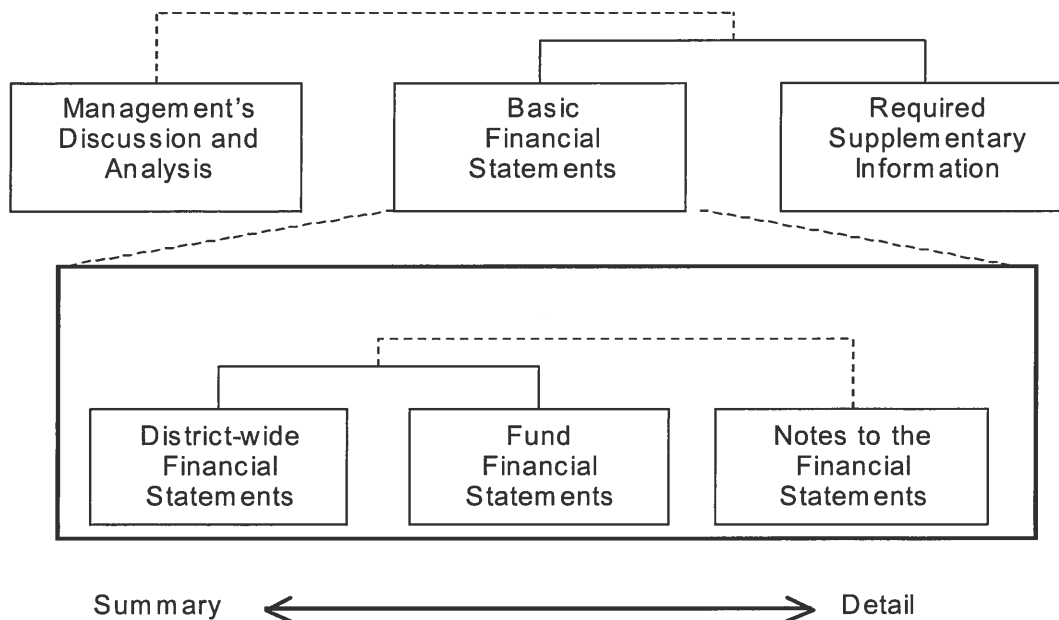
whose use is subject to constraints that are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The increase of \$406 thousand was entirely the net result of an increase in governmental-type activities (\$2,223 thousand at June 30, 2014 compared to \$1,817 thousand at June 30, 2013). The increase was predominantly attributed to the State Water Import Fund.

- The District's total revenues increased by \$2,146 thousand as compared to the prior year's total revenues (\$24,378 thousand in FY 2014 as compared to \$22,232 thousand in FY 2013). The increase in revenues is primarily a result of the increase in charges for services of \$2,143 thousand (\$21,876 thousand in FY 2014 compared to \$19,733 thousand FY 2013). This increase was primarily due to increased revenue in the Pumping Trough Pipeline resulting from higher rates and higher groundwater extraction revenue due to increased pumping.
- The District's total expenses increased \$786 thousand compared to the prior year's expenses (\$17,408 thousand in FY 2014 as compared to \$16,622 thousand in FY 2013) primarily related to enterprise activities.
 - The Governmental Activities experienced a \$54 thousand decrease in expenditures in 2014 as compared to FY 2013. Expenses for General fund activities actually increased by \$406 thousand while expenses for the State Water Project importation expenses decreased \$461 thousand (\$973 thousand in FY 2014 compared to \$1,434 thousand in FY 2013).
 - Business Type Activities experienced an \$840 thousand increase in expenditures in 2014 as compared to FY 2013. Of the \$840 thousand increase, 63% was in the Freeman Diversion facility which incurred significant costs related to environmental compliance matters. The balance of the expenditure increase related to operations of the Water delivery and treatment facilities specifically, the Pumping Trough Pipeline which saw significant increases in staff and electric utility costs resulting from drought conditions which made pumping necessary.
- The District's long-term liabilities decreased by \$1,148 thousand (\$22,412 thousand at June 30, 2014 compared to \$23,560 thousand at June 30, 2013) primarily as a result of paying off maturing bond obligations. Long-term liabilities decreased by \$814 thousand in governmental activities and \$334 thousand in business type activities.

Discussion of the Financial Statements

This discussion and analysis introduces the District's basic financial statements. The District's financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. Table A shows how the required parts of this annual report are arranged and are related to each other.

Table A
Required Components of District's Annual Financial Report



District-wide financial statements provide both long-term and short-term information about the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position reports all of the District's assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, with the difference between the two reported as net position. Over time, the increases or decreases in net position indicate whether the District's financial position is improving or deteriorating.

The Statement of Activities reports how the District's net position changed during the most recent fiscal year. It reports all of the revenues and expenses for the year regardless of when cash is received or paid.

The district-wide financial statements of the District are divided into two categories:

- Governmental activities are principally supported by taxes, charges for services and intergovernmental revenue. The District's governmental activities include water conservation, general operating, Lake Piru Recreation facilities and State Water Project importation.
- Business-type activities charge fees for services. The District's business-type activities include the Freeman Diversion facility and the three water distribution systems (Oxnard-Hueneme, Pleasant Valley and Pumping Trough Pipelines).

The district-wide financial statements can be found on pages 35-36 of this report.

Fund financial statements provide more detail about the District's funds, not the District as a whole. Funds are groupings of related accounts that the District uses to maintain control over

resources that have been segregated for specific activities or objectives. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the district-wide financial statements. Governmental fund financial statements focus on (1) the near term inflows and outflows of spendable resources and (2) the balances of resources at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that is useful in evaluating near-term financing requirements. Because this information does not include the additional long-term focus of the district-wide statements, both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances, provide a reconciliation to explain the relationship between governmental funds and governmental activities.

The District maintains two individual governmental funds. The governmental fund statements present information separately for the General Fund and the State Water Import Fund. The District adopts an annual appropriated budget for its General Fund and State Water Import Fund. Budgetary comparison schedules are provided in the required supplementary section to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 37-38 of this report.

Proprietary funds report services for which the District charges customers a fee. Proprietary funds consist of enterprise funds (fees charged to external users) and internal service funds (fees charged to internal units of the District). The District's enterprise funds report the functions presented as business-type activities in the district-wide financial statements but provide more detail and additional information, such as cash flows. The District does not currently use internal service funds for centralized services.

The District uses enterprise funds to account for its Freeman Diversion facility, Oxnard-Hueneme Pipeline, Pleasant Valley Pipeline and Pumping Trough Pipeline.

The basic proprietary fund financial statements can be found on pages 39-44 of this report.

Fiduciary funds account for resources held for the benefit of parties outside the District. The district-wide financial statements do not reflect the fiduciary funds because the resources of those funds are not available to support the District's own programs. The basic fiduciary fund financial statements can be found on pages 45-46 of this report.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 47-69 of this report.

The Basic Financial Statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

District-wide Financial Analysis

Net Position. As noted earlier, net position indicates whether the District's financial position is improving or deteriorating. The District's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$81,467 thousand at June 30, 2014. This is an increase of \$6,770 thousand from the prior year's total net position of \$74,697 thousand (See Table 1).

Table 1
United Water Conservation District's Net Position
(in thousands of dollars)

	Governmental		Business-type		Total	
	Activities		Activities		2014	2013
	2014	2013	2014	2013		
Current and other assets	\$ 17,037	\$ 12,719	\$ 16,734	\$ 8,536	\$ 33,771	\$ 21,255
Capital assets	37,562	38,094	41,903	42,261	79,465	80,355
Total assets	54,599	50,813	58,637	50,797	113,236	101,609
Deferred Outflows of Resources	1	1	57	92	58	93
Long-term liabilities outstanding	19,114	19,928	3,298	3,632	22,412	23,560
Other liabilities	1,335	2,471	8,080	975	9,415	3,446
Total liabilities	20,449	22,399	11,378	4,607	31,827	27,006
Deferred Inflows of Resources	-	-	-	-	-	-
Net Position:						
Net Investment in Capital assets	19,785	19,989	39,257	39,270	59,042	59,259
Restricted	2,223	1,817	-	-	2,223	1,817
Unrestricted	12,143	6,609	8,059	7,012	20,202	13,621
Total net position	<u>\$34,151</u>	<u>\$28,415</u>	<u>\$47,316</u>	<u>\$46,282</u>	<u>\$81,467</u>	<u>\$74,697</u>

The largest portion of the District's net position \$59,042 thousand (or 72.47%) reflects its net investment in capital assets (e.g. land, dams, structures, machinery and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. There was a decrease in the District's net investment in capital assets of approximately \$217 thousand from the prior year (\$59,259 thousand). This decrease is due primarily to the removal of an impaired asset.

The District uses these capital assets to provide services for its customers and constituents; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the District's total net position for FY 2014 represents restricted resources totaling \$2,223 thousand (an increase of \$406 thousand in FY 2014 when compared to total restricted resources of \$1,817 thousand at June 30, 2013) that are subject to external restrictions (legal or contractual) on how they may be used. The remaining balance of the District's net position (\$20,202 thousand) is unrestricted and may be used to meet the District's ongoing obligations to its constituents and creditors. This represents an increase in total unrestricted net position of approximately \$6,581 thousand from the prior year (\$13,621 thousand). The unrestricted net position for governmental-type activities increased by \$5,534 thousand (\$12,143 thousand at June 30, 2014 compared to \$6,609 thousand at June 30, 2013) and unrestricted net position for business-type activities increased by \$1,047 thousand (\$8,059 thousand at June 30, 2014 compared to \$7,012 thousand at June 30, 2013).

The \$5,736 thousand increase (or 20.19%) in governmental activities' total net position is the result of total governmental activities' revenues exceeding total expenses. This increase is comprised of a \$204 thousand decrease in net investment in capital assets, an increase of \$406 thousand in restricted net position and an increase of \$5,534 thousand of unrestricted net position. The \$204 thousand decrease in net investment in capital assets is primarily to the removal of an impaired asset.

The net investment in capital assets decreased by \$13 thousand for business-type activities from \$39,270 thousand at June 30, 2013 to \$39,257 thousand at June 30, 2014. The \$13 thousand decrease in net investment in capital assets is primarily related to depreciation expenses of \$1,258 thousand for existing District capital assets in FY 2014 exceeding new capital assets.

Unrestricted net position (which represents the residual balance of total net position after the elimination of net investment in capital assets and restricted net position) increased for the business-type activities by \$1,047 thousand from \$7,012 thousand at June 30, 2013 to \$8,059 thousand at June 30, 2014.

Total net position of the District's business-type activities increased \$1,034 thousand (or 2.23%) from the total net position of \$46,282 thousand at June 30, 2013 to \$47,316 thousand at June 30, 2014. These resources can only be used by the District to finance the continuing operations of the business-type activities and not toward governmental-type activities.

At June 30, 2014 the PTP Fund had an outstanding payable of nearly \$7.44 thousand relating the GMA pumping surcharge. While the obligation was assigned a monetary value, the obligation was intended to be paid by the use of GMA credits collected from PTP customers. The payable figure is therefore offset by an identical receivable amount, thus not impacting net position. As of the release date of this document, both the payable and receivable balances have been cleared in their entirety.

Changes in Net Position. The District's total revenue increased by 9.65% or \$2,146 thousand from the prior fiscal year. As reflected in Table 2, there was an increase of \$2,143 thousand in charges for services, a net increase of \$34 thousand in grants and contributions, and a decrease of \$23 thousand in property tax receipts over the prior year. Nearly 40% of the increase in charges for services is due to increases in the special assessment related to the State Water Import Fund. The remainder of the increase is due to groundwater pumping activities in the General and Enterprise funds.

The overall change in the District's total expenses over the prior year is not significant (an increase of 4.74%) and will be further discussed in this document.

The District operates one potable water system (Oxnard-Hueneme Pipeline) and two agricultural water systems (Pleasant Valley and Pumping Trough Pipelines). The District also operates the Freeman Diversion Dam facilities, Santa Felicia Dam and Lake Piru, three spreading grounds for groundwater recharge and the Saticoy Well Field which enhances groundwater management. The District has a contractual agreement for a Table A allocation of 5,000 acre-feet of the State Water Project that requires yearly payments for capital, operations and maintenance costs (Notes 9 and 10 on pages 59 and 60) incurred by the State for constructing and delivering State Water from Northern California. In FY 2014, the District contracted to purchase additional Table A State Project Water from the City of San Buenaventura (1,890 acre feet) to be delivered in FY 2014 in order for the District to receive its full allocation of State Water.

In summary, the District's net position for FY 2014 increased \$6,770 thousand for governmental and business-type activities. Program revenues increased \$2,177 thousand (from \$19,824 thousand in FY 2013 to \$22,001 thousand in FY 2014) and general revenues decreased \$31 thousand (from \$2,408 thousand in FY 2013 to \$2,377 thousand in FY 2014) while total expenses increased \$787 thousand (from \$16,622 thousand in FY 2013 to \$17,409 thousand in FY 2014) resulting in an increase of revenues over expenses of \$1,360 thousand (from \$5,610 thousand in FY 2013 to \$6,970 thousand in FY 2014).

Governmental activities revenues increased by 10.74% or \$1,573 thousand (from \$14,648 thousand in FY 2013 to \$16,221 thousand in FY 2014), while total expenses decreased 0.52% or \$54 thousand (from \$10,340 thousand in FY 2013 to \$10,286 thousand in FY 2014).

The increase in net position for governmental activities for the year ended June 30, 2014 was \$5,935 thousand (\$28,216 thousand balance at July 1, 2013 compared to \$34,151 thousand ending balance at June 30, 2014).

Table 2
Changes in United Water Conservation District's Net Position
(in thousands of dollars)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 13,761	\$ 12,200	\$ 8,115	\$ 7,533	\$ 21,876	\$ 19,733
Operating grants and contributions	125	11	-	-	125	11
Capital grants and contributions	-	80	-	-	-	80
General revenues:						
Property taxes	2,131	2,154	-	-	2,131	2,154
Unrestricted investment earnings	19	9	42	51	61	60
Other	185	194	-	-	185	194
Total revenues	<u>16,221</u>	<u>14,648</u>	<u>8,157</u>	<u>7,584</u>	<u>24,378</u>	<u>22,232</u>
Expenses:						
Water conservation	7,577	7,193	-	-	7,577	7,193
State Water Project importation	973	1,434	-	-	973	1,434
Freeman Diversion facility	-	-	2,017	1,492	2,017	1,492
Water delivery and treatment facilities	-	-	5,106	4,790	5,106	4,790
Lake Piru recreation facility	892	840	-	-	892	840
Interest on long-term debt	844	873	-	-	844	873
Total expenses	<u>10,286</u>	<u>10,340</u>	<u>7,123</u>	<u>6,282</u>	<u>17,409</u>	<u>16,622</u>
Excess before extraordinary item	5,935	4,308	1,034	1,302	6,970	5,610
Extraordinary item - claim settlement	-	(1,413)	-	(692)	-	(2,105)
Increase in net position	5,935	2,895	1,034	610	6,970	3,505
Net position - beginning, as restated	28,216	25,520	46,282	45,672	74,498	71,192
Net position - ending	<u>\$ 34,151</u>	<u>\$ 28,415</u>	<u>\$ 47,316</u>	<u>\$ 46,282</u>	<u>\$ 81,467</u>	<u>\$ 74,697</u>

The increase of \$1,573 thousand in governmental activities' revenues from the prior year is largely the result of a \$1,561 thousand increase in charges for services which is primarily the result of the increase in the special assessment for the State Water Import project and increased groundwater extraction and delivery activity. There was a slight decrease in property tax revenue primarily the result of the timing in property tax collections.

The decrease of \$54 thousand in governmental activities' expenses from the prior year was primarily the result of decreases in state water importation expenses of \$461 thousand and in interest on long-term debt of \$29 thousand offset by increases in water conservation expenses of \$384 thousand and Lake Piru recreational facilities of \$52 thousand. The decrease in State Water importation expenses was primarily the result of reduced expenditures for calendar years 2011 and 2012 variable water delivery (transportation) costs, which typically have a two year lag time before billing by the State and the purchase of 1,890 acre-feet of State Water allocation from the City of San Buenaventura. The increase in water conservation activities was primarily the result of increased contractual expenditures for Federal Energy Regulatory Commission activities in FY 2014 when compared to the prior year.

Business-type activities revenues increased 8% or \$573 thousand (\$7,584 thousand in FY 2013 to \$8,157 thousand in FY 2014). Total charges for services increased \$582 thousand (\$7,533 thousand in FY 2013 to \$8,115 thousand in FY 2014) and unrestricted investment earnings decreased \$9 thousand (\$51 thousand in FY 2013 compared to \$42 thousand in FY 2014). The increase in charges for services is a result of an increase in water deliveries as compared to FY 2013, primarily in the Pumping Trough Pipeline Fund due to drought conditions. The Pleasant Valley Pipeline Fund had a decrease of 95% or \$236 thousand in charges for services due to lack of surface water availability for delivery from the District.

Total expenses increased 13.39% or \$841 thousand (\$6,282 thousand in FY 2013 to \$7,123 thousand in FY 2014). Total expenses for the water delivery and treatment facilities increased by 6.60% or \$316 thousand (from \$4,790 thousand in FY 2013 to \$5,106 thousand in FY 2014). There was an increase of \$525 thousand or 35.19% for expenses in the Freeman Diversion Fund primarily as a result of regulatory compliance and legal matters.

In summary, the District's business-type activities' revenue increased by \$573 thousand to a total of \$8,157 thousand in FY 2014 and expenses increased by \$841 thousand to \$7,123 thousand in FY 2014, which resulted in an excess of \$1,034 thousand in revenues over expenses from operations. This increased the net position for business-type activities for the year ended June 30, 2014 to \$47,316 thousand.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's ***governmental funds*** (pages 37-38) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance, less any amounts non-spendable, restricted, committed or assigned, may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year. The categories for reporting fund balance can be found in the basic financial statements, balance sheet for governmental funds, on Page 37 of this report. A more detailed description of fund balance for governmental funds can be found in Note 1 starting on Page 48 of this report.

At the end of the 2014 fiscal year, the District's governmental funds reported combined ending fund balance of \$15,846 thousand, an increase of \$5,452 thousand in comparison to the prior year-end fund balance total of \$10,394 thousand. Approximately 17.48% or \$2,770 thousand represents restricted fund balance, 10.44% or \$1,655 thousand represents committed fund balance, \$2,314 or 14.60% represents assigned fund balance and 57.47% or \$9,107 thousand represents unassigned fund balance. Restricted fund balance consists of a \$898 thousand debt service reserve for the 2009 Certificates of Participation bonds, \$547 thousand for unspent bond proceeds for capital acquisition from the Series 2005B Revenue Bonds and 2009 Certificate of Participation bonds issued for Board approved capital improvement projects that should occur over the next few years and \$1,325 thousand that may only be used toward the payment of the District's State Water contract costs. Committed fund balance of \$1,655 is composed of monies designated to pay down pension and retiree health obligations as well as other contractual obligations. Assigned fund balance consists of \$2,164 thousand designated for aging infrastructure and \$149 thousand of carry-

over. Unassigned fund balance of \$9,107 thousand is available for spending at the District's discretion.

The District has two operating funds that comprise the governmental funds' activities:

1. General Fund
2. State Water Import Fund

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9,107 thousand while total fund balance was \$14,520 thousand. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance (\$9,107 thousand) represents 93.53% of total General Fund expenditures (\$9,737 thousand), while total fund balance (\$14,520 thousand) represents 149.12% of that same amount. Total fund balance includes \$547 thousand in bond proceeds expected to be used for projects and expenditures previously approved by the Board but not yet spent and \$898 thousand for the debt service reserve for the 2009 Certificate of Participation bonds.

The fund balance of the District's General Fund increased by \$5,035 thousand during the current fiscal year (\$14,520 thousand at June 30, 2014 compared to \$9,485 thousand at June 30, 2013). The \$5,035 thousand increase in fund balance during FY 2014 is primarily the result of revenues exceeding expenditures as described in further detail below.

A summary of the financial activity for FY 2014 is as follows:

Total General Fund revenue for FY 2014 (\$14,773 thousand) increased \$781 thousand from the prior year amount of (\$13,992 thousand).

1. \$769 thousand increase in charges for services.
2. \$35 thousand increase in grants and contributions revenue.
3. \$9 thousand increase in earnings on investments.
4. \$9 thousand decrease in other revenue
5. \$23 thousand decrease in property tax revenue.

The \$769 thousand increase in charges for services compared to the prior year is primarily due to an increase in groundwater extraction due to drier weather conditions as compared to the prior year. The \$23 thousand decrease in property tax revenue is primarily the result of the timing of collections. The \$35 thousand increase in grants and contributions revenue is because of a contribution received in FY 2014 from Fox Canyon Groundwater Management Agency on the groundwater model that exceeded the capital grant received in 2013.

Total expenses in FY 2014 of \$9,737 thousand decreased by \$101 thousand from the prior year figure of \$9,838 thousand.

1. \$402 thousand decrease in principal payments.
2. \$438 thousand increase in water conservation
3. \$32 thousand decrease in interest payments.
4. \$168 thousand decrease in capital outlay.

5. \$67 thousand increase in Lake Piru recreation facilities.
6. \$3 thousand decrease in bond fees and expenses.

The decrease in principal payments of \$402 thousand over the prior year is the result of scheduled principal payments made which reduced existing outstanding debt of the District. The increase in water conservation expenditures of \$438 thousand is primarily the result of increased contractual expenditures in relation to Federal Energy Regulatory Commission activities in FY 2014 when compared to the prior year and expenditures relating to dealing with invasive quagga mussels at Lake Piru. The capital outlay decrease of \$168 thousand over the prior year is the result of purchasing a new patrol boat and other capital acquisitions which took place the prior year.

The State Water Import Fund has a total fund balance of \$1,325 thousand, an increase of \$416 thousand from the prior year-end of \$909 thousand. The increase in the fund balance from the prior year is attributable to an increase in special assessment revenue (included in charges for services), the District incurring less expenditures for calendar years 2011 and 2012 variable water delivery (transportation) costs which typically have a two-year lag time before billing by the State, and the purchase of 1,890 acre-feet of State Water allocation from the City of San Buenaventura. The full \$1,325 thousand fund balance is restricted and is available for spending only toward the costs of the District's annual State Water contract payments.

The District's *proprietary funds* (pages 39-44) provide the same type of information found in the district-wide financial statements, but in more detail.

At year-end, the net position of the District's proprietary funds totaled \$47,316 thousand. This is a total increase of \$1,034 thousand in net position when compared to FY 2013 year-end total net position of \$46,282 thousand.

Table 3 Proprietary Funds (in thousands of dollars)	
	Net Position Increase/Decrease
Freeman Diversion	\$ 1,100
Oxnard Hueneme Pipeline	216
Pleasant Valley Pipeline	(327)
Pumping Trough Pipeline	45
Total change in proprietary net position	<u>\$ 1,034</u>

The \$1,100 thousand increase in the net position in the Freeman Diversion Fund was primarily due to operating revenues of \$3,107 thousand and non-operating revenues of \$9 thousand exceeding operating expenditures of \$2,008 thousand and non-operating expenditures of \$8 thousand. Charges for services increased \$143 thousand due to increases in groundwater extractions and water deliveries when compared to the prior year.

The \$216 thousand increase in total net position for the Oxnard-Hueneme Pipeline Fund was the result of operating revenues of \$3,315 thousand and non-operating revenues of \$4 thousand

exceeding operating expenditures of \$3,029 thousand and non-operating expenditures of \$74 thousand. Operating revenues increased when compared to the prior year. This increase was the result of an increase in charges for services of \$102 thousand as compared to the prior year. The increase in charges for services was related to higher O&M charge rates when compared to FY 2013. Along with the increase in operating revenues there was an increase of \$47 thousand in operating expenses when compared to the prior year. The increase was primarily the result of an increase in utilities due to an increase in SCE rates and lower water levels in the groundwater wells (higher lift).

There was a decrease in net position of \$327 thousand for the Pleasant Valley Pipeline Fund. The decrease was the result of operating revenues of \$12 thousand and non-operating revenues of \$27 thousand below operating expenses of \$305 thousand and non-operating expenses of \$61 thousand. The decrease in operating revenues was primarily due to lack of surface water available for delivery. Operating expenses decreased \$19 thousand when compared to FY 2013 primarily as a result of lower maintenance and repairs due to limited operations when compared to the prior year.

There was an increase in the net position of \$45 thousand for the Pumping Trough Pipeline Fund. The increase was the result of operating revenues of \$1,681 thousand and non-operating revenues of \$1 thousand exceeding operating expenses of \$1,605 thousand and non-operating expenses \$31 thousand. Operating revenues increased \$569 thousand when compared to FY 2013 primarily due to the Capital Improvement Program fee imposed in FY 2014 to cover well repair costs and higher O&M charge rates. Operating expenses increased \$306 thousand when compared to FY 2013 primarily as a result of an increase in utility costs due to higher groundwater pumping needs and more staff time devoted to the operations.

General Fund Budgetary Highlights

Differences between the General Fund's original budget of \$12,256 thousand in appropriations, as adopted by the Board of Directors in June 2013, and the final amended expenditure budget of \$14,855 thousand (original budget appropriations plus General Manager and/or Board approved expenditure revisions of \$2,599 thousand through June 30, 2014), is briefly summarized as follows:

- \$1,384 thousand carryover appropriation for prior year construction in progress appropriations.
- \$743 thousand carryover appropriation for prior year operating appropriation encumbrances (the largest portion, \$484 thousand, relating to contractual services).
- \$150 thousand supplemental appropriation for the City of San Buenaventura lawsuit.
- \$93 thousand supplemental appropriation for additional legal support.
- \$25 thousand supplemental appropriation for legal support of Santa Paula Basin Technical Advisory Committee.
- \$40 thousand supplemental appropriation for the Lake Piru dock repairs.
- \$155 thousand supplemental appropriation for addressing the quagga mussels at Lake Piru.

The final budget adopted by the Board included revenue projections of \$13,259 thousand. By the end of FY 2014, total revenues of \$14,773 thousand were received, exceeding projections by \$1,514 thousand. The over-performance of revenues was primarily due to drier weather conditions in FY 2014 which resulted in higher groundwater extractions than anticipated. Ground water

extractions in FY 2014 increased by 15.7% over the prior year, with extractions for agricultural use increasing 19.3% over the prior year, while extractions for non-agricultural use increased by 3.2% over the same period.

Actual expenditures on a budgetary basis totaled \$9,871 thousand, well below the final amended budget of \$14,855 thousand. The primary reasons for this difference were timing delays in capital project completions and lower than anticipated contractual costs, most of which were estimated for studies related to the District's Federal Energy Regulatory Commission (FERC) licensing efforts for the Santa Felicia Dam and the Habitat Conservation Plan (HCP) for the Freeman Diversion operations. Both the licensing and HCP efforts include significant Endangered Species Act compliance requirements that are being developed by the District with consultants in consultation with federal and state agencies.

There was an overall net change in fund balance of \$4,277 thousand. The actual net change in fund balance significantly exceeds (\$6,498 thousand) the projected negative change in fund balance of \$2,221 thousand. This was a result of the \$1,514 thousand over-performance in revenues and the \$4,984 in under-spending of expenditures. In FY 2014, the District designated an additional \$625 thousand of fund balance for future capital replacement.

Table 4
United Water Conservation District's Capital Assets
 Net of Depreciation
(in thousands of dollars)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 16,919	\$ 16,920	\$ 1,221	\$ 1,221	\$ 18,140	\$ 18,141
Dams	2,245	2,302	23,629	23,940	25,874	26,242
Structures and improvements	12,153	12,541	15,701	16,134	27,854	28,675
Equipment	1,075	1,053	470	548	1,545	1,601
Intangibles	3,578	4,041	-	-	3,578	4,041
Construction in progress	1,592	1,237	883	418	2,474	1,655
Total	\$ 37,562	\$ 38,094	\$ 41,903	\$ 42,261	\$ 79,465	\$ 80,355

Capital Asset and Debt Administration

The District's net investment in capital assets (see Table 4) for its governmental and business-type activities as of June 30, 2014 amounts to \$79,465 thousand (net of accumulated depreciation). This investment in capital assets includes land, dams, structures and improvements, equipment, intangibles, and construction in progress for capital projects. The total decrease in the District's net investment in capital assets for the current fiscal period when compared to FY 2013 was 1.11% or \$890 thousand. Governmental activities' net investment in capital assets decreased by 1.40% or \$532 thousand and business-type activities decreased 0.85% or \$358 thousand.

Capital assets completed during the fiscal year included the PVP Reservoir Leak Reduction (\$276 thousand) and the Lake Piru Playground Equipment (\$74 thousand).

Additional information on the District's capital assets can be found in Note 5 to the financial statements on pages 55 and 56 of this report.

The District had long-term debt outstanding of approximately \$21,028 thousand at the end of the current fiscal year compared to \$22,216 thousand at the end of the prior fiscal year (see Table 5). This current year-end amount, \$21,028 thousand, was comprised of debt backed by the full faith and credit of the District, \$1,157 thousand (5.50%) of property tax assessment debt for which the District is liable in the event of default by the property owners subject to the assessment and \$19,871 thousand (94.50%) representing bonds secured solely by specified revenue sources (i.e. revenue bonds and Certificate of Participation Bonds).

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessment with district commitment	1,157	1,242	-	-	1,157	1,242
Revenue bonds, COPs and notes (backed by specific tax and fee revenues)	17,168	17,891	2,703	3,083	19,871	20,974
Total	<u>\$ 18,325</u>	<u>\$ 19,133</u>	<u>\$ 2,703</u>	<u>\$ 3,083</u>	<u>\$ 21,028</u>	<u>\$ 22,216</u>

The decrease of \$1,188 thousand (5.35%) in the District's total debt in FY 2014 is the result of scheduled principal payments made on all outstanding debt during the year.

Most of the current District indebtedness (Revenue Bonds) are rated "AAA" by Moody's and/or "AAA" by Standard and Poor's while the 2009 Certificate of Participation is "AA" rated by Standard and Poor's. These "AAA" ratings for the revenue bonds are based on the issuance of bond insurance policies for all debt issued to date. These policies guarantee the scheduled payment of principal and interest on the bonds when due. No insurance policy was purchased for the 2009 Certificate of Participation.

Additional information on the District's long-term debt can be found in Note 10 starting on page 60 of this document.

Economic Factors, Other Significant Factors and Next Year's Budgets and Rates

The state and national economies continue to improve and are reflected in the modest gains in the housing market, stock market, and the lowest national unemployment rate since 2007. However, investment earnings rates continue to be very low and the District continues to face increasing

environmental compliance requirements, lawsuits challenging groundwater extraction charges, and increasingly unpredictable dry weather conditions that place a higher demand on groundwater resources. The District has reviewed its operations and has determined the impacts to the District could be as follows:

- Increases to property tax revenue as a result of fewer foreclosures and delinquent property tax payers and higher assessed property values experienced when compared to the prior years.
- Increasing legal costs related to District's continued defense against four (two in Appeals Court and two in Superior Court) lawsuits filed by the City of San Buenaventura (and the potential for a lawsuit each fiscal year until the matter is resolved) regarding the District's groundwater extraction charge and a new challenge to Santa Clara River diversion flows at the Freeman Diversion.
- Decreased or flat groundwater extraction and water deliveries revenues as a result of mandated water conservation efforts throughout the State due to drought conditions and sustainability requirements, and lack of surface water and potentially groundwater for delivery. Rate changes may also have an impact on water demand.
- Continued significant environmental compliance costs impacts in relations to capital improvements, legal, and professional services for environmental related issues.
- Despite recent pension reform legislation, increases in employer contributions for the District's retirement plan (CALPERS).
- Increases in District funded employee health insurance plan costs.
- Continued low investment earnings.
- Increased operational and repair costs as a result of the quagga mussels at Lake Piru.

The District will continue to monitor the effects, if any, and the associated inherent risks to the District proactively.

In considering the District's other significant factors, the following should be noted:

The District faces several challenging and fiscally significant projects over the next several years, largely the result of regulatory and legislative mandates. In particular, the District has received two jeopardy biological opinions from the National Marine Fisheries Services (NMFS) under the Federal Endangered Species Act (ESA). The lower Santa Clara River Watershed within the District's boundaries is considered a major migration corridor and habitat for the endangered Southern California steelhead (an endangered species of fish under the ESA, listed in 1997).

The Federal Energy Regulatory Commission (FERC) provides the license that is necessary for the District to operate the District's Santa Felicia Dam (SFD) and hydroelectric plant. In FY 2009, the District was issued a new 40-year FERC license. NMFS issued a jeopardy biological opinion (BiOp) related to the Southern California steelhead. FERC in turn inserted the BiOp with its own "reasonable and prudent alternatives" (RPA) into their order and issued the new operating license for the Santa Felicia Dam Project. The BiOp, under Section 7 of the ESA, calls for the District to implement multi-pronged reasonable and prudent alternatives to reduce the effects of the District's activities on steelhead such that it no longer creates a jeopardy situation. The RPA includes requirements that the District undertake actions that include operational changes that could significantly reduce the water yield of the SFD project. Over the last year, the District has made

significant progress in getting into compliance with the FERC license requirements. To date, five of the nine BiOp required plans have been approved by both NMFS and FERC and the District completed implementation of one of the approved plans, the study plan of geomorphic effects. The other four approved plans are (1) an evaluation of the relationship between flows and water elevation of lower Piru Creek, (2) a water release plan, (3) procedures for implementing the water releases and (4) a study plan for assessing the feasibility of providing fish passage at the Santa Felicia Dam. The District has prepared drafts of three of the four remaining uncompleted plans (adaptive management, effectiveness monitoring of water releases and habitat improvement) and provided them to NMFS in August 2013 and to FERC in February 2014 for review. The final uncompleted plan, passage feasibility report, will contain the results obtained from the implementation of the passage feasibility study plan. At this time, the earliest the District expects that plan to be completed is June 2015, based on the schedule contained in the study plan. All work performed to comply with the FERC license will be funded from groundwater extraction fees as provided by the District's adopted Environmental Activities Cost Allocation Policy (amended July 1, 2013). The full impact on the finances and operations of the District resulting from efforts to comply with the FERC license requirements (including the BiOp) is unknown. Known and unknown license compliance expenditures will continue to impact the General Fund reserves and influence future rate decisions. The District's effort to gain compliance with the FERC license has so far avoided potential penalties that could impose \$11,000 per day for each violation from the deadline date listed in the FERC license for each required action.

The District has been engaged in an extensive process to bring its operations at the Freeman Diversion into compliance with the Endangered Species Act (ESA) for steelhead. This effort includes the initial time spent on the section 7 consultation process with NMFS through the U.S. Bureau of Reclamation. This effort resulted in a BiOp issued by NMFS in 2008 for the effects of the Diversion on steelhead. However, the BiOp has since been nullified as a result of Reclamation's withdrawal from the project in 2009. The District has been pursuing an incidental take permit through section 10 of the ESA to bring the project into compliance. This requires the District to develop a Habitat Conservation Plan (HCP). In addition, the District is required to comply with a settlement agreement with California Trout Inc., a non-governmental organization, in which the District agreed to undertake several measures including the design and construction of a new fish passage facility anticipated to cost between \$24 and \$30 million. The first step of the design phase of the fish passage facility was to perform a geotechnical survey of the bedrock in the Santa Clara River above the Freeman Diversion. This survey work was completed in November 2013. The second step is to take the fish passage facility from its current conceptual design to a final design. The District has contracted with a firm to complete the hydraulic modeling which will determine the dimensions and operational features of the structure. This final design is expected to begin January 2017. As noted above, the District is also in the process of preparing a HCP in order to receive an incidental take permit for the Freeman Diversion operations, construction of the fish passage facility, and other activities. The District's current goal is to obtain the permit and complete all other compliance requirements to allow for construction of the fish passage facility to begin March 2019. Ultimately the HCP will lead to a loss of water yield that will decrease the amount of water available to divert for groundwater recharge. In accordance with the District's amended Environmental Activities Cost Allocation Policy, some expenditures associated with the HCP completion are funded 50/50 by the General Fund and the Freeman Fund. Costs associated with ESA compliance that are tied to the physical operation and maintenance of the Freeman Diversion facility, including capital improvements, are funded 100% by the Freeman Fund.

The District has expended significant time and funds over the past several years conducting required "Probable Maximum Precipitation/Probable Maximum Flood" (PMP/PMF) studies for the SFD in response to the PMP/PMF suggested by the most recent National Weather Service (NWS) HMR-59 (hydrometeorological report). The results of these studies were to assist in determining what, if any, physical modifications are necessary to be made to protect the SFD from possible failure. FERC and the Department Safety of Dams (DSOD) rejected the new methodology proposed by an independent Board of Consultants, funded by the District and state, but agreed that the current NWS methodology was flawed. DSOD has directed the District, with FERC's concurrence, to prepare additional studies to analyze options to reduce the risk of overtopping and flooding of the dam. The District, through its consultant, is analyzing a series of proposed flood remediation projects that will reduce the risk to people and property below Santa Felicia Dam. It is anticipated that the design and construction of the modifications to the dam and spillway could result in a significant financial impact on the District. At this time, the estimated cost to design and construct the modifications to the dam and spillway is in the order of \$25 to \$100 million, depending on the option required by the DSOD and FERC.

Also, the District, through its consultants, has concluded that two structures of the outlet works are insufficient to withstand the largest credible earthquake as defined by the study. The outlet works include the intake tower, a standing pipe under the lake with its opening above the lake bottom sediment and the penstock (pipe running from intake tower through the dam). The failure of the intake tower could prevent water releases from the reservoir, affecting the District's mission of recharging the aquifers, but more concerning is that it might cause serious damage to the dam. A failure of the penstock could drain the reservoir and might cause serious damage, if not failure, of the dam. Because of the seismic insufficiency of the intake tower (and silting issues) and penstock, the District is working on the design of a project to replace both structures. Once all technical options have been thoroughly considered and a final decision is made by the Board of Directors, a detailed cost analysis will be prepared. At this time, the estimated cost to design and construct the rehabilitation of the two structures is in the order of \$20 to \$40 million. The project could also be tied into the final implementation plan for fish passage facilities for SFD.

In December 2013, the District discovered invasive quagga mussels in the District's Lake Piru reservoir. quagga mussels are a species of freshwater mussels, originally from Eastern Europe, that have been spreading from water body to water body across the United States. The typical mode of transportation from one water body to the next has been by improperly cleaned and dried recreational boats. Quagga infestations can be so thick that they clog water infrastructure, such as intake structures, pipes, valves, and hydroelectric plants. They can also weigh down floating recreational facilities, such as marina docks, floating restrooms, barges, and boats. Quagga mussels are very efficient at consuming plankton from the lakes and rivers in which they grow. In sufficient numbers, they can alter the water environment by removing plankton food supplies typically consumed by other species. Lake Piru is an almost ideal environment for quagga mussels, and they have been multiplying rapidly. Quagga are nearly impossible to eradicate from a water body. As required by California Fish and Game Code, the District has prepared a Draft Lake Piru Quagga Mussel Monitoring and Control Plan, and has submitted it to the California Department of Fish and Wildlife (CDFW), for review and comment. The District, aided by consultants, is working to develop cost estimates for ongoing control measures, for inclusion in the Fiscal Year 2015-2016 Budget. Initial estimates of monitoring and control costs are between \$200,000 and \$500,000 per year. As the infestation is confined to Lake Piru and lower Piru Creek, District staff is also working

with CDFW to explore potential and financially feasible eradication options that could be implemented.

In August 2011 and August 2012, the City of San Buenaventura filed petitions for writ of mandate, petitions for writ of administrative mandate, complaints for declaratory relief and complaints for determinations of invalidity against the District sought to invalidate the fiscal year 2011-12 and fiscal year 2013-13 water rates adopted by the District's Board of Directors. The two actions were consolidated for trial purposes and the trial date in Santa Barbara Superior Court was April 30, 2013. In September 2013, the court ruled in favor of the City of San Buenaventura. The District was ordered to pay the City of San Buenaventura a partial refund of the groundwater extraction fees determined to be invalid for fiscal years 2011-12 and 2012-13 including interest and legal expenses incurred by the City of San Buenaventura totaling \$1.73 million. The District filed an appeal of the court's decision and a resolution of the matter is pending.

In June 2013, the City of Oxnard and United Water Conservation District collectively entered into a tolling agreement as the District's groundwater extractions fees were being litigated with the City of San Buenaventura. Depending on the outcome of the appeal described above, it is reasonably possible that the District may provide a refund of some charges in the future to the City of Oxnard and potentially to other municipal and industrial customers which paid groundwater extraction fees during the subject fiscal years. The District believes it will prevail in the appeal to reverse the trial court's ruling.

The parties have filed briefs with the Court of Appeal and oral arguments occurred in June 2014. At the request of the Court of Appeal, the parties have also filed supplemental letter briefs concerning the Sustainable Groundwater Management Act, and responses to amicus briefs filed by other parties interested in the appeal. It is unknown when the Court of Appeal will issue its decision but could take 12 to 18 months as this is considered "complex litigation" by the courts.

The City of San Buenaventura subsequently filed similar judicial actions challenging the District's FY 2013-14 and 2014-15 groundwater extraction rates. These actions are pending in Santa Barbara Superior Court.

In preparing the District's FY 2014-15 budget, several factors were considered:

- Ensure appropriate funding for status quo operations and all necessary or operational efficiencies maintenance.
- Ensure health and safety issues for constituents and employees were addressed.
- Ensure all legally mandated requirements of the District were fully funded.
- Ensure that appropriate (fiscally prudent) reserve levels, per the District's Reserve Policies, for all funds are maintained or potentially achieved.
- Proactive awareness and accountability of the District's mission as the groundwater guardian.
- Address major rehabilitation or replacement for key District infrastructure that are necessary due to the aging process before more serious emergency repairs are needed.
- Proactive conservation efforts, education and public awareness.
- Balance water conservation efforts with environmental concerns.

At the end of the fiscal year 2013-14, the cash reserve fund balance in the General Fund was \$8,753 thousand. The District's General Fund adopted FY 2014-15 Budget anticipates an operational deficit of approximately \$573 thousand as well as the pay down of Other Post Employment Benefits and the CalPERS side fund by \$867 thousand, leaving an estimated fund balance of \$7,313 at June 30, 2015.

Since the beginning of FY 2014-15 (July through October 2014), the Board has authorized the use of an additional \$175 thousand of unrestricted fund balance from District funds. The Board also increased revenue projections by \$27 thousand, leaving \$148 thousand of supplemental appropriations the Board has approved in which no new or additional resources (i.e. grant funding, etc.) were available to offset the projected new costs.

Approved rates for FY 2014-15 (compared to FY 2013-14) – explanation of any change(s) are included in the District's adopted FY 2014-15 Budget:

- General Fund Groundwater Replenishment Charge:
 - Municipal and Industrial customers: (no change from FY 2014) \$119.25 per acre-foot
 - Agricultural customers: (no change from FY 2014) \$39.75 per acre-foot
- State Water property tax assessment increased from \$1,228 thousand to \$1,432 thousand
- Freeman Fund Facilities Charge:
 - Municipal and Industrial customers: (no change from FY 2014) \$54 per acre-foot
 - Agricultural customers: (no change from FY 2014) \$18 per acre-foot
- Pleasant Valley Pipeline Fund Water Delivery Rate:
 - O&M charge: (increase from FY 2014) \$55 per acre-foot
 - O&M fixed charge: (new in FY 2015) \$30,000 per month
- Pumping Trough Pipeline Fund Water Delivery Rate:
 - O & M Charge: increased from \$145 per acre-foot to \$220 per acre-foot
 - Tier Rate no longer applies
- Saticoy Well Field O & M Charge: (no change from FY 2014) \$30 per acre-foot
- Oxnard-Hueneme Pipeline Fund (rate adjustment):
 - Fixed cost (per unit of peak capacity) decreased from \$13,994 to \$13,924
 - Variable Rate (per acre-foot) decreased from \$197.97 to \$191.74
 - Marginal Rate (per acre-foot) \$87.11 increased to \$133.01
- Fixed Well Replacement charge for OHP: (no change from FY 2014) \$14.08 per acre-foot (monthly charge based on 75% sub-allocation acre-feet per contractor as shown in Water Delivery Agreement)

Economic – Demographic Data

Ventura covers 1,843 square miles and has 43 miles of coastline. The Pacific Ocean forms its southwestern boundary, with Los Angeles County to the southeast, Kern County to the north and Santa Barbara County to the west. The Los Padres National Forest accounts for the northern half of the county with residential, agricultural and business uses in the southern portion.

Population: The District operates within Ventura County which is located along the southern coast of California. The California Department of Finance (DOF) population estimate for Ventura

County for January 2014 is 842,967. This represents an increase of approximately .8% over the DOF population estimate for 2013 of 835,981.

Employment: For October 2014, the California Employment Development Department shows the civilian labor force for Ventura County to be 439,600 (not seasonally adjusted) and an unemployment rate of 6.3%. This is a 1.0% decrease over the prior year unemployment rate. The statewide October 2014 unemployment rate is 7.3%, a decrease of 1.4% over the prior year.

Assessed Property Values and Housing: In FY 2013-14, the County's overall property assessments increased 11% compared to FY 2012-13. The County Assessor's Office projects that in FY 2014-15 countywide property assessments will increase by 5.7%. The California Association of Realtors reports that the September 2014 median housing price in Ventura County was \$589,080, an 8.4% increase from the prior year.

Agriculture remains a major business in Ventura County and a significant District rate payer in terms of volume of water deliveries and groundwater extraction. Ventura County ranked number ten among California counties in total crop value in 2012 according to the California Department of Food and Agriculture. The most recent national data put Ventura County at number ten among all counties in the United States. According to the Ventura County Agricultural Commission's 2013 Crop and Livestock Report, the gross crop value for calendar year 2013 was \$2.1 billion, approximately \$131 million more than 2012. Strawberries remain the number one top grossing crop, with avocados coming in second and raspberries in third.

Requests for Information

This financial report is designed to provide a general overview of United Water Conservation District 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 United Water Conservation District, Chief Financial Officer, 106 N. 8th Street, Santa Paula, CA 93060.

United Water Conservation District
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 10,336,401	\$ 7,270,821	\$ 17,607,222
Receivables:			
Accounts (net of allowance for uncollectables of \$41,533)	5,071,558	1,627,593	6,699,151
Taxes	50,168	-	50,168
Interest	5,611	3,871	9,482
Grants	10,000	-	10,000
Receivable arising from GMA surcharge (See Note 19)	-	7,439,484	7,439,484
Prepaid expenses and other assets	118,635	37,327	155,962
Restricted cash, cash equivalents and investments -			
Bond proceeds	1,444,598	-	1,444,598
Note receivable	-	355,269	355,269
Capital assets:			
Land and other assets not being depreciated	18,511,042	2,103,675	20,614,717
Other capital assets, net of depreciation	19,051,152	39,799,035	58,850,187
Total assets	<u>54,599,165</u>	<u>58,637,075</u>	<u>113,236,240</u>
Deferred Outflows of Resources			
Unamortized loss on debt refunding	<u>832</u>	<u>57,485</u>	<u>58,317</u>
Liabilities			
Accounts payable	925,780	564,856	1,490,636
Accrued interest payable	191,990	29,633	221,623
Accrued wages and benefits	188,896	45,519	234,415
Payable arising from GMA surcharge (See Note 19)	-	7,439,484	7,439,484
Unearned revenue	28,244	-	28,244
Noncurrent liabilities:			
Due within one year	1,105,758	561,684	1,667,442
Due in more than one year	18,008,757	2,736,417	20,745,174
Total liabilities	<u>20,449,425</u>	<u>11,377,593</u>	<u>31,827,018</u>
Deferred Inflows of Resources			
Unamortized gain on debt refunding	<u>-</u>	<u>52</u>	<u>52</u>
Net Position			
Net investment in capital assets	19,784,740	39,257,454	59,042,194
Restricted:			
Debt covenants	897,890	-	897,890
State Water Import	1,325,318	-	1,325,318
Unrestricted	12,142,624	8,059,461	20,202,085
Total net position	<u>\$ 34,150,572</u>	<u>\$ 47,316,915</u>	<u>\$ 81,467,487</u>

The notes to the financial statements are an integral part of this statement.

**United Water Conservation District
Statement of Activities
For the Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Water conservation	\$ 6,133,046	\$ 1,443,608	\$ 12,209,953	\$ 125,000	\$ -	\$ 4,758,299	\$ -	\$ 4,758,299
Lake Piru recreational facilities	786,433	105,305	102,880	-	-	(788,858)	-	(788,858)
State Water Project importation	973,478	-	1,448,476	-	-	474,998	-	474,998
Interest on long-term debt	843,854	-	-	-	-	(843,854)	-	(843,854)
General and administrative	2,665,943	(2,665,943)	-	-	-	-	-	-
Total governmental activities	11,402,754	(1,117,030)	13,761,309	125,000	-	3,600,585	-	3,600,585
Business-type activities:								
Freeman Diversion facility	1,631,586	384,962	3,107,344	-	-	-	1,090,796	1,090,796
Water delivery and treatment facilities	4,373,624	732,068	5,008,054	-	-	-	(97,638)	(97,638)
Total business-type activities	6,005,210	1,117,030	8,115,398	-	-	-	993,158	993,158
Total government	\$ 17,407,964	\$ -	\$ 21,876,707	\$ 125,000	\$ -	3,600,585	993,158	4,593,743
General revenues:								
Property taxes						2,130,951	-	2,130,951
Unrestricted investment earnings						18,874	42,014	60,888
Miscellaneous						184,537	-	184,537
Total general revenues						2,334,362	42,014	2,376,376
Change in net position						5,934,947	1,035,172	6,970,119
Net position - July 1, 2013, as previously reported						28,414,933	46,281,743	74,696,676
Prior period adjustment (See Note 2)						(199,308)	-	(199,308)
Net position - July 1, 2013, as restated						28,215,625	46,281,743	74,497,368
Net position - June 30, 2014						\$ 34,150,572	\$ 47,316,915	\$ 81,467,487

The notes to the financial statements are an integral part of this statement.

**United Water Conservation District
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General Fund</u>	<u>State Water Import Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 8,753,379	\$ 1,583,022	\$ 10,336,401
Receivables:			
Accounts (net of allowance for uncollectables of \$29,621)	4,945,813	125,745	5,071,558
Taxes	47,085	3,083	50,168
Interest	4,840	771	5,611
Grants	10,000	-	10,000
Restricted cash and cash equivalents	1,444,598	-	1,444,598
Prepays and other assets	70,250	-	70,250
	<u>\$ 15,275,965</u>	<u>\$ 1,712,621</u>	<u>\$ 16,988,586</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 538,477	\$ 387,303	\$ 925,780
Accrued wages and benefits	188,896	-	188,896
Unearned revenue	28,244	-	28,244
	<u>755,617</u>	<u>387,303</u>	<u>1,142,920</u>
Fund Balances:			
Restricted	1,444,598	1,325,318	2,769,916
Committed	1,655,093	-	1,655,093
Assigned	2,313,650	-	2,313,650
Unassigned	9,107,007	-	9,107,007
	<u>14,520,348</u>	<u>1,325,318</u>	<u>15,845,666</u>
Total liabilities and fund balances	<u>\$ 15,275,965</u>	<u>\$ 1,712,621</u>	<u>\$ 16,988,586</u>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			37,562,194
Expenditures for bond insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds.			48,385
Deferred outflows of resources			832
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Accrued interest payable			(191,990)
Accrued long-term liabilities			(789,472)
Bonds and notes payable			(18,325,043)
Net position of governmental activities			<u>\$ 34,150,572</u>

The notes to the financial statements are an integral part of this statement.

United Water Conservation District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>State Water Import Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,130,951	\$ -	\$ 2,130,951
Special assessment	-	1,441,687	1,441,687
Charges for services	12,312,833	-	12,312,833
Earnings on investments	18,874	3,005	21,879
Grants and contributions -operating	125,000	-	125,000
Other revenues	185,010	3,784	188,794
	<u>14,772,668</u>	<u>1,448,476</u>	<u>16,221,144</u>
Expenditures			
Current:			
Water Conservation	6,635,707	-	6,635,707
Lake Piru Recreation facilities	623,584	-	623,584
State Water Project importation	-	899,504	899,504
Debt service			
Principal	720,944	95,452	816,396
Interest	802,405	47,769	850,174
Bond fees and expenses	6,025	-	6,025
Capital outlay	948,714	-	948,714
	<u>9,737,379</u>	<u>1,042,725</u>	<u>10,780,104</u>
Excess of revenues over expenditures	<u>5,035,289</u>	<u>405,751</u>	<u>5,441,040</u>
Other Financing Sources			
Proceeds from financing	-	10,727	10,727
Net change in fund balances	<u>5,035,289</u>	<u>416,478</u>	<u>5,451,767</u>
Fund balances - July 1, 2013	<u>9,485,059</u>	<u>908,840</u>	<u>10,393,899</u>
Fund balances - June 30, 2014	<u>\$ 14,520,348</u>	<u>\$ 1,325,318</u>	<u>\$ 15,845,666</u>

Net change in fund balances - total governmental funds \$ 5,451,767

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which depreciation and amortization (\$1,278,213) exceeded capital outlay (\$948,714) in the current period. (329,499)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds (Note 10). 805,669

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 7,010

Change in net position of governmental activities \$ 5,934,947

The notes to the financial statements are an integral part of this statement.

United Water Conservation District
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds	
	Freeman Diversion Fund	Oxnard- Hueneme Pipeline Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,938,235	\$ 2,118,318
Receivables:		
Accounts (net of allowance for uncollectables of \$11,912)	1,138,690	212,885
Interest	2,183	1,091
Receivable arising from GMA surcharge (See Note 19)	-	-
Prepaid expenses and other assets	4,272	20,417
Current portion of note receivable	-	-
Total current assets	5,083,380	2,352,711
Noncurrent assets:		
Note receivable	-	-
Capital assets:		
Land	679,894	14,558
Construction in progress	729,952	136,492
Dams	23,940,454	-
Structures and improvements	7,719,462	15,490,038
Equipment	573,435	1,045,950
Less accumulated depreciation	(8,211,845)	(8,150,751)
Total noncurrent assets	25,431,352	8,536,287
Total assets	30,514,732	10,888,998
Deferred outflows of resources		
Unamortized loss on debt refunding	-	515
Liabilities		
Current liabilities:		
Accounts payable	186,885	261,329
Accrued interest payable	383	17,010
Accrued wages and benefits	12,772	24,374
Payable arising from GMA surcharge (See Note 19)	-	-
Compensated absences	51,551	76,120
Current portion of bonds payable	3,383	108,463
Total current liabilities	254,974	487,296
Noncurrent liabilities:		
Compensated absences	43,966	72,231
Other post employment benefits other than pensions	95,093	92,075
Bonds payable	27,470	1,363,419
Total noncurrent liabilities	166,529	1,527,725
Total liabilities	421,503	2,015,021
Deferred inflows of resources		
Unamortized deferred gain on debt refunding	52	-
Net Position		
Net investment in capital assets	25,400,448	7,064,919
Unrestricted	4,692,729	1,809,573
Total net position	\$ 30,093,177	\$ 8,874,492

The notes to the financial statements are an integral part of this statement.

Enterprise Funds

Pleasant Valley Pipeline Fund	Pumping Trough Pipeline Fund	Total
\$ 431,660	\$ 782,608	\$ 7,270,821
18,546	257,472	1,627,593
226	371	3,871
-	7,439,484	7,439,484
3,601	9,037	37,327
206,035	-	206,035
<u>660,068</u>	<u>8,488,972</u>	<u>16,585,131</u>
149,234	-	149,234
526,403	-	1,220,855
8,188	8,188	882,820
-	-	23,940,454
3,548,955	15,474,723	42,233,178
128,442	312,326	2,060,153
(1,879,746)	(10,192,408)	(28,434,750)
<u>2,481,476</u>	<u>5,602,829</u>	<u>42,051,944</u>
<u>3,141,544</u>	<u>14,091,801</u>	<u>58,637,075</u>
<u>56,970</u>	<u>-</u>	<u>57,485</u>
8,607	108,035	564,856
5,008	7,232	29,633
2,433	5,940	45,519
-	7,439,484	7,439,484
14,176	27,158	169,005
208,874	71,959	392,679
<u>239,098</u>	<u>7,659,808</u>	<u>8,641,176</u>
13,472	20,008	149,677
26,939	62,623	276,730
289,852	629,269	2,310,010
<u>330,263</u>	<u>711,900</u>	<u>2,736,417</u>
<u>569,361</u>	<u>8,371,708</u>	<u>11,377,593</u>
<u>-</u>	<u>-</u>	<u>52</u>
1,890,486	4,901,601	39,257,454
738,667	818,492	8,059,461
<u>\$ 2,629,153</u>	<u>\$ 5,720,093</u>	<u>\$ 47,316,915</u>

United Water Conservation District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Enterprise Funds</u>	
	<u>Freeman Diversion Fund</u>	<u>Oxnard- Hueneme Pipeline Fund</u>
Operating revenues		
Charges for services	\$ 3,107,261	\$ 3,247,663
Other operating revenue	83	67,714
Total operating revenue	<u>3,107,344</u>	<u>3,315,377</u>
Operating expenses		
Salaries	339,273	573,246
Benefits	194,498	320,160
Utilities	8,195	831,289
Repairs and maintenance	115,761	184,461
Professional fees	510,387	77,555
Other supplies and services	85,056	291,476
General and administrative	384,962	366,034
Depreciation	370,293	385,233
Total operating expenses	<u>2,008,425</u>	<u>3,029,454</u>
Operating income (loss)	<u>1,098,919</u>	<u>285,923</u>
Nonoperating revenues and (expenses)		
Interest income	9,358	4,319
Bond fees and expenses	(240)	(3,995)
Interest expense	(7,883)	(69,557)
Total nonoperating revenue (expense)	<u>1,235</u>	<u>(69,233)</u>
Income (loss)	<u>1,100,154</u>	<u>216,690</u>
Change in net position	1,100,154	216,690
Total net position - July 1, 2013	<u>28,993,023</u>	<u>8,657,802</u>
Total net position - June 30, 2014	<u>\$ 30,093,177</u>	<u>\$ 8,874,492</u>

The notes to the financial statements are an integral part of this statement.

Enterprise Funds

Pleasant Valley Pipeline Fund	Pumping Trough Pipeline Fund	Total
\$ 11,865	\$ 1,634,698	\$ 8,001,487
123	45,991	113,911
<u>11,988</u>	<u>1,680,689</u>	<u>8,115,398</u>
43,598	160,734	1,116,851
26,813	102,023	643,494
4,368	467,716	1,311,568
23,502	81,270	404,994
7,811	14,380	610,133
18,464	91,023	486,019
114,369	251,665	1,117,030
66,164	436,667	1,258,357
<u>305,089</u>	<u>1,605,478</u>	<u>6,948,446</u>
<u>(293,101)</u>	<u>75,211</u>	<u>1,166,952</u>
26,862	1,475	42,014
(785)	(1,382)	(6,402)
<u>(59,850)</u>	<u>(30,102)</u>	<u>(167,392)</u>
<u>(33,773)</u>	<u>(30,009)</u>	<u>(131,780)</u>
<u>(326,874)</u>	<u>45,202</u>	<u>1,035,172</u>
(326,874)	45,202	1,035,172
<u>2,956,027</u>	<u>5,674,891</u>	<u>46,281,743</u>
<u>\$ 2,629,153</u>	<u>\$ 5,720,093</u>	<u>\$ 47,316,915</u>

United Water Conservation District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Freeman Diversion Fund	Oxnard- Hueneme Pipeline Fund
Cash flows from operating activities		
Receipts from customers	\$ 2,991,385	\$ 3,319,757
Payments to suppliers	(989,929)	(1,685,334)
Payments to employees	(524,552)	(865,411)
Payment arising from extraordinary item - claim settlement	(502,632)	-
Net cash provided by (used for) operating activities	974,272	769,012
Cash flows from capital and related financing activities		
Purchases of capital assets	(341,789)	(157,502)
Principal payments	(3,119)	(103,038)
Interest payments	(7,949)	(70,329)
Bond fees and expenses	(147)	(2,164)
Net cash used for capital and related financing activities	(353,004)	(333,033)
Cash flows from investing activities		
Interest received	9,294	4,208
Payments received on notes receivable	-	-
Net cash provided by investing activities	9,294	4,208
Net increase (decrease) in cash and cash equivalents	630,562	440,187
Balances - June 30, 2013	3,307,673	1,678,131
Balances - June 30, 2014	\$ 3,938,235	\$ 2,118,318
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,098,919	\$ 285,923
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -		
Depreciation expense	370,293	385,233
Change in assets and liabilities:		
Accounts receivable, net	(115,959)	4,380
Prepaid expenses and other assets	(3,631)	(653)
Accounts and other payables	119,250	71,287
Payable arising from claim settlement	(502,632)	-
Compensated absences	8,032	22,842
Net cash provided by (used for) operating activities	\$ 974,272	\$ 769,012

The notes to the financial statements are an integral part of this statement.

Enterprise Funds

Pleasant Valley Pipeline Fund	Pumping Trough Pipeline Fund	Total
\$ 14,300	\$ 1,549,927	\$ 7,875,369
(170,857)	(923,121)	(3,769,241)
(63,589)	(257,151)	(1,710,703)
-	-	(502,632)
<u>(220,146)</u>	<u>369,655</u>	<u>1,892,793</u>
(273,972)	(126,432)	(899,695)
(203,074)	(69,825)	(379,056)
(27,576)	(30,724)	(136,578)
(689)	(579)	(3,579)
<u>(505,311)</u>	<u>(227,560)</u>	<u>(1,418,908)</u>
27,188	1,474	42,164
196,775	-	196,775
<u>223,963</u>	<u>1,474</u>	<u>238,939</u>
(501,494)	143,569	712,824
933,154	639,039	6,557,997
<u>\$ 431,660</u>	<u>\$ 782,608</u>	<u>\$ 7,270,821</u>
\$ (293,101)	\$ 75,211	\$ 1,166,952
66,164	436,667	1,258,357
2,312	(130,762)	(240,029)
(1,127)	(1,896)	(7,307)
(2,732)	(16,375)	171,430
-	-	(502,632)
8,338	6,810	46,022
<u>\$ (220,146)</u>	<u>\$ 369,655</u>	<u>\$ 1,892,793</u>

**United Water Conservation District
Statement of Fiduciary Net Position
June 30, 2014**

	Employee Benefits Trust Fund
Assets	
Cash and cash equivalents	<u>\$ 1,350</u>
Total assets	<u>1,350</u>
Liabilities	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net Position	
Held in trust for employee benefits	<u><u>\$ 1,350</u></u>

The notes to the financial statements are an integral part of this statement.

**United Water Conservation District
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014**

	Employee Benefits Trust Fund
Additions	
Contributions	\$ 20,921
Deductions	
Benefits	<u>24,196</u>
Change in net position	(3,275)
Net Position - July 1, 2013	<u>4,625</u>
Net Position - June 30, 2014	<u><u>\$ 1,350</u></u>

The notes to the financial statements are an integral part of this statement.

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The United Water Conservation District (District) was formed in 1950 under the Water Conservation Act of 1931. An elected seven-member Board of Directors governs the District. The District's major operations, as a water conservation district, include groundwater recharge and monitoring and abatement of seawater intrusion that manifests along the coast while also protecting environmental needs.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

These financial statements present the District and its component unit, the United Water Conservation District Public Facilities Financing Authority. As defined by GASB, the financial reporting entity consists of the primary government, as well as component units, for which the District is considered to be financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the District.

The United Water Conservation District Public Facilities Financing Authority (PFFA) was established in 1993 to construct, acquire, maintain and improve the public facilities and improvements within the District boundaries. The District's Board of Directors acts as the governing body of the PFFA. Although legally separate, the PFFA is blended into the General Fund, Freeman Diversion Fund, Oxnard-Hueneme Pipeline Fund, Pleasant Valley Pipeline Fund and the Pumping Trough Pipeline Fund. The PFFA does not issue separate financial statements.

B. Basic Financial Statements – District-wide Statements

The District's basic financial statements include both district-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the district-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's water conservation, recreation facilities, state water import and general administrative services are classified as governmental activities. The Freeman diversion facility and the three pipeline water delivery and treatment facilities are classified as business-type activities, and are generally financed by fees charged to external parties for goods or services.

In the district-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets, restricted net position, and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. The Statement of Net Position includes all funds of the reporting entity except fiduciary funds.

The district-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each function of the business-type activities of the District and for each program of the governmental activities. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are allocated among the operating funds of the District based on an allocation plan approved by the Board of Directors. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. Inter-fund activity is eliminated in the governmental and business-type activities columns of the statement of activities.

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

C. Basic Financial Statements – Fund Financial Statements

Fund financial statements report detailed information about the District. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred outflows/deferred inflows of resources, net position/fund balance, revenues and expenses/expenditures. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. All of the District's governmental and proprietary funds were determined to be major funds at June 30, 2014.

The funds of the District are described below:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The District reports the following major governmental funds:

- a. **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Water conservation activities, recreational activities and general operating activities are accounted for in the General Fund. Generally, at the discretion of the Board of Directors, the District's groundwater extraction revenues fund the water conservation activities and property tax revenues are used to first fund the District's general operating activities and recreational activities of the District.
- b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The *State Water Import Fund* accounts for the financial resources and expenditures necessary to pay for the District's annual Table A allocation to water from the State Water Project.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. The Oxnard-Hueneme and Pumping Trough Pipeline Funds also recognize as operating revenue the fees, if any, intended to recover the cost of connecting new customers to the pipeline. Operating expenses for the enterprise funds 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.

The following is a description of the proprietary funds of the District:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital

United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Freeman Diversion Fund accounts for the resources and expenses for the operations, maintenance, improvements and debt service of the Freeman Diversion facilities. The structure diverts surface water from the Santa Clara River for groundwater recharge and pipeline water delivery for agricultural use to fight seawater intrusion caused by overdrafting groundwater basins throughout the District.

The Oxnard-Hueneme Pipeline Fund accounts for the resources and expenses for the operations, maintenance, improvements and debt service of the Oxnard-Hueneme pipeline. The District delivers potable water via pumped groundwater from the El Rio spreading grounds to the Oxnard and Port Hueneme areas for municipal and industrial and some agricultural usage.

The Pleasant Valley Pipeline Fund accounts for the resources and expenses for the operations, maintenance, improvements and debt service of the Pleasant Valley pipeline. The District diverts surface water at the Freeman Diversion Dam and transports it via the pipeline to the Pleasant Valley County Water District for agricultural use, which in turn reduces groundwater extraction at the coast that results in seawater intrusion.

The Pumping Trough Pipeline Fund accounts for the resources and expenses for the operations, maintenance and improvements of the Pumping Trough pipeline. The pipeline provides a combination of Santa Clara River surface water and Fox Canyon aquifer groundwater for agricultural use, which in turn reduces the advancement of seawater intrusion.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. These funds are not incorporated into the district-wide statements. The District reports the following fiduciary fund:

The Employee Benefit Trust Fund is a private-purpose trust fund used to account for resources legally held in trust for the employee's Section 125 plan flexible spending accounts. The reporting focus is on net position and changes in net position and uses accounting principles similar to proprietary funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the district-wide financial statements and the proprietary and fiduciary funds' financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Earned but unbilled amounts for services provided are accrued and included in accounts receivable and recognized as revenue.

2. Modified Accrual:

The governmental funds' financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay

United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

liabilities of the current period. The District considers all revenue available if collected within 60 days after year-end. The District considers interest, certain taxes, grant revenues, groundwater charges and water delivery charges to be susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Assets, Liabilities, Deferred Outflows/Deferred Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and short-term investments with original maturities of three months or less.

2. Investments:

Investments are carried at fair value.

The District's Investment Policy authorizes investments in the State of California Local Agency Investment Fund, U.S. Government Securities generally limited to Treasury Bills, Treasury Notes, Bonds or other direct obligations of the U.S. Government, U.S. Agencies generally limited to issuances by a federal agency or a U.S. Government – sponsored enterprise, Certificates of Deposit, Approved Bank Demand Deposit Accounts, Approved Bank Overnight Sweep Accounts and Money Market Funds.

3. Receivables:

The District's receivables consist of interest, certain taxes, grant revenues, groundwater charges and water delivery charges that are considered susceptible to accrual. Unbilled receivables for these items totaled approximately \$4,844,828 in governmental funds and \$1,560,880 in enterprise funds at June 30, 2014.

Property taxes are collected and remitted to the District by the County of Ventura. Taxes are levied annually on November 1 and are due one-half by December 10 and one-half by April 10. Major tax payments are received December through May and are recognized as revenue in the year received. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days of year-end which are recognized as revenue as of June 30.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of inter-fund loans) or advances to/from other funds (i.e., the non-current portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as internal balances.

4. Prepaid Items:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements and expensed as the items are used.

5. Capital Assets:

Capital assets are reported in the applicable governmental or business-type activity columns in the district-wide financial statements and in the proprietary funds.

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other

United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

capital outlays that significantly extend the useful life of an asset are capitalized. Repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Dams	100 years
Structures and improvements	15-50 years
Equipment	3-25 years

6. Compensated Absences:

The District accrues vacation, annual leave and compensatory time in the period the fund liability is incurred. Sick leave liability is based on the amount accumulated at year-end by those employees who are eligible to receive termination payments.

7. Long-term Obligations:

In the district-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

8. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position includes 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position includes 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

9. Unearned Revenue:

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

10. Net Position:

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide and proprietary fund financial statements. Net position is classified in the following categories:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt related to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with legal limitations imposed on their use by external restrictions by other governments, creditors or grantors.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or invested in capital assets.

United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Restricted net position for governmental activities are restricted due to law through constitutional provisions or enabling legislation, debt covenants and unspent bond proceeds. Restricted net position for business type activities are restricted due to debt covenants.

11. Fund Balances:

In the fund financial statements, governmental fund balances are classified as follows:

- a. Non-spendable – Amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- b. Restricted – Amounts that are restricted to specific purposes when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (majority vote) of the Board of Directors. Those committed amounts cannot be used for any other purpose unless formal action taken by the Board of Directors removes or changes the specified use. Committed fund balance will also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Committed fund balance may include encumbered amounts for specific purposes that have not been previously committed.
- d. Assigned – Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed will be reported as assigned fund balance. Assigned fund balance may include encumbered amounts for specific purposes that have not been previously assigned. The Board of Directors has designated the assignment of assigned fund balance to the Finance Committee via the Fund Balance Policy.
- e. Unassigned – Represents residual fund balance that has not been restricted, committed, or assigned to specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

At June 30, 2014, governmental fund balance consisted of the following:

	General Fund	State Water Fund
Fund Balances:		
Restricted for:		
Debt service reserve	\$ 897,891	\$ -
Unspent bond proceeds for capital acquisition	546,707	-
State Water Importation	-	1,325,318
Committed for:		
PERS Side Fund	806,130	-
Other post-employment benefits	60,891	-
Contractual obligations	788,072	-
Assigned for:		
Carryover appropriations	149,408	-
Infrastructure	2,164,242	-
Unassigned	9,107,007	-
Total fund balances	\$ 14,520,348	\$ 1,325,318

12. Budgets and Budgetary Accounting:

On or before June 30, the annual budget is adopted by the Board of Directors after holding a public hearing and provides for the general operation of the District. The operating budget includes proposed expenditures and the means of financing them. The Board of Directors has the legal authority to amend the budget for all funds at any time during the fiscal year. The appropriated budget is prepared by fund and activity. The legal level of budgetary control is at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year-end are carried forward and added to the subsequent year's appropriation. The unencumbered balance of each appropriation lapses at year-end and reverts to the respective fund from which it was appropriated and becomes available for future appropriation.

F. 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.

Note 2. PRIOR PERIOD ADJUSTMENT

Beginning net position for Governmental Activities in the Statement of Activities on the district-wide financial statements has been restated by (\$199,308) to account for a prior year impairment of a capital asset.

Note 3. DEPOSITS AND INVESTMENTS

At June 30, 2014, the District's carrying amount of deposits was \$857,243 and the bank balance was \$1,058,152. Of the bank balance, \$250,000 was insured by Federal Deposit insurance. The District's custodial credit risk policy provides that all deposits will be collateralized with eligible securities having a market value of at least 110% of the amount of the deposits. Eligible securities are maintained with the financial institutions agent, are not held in the name of the District, and are included in those listed in California Government Code Section 53651. Deposits are limited by the District's investment policy to a maximum of 15% of total cash and investments.

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

At June 30, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Carrying Value</u>
U.S. Government Money Market Funds	\$ 1,561,100	\$ 1,561,100
State of California Local Agency Investment Fund	16,573,458	16,573,458
County of Ventura Investment Pool	<u>61,016</u>	<u>61,016</u>
Total	<u>\$ 18,195,574</u>	<u>\$ 18,195,574</u>

The State of California Local Agency Investment Fund (LAIF) is an external investment pool. LAIF operates in accordance with appropriate state laws and regulations and is an unrated pool. The share value of the District's investment in LAIF is \$16,568,509. The County of Ventura (County) Investment Pool operates in accordance with appropriate state laws and regulations and the investment policy of the County. The District's investment in the County of Ventura Investment Pool was rated AAAs by Standard & Poor's for a primary objective of safety and S1 by Standard & Poor's for a secondary objective of liquidity.

Credit Risk - The District manages its risk for 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.

Concentration of Credit Risk - The District's investment policy provides that no more than 33% of the District's portfolio may be invested with a single firm or institution with the exception of the State of California Local Agency Investment Fund or obligations of the U.S. Government.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District limits and staggers its investments to instruments whose maturity does not exceed three years. All District investments are intended to be held to maturity.

Note 4. NOTE RECEIVABLE

The District has a water delivery contract with the Pleasant Valley County Water District (Pleasant Valley) that, as amended, states that Pleasant Valley agrees to pay to the District an annual amount sufficient to cover the debt service requirements of the 1996 Pleasant Valley Reservoir Improvement Project which was initially funded by the proceeds of the 1996 Certificates of Participation and later refunded by the 2006A Revenue bonds. Under the terms of the contract, Pleasant Valley agrees to make principal and interest payments each year until the year ending June 30, 2016 or until the note receivable is paid in full, even in the event that no water is delivered in any particular year or years. The terms of the note call for interest to be paid at the same rate of interest as the District pays on the underlying debt, which ranges from 3.4% to 5.25%.

Note receivable is comprised of the following at June 30, 2014:

Pleasant Valley County Water District	\$ 355,269
Less current portion	<u>(206,035)</u>
Net note receivable	<u>\$ 149,234</u>

United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Note 5. CAPITAL ASSETS

	Balance as restated (Note 2) July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 16,919,903	\$ -	\$ (473)	\$ 16,919,430
Construction in Progress	1,037,431	630,619	(76,438)	1,591,612
Total capital assets not being depreciated	<u>17,957,334</u>	<u>630,619</u>	<u>(76,911)</u>	<u>18,511,042</u>
Capital assets being depreciated:				
Dams	5,684,474	-	-	5,684,474
Structures and Improvements	21,703,908	172,238	-	21,876,146
Equipment	3,159,234	219,896	-	3,379,130
Intangibles	8,431,927	-	-	8,431,927
Total capital assets being depreciated	<u>38,979,543</u>	<u>392,134</u>	<u>-</u>	<u>39,371,677</u>
Less accumulated depreciation for:				
Dams	(3,382,260)	(56,845)	-	(3,439,105)
Structures and Improvements	(9,162,424)	(560,606)	-	(9,723,030)
Equipment	(2,106,486)	(198,172)	-	(2,304,658)
Intangibles	(4,391,142)	(462,590)	-	(4,853,732)
Total accumulated depreciation	<u>(19,042,312)</u>	<u>(1,278,213)</u>	<u>-</u>	<u>(20,320,525)</u>
Total capital assets being depreciated, net	<u>19,937,231</u>	<u>(886,079)</u>	<u>-</u>	<u>19,051,152</u>
Governmental activities capital assets, net	<u>\$ 37,894,565</u>	<u>\$ (255,460)</u>	<u>\$ (76,911)</u>	<u>\$ 37,562,194</u>

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

Business-type activities:

Capital assets not being depreciated:

Land	\$ 1,220,855	\$ -	\$ -	\$ 1,220,855
Construction in Progress	417,796	741,248	(276,224)	882,820
Total capital assets not being depreciated	<u>1,638,651</u>	<u>741,248</u>	<u>(276,224)</u>	<u>2,103,675</u>

Capital assets being depreciated:

Dams	31,173,473	-	-	31,173,473
Structures and Improvements	34,605,853	394,306	-	35,000,159
Equipment	2,019,787	40,366	-	2,060,153
Total capital assets being depreciated	<u>67,799,113</u>	<u>434,672</u>	<u>-</u>	<u>68,233,785</u>

Less accumulated depreciation for:

Dams	(7,233,019)	(311,735)	-	(7,544,754)
Structures and Improvements	(18,471,588)	(827,847)	-	(19,299,435)
Equipment	(1,471,786)	(118,775)	-	(1,590,561)
Total accumulated depreciation	<u>(27,176,393)</u>	<u>(1,258,357)</u>	<u>-</u>	<u>(28,434,750)</u>
Total capital assets being depreciated, net	<u>40,622,720</u>	<u>(823,685)</u>	<u>-</u>	<u>39,799,035</u>

Business-type activities capital assets, net

<u>\$ 42,261,371</u>	<u>\$ (82,437)</u>	<u>\$ (276,224)</u>	<u>\$ 41,902,710</u>
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Water conservation	\$ 936,085
Lake Piru Recreation facility	268,154
State Water Project importation	73,974
General and administrative	-
Total governmental activities depreciation	<u>\$ 1,278,213</u>

Business-type activities:

Freeman Diversion facility	\$ 370,293
Water delivery and treatment facilities	888,064
Total business-type activities depreciation	<u>\$ 1,258,357</u>

Note 6. PENSION PLAN

Plan Description – The District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The District contributes to the Public Agency portion of the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish menus of benefit provisions as well as other requirements. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy for Classic Members– Active plan members are required to contribute 8% of annual covered salary. Generally, the District makes the contributions required of District full-time employees and part-time employees (meeting certain hour's criteria) on their behalf and for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

required employer contribution rate for fiscal year 2013-2014 was 20.638% and the employee portion paid by the District for full-time and part-time employees was 8%.

Funding Policy for PEPRAs Members - Effective January 1, 2013, the Public Employees' Pension Reform Act (PEPRA) implemented a new benefit formula and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member as per PEPRA. New PEPRA members are required to contribute 6.25% of reportable compensation unless covered under the District's memorandum of understanding which expires June 30, 2019. For the fiscal year ending June 30, 2014, there were three PEPRA members which are covered under the District's memorandum of understanding. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The required employer contribution rate for FY 2013-14 was 6.25% and the employee portion of 6.25% was paid by the District for qualifying members.

Annual Pension Cost - For fiscal year 2013-2014, the District's annual pension cost of \$1,017,015 was equal to the District's required and actual contributions (does not include employee share of \$395,428 which was paid by the District). The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.30% to 14.20% depending on age, service and type of employment, and (c) individual salary growth which is a merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%. Items (a) and (b) also included an inflation component of 2.75%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen-year period depending on the size of investment gains and/or losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 21 years.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 963,769	100%	-
6/30/2013	\$ 941,789	100%	-
6/30/2014	\$ 1,017,015	100%	-

Side Fund - 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 causes the required employer contribution rate to be increased by the amortization of the Side Fund. On August 15, 2014, a side-fund payment of \$1,325,000 was made reducing the side-fund balance by \$806,130 for the Governmental funds and \$518,870 for Proprietary funds.

Note 7. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The District administers a single-employer defined benefit healthcare plan (Plan). The Plan provides post employment medical insurance to eligible retirees and their spouses through the California Public Employees Retirement System. State statutes within the Public Employees' Retirement Law establish menus of benefit provisions as well as other requirements and may be amended by CalPERS. The District selected an optional benefit provision specifically for health benefits in compliance with the Public Employees Medical and Hospital Care Act (PEMHCA). The Plan does not issue a public available report.

Funding Policy - The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

the parameters of GASB Statement No. 45. The ARC representing a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The District funds the plan on a pay-as-you-go basis and has recognized a liability for the difference between pay-as-you-go and the actuarially determined ARC. The District's contribution is determined using a 5% unequal method which is equal to 5% of active contribution each year the District is in PEMHCA. The District joined PEMHCA effective 1999. For FY 2013-14, the District contributed \$89.25 per month per each plan member. The required contribution amount for plan members is the remaining amounts necessary to fund the full premium due, based on the benefit choice of the plan member, after the District's PEMHCA minimum (10/14/98 PEMHCA resolution) has been applied.

Annual OPEB Cost and Net OPEB Obligation – The following table shows the components of the District's annual OPEB expense for the years ended June 30, 2014 and 2013, the amount actually contributed to the plan and the changes in the District's obligation:

	2014	2013
Annual required contribution (ARC)	\$ 132,000	\$ 123,000
Interest on net OPEB obligation	20,190	15,430
Adjustment to annual required contribution	(21,428)	(15,847)
Annual OPEB cost (expense)	130,762	122,583
Pay as you go payments	(12,323)	(10,592)
Increase in net OPEB obligation	118,439	111,991
Net OPEB obligation - beginning of year	475,052	363,061
Net OPEB obligation - end of year	<u>\$ 593,491</u>	<u>\$ 475,052</u>

The District's annual OPEB cost, the percentage of annual cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2014, 2013 and 2012 are shown in the following table:

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
6/30/2012	\$ 135,999	6.07%	\$ 363,061
6/30/2013	\$ 122,583	8.64%	\$ 475,052
6/30/2014	\$ 130,762	9.42%	\$ 593,491

Funded Status – The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability	\$ 1,058,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 1,058,000
Funded ratio	0%
Covered payroll	\$ 4,154,000
Unfunded actuarial accrued liability as a percentage of covered payroll	25.5%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits. The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization on a closed basis
Remaining amortization period	27 years as of the valuation date
Actuarial assumptions:	
Investment rate of return	4.25% (net of 2% of administrative expenses)
Projected salary increase	3.25% (depending upon age, service and type of employment)
Inflation – discount rate	3.00%
Healthcare cost trend rate	4.50% (PEMHCA minimum)

Note 8. RISK MANAGEMENT JOINT POWERS AUTHORITY

The District participates in the property, liability and workers' compensation program and risk management services organized by the Special District Risk Management Authority (the Authority). The Authority is a Joint Powers Authority (JPA) created to provide an insurance program and risk management services to public agencies in the State of California. The JPA is not a component unit of the District for financial purposes, as explained below.

The Authority provides liability, property and workers' compensation insurance and risk management services for the District, which is one of over 750 participating agencies, for losses in excess of the members' 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. The Authority is governed by a board composed of members from participating agencies. The board controls the operations of the Authority, 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 financial surpluses and deficiencies proportionately to its participation in the Authority.

Based on audited financial statements, at June 30, 2014 the Authority had total assets, liabilities and net position of \$103,447,984, \$50,078,187 and \$53,369,797, respectively. The District paid premiums of \$265,787 to the Authority for property, general liability and workers' compensation insurance during the year ended June 30, 2014.

The self-insurance retention level covered under the Authority program for property, liability and workers' compensation is \$100,000, \$500,000 and \$250,000, respectively, per claim and would be paid from the assets of the Authority. Assistance with disposition of claims within the self-insured retentions is provided through the Authority. The District had no outstanding claims under the Authority and no liabilities relating to outstanding claims (including estimates for incurred but not reported claims) were recorded as of June 30, 2014.

Note 9. STATE WATER PROJECT

In 1963, the Ventura County Flood Control District contracted with the State of California (State) for 20,000 acre-feet per year of water from the State Water Project (SWP). The SWP conveys water from Northern California to Southern California through a system of reservoirs, canals, pump stations and power generation facilities. In 1971, the administration of the Water Supply Contract with the State was assigned to Casitas Municipal Water District (Casitas). The District has contracted with Casitas for an annual Table A allocation of 5,000 acre-feet of SWP water. As consideration for water delivery entitlement, the District is obligated through the year 2036 to pay, without regard to the quantity of water received, its share of SWP capital construction costs, ongoing operating, maintenance, power and replacement costs, and certain other costs (collectively referred to as "ongoing operations and maintenance costs") to ensure the future availability of water. The District and the Department of Water Resources have signed an agreement

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

in principal to extend the term of the SWP water supply contracts by 40 years from December 31, 2035 to December 31, 2075.

The District has recorded a liability for its share of capital construction costs (see Note 10). The District's share of ongoing operations and maintenance costs is determined annually by the State. Estimates provided by the State of future costs are as follows:

Year Ending June 30	Governmental Activities
2015	\$ 672,631
2016	741,934
2017	685,637
2018	680,854
2019	681,224
2020-2024	3,428,493
2025-2029	3,428,119
2030-2034	3,186,271
2035-2036	962,665
Total	<u>\$ 14,467,828</u>

The above estimates are based upon a number of assumptions, are contingent upon future events, and are subject to significant variations over time. The District accounts for such ongoing operations and maintenance costs as expenditures in the periods in which they are billed to the District.

Note 10. LONG-TERM LIABILITIES

State Water Project - This long-term liability represents the District's share of capital construction costs of the State Water Project (See Note 9). The total principal amount outstanding as of June 30, 2014 is estimated by the State to be \$1,157,089 and has a fixed interest rate of 4.61%, payable in various installments, due December 2035.

Year Ending June 30	State Water Project Construction Costs	
	Governmental Activities	
	Principal	Interest
2015	\$ 98,190	\$ 43,872
2016	100,341	40,038
2017	99,083	36,163
2018	91,205	31,978
2019	78,413	27,965
2020-2024	250,739	97,886
2025-2029	214,506	47,562
2030-2034	178,958	673
2035-2036	45,654	(6,995)
Total	<u>\$ 1,157,089</u>	<u>\$ 319,142</u>

United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

2001B Revenue Bonds - In August 2001, the District entered into an Installment Purchase Agreement with the California Statewide Communities Development Authority (the Authority), a joint exercise of powers agency, in order to provide for the financing for certain public capital improvements and water system maintenance. The Authority, under a pooled financing program, issued \$12,495,000 Water and Wastewater Revenue Bonds, Series 2001B. The District is a participant in the Series 2001B program. The District's portion of the Water and Wastewater Revenue Bonds amounted to \$2,550,000. The bonds require semi-annual payments, with interest ranging from 3.25% to 5.13%, through October 2021. The payments are secured by a pledge of the District's net revenues. The total principal amount outstanding as of June 30, 2014 is \$989,999 with remaining interest ranging from 4.60% to 5.125%.

Year Ending June 30	2001B Revenue Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 19,273	\$ 8,565	\$ 85,727	\$ 38,095
2016	20,191	7,647	89,809	34,013
2017	21,109	6,666	93,891	29,649
2018	22,026	5,619	97,974	24,996
2019	22,944	4,492	102,056	19,980
2020-2022	76,174	5,997	338,825	26,676
Total	\$ 181,717	\$ 38,986	\$ 808,282	\$ 173,409

2005B Revenue Bonds - In July 2005, the District entered into an Installment Purchase Agreement with the California Statewide Communities Development Authority (the Authority), a joint exercise of powers agency to provide for the financing for certain public capital improvements. The Authority, under a pooled financing program, issued \$11,840,000 Water and Wastewater Revenue Bonds, Series 2005B. The District is a participant in the Series 2005B program. The District's portion of the Water and Wastewater Revenue Bonds amounted to \$9,620,000. The bonds require semi-annual payments, with interest ranging from 2.50% to 4.50%, for 20 years through October 2025 and for 30 years through October 2035. The payments are secured by a pledge of the District's net revenues. The total principal amount outstanding as of June 30, 2014 is \$7,240,000 with remaining interest from 3.50% to 4.50%.

Year Ending June 30	2005B Revenue Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 244,843	\$ 240,366	\$ 65,157	\$ 57,937
2016	252,787	231,531	67,213	55,587
2017	260,731	222,157	69,269	53,096
2018	268,675	212,229	71,325	50,459
2019	280,413	201,691	74,587	47,659
2020-2024	1,584,067	822,964	420,933	189,002
2025-2029	1,295,029	485,005	309,971	101,402
2030-2034	1,120,291	246,679	229,709	50,580
2035-2036	518,652	23,620	106,348	4,843
Total	\$ 5,825,488	\$ 2,686,242	\$ 1,414,512	\$ 610,565

2006A Revenue Bonds - In March 2006, the District entered into an Installment Purchase Agreement with the California Statewide Communities Development Authority (the Authority), a joint exercise of powers agency, in order to provide for the financing for certain public capital improvements, and to refund certain outstanding obligations of the District (1996 Certificates of Participation issue). The Authority, under a pooled financing program, issued \$21,560,000 Water Revenue Bonds, Series 2006A. The District is a participant in the Series 2006A program. The District's portion of the Water Revenue Bonds amounted to \$8,470,000. The bonds require semi-annual payments, with interest ranging from 3.00% to 4.50%, through April 2016. The payments are

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

secured by a pledge of the District's net revenues. The total principal amount outstanding as of June 30, 2014 is \$605,000 with remaining interest ranging from 3.75% to 4.5%.

Year Ending June 30	2006A Revenue Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 54,695	\$ 4,445	\$ 240,305	\$ 19,386
2016	58,144	2,326	251,856	10,074
Total	\$ 112,839	\$ 6,771	\$ 492,161	\$ 29,460

2009 Certificates of Participation Bonds – Certificates of Participation (COP), in the amount of \$15,465,000 were issued in December 2009 to provide funds for the (1) acquisition of approximately 231 acres of land of \$13,542,400 and for (2) improvements related to the Lake Piru Recreation facilities for \$750,000. The certificates are payable solely from certain installment payments to be made by the District pursuant to the 2009 Installment Purchase Contract, dated December 1, 2009 by and between the District and the United Water Conservation District Public Facilities Financing Corporation. The 2009 Installment Payments are a special obligation of the District payable from and secured by a pledge of the net revenues of the District's water system. The bonds require semi-annual payments, with interest ranging from 2.00% to 5.00% for 30 years through June 2040. The total principal amount outstanding as of June 30, 2014 is \$11,010,000 with remaining interest ranging from 4.0% to 5.0%.

Year Ending June 30	2009 Certificates of Participation	
	Governmental Activities	
	Principal	Interest
2015	\$ 435,000	\$ 501,156
2016	450,000	483,456
2017	465,000	465,156
2018	485,000	446,156
2019	500,000	426,456
2020-2024	1,610,000	1,902,691
2025-2029	1,655,000	1,566,250
2030-2034	2,105,000	1,099,875
2035-20339	2,685,000	503,875
2040	620,000	15,501
Total	\$ 11,010,000	\$ 7,410,572

In December 2009, the District entered into an agreement with the City of Oxnard (City) for the purchase of supplemental water. In the event the District makes available supplemental water to the City and the City utilizes these water supplies, the City could potentially make payments up to \$5,850,000 to the District beginning in January 2010 and continuing through June 2019. The District received \$250,006 from the City for supplemental water during the year ended June 30, 2014. The District has committed to utilize these revenues to assist in making the 2009 Certificates of Participation debt service payments.

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due within One Year
Governmental activities:					
Obligation under State Water Project	\$ 1,241,814	\$ 10,727	\$ (95,452)	\$ 1,157,089	\$ 98,190
Bonds payable:					
2001B Revenue bonds	200,072	-	(18,355)	181,717	19,273
2005B Revenue bonds	6,058,592	-	(233,104)	5,825,488	244,843
2006A Revenue bonds	167,323	-	(54,484)	112,839	54,695
2009 Certificates of Participation	11,425,000	-	(415,000)	11,010,000	435,000
Plus deferred amounts of bond premium	94,915	-	(5,101)	89,814	5,101
Less deferred amounts for issuance discounts	(54,420)	-	2,516	(51,904)	(2,517)
Total bonds payable	<u>17,891,482</u>	<u>-</u>	<u>(723,528)</u>	<u>17,167,954</u>	<u>756,395</u>
Compensated absences	<u>546,541</u>	<u>221,133</u>	<u>(294,964)</u>	<u>472,710</u>	<u>251,173</u>
Post employment benefits other than pensions	<u>247,949</u>	<u>75,641</u>	<u>(6,828)</u>	<u>316,762</u>	<u>-</u>
Governmental activity long-term liabilities	<u>19,927,786</u>	<u>307,501</u>	<u>(1,120,772)</u>	<u>19,114,515</u>	<u>1,105,758</u>
Business-type activities:					
Bonds payable:					
2001B Revenue bonds	889,928	-	(81,646)	808,282	85,727
2005B Revenue bonds	1,476,408	-	(61,896)	1,414,512	65,157
2006A Revenue bonds	727,677	-	(235,516)	492,161	240,305
Plus deferred amounts of bond premium	7,568	-	(2,752)	4,816	2,752
Less deferred amounts for issuance discounts	(18,345)	-	1,263	(17,082)	(1,262)
Total bonds payable	<u>3,083,236</u>	<u>-</u>	<u>(380,547)</u>	<u>2,702,689</u>	<u>392,679</u>
Compensated absences	<u>322,287</u>	<u>140,384</u>	<u>(143,989)</u>	<u>318,682</u>	<u>169,005</u>
Post employment benefits other than pensions	<u>227,103</u>	<u>55,122</u>	<u>(5,495)</u>	<u>276,730</u>	<u>-</u>
Business-type activity long-term liabilities	<u>3,632,626</u>	<u>195,506</u>	<u>(530,031)</u>	<u>3,298,101</u>	<u>561,684</u>
Total long-term liabilities	<u>\$ 23,560,412</u>	<u>\$ 503,007</u>	<u>\$ (1,650,803)</u>	<u>\$ 22,412,616</u>	<u>\$ 1,667,442</u>

For governmental activities, compensated absences and other post employment benefits are generally liquidated by the general fund.

Note 11. MAJOR CUSTOMERS

The District has four customers whose water charges represent a significant portion of water revenue. Revenue from these four customers represented 24%, 9%, 7% and 5% respectively, of water revenue during the fiscal year ended June 30, 2014.

Note 12. RISK MANAGEMENT

The District is exposed to potential losses from claims arising from its business operations. Significant losses are covered by commercial insurance. There have been no significant reductions in insured coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

Note 13. RELATED PARTY TRANSACTIONS

Three of the seven-member Board of Directors have business concerns within the District boundaries and purchased water from the District. The amounts received, for the year ended June 30, 2014, from Board members in sales revenue was \$70,657.

Note 14. JOINT VENTURE

On September 17, 2002, the District entered into a Joint Exercise of Powers agreement with the City of Oxnard to create the Oxnard Plain/RiverPark Reclamation and Groundwater Recharge Authority (Authority), a public entity set up to secure grant funding and other public and private funding to reclaim mining pits to implement the Recharge Program and Reclamation Plan, and to undertake other groundwater recharge, groundwater quality, and water supply programs. Each of the parties may be required to make contributions of funds or use its personnel, equipment or property. At June 30, 2013 (the most recent available), the Authority had total assets, liabilities and net position of \$1,028,176, \$0, and \$1,028,176 respectively. The financial information on the Authority may be obtained by contacting its Treasurer/Auditor, City of Oxnard, Finance Director, 300 West Third Street, Oxnard, CA 93003.

Note 15. SERVICE CONCESSION ARRANGEMENT

Under its Federal Energy Regulatory Commission (FERC) license for the Santa Felicia Dam, the District is required to provide recreation facilities and services to the public at Lake Piru Recreation Area (Lake Piru). In January 2014, the District entered into an agreement with Parks Management Company (PMC) to provide recreation concessionaire services at Lake Piru. The District retains the right to direct the types of services provided, approved fees and restrict public access to the recreation area. Under the terms of the agreement, PMC pays the District monthly rent in the amount of ten percent of adjusted gross revenue and provide an investment of up to \$150,000 in improvement within the first three years of the agreement. The previous recreation concessionaire services agreement terminated effective December 31, 2013 and also provided monthly rent in the amount of ten percent of the concessionaire's adjusted gross income. During the year ended June 30, 2014, the District recognized \$72,432 in concessionaire revenue.

Note 16. COMMITMENTS

The District leases office space from a third party under a long-term operating lease, which expires on June 30, 2017. The future minimum rental payments due under the lease are as follows:

Year Ending June 30	Rental Payments
2015	\$ 40,284
2016	41,493
2017	42,737
Total	<u>\$ 124,514</u>

Rent expense for the year ended June 30, 2014 was \$35,943.

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

Note 17. CONTINGENCIES

Santa Felicia Dam and HydroElectric Plant - The Federal Energy Regulatory Commission (FERC) relicense for the operation of the District's Santa Felicia Dam and Hydroelectric Plant is financed by a combination of District groundwater extraction rates and property taxes. The District's original FERC license expired in 2004 and the District began the relicensing process in FY 2001-2002. Through June 30, 2014, the District has spent or encumbered costs of \$4,560,569 to renew and comply with the conditions included in the new license.

On September 12, 2008, FERC issued a new 40-year license to the District. The new license establishes specific requirements that the District must meet. Several of these requirements come from the biological opinion (BiOp), which National Marine Fisheries Service (NMFS) issued to FERC for the effects of the license on southern California steelhead, listed as endangered under the Endangered Species Act (ESA). NMFS found that the issuance of the FERC license would jeopardize the continued existence of steelhead and result in adverse modification to designated critical habitat for steelhead. NMFS identified a reasonable and prudent alternatives plan (RPA) made up of three elements that FERC must require the District to implement to reduce the effects to steelhead and critical habitat to below the threshold of jeopardy and adverse modification.

The RPA includes requirements that the District undertake actions, such as water releases, that are operational changes and would reduce the water-yield of the project. The RPA requires the District to prepare and implement a number of plans to address the three elements: the effects of the Santa Felicia Project on water flows, geomorphic conditions, and fish passage. The RPA and FERC license require that plans be developed in consultation with NMFS and be approved by NMFS and FERC before they can be implemented.

The District has not formally accepted the new license. Instead, it requested a rehearing on several license elements including items for steelhead effects. On December 17, 2009, FERC denied the District's request for a rehearing. The District filed an appeal in the U.S. Court of Appeals for the D.C. Circuit on February 12, 2010, and the appeal brief was filed with the court on August 24, 2010. Because significant progress was being made on the most critical of the necessary plans, NMFS, FERC and the District requested that the court proceedings be held in abeyance. The court ordered the abeyance on September 29, 2010, and the abeyance remains in effect. The District is in compliance with a 60-day period reporting requirement and continues to report each 60-day period.

To date, the District has completed and received approval from FERC and NMFS on five of the nine plans required in the BiOp. The District has completed implementation of one of the approved plans, the study plan of geomorphic effects. Of the other four approved plans, one is for an evaluation of the relationship between flows and water elevation of lower Piru Creek and involves no implementation; another is a water release plan; yet another lays out the procedures for implementing the water releases and will be in effect for the term of the license and the final is a study plan for assessing the feasibility of providing fish passage at Santa Felicia Dam. The District has begun implementation of the study plan for assessing fish passage which is scheduled for completion in June 2015.

The four plans pending completion are in various stages of development. The District has prepared drafts of three other required plans (adaptive management, effectiveness monitoring for water releases, and habitat improvement). The District has completed consultation with NMFS and FERC on these plans.

The last of the uncompleted plans, a passage feasibility report, is being prepared by an independent panel of experts and will contain the results obtained from implementation of the passage feasibility study plan. At this time, the earliest the District expects that plan to be completed is June 2015, based on the schedule contained in the study plan.

Implementation of these various plans will, for the most part, require the District to undertake specific actions (e.g., water releases, gravel augmentation, data collection) for some length of time that may be the term of the license. This will continue to involve staff time and outside consulting services to manage and carry out and will likely have a negative effect on water resources over the term of the license (40 years). At this time, the future cost of complying with the additional requirements associated with license compliance, including the BiOp, is not known.

The successful collaboration of the District and NMFS on the development of acceptable plans has demonstrated to FERC that progress is being made and as a result, FERC has not imposed any penalties on the District for non-

United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

compliance with the license requirements. Given that the five outstanding plans are either with FERC for approval or are under development in accordance with a FERC-approved schedule, the District is in compliance with these requirements of the license. If FERC concludes at some point that the District is not making enough progress in meeting its requirements, in a timely manner, FERC could assess up to the maximum amount of the \$11,000 per day penalty retroactive to the required deadline set for any required action(s). The financial impact to the District, if FERC takes such a position, could be significant. It should be understood though, that it appears that FERC's intent is not to assess and collect penalties from the District but instead to use the potential for penalties to keep the District focused on coming into compliance with the license requirements.

Santa Felicia Dam Safety and Infrastructure Needs - Under the District's dam safety program, a structural analysis was performed to determine the seismic adequacy of the Santa Felicia Dam outlet works. The final results of the analyses indicate that the outlet works is insufficient to withstand the maximum credible earthquake (MCE) as defined by the study. In the case of a MCE, seismic deformation of the upstream embankment is expected to be large enough to damage the outlet conduit of the dam. Accordingly, re-use of the existing intake tower, outlet works, conduit and tunnel should not be considered in the development of alternatives. The outlet works include the intake tower, a standing pipe under the lake with its opening above the lake bottom sediment. Water flows into the intake tower and is channeled through the penstock, a steel pipe supported inside of a tunnel built under the dam. The purpose of the outlet works is to convey water from upstream of the dam and release it downstream of the dam. The lake bottom sediment is also approaching the opening of the in-take tower, which would plug it up and make releasing water from the lake impossible. The failure of the intake tower could prevent water releases from the reservoir, affecting the District's mission of recharging the aquifers and the safety of the dam itself. In addition, it has also been determined that the penstock will most likely not withstand a significant seismic event. A failure of the penstock could cause an uncontrolled release from the reservoir, leading to serious damage to the dam. Because of the seismic insufficiency of the intake tower (and silting issues) and penstock, the District is working on the design of a project to replace both structures. Once all technical options have been thoroughly considered and a final decision is made by the Board of Directors, a detailed cost analysis will be prepared. It is anticipated that the rehabilitation of the two structures could have a significant financial impact on the District. At this time, the estimated cost to design and construct the rehabilitation of the structure is in the order of \$20 to \$40 million. Through June 30, 2014, the District has spent or encumbered costs of \$577,984 on these Santa Felicia Dam safety and infrastructure measures.

The Freeman Diversion - The District's Freeman Diversion was completed in 1991. The Freeman Diversion diverts water released from Lake Piru and other surface water from the Santa Clara River. In 1997, the Southern California steelhead was listed as an endangered Distinct Population Segment (DPS) in accordance with the ESA. The District must comply with the ESA for this listed DPS with respect to the District's operation of the Freeman Diversion. To minimize effects of ongoing operations on steelhead, the District has developed and is implementing modified operations, including diversions for the Freeman Diversion. The District still needs incidental take authorization for the continued operation of the diversion. To obtain this authorization, the District is preparing a multiple species habitat conservation plan (MSHCP). The District expects the MSHCP process to take four more years to complete. Through June 30, 2014, the District has spent or encumbered costs of \$2,429,426 on developing the habitat conservation plan for eventual submittal to NMFS, US Fish and Wildlife Service, and California Department of Fish and Wildlife. The costs of ESA compliance, including water loss, will be determined when the District's HCP is finally approved.

During the fiscal year ending June 30, 2009, a lawsuit was filed by California Trout, Inc, (CalTrout) an environmental group, alleging unauthorized take of endangered Southern California steelhead by the District at the Freeman Diversion Dam and seeking compliance by the District and Bureau with the terms of the BiOp. By mutual agreement in August 2009, the District and CalTrout reached a settlement agreement in order to resolve the lawsuit and to avoid future costs and uncertainties of further litigation. The District recognized an extraordinary item of \$827,682 in fiscal year ending June 30, 2009 which included settlement costs. Pursuant to the settlement agreement, the District agreed to undertake several measures, including modifying certain operations, evaluating bypass flows, and forming an independent panel of experts to evaluate fish passage at the Freeman Diversion. The District is in compliance with all requirements of the settlement agreement. The independent panel issued a final report with its recommendations for improving the fish passage at the Freeman Diversion on September 15, 2010. Based on that panel's conclusions, and in compliance with the settlement agreement, the District is pursuing the design and implementation of a new fish passage facility at the Freeman

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

Diversion. This fish passage facility will be included as a conservation measure in the District's pending MSHCP. The design, permitting, construction, and maintenance of the new fish passage facility could have a significant effect on the financial position and cash flows of the District. At this time, the estimated cost to construct the facility is in the order of \$24 to \$30 million. The District's current goal is to complete the MSHCP and all other permitting and environmental compliance such that construction of the fish passage facility can begin in March 2019. Through June 30, 2014, the District has spent or encumbered costs of \$774,657 to evaluate the fish passage needs to be in compliance with the ESA.

Santa Felicia Dam Probable Maximum Precipitation/Flood Studies – Standard engineering practices require that dams be able to safely pass the largest discharges that they might encounter. This discharge is conjectural and is called the Probable Maximum Flood (PMF). The PMF is calculated from a conjectural large rainfall distribution. The standard rainfall employed is typically derived from the National Weather Service (NWS) computer model(s). In 2006, new PMF's were calculated for both the District's Santa Felicia Dam and California Department of Water Resources (DWR) Pyramid Dam on upper Piru Creek with the revised NWS rainfall model. Both were found to have issues with safely passing the new conjectural flows in order to protect the structural integrity of the dams. The discharges at either dam are intended to be conveyed over engineered spillways. Accordingly, should a discharge which exceeds existing spillway capacity need to be passed, some enlargement or modification to the dam's spillway becomes necessary. The higher the increased flood discharge, the larger and more costly the necessary retrofit. The recent NWS rainfall model discharges represented large increases from previous PMF discharges.

In order to verify and refine the PMF values for retrofit design, dam owners are allowed to utilize hydrology techniques specifically tailored to the specific watershed characteristics. The Federal Energy Regulatory Commission (FERC) and the California Division of Safety of Dams (DSOD), in their regulatory capacities, require that the site-specific PMF considerations be reviewed by an independent Board of Consultants. The District and DWR teamed to perform a Piru Watershed site specific PMF. DWR developed and funded the site-specific Probable Maximum Precipitation/Flood study and the District secured and funded a Board of Consultants that was responsible to review and approve the Probable Maximum Precipitation/Flood study results generated by the agencies for their respective facilities. These tasks were largely accomplished during FY 2010-11. The findings of the Board of Consultant's site-specific Probable Maximum Precipitation/Flood report resulted in reduced Probable Maximum Precipitation/Flood values. The draft results of the site specific rainfall study pointed to rainfall amounts that are substantially lower than those suggested by the NWS model, and if approved, would have resulted in eliminating or significantly reducing modifications necessary to the dam and spillway.

FERC and DSOD rejected the new methodology used by the District, but agreed with the District's assertion that the current NWS methodology was flawed. DSOD independent analysis of the PMF generated results significantly lower than the current NWS methodology. DSOD has directed the District, with FERC's concurrence, to prepare additional studies to reduce the risk of overtopping the dam and flooding. The District, through its consultant, will analyze a series of proposed flood remediation projects that will reduce the risk to people and property below Santa Felicia Dam. It is anticipated that the design and construction of the modifications to the dam and spillway could result in a significant financial impact on the District. At this time, the estimated cost to design and construct the modifications to the dam and spillway is in the order of \$25 to \$100 million. Through June 30, 2014, the District has spent or encumbered costs of \$557,281 on the Probable Maximum Precipitation/Flood study efforts. This work could also be influenced by the results of the SFD fish passage study currently underway.

Quagga Mussels - In December 2013, the District discovered quagga mussels in the District's Lake Piru reservoir. Quagga Mussels are a species of freshwater mussels, originally from Eastern Europe, that have been spreading from water body to water body across the United States. The typical mode of transportation from one water body to the next has been by improperly cleaned recreational boats. Quagga infestations can be so thick that they clog water infrastructure, such as intake structures, pipes, valves, and hydroelectric plants. They can also weigh down floating recreational facilities, such as marina docks, floating restrooms, barges, and boats. Quagga mussels are very efficient at consuming plankton from the lakes and rivers in which they grow. In sufficient numbers, they can alter the water environment by removing plankton food supplies typically consumed by other species. Lake Piru is an almost ideal environment for quagga mussels, and they have been multiplying

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

rapidly. Quagga are nearly impossible to eradicate from a water body. As required by California Fish and Game Code, the District has prepared a Lake Piru Quagga Mussel Monitoring and Control Plan, and has submitted it to the California Department of Fish and Wildlife (CDFW) for review and comment. The District, aided by consultants, is working to develop cost estimates for ongoing control measures, for inclusion in the Fiscal Year 2015-2016 Budget. Initial estimates of monitoring and control costs are between \$200,000 and \$500,000 per year. As the infestation is confined to Lake Piru and lower Piru Creek, District staff is also working with CDFW to explore potential eradication options that could be implemented.

Note 18. CLAIMS

City of San Buenaventura - In August 2011, the City of San Buenaventura (City) filed a petition for writ of mandate, petition for writ of administrative mandate, complaint for declaratory relief, and complaint for determination of invalidity (reverse validation) against the District which sought, among other things, to invalidate FY 2011-12 groundwater extraction rates adopted by the District in June 2011. The City alleged that the rates did not comply with California constitutional, statutory and common law requirements. The District filed an answer and a cross-complaint for declaratory relief. In August 2012, the City of San Buenaventura (City) filed a second similar petition for writ of mandate, petition for writ of administrative mandate, complaint for declaratory relief, and complaint for determination of invalidity (reverse validation) against the District which again sought, among other things, to invalidate FY 2012-13 groundwater extraction rates adopted by the District in June 2012. The two actions were consolidated for trial purposes and the trial date in Santa Barbara Superior Court was April 30, 2013. On September 6, 2013, a notice of entry of judgment was filed ordering a writ of mandate to issue from the court in favor of the City. The District was ordered to pay the City a partial refund of the groundwater extraction fees determined to be invalid for fiscal years 2011-12 and 2012-13 including interest. As a result, the District recognized an extraordinary item of \$2,105,652 in the financial statements for the year ended June 30, 2013. In October 2013, the District filed a return of the writ confirming that the District complied with the writ. The District has also filed an appeal of several aspects of the trial court's decision, including seeking to reverse the trial court's determination that the fees are subject to the requirements of Proposition 218. The District has asked the Court of Appeal to find that the District's groundwater extraction rates are regulatory fees not subject to Proposition 218, or, conversely, if the Court of Appeal finds the extraction rates are subject to Proposition 218, to also find that the fees comply with the requirements of Proposition 218. City also cross-appealed the trial court's decision.

The parties have filed briefs with the Court of Appeal and oral argument occurred in June 2014. At the request of the Court of Appeal, the parties have also filed supplemental letter briefs concerning the Sustainable Groundwater Management Act, and responses to amicus briefs filed by other parties interested in the appeal. It is unknown when the Court of Appeal will issue its decision.

The City subsequently filed similar judicial actions challenging the District's FY 2013-14 and 2014-15 groundwater extraction rates. These actions are pending in Santa Barbara Superior Court.

In June 2013, the City of Oxnard and United Water Conservation District entered into a tolling agreement regarding the City of San Buenaventura's FY 2011-12 and FY 2012-13 groundwater extraction fee litigation matter and any future claims in such matter that may be available to the City of Oxnard. Such potential claims may include recovery of portions of prior groundwater extraction fee payments by the City of Oxnard. In accordance with the tolling agreement, no interest will accrue on any amount the District may ultimately owe the City of Oxnard. The tolling agreement will remain in effect until the 90th day from the date the District notifies the City of Oxnard that the final litigation resolution is in effect and the tolling period will not be included in determining the applicability of any statute of limitations in action brought by the City of Oxnard against the District regarding this matter. The District acknowledges that, depending on the outcome of the appeal described above, it is reasonably possible that the District may provide a refund of some charges in the future to the City of Oxnard and potentially to other municipal and industrial customers which paid groundwater extraction fees during the subject fiscal years. The District believes it will prevail in the appeal to reverse the trial court's ruling as described above. The District has not recorded a liability for additional refund payments, if any, in the accompanying financial statements. The likelihood of additional refund payments has been evaluated as reasonably possible, however, it is not required to be recognized as a liability in accordance with generally accepted accounting principles. Estimated groundwater refunds, excluding the City of San Buenaventura, could

**United Water Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014**

range upwards of \$2.6 million to \$3 million for the years FY11-12 and FY12-13. Any potential refunds pertaining to subsequent years is unknown at this time.

Wishtoyo Foundation, Ventura Coastkeeper, Central Coast Alliance United for a Sustainable Economy and Center for Biological Diversity - In November 2013, the Wishtoyo Foundation, Ventura Coastkeeper, Central Coast Alliance United for a Sustainable Economy and Center for Biological Diversity filed a complaint against the State Water Resources Control Board (SWRCB) and the District. The complaint alleges, among other things, various harms to public trust resources from the diversion of water at the Freeman Diversion; that current diversions, permitted and licensed by the SWRCB, result in environmental damage and degradation of cultural, recreational and economic resources of communities along the Santa Clara River; and that such harms are preventable if alleged solutions (remedies) requested by the complaint are ordered by the SWRCB. The complaint alleges that the District's current operations of the Vern Freeman Diversion are in violation of the public trust doctrine, the California Fish and Game Code, and the California Constitution. At the request of the SWRCB, the District in February 2014 filed its response to the complaint. The SWRCB has not as yet responded to the parties. At this time, it is unknown if the outcome could materially affect cash flows or the financial position of the District.

Note 19. FOX CANYON GROUNDWATER MANAGEMENT AGENCY SURCHARGE

The District's Pumping Trough Pipeline Fund (PTP) groundwater wells have a Fox Canyon Groundwater Management Agency (FCGMA) annual adjusted groundwater allocation of 1,489 acre feet. FCGMA tracks groundwater well extraction activity on a calendar year basis, requiring well operators such as the District to report groundwater extraction activity semi-annually. When a pumper within the FCGMA boundary exceeds their groundwater allocation, they are charged a surcharge fee for each excess acre feet above the allocation. The PTP wells exceeded the FCGMA allocation for calendar year 2013 by approximately 1,190 acre feet. Additionally, the PTP wells exceeded the FCGMA allocation for the period from January 1, 2014 through June 30, 2014 by approximately 3,081 acre feet. The excess usage generated an extraction surcharge liability of \$7,439,484. The surcharge of \$7,439,484 has been billed to the District's PTP customers based on their proportional share of groundwater delivery during the periods affected.

The receivable from the District's PTP customers arising from the FCGMA surcharge and the District's payable to FCGMA arising from the FCGMA surcharge has been credited from the use of previous pumping credits (units).

Note 20. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 17, 2014, the date which the financial statements were available to be issued.

Note. 21. EFFECT OF NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No 27*. This statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements. This statement is effective for the District's 2015 fiscal year. The District has not yet determined the effects of GASB No. 68 on its financial position.

**Required Supplementary Information
 United Water Conservation District
 California Public Employees' Retirement System
 Pension Plan**

Schedule of Funding Progress - Pool

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
6/30/2010	\$ 1,972,910,641	\$ 1,603,482,152	\$ 369,428,489	81.3%	\$ 352,637,380	104.8%
6/30/2011	\$ 2,135,350,204	\$ 1,724,200,585	\$ 411,149,619	80.7%	\$ 350,121,750	117.4%
6/30/2012	\$ 2,254,622,362	\$ 1,837,489,422	\$ 417,132,940	81.5%	\$ 339,228,272	123.0%

Information for valuation dates beyond 6/30/2012 is not yet available.

UWCD - Side Fund

Valuation Date	Side Fund	Amortization Period
6/30/2011	\$ (2,407,128)	8
6/30/2012	\$ (2,281,767)	7
6/30/2013	\$ (2,131,223)	6

See the notes to the required supplementary information.

**Required Supplementary Information
United Water Conservation District
Other Post Employment Benefits**

Schedule of Funding Progress

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2009	\$ 734,000	\$ -	\$ 734,000	0.0%	\$ 4,715,000	15.6%
6/30/2012	\$ 1,058,000	\$ -	\$ 1,058,000	0.0%	\$ 5,026,000	21.1%

Funding progress is presented for the years that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding is performed every three years or annually if there are significant changes in the plan.

**Required Supplementary Information
United Water Conservation District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,090,000	\$ 2,090,000	\$ 2,130,951	\$ 40,951
Water delivery	2,054,492	2,054,492	1,745,216	(309,276)
Groundwater	8,605,875	8,605,875	10,245,180	1,639,305
Supplemental Water	250,006	250,006	250,006	-
Concessions	80,000	80,000	72,432	(7,568)
Rents and leases	98,413	98,413	98,386	(27)
Interest	21,428	21,428	18,874	(2,554)
Other revenue	58,800	58,800	211,623	152,823
Total revenues	<u>13,259,014</u>	<u>13,259,014</u>	<u>14,772,668</u>	<u>1,513,654</u>
Expenditures				
Personnel costs	4,037,574	4,019,451	3,629,931	389,520
Contractual services	2,329,950	3,254,225	1,424,318	1,829,907
Office expense	150,020	158,111	70,648	87,463
Travel, meetings and training	71,840	72,090	37,289	34,801
Gasoline and diesel fuel	78,700	78,700	58,139	20,561
Insurance	85,903	85,946	82,411	3,535
Utilities	114,921	114,921	78,923	35,998
Safety, supplies, clothing	42,030	52,030	44,455	7,575
Water treatment chemicals	5,000	5,000	4,212	788
Maintenance	409,263	490,169	242,368	247,801
Small tools and equipment	77,799	100,229	65,886	34,343
Permits and licenses	53,745	54,085	24,300	29,785
Water quality services	76,922	76,922	28,301	48,621
Rents and leases	60,825	74,958	72,281	2,677
Miscellaneous	86,245	104,368	50,774	53,594
Total operating expenses	<u>7,680,737</u>	<u>8,741,205</u>	<u>5,914,236</u>	<u>2,826,969</u>
General and administrative	1,503,489	1,503,489	1,548,913	(1) (45,424)
Principal	720,944	720,944	720,944	-
Interest	782,621	802,412	802,405	7
Bond fees and expenses	10,000	10,000	6,025	3,975
Total debt service	<u>1,513,565</u>	<u>1,533,356</u>	<u>1,529,374</u>	<u>3,982</u>
Capital outlay	1,558,337	3,076,905	878,417	2,198,488
Total expenditures	<u>12,256,128</u>	<u>14,854,955</u>	<u>9,870,940</u>	<u>4,984,015</u>
Designation for future capital replacement	625,000	625,000	625,000	-
Net change in fund balance	377,886	(2,220,941)	4,276,728	6,497,669
Budgetary fund balance - July 1, 2013	6,025,331	9,485,059	9,485,059	-
Budgetary fund balance - June 30, 2014	<u>\$ 6,403,217</u>	<u>\$ 7,264,118</u>	<u>\$ 13,761,787</u>	<u>\$ 6,497,669</u>
Net change in fund balance - budgetary			\$ 4,276,728	
Budgetary change in fund balance is different from GAAP change in fund balance because:				
Encumbrances for supplies and services ordered but not received are reported in the year ordered for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			133,561	
Designation treated as budgetary expenditure that is not a GAAP expenditure			625,000	
Net change in fund balance - Statement of revenues, expenditures, and changes in fund balances - Governmental funds			<u>\$ 5,035,289</u>	

(1) Explanation of difference: Overage due to payout of compensated absences at departure from Overhead Fund that are not budgeted.

See the notes to the required supplementary information.

**Required Supplementary Information
United Water Conservation District
Budgetary Comparison Schedule
State Water Import Fund
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,228,000	\$ 1,228,000	\$ 1,441,687	\$ 213,687
Interest	2,715	2,715	3,005	290
Proceeds from financing	-	-	10,727	10,727
Other	3,784	3,784	3,784	-
Total revenues	<u>1,234,499</u>	<u>1,234,499</u>	<u>1,459,203</u>	<u>224,704</u>
Expenditures				
State Water Import Costs	1,050,993	1,050,993	895,685	155,308
Miscellaneous	4,250	4,250	3,819	431
Total operating expenses	<u>1,055,243</u>	<u>1,055,243</u>	<u>899,504</u>	<u>155,739</u>
Principal	96,061	96,061	95,452	609
Interest	48,096	48,096	47,769	327
Total debt service	<u>144,157</u>	<u>144,157</u>	<u>143,221</u>	<u>936</u>
Total expenditures	<u>1,199,400</u>	<u>1,199,400</u>	<u>1,042,725</u>	<u>156,675</u>
Net change in fund balance	35,099	35,099	416,478	381,379
Budgetary fund balance - July 1, 2013	<u>978,356</u>	<u>908,840</u>	<u>908,840</u>	<u>-</u>
Budgetary fund balance - June 30, 2014	<u>\$ 1,013,455</u>	<u>\$ 943,939</u>	<u>\$ 1,325,318</u>	<u>\$ 381,379</u>

See the notes to the required supplementary information.

United Water Conservation District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Note 1. PENSION PLAN

In 2011, the CalPERS Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2011 valuation. The inflation rate changed from 3% to 2.75% and the discount rate changed from 7.75% to 7.5%. In addition, a temporary modification to their method of determining the actuarial value of assets and the amortization of gains and losses was implemented for the valuations as of June 30, 2009 through June 30, 2011. The effect of those modifications continues in their valuation.

In 2014, CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014, the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

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 increased by the amortization of the Side Fund. On August 15, 2014 a Side Fund payment of \$1,325,000 was made reducing the Side Fund balance by \$806,130 for the Governmental funds and \$518,870 for Proprietary funds.

Note 2. BUDGETS AND BUDGETARY ACCOUNTING

On or before June 30, the annual budget is adopted by the Board of Directors after holding a public hearing and provides for the general operation of the District. The operating budget includes proposed expenditures and the means of financing them. The Board of Directors has the legal authority to amend the budget for all funds at any time during the fiscal year. The appropriated budget is prepared by fund and activity. The legal level of budgetary control is at the fund level. Unbudgeted expenditures over \$10,000 require the approval of the Board of Directors.

Encumbrance accounting is employed in the governmental funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year-end are carried forward and added to the subsequent year's appropriation. The unencumbered balance of each appropriation lapses at year-end and reverts to the respective fund from which it was appropriated and becomes available for future appropriation.

United Water Conservation District
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	2013-14	2012-13*	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Governmental activities:										
Net investment in capital assets	\$ 19,785	\$ 19,989	\$ 19,661	\$ 18,747	\$ 16,924	\$ 12,747	\$ 9,418	\$ 9,193	\$ 8,488	\$ 9,581
Restricted	2,223	1,817	1,777	1,504	989	1,496	724	1,303	1,678	1,528
Unrestricted	12,143	6,609	4,411	3,157	4,072	3,222	3,870	4,174	3,415	2,129
Total governmental activities net position	\$ 34,151	\$ 28,415	\$ 25,849	\$ 23,408	\$ 21,985	\$ 17,465	\$ 14,012	\$ 14,670	\$ 13,581	\$ 13,238
Business-type activities:										
Net investment in capital assets	\$ 39,257	\$ 39,270	\$ 39,019	\$ 39,124	\$ 38,310	\$ 37,477	\$ 38,388	\$ 36,283	\$ 35,500	\$ 35,423
Restricted	-	-	-	-	261	260	963	898	895	903
Unrestricted	8,059	7,012	6,748	5,006	4,513	4,028	4,117	4,927	4,168	3,695
Total business-type activities net position	\$ 47,316	\$ 46,282	\$ 45,767	\$ 44,130	\$ 43,084	\$ 41,765	\$ 43,468	\$ 42,108	\$ 40,563	\$ 40,021
Total government										
Net investment in capital assets	\$ 59,042	\$ 59,259	\$ 58,680	\$ 57,871	\$ 55,234	\$ 50,224	\$ 47,806	\$ 45,476	\$ 43,988	\$ 45,004
Restricted	2,223	1,817	1,777	1,504	1,250	1,756	1,687	2,201	2,573	2,431
Unrestricted	20,202	13,621	11,159	8,163	8,585	7,250	7,987	9,101	7,583	5,824
Total government net position	\$ 81,467	\$ 74,697	\$ 71,616	\$ 67,538	\$ 65,069	\$ 59,230	\$ 57,480	\$ 56,778	\$ 54,144	\$ 53,259

* Fiscal year 2012-13 reflects the first year of the implementation of GASB Statement Nos. 63 and 65 which resulted in a prior period adjustment of \$424,269. Fiscal years 2005 through 2012 have not been restated.

United Water Conservation District

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	2013-14	2012-13*	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Expenses										
Governmental activities:										
Water conservation	\$ 7,577	\$ 7,193	\$ 7,518	\$ 7,033	\$ 5,498	\$ 5,379	\$ 4,862	\$ 4,182	\$ 4,392	\$ 3,634
Lake Piru recreation facilities	891	840	816	755	705	1,135	-	-	-	-
State Water Project importation	973	1,434	766	765	1,203	709	817	695	387	862
Interest on long-term debt	844	873	931	1,009	754	455	477	474	472	254
Total governmental activities expenses	10,285	10,340	10,031	9,562	8,160	7,678	6,156	5,351	5,251	4,750
Business-type activities:										
Freeman Diversion facility	2,017	1,492	1,492	1,575	1,787	1,785	1,361	1,422	1,368	1,255
Water delivery and treatment facilities	5,106	4,790	4,531	4,709	5,144	4,942	5,501	4,845	4,248	3,946
Lake Piru recreation facilities	-	-	-	-	-	-	1,595	1,635	1,673	1,374
Total business-type activities expenses	7,123	6,282	6,023	6,284	6,931	6,727	8,457	7,902	7,289	6,575
Total government expenses	\$ 17,408	\$ 16,622	\$ 16,054	\$ 15,846	\$ 15,091	\$ 14,405	\$ 14,613	\$ 13,253	\$ 12,540	\$ 11,325
Program Revenues										
Governmental activities:										
Charges for services:										
Water conservation	\$ 12,210	\$ 11,402	\$ 8,826	\$ 7,005	\$ 5,812	\$ 4,719	\$ 3,735	\$ 3,761	\$ 3,299	\$ 3,019
Lake Piru recreation facilities	103	142	123	114	127	148	-	-	-	-
State Water Project importation	1,448	656	1,096	1,503	595	1,574	273	252	459	1,284
Operating grants and contributions	125	11	100	-	44	44	28	179	680	839
Capital grants and contributions	-	80	44	281	-	-	-	154	-	492
Total governmental activities program revenues	13,886	12,291	10,189	8,903	6,534	6,485	4,036	4,346	4,438	5,634
Business-type activities:										
Freeman Diversion facility	3,107	2,964	2,757	2,602	3,087	2,751	2,535	2,487	2,210	2,125
Water delivery and treatment facilities	5,008	4,569	4,840	4,655	5,077	5,237	5,283	5,313	4,478	3,614
Lake Piru recreation facilities	-	-	-	-	-	-	579	1,141	1,039	790
Capital grants and contributions	-	-	-	-	-	-	-	-	-	14
Total business-type activities program revenues	8,115	7,533	7,597	7,257	8,164	7,988	8,397	8,941	7,727	6,543
Total government program revenues	\$ 22,001	\$ 19,824	\$ 17,786	\$ 16,160	\$ 14,698	\$ 14,473	\$ 12,433	\$ 13,287	\$ 12,165	\$ 12,177

* Fiscal year 2012-13 reflects the first year of the implementation of GASB Statement Nos. 63 and 65. Fiscal years 2005 through 2012 have not been restated.

United Water Conservation District
Changes in Net Position - Continued
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)
 (Unaudited)

	2013-14	2012-13*	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Net (expense) revenue	\$ 3,601	\$ 1,951	\$ 158	\$ (659)	\$ (1,626)	\$ (1,193)	\$ (2,120)	\$ (1,005)	\$ (813)	\$ 884
Governmental activities	992	1,251	1,574	973	1,233	1,261	(60)	1,039	438	(32)
Business-type activities	\$ 4,593	\$ 3,202	\$ 1,732	\$ 314	\$ (393)	\$ 68	\$ (2,180)	\$ 34	\$ (375)	\$ 852
Total government net (expense) revenue										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 2,131	\$ 2,154	\$ 2,016	\$ 1,950	\$ 2,090	\$ 2,090	\$ 2,000	\$ 1,896	\$ 1,127	\$ 984
Unrestricted investment earnings	19	9	8	18	21	110	364	414	312	21
Miscellaneous	185	194	259	114	86	151	210	125	143	80
Extraordinary item	-	(1,413)	-	-	-	(828)	-	-	-	-
Transfers	-	-	-	-	-	3,122	(1,112)	(341)	(427)	(343)
Donated capital asset	-	-	-	-	3,949	-	-	-	-	-
Total governmental activities	2,335	944	2,283	2,082	6,146	4,645	1,462	2,094	1,155	742
Business-type activities:										
Unrestricted investment earnings	42	51	63	73	86	159	308	403	265	161
Extraordinary item	-	(692)	-	-	-	-	-	(238)	(588)	-
Transfers	-	-	-	-	-	(3,122)	1,112	341	428	343
Total business-type activities	42	(641)	63	73	86	(2,963)	1,420	506	105	504
Total government	\$ 2,377	\$ 303	\$ 2,346	\$ 2,155	\$ 6,232	\$ 1,682	\$ 2,882	\$ 2,600	\$ 1,260	\$ 1,246
Change in Net Position										
Governmental activities	\$ 5,936	\$ 2,895	\$ 2,441	\$ 1,423	\$ 4,520	\$ 3,452	\$ (658)	\$ 1,089	\$ 342	\$ 1,626
Business-type activities	1,034	610	1,637	1,046	1,319	(1,702)	1,360	1,545	543	472
Total government	\$ 6,970	\$ 3,505	\$ 4,078	\$ 2,469	\$ 5,839	\$ 1,750	\$ 702	\$ 2,634	\$ 885	\$ 2,098

* Fiscal year 2012-13 reflects the first year of the implementation of GASB Statement Nos. 63 and 65. Fiscal years 2005 through 2012 have not been restated.

United Water Conservation District
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	2013-14	2012-13	2011-12	2010-11*	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
General Fund:										
Restricted	\$ 1,445	\$ 1,935	\$ 1,796	\$ 3,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	1,655	-	-	367	-	-	-	-	-	-
Assigned	2,314	609	-	-	-	-	-	-	-	-
Unassigned	9,107	6,941	4,947	3,254	-	-	-	-	-	-
Reserved	-	-	-	-	5,255	4,809	5,715	6,353	7,673	248
Unreserved	-	-	-	-	3,519	3,211	3,983	4,326	3,151	2,106
Total general fund	\$ 14,521	\$ 9,485	\$ 6,743	\$ 6,725	\$ 8,774	\$ 8,020	\$ 9,698	\$ 10,679	\$ 10,824	\$ 2,354
All Other Governmental Funds:										
Restricted	\$ 1,325	\$ 909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Debt Service funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	1,777	1,504	-	-	-	-	-	-
Unreserved reported in:										
Special revenue funds	-	-	-	-	988	1,496	724	1,303	1,678	1,528
Debt Service funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 1,325	\$ 909	\$ 1,777	\$ 1,504	\$ 988	\$ 1,496	\$ 724	\$ 1,303	\$ 1,678	\$ 1,528

* Fiscal year 2010-11 reflects the first year of GASB Statement No. 54 implementation. Fiscal years 2005 through 2010 have not been restated.

United Water Conservation District
Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Revenues										
Taxes	\$ 2,131	\$ 2,154	\$ 2,016	\$ 1,949	\$ 2,090	\$ 2,490	\$ 2,000	\$ 1,895	\$ 1,127	\$ 983
Special Assessment	1,442	649	1,085	1,494	584	1,152	215	169	396	1,256
Charges for services	12,313	11,544	8,949	7,119	5,939	4,867	3,755	3,761	3,299	3,019
Earnings on investments	22	13	15	27	29	128	419	493	372	49
Grants	125	90	145	281	-	44	28	334	680	1,331
Other revenues	189	198	263	114	89	155	214	129	147	80
Total revenues	\$ 16,222	\$ 14,648	\$ 12,473	\$ 10,984	\$ 8,731	\$ 8,836	\$ 6,611	\$ 6,781	\$ 6,021	\$ 6,718
Expenditures										
Salaries and benefits	\$ 3,560	\$ 3,402	\$ 3,628	\$ 3,275	\$ 2,776	\$ 2,836	\$ 2,098	\$ 1,838	\$ 1,742	\$ 1,537
Professional fees	1,319	892	1,252	932	790	995	493	523	734	739
Maintenance	1,142	1,817	995	1,275	1,356	932	1,346	706	753	1,295
Utilities	79	114	77	102	101	108	106	44	30	33
Materials and supplies	510	499	488	454	440	469	421	389	362	331
General and administrative	1,549	1,391	1,218	1,153	1,074	1,136	714	808	606	564
Debt Service										
Principal	816	1,235	2,625	2,743	742	752	691	666	598	383
Interest	850	885	952	1,023	601	461	481	487	477	257
Bond issuance costs	6	9	7	6	221	6	6	6	303	-
Capital Outlay	949	1,117	952	1,554	16,119	1,273	731	769	367	1,306
Total expenditures	\$ 10,780	\$ 11,361	\$ 12,194	\$ 12,517	\$ 24,220	\$ 8,968	\$ 7,087	\$ 6,236	\$ 5,972	\$ 6,445
Excess of revenues over (under) expenditures	\$ 5,442	\$ 3,287	\$ 279	\$ (1,533)	\$ (15,489)	\$ (132)	\$ (476)	\$ 545	\$ 49	\$ 273
Other financing sources (uses)										
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	2,814	-
Proceeds of long-term capital-related debt	-	-	-	-	-	-	28	62	9,018	68
Proceeds from financing	11	-	12	-	15,631	-	-	-	-	-
Bond Premium	-	-	-	-	104	-	-	-	16	-
Bond Discount	-	-	-	-	-	-	-	-	(82)	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-	(2,768)	-
Extraordinary item	-	(1,413)	-	-	-	(828)	-	-	-	-
Transfers in	-	-	-	-	-	54	-	24	-	3
Transfers out	-	-	-	-	-	-	(1,112)	(1,151)	(427)	(346)
Total other financing sources (uses)	11	(1,413)	12	-	15,735	(774)	(1,084)	(1,065)	8,571	(275)
Net change in fund balances	\$ 5,453	\$ 1,874	\$ 291	\$ (1,533)	\$ 246	\$ (906)	\$ (1,560)	\$ (520)	\$ 8,620	\$ (2)
Debt service as a percentage of noncapital expenditures	16.9%	20.7%	31.8%	34.4%	16.6%	15.8%	18.4%	21.1%	19.2%	12.5%

United Water Conservation District
 General Governmental Revenues by Source and
 Expenditures by Function
 Last Ten Fiscal Years
 (Unaudited)

Revenue:

Fiscal Year	Charges for Services	Taxes/Assessment	Grant/Contributions	Earnings on Investments	Other Revenues	Total
2004-05	\$ 3,018,900	\$ 2,239,093	\$ 1,330,763	\$ 49,616	\$ 80,286	\$ 6,718,658
2005-06	\$ 3,299,382	\$ 1,522,625	\$ 680,102	\$ 371,806	\$ 147,224	\$ 6,021,139
2006-07	\$ 3,761,106	\$ 2,064,499	\$ 333,538	\$ 493,098	\$ 128,865	\$ 6,781,106
2007-08	\$ 3,735,433	\$ 2,214,637	\$ 27,794	\$ 418,770	\$ 213,786	\$ 6,610,420
2008-09	\$ 4,866,810	\$ 3,642,073	\$ 44,100	\$ 127,978	\$ 155,346	\$ 8,836,307
2009-10	\$ 5,939,275	\$ 2,673,878	\$ -	\$ 28,741	\$ 89,267	\$ 8,731,161
2010-11	\$ 7,118,940	\$ 3,443,492	\$ 281,156	\$ 27,264	\$ 113,836	\$ 10,984,688
2011-12	\$ 8,948,539	\$ 3,101,409	\$ 144,815	\$ 15,288	\$ 262,846	\$ 12,472,897
2012-13	\$ 11,544,103	\$ 2,802,976	\$ 90,388	\$ 12,642	\$ 197,855	\$ 14,647,964
2013-14	\$ 12,312,833	\$ 3,572,638	\$ 125,000	\$ 21,879	\$ 188,794	\$ 16,221,144

Expenditures:

Fiscal Year	Water Conservation	Lake Piru Recreation Facilities (1)	State Water Import	Capital Outlay	Debt Service	Total
2004-05	\$ 3,782,963	\$ -	\$ 716,403	\$ 1,306,956	\$ 639,518	\$ 6,445,840
2005-06	\$ 4,286,876	\$ -	\$ 243,438	\$ 367,097	\$ 1,074,440	\$ 5,971,851
2006-07	\$ 3,761,465	\$ -	\$ 554,080	\$ 768,484	\$ 1,152,260	\$ 6,236,289
2007-08	\$ 4,434,180	\$ -	\$ 743,086	\$ 730,501	\$ 1,178,210	\$ 7,085,977
2008-09	\$ 4,951,967	\$ 889,362	\$ 635,420	\$ 1,273,057	\$ 1,219,147	\$ 8,968,953
2009-10	\$ 4,925,944	\$ 482,476	\$ 1,129,031	\$ 16,118,830	\$ 1,563,946	\$ 24,220,227
2010-11	\$ 5,974,358	\$ 524,794	\$ 691,290	\$ 1,554,477	\$ 3,772,435	\$ 12,517,354
2011-12	\$ 6,430,332	\$ 535,883	\$ 692,408	\$ 951,648	\$ 3,583,552	\$ 12,193,823
2012-13	\$ 6,198,103	\$ 556,778	\$ 1,360,064	\$ 1,116,984	\$ 2,129,166	\$ 11,361,095
2013-14	\$ 6,635,707	\$ 623,584	\$ 899,504	\$ 948,714	\$ 1,672,595	\$ 10,780,104

(1) Effective July 1, 2008, the Lake Piru Recreation facilities (an enterprise fund) was eliminated and all assets, liabilities and net assets were transferred to the General Fund.

United Water Conservation District
Enterprise Funds Revenue by Source
and Expenses by Function
Last Ten Fiscal Years
(Unaudited)

Revenue:

Fiscal Year	Charges for Services	Other Operating Revenue	Interest Income	Inter-governmental Revenue	Total
2004-05	\$ 6,453,663	\$ 75,431	\$ 160,927	\$ 14,031	\$ 6,704,052
2005-06	\$ 7,590,024	\$ 136,943	\$ 265,094	\$ -	\$ 7,992,061
2006-07	\$ 8,413,387	\$ 527,255	\$ 403,284	\$ -	\$ 9,343,926
2007-08	\$ 8,240,307	\$ 156,058	\$ 308,114	\$ -	\$ 8,704,479
2008-09	\$ 7,893,985	\$ 94,092	\$ 158,890	\$ -	\$ 8,146,967
2009-10	\$ 8,039,952	\$ 123,629	\$ 86,835	\$ -	\$ 8,250,416
2010-11	\$ 7,154,324	\$ 102,611	\$ 72,577	\$ -	\$ 7,329,512
2011-12	\$ 7,527,205	\$ 70,480	\$ 62,991	\$ -	\$ 7,660,676
2012-13	\$ 7,459,887	\$ 73,547	\$ 50,607	\$ -	\$ 7,584,041
2013-14	\$ 8,001,487	\$ 113,911	\$ 42,014	\$ -	\$ 8,157,412

Expenses:

Fiscal Year	Salaries and Benefits	Contractual Services	Materials and Supplies	General and Administrative	Depreciation	Interest Expense	Other Non-Operating Expenses	Total
2004-05	\$ 1,702,218	\$ 169,613	\$ 1,532,627	\$ 1,068,769	\$ 1,414,649	\$ 653,888	\$ 33,991	\$ 6,575,755
2005-06	\$ 2,000,523	\$ 203,255	\$ 1,850,369	\$ 1,094,443	\$ 1,411,898	\$ 702,206	\$ 26,283	\$ 7,288,977
2006-07	\$ 2,065,313	\$ 356,764	\$ 2,187,617	\$ 1,236,189	\$ 1,393,333	\$ 624,187	\$ 38,298	\$ 7,901,701
2007-08	\$ 2,180,252	\$ 172,500	\$ 2,943,316	\$ 1,193,356	\$ 1,461,467	\$ 485,327	\$ 21,024	\$ 8,457,242
2008-09	\$ 1,584,257	\$ 177,046	\$ 2,213,498	\$ 1,089,253	\$ 1,231,606	\$ 412,898	\$ 18,081	\$ 6,726,639
2009-10	\$ 1,693,762	\$ 333,840	\$ 2,302,070	\$ 1,068,756	\$ 1,207,821	\$ 303,971	\$ 20,855	\$ 6,931,075
2010-11	\$ 1,588,572	\$ 257,358	\$ 1,847,998	\$ 1,085,471	\$ 1,211,584	\$ 268,376	\$ 24,582	\$ 6,283,941
2011-12	\$ 1,570,750	\$ 91,067	\$ 1,766,259	\$ 1,131,106	\$ 1,228,982	\$ 213,899	\$ 21,559	\$ 6,023,622
2012-13	\$ 1,611,655	\$ 228,223	\$ 1,899,277	\$ 1,119,024	\$ 1,234,208	\$ 181,707	\$ 8,218	\$ 6,282,312
2013-14	\$ 1,760,345	\$ 610,133	\$ 2,202,581	\$ 1,117,030	\$ 1,258,357	\$ 167,392	\$ 6,402	\$ 7,122,240

United Water Conservation District
Water Production for Last Ten Fiscal Years
(in Acre Feet)
(Unaudited)

July 1 - June 30	Water Pumped from Wells Agricultural	Water Pumped from Wells Non-agricultural	Water Deliveries Agricultural	Water Deliveries Non-agricultural
2004-05	111,099	34,967	15,330	7,739
2005-06	111,073	35,902	21,431	9,276
2006-07	140,141	33,644	23,478	14,852
2007-08	139,045	29,219	19,613	18,915
2008-09	138,459	42,930	26,134	16,029
2009-10	128,888	44,930	23,533	15,524
2010-11	120,858	41,751	19,439	10,982
2011-12	125,033	39,651	22,802	11,424
2012-13	145,054	41,920	16,779	11,329
2013-14	173,045	43,251	10,065	10,967

United Water Conservation District
Groundwater Pumping by Zone (Acre Foot)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Zone A	Zone B	Zone C	District Total
2004-05	77,236	63,699	5,131	146,066
2005-06	80,973	59,641	6,361	146,975
2006-07	98,399	67,171	8,215	173,785
2007-08	96,090	64,566	7,608	168,264
2008-09	91,602	81,196	8,591	181,389
2009-10	86,033	79,402	8,383	173,818
2010-11	81,508	73,779	7,322	162,609
* 2011-12	84,781	79,903	-	164,684
2012-13	90,690	96,284	-	186,974
2013-14	100,666	115,630	-	216,296

Zone A - 100% District-wide pump charge / 0% Freeman pump charge

Zone B - 100% District-wide pump charge / 100% Freeman pump charge

Zone C - 100% District-wide pump charge / 33% Freeman pump charge

* In FY 2011-12, the District eliminated Zone C.

United Water Conservation District
Groundwater Charge Rates
Last Ten Fiscal Years
(Charge per Acre Foot)
(Unaudited)

Fiscal Year	Zone	Pumped water used for agricultural purposes	Pumped water used for purposes other than agriculture
2004-05	A	\$ 11.25	\$ 33.75
	B	\$ 26.25	\$ 78.75
	C	\$ 16.25	\$ 48.75
2005-06	A	\$ 11.65	\$ 34.95
	B	\$ 26.65	\$ 79.95
	C	\$ 16.65	\$ 49.95
2006-07	A	\$ 11.65	\$ 34.95
	B	\$ 26.65	\$ 79.95
	C	\$ 16.65	\$ 49.95
2007-08	A	\$ 11.65	\$ 34.95
	B	\$ 26.65	\$ 79.95
	C	\$ 16.65	\$ 49.95
2008-09	A	\$ 16.45	\$ 49.35
	B	\$ 34.45	\$ 103.35
	C	\$ 22.45	\$ 67.35
2009-10	A	\$ 16.45	\$ 49.35
	B	\$ 34.45	\$ 103.35
	C	\$ 22.45	\$ 67.35
2010-11	A	\$ 19.50	\$ 58.50
	B	\$ 37.50	\$ 112.50
	C	\$ 25.50	\$ 76.50
* 2011-12	A	\$ 28.50	\$ 85.50
	B	\$ 46.50	\$ 139.50
2012-13	A	\$ 39.75	\$ 119.25
	B	\$ 57.75	\$ 173.25
2013-14	A	\$ 39.75	\$ 119.25
	B	\$ 57.75	\$ 173.25
Zone A	District-wide pump charges - 100%		
Zone B	District-wide pump charges - 100% Freeman Diversion pump charge - 100%		
Zone C	District-wide pump charges - 100% Freeman Diversion pump charge - 33%		

* In FY 2011-12, the District eliminated Zone C.

United Water Conservation District
Oxnard Hueneme Pipeline Deliveries per Acre Foot and Rate Charge
Last Ten Fiscal Years
(Unaudited)

July 1 - June 30	Water delivered (acre feet)	Pipeline variable* water charge		Pipeline marginal ** water charge		Pipeline variable* water charge		Pipeline marginal ** water charge		Fixed Charge *** per unit of peak (3) capacity
		Municipal & Industrial (1) Customer	per acre foot	Municipal & Industrial (1) Customer	per acre foot	Agricultural (2) Customer	per acre foot	Agricultural (2) Customer		
2004-05	8,901	\$ 216.15	\$	\$ 166.80	\$	\$ 163.65	\$	\$ 114.30	\$ 25,460.00	
2005-06	10,235	\$ 217.35	\$	\$ 168.00	\$	\$ 164.05	\$	\$ 114.70	\$ 25,651.00	
2006-07	15,954	\$ 226.70	\$	\$ 163.20	\$	\$ 173.40	\$	\$ 109.90	\$ 25,635.00	
2007-08	20,256	\$ 224.70	\$	\$ 161.20	\$	\$ 171.40	\$	\$ 107.90	\$ 26,653.00	
2008-09	17,596	\$ 248.10	\$	\$ 184.60	\$	\$ 179.20	\$	\$ 115.70	\$ 26,653.00	
2009-10	16,806	\$ 248.10	\$	\$ 184.60	\$	\$ 179.20	\$	\$ 115.70	\$ 26,653.00	
2010-11	12,091	\$ 272.00	\$	\$ 197.35	\$	\$ 197.00	\$	\$ 122.35	\$ 23,252.00	
2011-12	12,606	\$ 292.50	\$	\$ 227.50	\$	\$ 199.50	\$	\$ 134.50	\$ 24,178.00	
2012-13	12,573	\$ 325.60	\$	\$ 276.35	\$	\$ 210.10	\$	\$ 160.85	\$ 23,305.00	
2013-14	12,294	\$ 375.22	\$	\$ 264.36	\$	\$ 259.72	\$	\$ 148.86	\$ 13,994.00	

- (1) Municipal and Industrial customer shall mean water used for domestic, industrial, commercial, urban, incidental irrigation or fire protection purposes.
- (2) Oxnard Hueneme Pipeline Agricultural customer (Oceanview) shall mean Oxnard Hueneme Pipeline water used primarily for agricultural irrigation purposes.
- (3) The peak capacity in the OH Pipeline is 53.0 cubic feet per second (cfs).

* Variable Costs = (up to 75% of customer sub-allocation). Variable costs shall mean the rate required per acre foot of water delivered and charged to individual customers up to 75% of their 1985-89 historical sub-allocation.

** Marginal costs = (over 75% of customer sub-allocation). Marginal costs shall mean the rate charged to individual customers for every acre foot delivered once their deliveries from the Oxnard Hueneme Pipeline exceed 75% of their 1985-89 historical sub-allocation.

*** Fixed charge represents per unit of peak capacity, all other rates per acre foot delivered. The above annual fixed charge shown is in addition to the variable/marginal rate charged as applies per individual customer. Charge is allocated over 12 monthly payments.

This schedule is subject to all other terms and conditions per the "Water Supply Agreement for delivered water through the Oxnard Hueneme Pipeline" that may not be represented in this schedule.

United Water Conservation District
Pleasant Valley and Pumping Trough Pipeline Deliveries per Acre Foot and Rate Charge
Agricultural Customers
Last Ten Fiscal Years
(Unaudited)

Pleasant Valley Pipeline Deliveries per Acre Foot and Rate Charge

July 1 - June 30	Water delivered (acre feet)	Pipeline water charge per acre foot Agricultural Customer	Saticoy Well * Field Pump Charge per acre feet
2004-05	6,399	\$ 56.25	\$11.00
2005-06	12,376	\$ 56.65	\$11.00
2006-07	13,081	\$ 51.65	\$17.00
2007-08	8,807	\$ 51.65	\$15.00 **
2008-09	14,529	\$ 59.45	\$15.00
2009-10	13,077	\$ 59.45	\$30.00
2010-11	10,482	\$ 72.50	\$30.00
2011-12	12,858	\$ 81.50	\$30.00
2012-13	7,088	\$ 92.75	\$30.00
2013-14	339	\$ 92.75	\$30.00

Pumping Trough Pipeline Deliveries per Acre Foot and Rate Charge

July 1 - June 30	Water delivered (acre feet)	Pipeline water charge per acre foot Agricultural Customer	Saticoy Well * Field Pump Charge per acre feet
2004-05	7,769	\$ 131.25	\$11.00
2005-06	8,096	\$ 131.65	\$11.00
2006-07	9,295	\$ 137.65	\$17.00
2007-08	9,465	\$ 137.65	\$15.00 **
2008-09	10,038	\$ 143.45	\$15.00
2009-10	9,174	\$ 143.45	\$30.00
2010-11	7,848	\$ 166.50	\$30.00
2011-12	8,762	\$ 175.50	\$30.00
2012-13	8,447	\$ 186.75	\$30.00
2013-14	8,399	\$ 221.75	\$30.00

* Pump charge is in addition to water charge per acre foot when the District pumps from the Saticoy Well Field in lieu of surface water.

** GMA Pump charge of \$4.00 effective as of January 1, 2008 for Saticoy Well Field and PTP Pipeline.

United Water Conservation District
10 Largest Customers by Revenues
Fiscal Year Ended June 30, 2014 and Nine Years Ago
(Unaudited)

Fiscal Year 2013-2014

Customer	Groundwater consumed (acre-feet)	Groundwater charge per acre foot	Water delivered by pipeline (acre-feet)	Pipeline water charge per acre foot	Total water purchased (acre-feet)	Fixed annual charge	Well Repl. Charge	Supplemental Water	Revenue
City of Oxnard	7,994	\$173.25	8,332	\$375.22/\$264.36 & \$259.72/\$148.86	16,327	\$ 374,339	\$ 94,680	\$ 250,006	\$ 4,935,182
P H W A	0		3,823	\$375.22/\$264.36	3,823	311,367	48,814		1,770,733
P V C W D	18,255	\$57.75	132	\$92.75	18,387				1,066,458
City of San Buenaventura	9,758	\$119.25 / \$173.25	-		9,758				1,464,649
City of Santa Paula	6,095	\$39.75 / \$119.25	-		6,095				638,510
Farmers Irrigation	12,823	\$39.75	-		12,823				509,717
CA Dept of Fish & Game	7,859	\$39.75	-		7,858				312,377
City of Fillmore	2,489	\$119.25	-		2,489				296,818
Southland Sod Farms	4,727	\$57.75	21	\$206.75/\$236.75/\$50/\$400	4,748				278,329
Sepe Agricultural Water	5,157	\$39.75	-		5,157				204,968
	<u>75,157</u>		<u>12,308</u>		<u>87,465</u>	<u>\$ 685,706</u>	<u>\$ 143,494</u>	<u>\$ 250,006</u>	<u>\$ 11,477,741</u>

Fiscal Year 2004-2005

Customer	Groundwater consumed (acre-feet)	Groundwater charge per acre foot	Water delivered by pipeline (acre-feet)	Pipeline water charge per acre foot	Total water purchased (acre-feet)	Fixed annual charge	Well Repl. Charge	Supplemental Water	Revenue
City of Oxnard	12,899	\$78.75	2,512.50	\$215.15 / \$165.80	15,411	\$ 553,755	\$ -	\$ -	\$ 2,110,130
P H W A	0		4,778.62	\$215.15 / \$165.80	4,779	566,485	-	-	1,551,960
P V C W D	6,944	\$26.25	6,330.15	\$56.25	13,274				538,369
City of San Buenaventura	9,831	\$78.75 / \$48.75 / \$26.25			9,831				402,660
City of Santa Paula	4,970	\$11.25 / \$33.75			4,970				167,754
Southland Sod Farms	4,297	\$26.25			4,297				112,821
CA Dept of Fish & Game	8,164	\$11.25			8,165				91,855
City of Fillmore	2,581	\$11.25 / \$33.75			2,581				86,219
Farmers Irrigation Co	6,695	\$11.25			6,695				75,325
Hiji Brothers Inc	1,804	\$26.25 / \$16.25			1,804				47,161
	<u>58,185</u>		<u>13,621</u>		<u>71,807</u>	<u>\$ 1,120,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,181,254</u>

Source: United Water Conservation District's internal water delivery and groundwater extraction reports.

United Water Conservation District

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(amounts expressed in thousands except for population and per capita amount)

(Unaudited)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Government	Assessed Valuations (3)	Percentage of Assessed Valuations (4)	Population (5)	Per Capita
	Special Assessment Contract (1)	Revenue-backed Bonds	Certificates of Participation	General Obligation Debt (2)	Revenue-backed Bonds	Loans	Contracts	Participation	Certificates of Participation						
2004-2005	\$ 1,732	\$ 331	\$ 3,084	\$ 6,512	\$ 2,430	\$ 1,871	\$ 276	\$ 5,170	\$ 21,406	\$ 24,390,390	0.09%	796,867	\$ 26.86		
2005-2006	\$ 1,736	\$ 11,815	\$ -	\$ 5,493	\$ 8,159	\$ 1,586	\$ 261	\$ -	\$ 29,050	\$ 27,265,071	0.11%	801,225	\$ 36.26		
2006-2007	\$ 1,730	\$ 10,410	\$ -	\$ 4,409	\$ 8,113	\$ 1,290	\$ 246	\$ -	\$ 26,198	\$ 30,708,931	0.09%	805,911	\$ 32.51		
2007-2008	\$ 1,686	\$ 9,793	\$ -	\$ 3,294	\$ 7,226	\$ 984	\$ -	\$ -	\$ 22,983	\$ 33,316,302	0.07%	812,028	\$ 28.30		
2008-2009	\$ 1,582	\$ 9,156	\$ -	\$ 2,128	\$ 6,307	\$ -	\$ -	\$ -	\$ 19,173	\$ 34,199,233	0.06%	818,546	\$ 23.42		
2009-2010	\$ 1,668	\$ 8,492	\$ 15,569	\$ 928	\$ 5,508	\$ -	\$ -	\$ -	\$ 32,165	\$ 32,845,989	0.10%	825,378	\$ 38.97		
2010-2011	\$ 1,429	\$ 7,808	\$ 13,747	\$ -	\$ 4,675	\$ -	\$ -	\$ -	\$ 27,659	\$ 32,826,901	0.08%	830,215	\$ 33.32		
2011-2012	\$ 1,354	\$ 7,101	\$ 11,914	\$ -	\$ 3,815	\$ -	\$ -	\$ -	\$ 24,184	\$ 32,865,630	0.07%	834,109	\$ 28.99		
2012-2013	\$ 1,242	\$ 6,376	\$ 11,516	\$ -	\$ 3,083	\$ -	\$ -	\$ -	\$ 22,217	\$ 32,971,528	0.07%	839,814	\$ 26.45		
2013-2014	\$ 1,157	\$ 6,071	\$ 11,097	\$ -	\$ 2,703	\$ -	\$ -	\$ -	\$ 21,028	\$ 36,550,998	0.06%	842,967	\$ 24.95		

(1) California State Water Project Contract

(2) Loan from Bureau of Reclamation

(3) Source - County Auditor-Controller Ventura County - also refer to Demographic and Economic Statistics for detailed breakdown.

(4) Assessed valuation used as other economic base versus personal income.

(5) California Department of Finance Ventura County July 1st of each year.

Notes: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

The above data are alternative indicators that are considered relevant to United Water Conservation District.

United Water Conservation District

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(amounts expressed in thousands except for population and per capita amount)
(Unaudited)

Fiscal Year	General Obligation Bonds	Total General Obligation Bonds	Total Assessed Valuations	Percentage of Total Assessed		Per Capita
				Valuations (1)	Population (2)	
2004-2005	\$ 6,512	\$ 6,512	\$ 24,390,390	0.03%	796,867	\$ 8.17
2005-2006	\$ 5,493	\$ 5,493	\$ 27,265,071	0.02%	801,225	\$ 6.86
2006-2007	\$ 4,409	\$ 4,409	\$ 30,708,931	0.01%	805,911	\$ 5.47
2007-2008	\$ 3,294	\$ 3,294	\$ 33,316,302	0.01%	812,028	\$ 4.06
2008-2009	\$ 2,128	\$ 2,128	\$ 34,199,233	0.01%	818,546	\$ 2.60
2009-2010	\$ 928	\$ 928	\$ 32,845,989	0.00%	825,378	\$ 1.12
2010-2011	\$ -	\$ -	\$ 32,826,901	0.00%	830,215	\$ -
2011-2012	\$ -	\$ -	\$ 32,865,630	0.00%	834,109	\$ -
2012-2013	\$ -	\$ -	\$ 32,971,528	0.00%	839,814	\$ -
2013-2014	\$ -	\$ -	\$ 36,550,998	0.00%	842,967	\$ -

(1) Source - County Auditor-Controller Ventura County.

(2) California Department of Finance Ventura County July 1st of each year.

The above data are alternative indicators that are considered relevant to United Water Conservation District.

United Water Conservation District
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2014
 (amounts expressed in thousands)
 (Unaudited)

	<u>Special Assessment Contract (1)</u>	<u>Revenue- backed Bonds</u>	<u>Certificates of Participation</u>	<u>Total Debt Outstanding</u>
Direct debt	\$ 1,157	\$ 6,071	\$ 11,097	\$ 18,325
Overlapping debt	-	-	-	-
Total direct and overlapping debt				<u>\$ 18,325</u>

(1) California State Water Project Contract

United Water Conservation District Water System
Summary of Historic Operating Results and Pledged-Revenue and non Pledged Debt Service Coverage
 Fiscal Year Ended June 30
 (Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Water delivery charges	\$ 4,553,421	\$ 5,660,844	\$ 6,544,073	\$ 7,102,327	\$ 7,626,111	\$ 8,167,953	\$ 8,304,773	\$ 8,451,933	\$ 7,278,609	\$ 6,941,588
Groundwater charges	3,998,730	4,024,600	4,297,195	4,108,102	4,855,486	5,465,530	5,648,726	7,575,270	11,160,081	12,577,381
Less allowance for uncollectables	-	-	-	-	(19,690)	9,688	(876)	(9,527)	(22,720)	1,593
Taxes	983,234	1,126,876	1,895,896	2,000,078	2,089,854	2,089,881	1,949,647	2,016,499	2,154,195	2,130,951
Interest	181,694	576,758	813,667	665,160	264,128	107,155	90,699	69,737	58,801	59,524
Other	418,664	521,977	1,058,254	376,730	283,952	202,191	190,912	530,332	511,226	667,738
Total revenues	10,135,743	11,911,055	14,609,085	14,252,397	15,095,841	16,042,398	16,183,881	18,634,244	21,140,192	22,378,775
Operating expenditures (1)										
Salaries	1,738,614	1,982,344	2,159,346	2,456,084	2,659,544	2,824,241	3,079,085	3,212,930	3,068,517	3,246,403
Employee benefits	760,348	885,289	942,866	1,041,956	1,273,509	1,327,087	1,438,154	1,622,051	1,590,188	1,704,470
Utilities	713,631	616,356	914,815	1,315,366	1,167,901	1,171,421	998,711	926,083	1,055,895	1,375,625
Maintenance	515,113	815,951	861,452	1,055,420	947,493	1,110,982	1,167,225	723,718	904,605	733,351
Professional fees	636,949	842,885	802,397	590,711	1,129,739	1,094,790	1,168,058	1,326,488	1,100,249	1,884,040
Miscellaneous	541,929	605,749	712,306	1,156,124	859,491	722,595	730,926	880,862	751,828	820,391
General and administrative	1,401,138	1,415,957	1,768,320	1,639,077	1,949,131	2,073,257	2,164,448	2,275,837	2,405,438	2,560,638
Total operating expenditures	6,307,722	7,164,531	8,161,502	9,254,738	9,986,808	10,324,373	10,746,607	10,967,969	10,876,720	12,324,918
Net revenues	\$ 3,828,021	\$ 4,746,524	\$ 6,447,583	\$ 4,997,659	\$ 5,113,033	\$ 5,718,025	\$ 5,437,274	\$ 7,666,275	\$ 10,263,472	\$ 10,053,857
Debt Service										
Principal	\$ 1,296,307	\$ 1,580,887	\$ 1,780,799	\$ 1,846,047	\$ 2,573,612	\$ 1,495,000	\$ 3,370,000	\$ 3,430,001	1,980,000	1,100,000
Interest	648,537	861,861	809,207	772,813	713,971	790,036	1,185,358	1,085,538	977,181	912,844
Total Party debt service (2)	\$ 1,944,844	\$ 2,442,748	\$ 2,590,006	\$ 2,618,860	\$ 3,287,583	\$ 2,285,036	\$ 4,555,358	\$ 4,515,539	\$ 2,957,181	\$ 2,012,844
Coverage of system net revenues to party debt service	1.97	1.94	2.49	1.91	1.56	2.50	1.19	1.70	3.47	4.99
Debt Service:										
Principal	\$ 1,040,884	\$ 1,069,815	\$ 1,099,809	\$ 1,360,751	\$ 1,166,000	\$ 1,200,000	\$ 928,000	\$ -	\$ -	\$ -
Interest	209,511	276,164	213,834	118,660	88,581	36,309	28,885	-	-	-
Total debt service on other debt payable from net revenues	\$ 1,250,395	\$ 1,345,979	\$ 1,313,643	\$ 1,479,411	\$ 1,254,581	\$ 1,236,309	\$ 956,885	\$ -	\$ -	\$ -
Coverage on all debt payable from net revenues	1.20	1.25	1.65	1.22	1.13	1.62	0.99	1.70	3.47	4.99

(1) Excludes depreciation, capital expenditures and debt service.

(2) Includes 2001, 2005, 2006 Revenue Bonds, 2009 Certificates of Participation bond contracts. Does not include other obligations of the District not secured by an express pledge of water revenues.

United Water Conservation District
Demographic and Economic Statistics of Ventura County
Last Ten Fiscal Years
(amounts expressed in thousands)
(Unaudited)

Fiscal Year	Utility Valuations	Secured Valuations	Unsecured Valuations	Total Assessed Valuations (1)	Population (2)
2004-2005	\$ 229,718	\$ 23,364,998	\$ 795,674	\$ 24,390,390	796,867
2005-2006	\$ 216,409	\$ 26,177,424	\$ 871,238	\$ 27,265,071	801,225
2006-2007	\$ 193,060	\$ 29,586,144	\$ 929,727	\$ 30,708,931	805,911
2007-2008	\$ 157,264	\$ 32,206,250	\$ 952,788	\$ 33,316,302	812,028
2008-2009	\$ 132,246	\$ 33,082,922	\$ 984,065	\$ 34,199,233	818,546
2009-2010	\$ 106,785	\$ 31,652,196	\$ 1,087,008	\$ 32,845,989	825,378
2010-2011	\$ 119,468	\$ 31,673,871	\$ 1,033,562	\$ 32,826,901	830,215
2011-2012	\$ 106,617	\$ 31,672,936	\$ 1,086,077	\$ 32,865,630	834,109
2012-2013	\$ 122,321	\$ 31,736,906	\$ 1,112,301	\$ 32,971,528	839,814
2013-2014	\$ 143,950	\$ 35,163,390	\$ 1,243,658	\$ 36,550,998	842,967

(1) Source - County Auditor-Controller Ventura County.

(2) California Department of Finance Ventura County July 1st of each year.

The above data are alternative indicators that are considered relevant to United Water Conservation District.

United Water Conservation District
Demographic and Economic Statistics of Ventura County - Continued
Last Ten Calendar Years
(amounts expressed in thousands or acre foot as indicated)
(Unaudited)

<u>Calendar Year</u>	<u>Gross Value of Crops (1)</u>	<u>Leading Commodity Value Strawberry (1)</u>	<u>Acres of Agricultural of Farm Land (2)</u>
2004	\$ 1,255,109	\$ 325,567	N/A
2005	\$ 1,508,174	\$ 366,310	124,959
2006	\$ 1,549,988	\$ 366,428	N/A
2007	\$ 1,613,247	\$ 393,507	122,492
2008	\$ 1,600,000	\$ 394,000	N/A
2009	\$ 1,623,857	\$ 515,406	96,316
2010	\$ 1,859,151	\$ 542,127	N/A
2011	\$ 1,844,260	\$ 625,509	96,340
2012	\$ 1,963,798	\$ 691,303	N/A
2013	\$ 2,094,915	\$ 608,765	92,273

(1) Source: Farm Bureau of Ventura County

(2) Source: Farm Bureau of Ventura County calculated by the California Department of Conservation's Farmland Mapping and Monitoring Program and excludes grazing land.

The above data are alternative indicators that are considered relevant to United Water Conservation District.

United Water Conservation District
Demographic and Economic Statistics of Ventura County - Continued
Last Ten Calendar Years
(amounts expressed in thousands except population and per capita)
(Unaudited)

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate (3)</u>
2004	813,052	\$ 30,438,129	\$ 37,437	5.4%
2005	817,315	\$ 32,303,104	\$ 39,523	4.8%
2006	825,512	\$ 33,940,408	\$ 41,114	4.3%
2007	831,587	\$ 36,210,471	\$ 43,544	4.9%
2008	836,080	\$ 37,185,120	\$ 44,476	7.2%
2009	844,713	\$ 36,863,041	\$ 43,640	10.0%
2010	828,383	\$ 36,858,409	\$ 44,494	10.8%
2011	832,970	\$ 38,141,164	\$ 45,789	10.1%
2012	835,981	\$ 40,826,909	\$ 48,837	9.0%
2013	842,967	\$ 40,826,909	\$ 50,507	6.2%

- (1) California Department of Finance, Demographic Research Unit
- (2) U.S. Bureau of Economic Analysis, most current information available
- (3) California Employment Development Department, Labor Market Information Division

The above data are alternative indicators that are considered relevant to United Water Conservation District.

United Water Conservation District
Demographic and Economic Statistics of Ventura County - Continued
Calendar Year Ended December 31, 2013 and Nine Years Ago
(Unaudited)

Principal Employers	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
United States Naval Base	20,060	1	6.50%	16,868	1	5.45%
County of Ventura	8,485	2	2.75%	7,407	2	2.39%
Amgen, Inc.	6,000	3	1.95%	6,330	3	2.04%
WellPoint Inc.	2,913	4	0.94%	4,210	5	1.36%
Simi Unified School District	2,320	5	0.75%	2,098	7	0.68%
Community Memorial Hospital	2,021	6	0.66%	1,630	13	0.53%
Dignity Health	1,938	7	0.63%	N/A	N/A	N/A
Conejo Valley Unified School District	1,849	8	0.60%	2,031	8	0.66%
Ventura Unified School District	1,796	9	0.58%	2,456	6	0.79%
Los Robles Regional Medical Center	1,600	10	0.52%	1,369	15	0.44%
	<u>48,982</u>		<u>15.88%</u>	<u>44,399</u>		<u>14.34%</u>

Source: California Economic Forecast (February 2014 Report for Ventura County)

The above data are alternative indicators that are considered relevant to United Water Conservation District.

United Water Conservation District
 Operating Information
 Year Ended June 30, 2014
 (Unaudited)

Full time equivalent positions as assigned by Function/Program at June 30th.

<u>Fiscal Year</u>	<u>Water Conservation</u>	<u>Facility Operations and Improvements</u>	<u>Recreation Facilities</u>	<u>General and Administrative</u>	<u>Total District Employees</u>
2004-2005	5	22	6	12	45
2005-2006	6	23	6	12	47
2006-2007	8	22	7	12	49
2007-2008	9	23	8	12	52
2008-2009	10	27	4	13	54
2009-2010	9	27	2	14	52
2010-2011	10	28	2	13	54
2011-2012	9	25	2	12	48
2012-2013	13	25	2	13	53
2013-2014	11	22	2	14	49

General and administrative employees compensation allocated to water conservation and facilities based on an agreed upon in-direct cost allocation methodology.

United Water Conservation District
 Operating Information - Continued
 Year Ended June 30, 2014
 (Unaudited)

Well No.	Well Depth In Feet	Well Capacity Gallons Per Minute
The Oxnard-Hueneme Pipeline has twelve active pumping wells:		
2A	320	750
4*	307	-
5	308	2,030
6	304	700
7	326	975
8	319	1,370
11	360	2,600
12	1,112	2,400
13	1,410	2,450
14	1,495	3,275
15	330	2,200
16	340	1,390
* Out of service and scheduled for replacement		

Well No.	Well Depth In Feet	Well Capacity Gallons Per Minute
The Pumping Trough Pipeline has five deep aquifer irrigation pumping wells:		
1	1,300	2,300
2	1,286	1,600
3	1,310	1,975
4	1,500	3,100
5	1,220	2,400
The Pumping Trough Pipeline also has one Booster Pump with pumping capacity of 6,700 gallons per minute.		

Well No.	Well Depth In Feet	Well Capacity Gallons Per Minute
The Saticoy Well Field has four upper aquifer irrigation pumping wells:		
1	375	1,800
2	330	1,300
3	360	1,800
4	280	1,200

United Water Conservation District
 Operating Information - Continued
 Year Ended June 30, 2014
 (Unaudited)

District Facilities: United Water Conservation District operates a series of water conservation facilities within the watershed of the Santa Clara River. The facilities are used to store water run-off, divert water, recharge aquifers through the use of spreading ponds and deliver water to municipalities and agricultural growers. The District has over 1,156 active water wells within the District's service area. The District estimates these wells are owned by approximately 700 individuals. A listing of some of the major facilities is as follows:

<u>Santa Felicia Dam</u>	An earthen dam constructed in 1954 with a maximum height of 200 feet. The main purpose of the dam is to catch water run-off from Piru Creek.
<u>Lake Piru</u>	Created by the Santa Felicia Dam. The main purpose of the Lake is to store water run-off and release, in controlled amounts, water to replenish several groundwater basins and supply surface water for irrigation to agricultural areas of the District. Capacity: maximum 87,200 acre feet to a minimum pool of 20,000 acre feet.
<u>Piru Diversion and Spreading Grounds</u>	Constructed in 1931. Percolating Capacity: 150 acre-feet per day Average Annual Spreading: 5,700 acre feet
<u>Ferro Rose Basins</u>	231 acre Ferro Basin 117 acre Rose Basin Acquired in 2009 Not presently connected to the District's recharge system
<u>Noble Basin</u>	Converted from an aggregate mining pit in 1994 132 acre Noble Basin Basin dividers: 3 cells separated by 15 to 20 foot earthen berms Initial capacity: 375 cfs
<u>Mugu Lateral</u>	Pipeline to Point Mugu Naval Air Station Leased long term to Port Hueneme Water Agency
<u>Freeman Diversion</u>	Construction completed in 1991. A concrete structure spanning the Santa Clara River with water diversion of 375 cfs. Diverts water released from Lake Piru and natural runoff from the Santa Clara River. Flows via canal and pipelines to a 44 acre desilting basin. From the desilting basin water flows via canals and pipelines to spreading grounds and other water delivery systems. Average annual diversion: 80,900 acre feet

United Water Conservation District
 Operating Information - Continued
 Year Ended June 30, 2014
 (Unaudited)

<u>Saticoy Spreading Grounds</u>	Headworks and canal capacity: 375 cfs Number of basins: 15 including desilting basin Wetted area: 133 acres Basin dividers: 6 to 8 foot earth dikes Percolating capacity: 450 acre-feet per day Annual average spreading: 26,500 acre feet
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<u>El Rio Spreading Grounds</u>	Saticoy to El Rio pipeline capacity: 150 cfs Number of basins: 10 Wetted area: 100 acres Basin dividers: 6 to 8 foot earth dikes Percolating capacity: 300 acre-feet per day Annual average spreading: 31,300 acre feet
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<u>Municipal Delivery Systems:</u> Oxnard-Hueneme Pipeline	Consists of: 12 wells located at the El Rio spreading grounds and Rose Avenue 2 8 million gallon clearwells 1 chloramination facility 1 booster plant 12 miles of distribution pipeline Delivery: 53 cfs of potable water to customers 13 turnouts and servicing agent for 53 turnouts. Includes City of Oxnard, Port Hueneme Water Agency that provides service to the City of Port Hueneme, Point Mugu and Port Hueneme Navel bases and 4 mutual water companies
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<u>Agricultural Delivery Systems:</u> Pumping Trough Delivery System	Construction completed in 1986 consisting of: 5 wells 1 reservoir 1 booster station Serves 4,000 acres of farmland Average delivery capacity of approximately 12,000 acre feet of water per year 15 miles of distribution pipeline. 62 turnouts
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Pleasant Valley Delivery System	Completed approximately 1958. The primary purpose is to sell diverted river water to the Pleasant Valley County Water District (PVCWD) to offset pumping of wells in the PVCWD area. Serves 12,000 acres of farmland The pipeline is 25,600 feet long and 54 inches in diameter. 4 turnouts Design capacity: 75 cfs 2 150 acre foot reservoirs Average surface water delivery is 8,700 acre feet per year.
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Saticoy Well Field	Construction completed in 2005 4 wells The purpose is to increase storage in the upper aquifer by pumping at the Saticoy spreading grounds and delivering excess water to the Oxnard Plain to relieve pumping in the lower aquifer system.
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