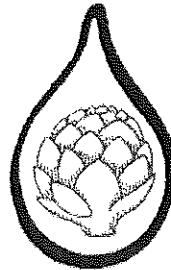


**CASTROVILLE COMMUNITY
SERVICES DISTRICT**

**Auditors' Reports
Financial Statements
And
Supplemental Information**

*For the Year Ended
June 30, 2015*



HINRICHER, DOUGLAS & PORTER, LLP
Certified Public Accountants

Castroville Community Services District
TABLE OF CONTENTS
June 30, 2015

TABLE OF CONTENTS

	<u>Page(s)</u>
Organization.....	1
Management’s Discussion and Analysis.....	2-8
Independent Auditors’ Report.....	9-10
Financial Statements	
Statement of Net Position – Government Wide	11
Statement of Activities – Government Wide	12
Governmental Funds Balance Sheet.....	13
Governmental Funds Statement of Revenues, Expenses, and Changes in Fund Balances.....	14
Statement of Net Position – Proprietary Funds	15-16
Statement of Activities and Changes in Net Assets – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to Financial Statements	19-33
Required Supplemental Information.....	34-39
Independent Auditors’ Report on Internal Control.....	40-41

Castroville Community Services District

ORGANIZATION

June 30, 2015

GOVERNING BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
David Lewis	President
Ron Stefani	Vice-President
Adriana Melgoza	Director
Silvestre Montejano	Director
Betty MacMillan	Director

ADMINISTRATION

Eric Tynan	General Manager
Lidia Santos	Board Secretary/Office Manager

Castroville Community Services District



11499 Geil Street
CASTROVILLE, CA 95012

Management's Discussion and Analysis

As management of the Castroville Community Services District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Castroville Community Services District for the fiscal year ended June 30, 2015. The Castroville Community Services District's financial management is responsible for preparing the Management's Discussion and Analysis section.

The Castroville Community Services District was formerly the Castroville Water District, a special district formed in 1952 under the County Water District Act for the purpose of installing, operating, and distributing a water supply for the community of Castroville. In May of 2006, the District assumed the assets and liabilities for the sewer and storm drain from CSA 14. In February of 2008, the Castroville Water District and CSA 14 were merged to create the Castroville Community Services District that resulted in acquiring additional services such as street lighting, recreational funding, open space, and street maintenance.

At this time, Monterey County and the community of Castroville are following the Castroville Community Plan, a plan that guides development in Castroville for the next twenty years. This plan would more than double the size of Castroville, adding an additional 1,655 residential units, 40 new light industrial facilities, 50,000 square feet of commercial development, and a new light rail commuter train station.

In summary, the District with all the new services acts much like a small city government, which was in response to the community wanting more local control and accountability. With this merger, the District has doubled its area, and quadrupled its reserves.

ENTERPRISE-WATER OPERATIONS

Presently, the District serves more than 7,250 customers through 2,124 water connections in the community of Castroville, which is located in the Salinas Valley in northern Monterey County. The District provides approximately 820 acre-feet of water annually to government, commercial, and residential customers. The District operates three domestic water production wells and the estimated capacity of all three wells is just over 4.4 million gallons per day. The water system encompasses approximately 13 miles of pipeline and includes two water storage tanks with a capacity of 1.1 million gallons. Monitoring wells are strategically placed along the coast to monitor water quality and groundwater levels in the aquifers that make up our water supply. All wells are sampled for over 180 constituents including but not limited to: chlorides, nitrates, total dissolved solids, static water level, and sodium. At this time, the District receives 100 percent of its water from the 400-foot aquifer but has drilled a new well, Well #5 at Well Site #2 that will get its supply from the 900-foot or "deep" aquifer. Unfortunately, this well has arsenic at 23 ppb, and the limit is 10 ppb per the State Water Resource Control Board. A filtration unit is being installed to meet the lower standard by Conco West, Inc and overseen by MNS Engineers. The District anticipates arsenic treatment to cost approximately \$1,250,000 and this treated water will then be blended with the existing well at this site to bring the blended water below the 10 ppb level. The District has been awarded a grant for \$581,000 from the California Department of Water Resources from Prop 84 measure to facilitate treatment of this source and anticipates having Well #5 operational by December 2015.

Historically, the District has been wary of salt-water intrusion of its source aquifers. There has been little or no movement in the Castroville area of the salt-water contour since 1997. We believe this is due at least in part to the Castroville Seawater Intrusion Project (CSIP). Wells #2 and #3 were starting to show signs of seawater intrusion and have been modified to seal off the upper perforations that allowed chlorides to exceed the 500 mg/l limit. The wells now have chlorides of 63 mg/l and 388 mg/L respectively both which are below the secondary standard of 500 mg/L. Unfortunately, the current drought has drawn down our wells to historic levels which exacerbates salt water intrusion. Additionally, the District is keeping an eye on the Salinas River Diversion Facility (SRDF), which started up in 2013, but due to the drought, was shut down this year. When the SRDF is up and running it is expected that up to 16 supplemental wells will be retired around Castroville.

When the SRDF is again operational the results could be twofold: reduced pumping could help restore the aquifer and some of the supplemental agriculture wells may be available for urban usage in the future. Due to the drought, the SRDF has not been able to produce water and the results are that the supplemental wells have continued to draw down the aquifer that Castroville depends on. It is conceivable that the District could lose Well #3 to salt water intrusion in the coming year. In addition, the District is looking at Desalination options. In 2014 the District signed a Memorandum of Intent with Deepwater Desal. The District is also considering a pipeline to Marina to access in-basin water from the California American Desal Project. The Castroville Community Services District has contracted with Harris and Associates to help guide and facilitate a 218 measure to increase water rates in anticipation of more expensive source water supplies. Finally, the District has an application in with the California Department of Water Resources for a \$4.9 million grant to install an additional Deep well and another 600,000 gallon storage tank.

ENTERPRISE-SEWER OPERATIONS

The District assumed the responsibilities and assets for sewer and storm drain activities on May 1, 2006 from County Service Area 14 (CSA 14). The sewer system incorporates 18 miles of main lines and five lift stations, two located in Castroville (Zone 1) and the other two located in Zone 2. Along with these systems the District acquired a jetter truck, utility truck with a crane, and cash reserves of approximately \$5,060,460. The District has a large reserve fund balance as a result of the sale of a wastewater treatment facility a number of years ago by Castroville Sanitation District to the Monterey Regional Water Pollution Control Agency (MRWPCA); this fund itself generates additional income in the form of interest on principal. The proceeds and interest earned from the sale of the wastewater treatment facility are used to maintain, operate, repair, and construct sewer facilities in Zone1 necessary to connect to the MRWPCA treatment facilities. For this reason, no sewer user fees are assessed for Castroville (Zone 1) at this time. Also, a new lift station was installed in the new Sea Garden apartments and came on-line in September 2013.

Since 2011 the District has contracted with the County to provide operation and emergency response services to the Moss Landing County Sanitation District. In July of 2014 the District consolidated with the Moss Landing County Sanitation District creating Zone 3. Since acquiring the Moss Landing system the District has installed a state of the art remote control and monitoring system, replaced 3 damaged manholes and plugged the stormdrain inlets of 7 residences on Struve Road that caused a cross connection with the sewer system. Sewer fees for Moss Landing (Zone 3) are collected by the Monterey Regional Water Pollution Control Agency and then sent to Castroville Community Services District.

Moro Cojo (Zone 2) is assessed user fees for sewer. Monte Del Lago Mobile Home Park and North Monterey County High School are also assessed user fees for sewer.

Furthermore, areas with broken or damaged sewer mains were repaired or replaced, which in past years have resulted in a much more efficient and less costly operation and maintenance program. In addition, a SCADA system control was installed that greatly increased the District's ability to monitor and respond to all lift station concerns. Finally, the force mains were all "pigged" in 2008 to clear them of debris. The lift pumps were also repaired or replaced at all the lift stations.

ENTERPRISE-STORM DRAIN OPERATIONS

Storm Drain user fees are assessed for both Castroville (Zone1) and Moro Cojo (Zone 2). The storm drain system includes approximately 16 miles of main lines, four Vortec units, and one hundred seventy-eight catch basins. All basins were labeled with "Don't Dump, Flows to Bay." Currently, the District cleans the storm drain basins as needed as well as contracting with a private company for street sweeping as needed to help keep debris from plugging the storm drain system. In September of 2013, the Union Storm Drain Project was completed in coordination with Monterey County Public Works. The District installed the basins and pipe and Monterey County Public Works put in the street, curb and gutter. Finally, the Union alley stormdrain and Rico Street storm drains were also installed.

GOVERNMENTAL-STREET LIGHTS

Street light user fees are assessed for both Castroville (Zone 1) and Moro Cojo (Zone 2). The District is responsible for the electrical cost of these street lights to PG&E. Street lights are not metered and instead charged a flat rate fee, therefore, it is important that the District notify PG&E when a street light needs to be repaired. This fiscal year, 26 street lights have been repaired by PG&E. The District has also replaced the lights, ballasts, and hardware on the crossover walkway in Zone 1. A few years ago, a bulb-out was installed at the Castroville overhead sign to protect it from truck damage.

GOVERNMENTAL-OPEN SPACE

Only Moro Cojo (Zone 2) is assessed user fees for open space. The District is only responsible for open space maintenance on approximately 3 acres fronting the Moro Cojo subdivision (Zone 2). This maintenance is performed twice a year and contracted out to the North County Recreation and Park District.

GOVERNMENTAL-STREET MAINTENANCE

Only Moro Cojo (Zone 2) is assessed user fees for street maintenance. All streets were resurfaced and stop lines and limit lines stenciled for the streets in Moro Cojo during fiscal year 2013-14. For fiscal year 2014-2015, damaged street signs were replaced and graffiti was painted over.

GOVERNMENTAL-RECREATIONAL SERVICES

Recreational Services are extended services authorized to be provided by the District. The District can either provide services to its residents directly or may contract with another public agency to provide such services. Recreational funding is routed through the North County Recreation and Park District (NCRPD). Funds for NCRPD had been paid by CSA 14 before it was dissolved. Recreational funding is provided by ad valorem property tax revenues collected for Castroville (Zone 1). For fiscal year ended June 30, 2015, \$101,325 was provided to NCRPD for recreational funding of which \$1,325 was applied towards the tax measure. Currently the CCSD is helping the NCRPD with a tax measure to get them more fully funded. For clarification, revenues taxes used to pay NCRPD comes from ad valorem property taxes and may be used for any purpose the District is authorized to perform.

CAPITAL IMPROVEMENTS

This fiscal year the District completed the following capital improvement projects:

- Installed a motor at Well Site #3
- Installed and upgraded booster pumps at site #2 & #4
- Acquired the Moss Landing sewer system and its four Lift Stations
- Installed a SCADA system for Moss Landing –Zone 3 Lift Stations

Overview of the Financial Statements. This discussion and analysis are intended to serve as an introduction to the Castroville Community Services District's basic financial statements. The Castroville Community Services District's basic financial statements comprise four components:

- 1) government-wide financial statements,
- 2) governmental fund financial statements
- 3) proprietary fund financial statements, and
- 4) Notes to the financial statements.

The financial statements presented here include all the activities of the Castroville Community Services District. Governmental Accounting Standards Board (GASB) Statement No. 34 requires that the financial report present the District together with any component units that it has. The District has no component units as described in the GASB Statement.

This report also contains other supplementary information in addition to the basic financial statements themselves. In addition, there are several different types of financial statements within the first three groups identified above.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Castroville Community Services District finances, in a manner similar to a private-sector business. These government-wide financial statements can be found on pages 11-12 of this report. This statement presents a measure of all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus using the accrual basis of accounting.

The *statement of net assets* presents information on all of the Castroville Community Services District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Castroville Community Services District is improving or deteriorating.

The *statement of activities* presents information showing how the entity's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows (inflows and outflows of cash) in future fiscal periods (e.g., earned but unused vacation leave).

The activities of the Castroville Community Services District are conducted by the District; governed by its own five-person board of directors who are responsible for policy decisions, which govern the operations of the District.

Governmental fund financial statements

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Castroville Community Services District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Castroville Community Services District uses enterprise fund types of proprietary funds for its business type activities. The Castroville Community Services District uses governmental funds types for its governmental type activities. The Castroville Community Services District uses governmental funds to account for its street light, open space, and street maintenance operations. Ad valorem property taxes are used for recreational services. In addition, as mentioned earlier, revenue from ad valorem property taxes may be used for any purpose the Castroville Community Services District is authorized to perform. Governmental funds are used to report the same functions presented as governmental-type activities in the government-wide financial statements. The Castroville Community Services District uses governmental funds to account for its general government and recreation activities. Governmental funds financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Governmental funds provide the same type of information as the government-wide financial statements, only in more detail. The governmental fund financial statements provide separate information for the general government and recreation activities of the Castroville Community Services District.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

Proprietary fund financial statements

Enterprise funds are used to report the same functions presented as business-type activities. The Castroville Community Services District uses enterprise funds to account for its water, sewer and storm drain operations.

The proprietary fund financial statements provide separate information for the water, sewer, and storm drain operations, which are considered to be the major funds of the Castroville Community Services District. Proprietary funds financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The basic proprietary fund financial statements can be found on pages 15-18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide a narrative description of certain items contained in the financial statements to enhance the understanding of those items. The notes to the financial statements can be found on pages 19-33 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Castroville Community Services District's progress in funding its obligations. Required supplementary information can be found on pages 34-39 of this report.

Government-wide Financial Analysis – Overall Financial Position

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the Castroville Community Services District, assets exceeded liabilities by \$15,270,121 at the close of the most recent fiscal year.

By far the largest portion of the Castroville Community Services District's net assets \$9,241,103 (60 percent) reflects unrestricted net assets may be used to meet the District's ongoing obligations to citizens and creditors. An additional portion of the Castroville Community Services District's net assets \$5,299,101 (35 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. The Castroville Community Services District uses these capital assets to provide services to citizens of Castroville. Consequently, these assets are not available for future spending. Although the Castroville Community Services District's investment in its capital assets is reported net of related debt, it is not a spendable resource. The resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net assets of \$729,917 (5 percent), are restricted for special revenue projects and for the Monterey County Assessment Bond.

Castroville Community Services District
Table 1
Net Assets

Description	Governmental –Type Activities		Enterprise - Type Activities	
	2015	2014	2015	2014
Cash and other assets	\$ 654,370	\$ 737,623	\$ 10,040,681	\$ 9,377,026
Capital assets	-	-	5,425,101	5,210,392
Deferred Outflows	-	-	18,884	-
Total assets	\$ 654,370	\$ 737,623	\$ 15,484,666	\$14,587,418
Other liabilities	\$ 1,665	\$ 6,634	\$ 628,307	\$ 202,475
Long –term liabilities outstanding	-	-	106,000	145,000
Deferred Inflows	-	-	132,943	-
Total liabilities	\$ 1,665	\$ 6,634	\$ 867,250	\$347,475
Net assets:				
Investment in Capital Assets	-	-	\$ 5,299,101	\$ 5,065,392
Restricted	\$ 652,705	\$ 730,989	77,212	76,285
Unrestricted	-	-	\$ 9,241,103	\$ 9,098,266
Total net assets	\$ 652,705	\$ 730,989	\$ 14,617,416	\$14,239,943
Total Liabilities and Net Assets	\$ 654,370	\$ 737,623	\$ 15,484,666	\$14,587,418

At the end of the current fiscal year, the Castroville Community Services District is able to report positive balances in its net assets. The same situation held true for the prior fiscal year.

Castroville Community Services District
Table 2
Changes in Net assets

Description	Governmental –Type Activities		Enterprise–Type Activities	
	2015	2014	2015	2014
Program revenues:				
Fines, fees and charges for services	\$ 67,231	\$ 66,626	\$ 1,179,601	\$ 1,013,480
Operating grants	\$ 1,246	\$ 6,924	-	-
Other general revenues	-	-	\$ 724,168	\$ 1,679,559
Total Revenues	\$ 68,477	\$ 73,550	\$ 1,903,769	\$ 2,693,039
Expenses	(146,761)	(272,383)	(1,351,196)	(1,366,329)
Transfers in (out)	-	\$ 145,353	-	(145,353)
Change in net assets	(\$ 78,284)	(\$ 53,480)	\$ 552,573	\$ 1,181,357
Net Assets, beginning, as restated	\$ 730,989	\$ 784,469	\$14,064,843	\$ 13,058,586
Net Assets, Ending	\$ 652,705	\$ 730,989	\$14,617,416	\$ 14,239,943

The District's Governmental-type activities net assets decreased in 2015 compared to 2014. The primary reason is that funds were provided to North County Recreation and Park District to provide extended recreation and park services. The Business-type activity reflects an increase in net assets in 2015 compared to 2014. The primary reason for this difference is that in 2015 higher than anticipated general revenue were received due to the dissolution of redevelopment agencies.

Proprietary funds. The Castroville Community Services District's proprietary funds provide the same type of information found in the government wide financial statements, but in a classified format. The reason they are similar is that business type activities in the government-wide financial statements are presented on the economic resources measurement same as the Proprietary funds presented in the fund level financial statements.

Financial Highlights

The assets of the Castroville Community Services District exceeded its liabilities at the close of the most recent fiscal year by \$14,617,416 (*net assets*) in its business-type activities and \$652,705 for the governmental-type activities.

The Castroville Community Services District's total liabilities decreased primarily due to the \$298,718 reduction in long-term obligations. The note payable with City National Bank was paid in full in November 2013 and scheduled bond payable payments for the Castroville Water Project Assessment District Bonds were paid.

Analysis of balances and transactions of funds

The District is a multi-purpose, proprietary entity, and as such, maintains multiple fund types and thus there are interfund balances. The analysis of balances is shown in tables one and two of this report, and in the section labeled "Financial Highlights." For further detailed information refer to "Statement of Activities" on page 12, which reflects changes in net assets as well.

Analysis of variations between original and final budget amounts

The District adopts its budget in accordance with California law. It is District policy to not modify the budget in total, although certain reallocations of expenditures may occasionally be made. The budget is adopted on a projected cash flow basis. It reflects items such as repayment of debt principal and projected capital expenditures as cash outflows that are not recognized as expenses under Generally Accepted Accounting Principles.

Budget variances are reviewed by District management on an ongoing basis as part of the financial management of the District. Budget variances during the year ended June 30, 2015 for Governmental activity consisted of:

Account	Budget	Actual	Variance	Explanation
Revenues:				
Investment Earnings	\$ -	\$ 1,246	\$ 1,246	Interest earned with LAIF
Charges for Services	66,700	67,231	531	Slightly over budgeted amount
Total Revenues:	\$ 66,700	\$ 68,477	\$ 1,777	
Expenditures:				
Street, St Lights & Open Space	\$ 51,000	\$ 45,436	\$ 5,564	Cost under budget for these services
Recreation	140,000	101,325	38,675	Certain funds allocated for tax measure
Total Expenditures:	\$191,000	\$146,761	\$ 44,239	
Excess (Deficiency) of Revenue Over Expenditures	(124,300)	(78,284)	\$ 46,016	

Capital Asset and Debt Administration

Capital assets. The Castroville Community Services District’s investment in capital assets for its business type activities as of June 30, 2015, amounts to \$5,245,101 (net of accumulated depreciation). Investment in capital assets includes, water equipment, pumping equipment, lift station improvements, system improvements to storm drains and building improvements. The development of the new well, Well 5 (formerly Well 2b) is still in progress. Additionally, the District also acquired the Moss Landing sanitation system as of July 1, 2014. Still, the District had a slightly greater investment in capital assets this year in comparison to last fiscal year.

**Castroville Community Services District
Table 3
Capital Assets
(Net of depreciation)**

Major capital asset events during the current fiscal year included the following:

	2015	2014
Construction in progress	\$ 1,396,921	\$ 1,243,739
Sewer Equipment and Vehicles	820,358	791,519
Buildings and Improvements	659,082	659,082
Project, Wells, and Pipes	7,359,940	7,046,917
	\$ 10,236,301	\$ 9,741,257

Additional information on the Castroville Community Services District’s capital assets can be found in Note 3 on page 26.

Long-term debt. At the end of the current fiscal year, the Castroville Community Services District had total debt outstanding of \$126,000 comprised of improvement bonds. The Sewer Revenue Bond of 1983 for Moss Landing (Zone 3) has been paid in full.

**Castroville Community Services District
Table 4
Outstanding Debt
General Obligation and Revenue Bonds**

Description	2015	2014
Castroville Water Project Assessment District	\$ 126,000	\$ 145,000
Sewer Revenue Bond of 1983 – Moss Landing (Zone 3)	-	-
Totals	\$ 126,000	\$ 145,000

Additional information on the Castroville Community Services District's long-term debt can be found in Note 5 on page 27.

Infrastructure Assets

The District has adopted the recommended approach of GASB Statement No. 34 with regard to infrastructure assets. All identifiable infrastructure assets have been capitalized at their purchase cost, estimated value for contributed or donated assets, or estimated cost for those items expensed in prior years and not previously capitalized.

Economic Factors and Next Year’s Rates:

- The unemployment rate for Monterey County in which Castroville Community Services District is located is currently 6.3 percent, which is a decrease of 0.7 percent from a rate of 7.0 percent a year ago. This is comparable to the state's average unemployment rate at 6.2 percent but higher than the national average rate of 5.3 percent
- The District may consider raising water rates in 2016.

All of these factors were considered in preparing the Castroville Community Services District’s budget for the 2015/2016 fiscal year.

The District is required to adopt a budget by California law. Before the Districts adopts its budget, notice is hereby given that the preliminary budgets of the Castroville Community Services District of Monterey County for the fiscal year will be considered for adoption by the Board of Directors and are available at the following time and place within the District for inspection by interested taxpayers.

Requests for Information

This financial report is designed to provide a general overview of the Castroville Community Services District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Castroville CSD, 11499 Geil Street, Castroville, CA 95012.

HINRICHER, DOUGLAS & PORTER LLP

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Board of Directors

Castroville Community Services District
Castroville, CA

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, California, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-8 and 36-39 and the Required Supplemental Information on pages 34-35 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Castroville Community Services District's basic financial statements. The accompanying combining and individual non-major fund financial statements and schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements of the Castroville Community Services District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Change in Accounting Principle

As discussed in Note 6 to the financial statements, in 2014 the District adopted new accounting guidance under *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the District's internal control over financial reporting, compliance with laws and regulation and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hinricher, Douglas & Porter, LLP

September 30, 2015

Castroville Community Services District

Statement of Net Position

June 30, 2015

ASSETS	Governmental	Business-Type	Total
Cash and Investments	\$ 654,052	\$ 7,458,849	\$ 8,112,901
Restricted Cash	-	77,212	77,212
Investments	-	2,286,493	2,286,493
Accounts Receivable	-	85,791	85,791
Interest Receivable	318	6,373	6,691
Inventory	-	30,591	30,591
Prepaid Expenses	-	8,169	8,169
Organizational Costs	-	87,203	87,203
Capital Assets			
Nondepreciable, <i>Net</i>	-	1,602,531	1,602,531
Depreciable, <i>Net</i>	-	3,822,570	3,822,570
Total Capital Assets	-	5,425,101	5,425,101
Deferred Outflows of Resources	-	18,884	18,884
Total Assets	\$ 654,370	\$ 15,484,666	\$ 16,139,036
LIABILITIES			
Accounts Payable	\$ 1,665	\$ 37,934	\$ 39,599
Accrued Payroll	-	82,168	82,168
Refundable Deposits	-	62,976	62,976
Net Pension Liability	-	376,234	376,234
OPEB Liability	-	48,995	48,995
Long-term Debt			
Due within one year	-	20,000	20,000
Due in more than one year	-	106,000	106,000
Deferred Inflows of Resources	-	132,943	132,943
Total Liabilities	1,665	867,250	868,915
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	5,299,101	5,299,101
Restricted for:			
Monterey County Assessment Bond	-	77,212	77,212
Special Revenue Projects	652,705	-	652,705
Total Restricted Net Assets	652,705	77,212	729,917
Unrestricted Net Assets	-	9,241,103	9,241,103
Total Net Assets	\$ 652,705	\$ 14,617,416	\$ 15,270,121
Total Liabilities and Net Assets (memo only)	\$ 654,370	\$ 15,484,666	\$ 16,139,036

See Auditor's Report

The Notes to Financial Statements Are An Integral Part of This Statement

Castroville Community Services District

Statement of Activities

For the year ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Operating Expenses	Fines, Fees and Charges for Services	Operating Grants	Governmental Activities	Business-type Activities	
Governmental Activities:						
Streets, Street Lights and Open Space	\$ 45,436	\$ 67,231	\$ -	\$ 21,795	\$ -	\$ 21,795
Public Works	-	-	1,246	1,246	-	1,246
Recreation	101,325	-	-	(101,325)	-	(101,325)
<i>Total Governmental Activities</i>	146,761	67,231	1,246	(78,284)	-	(78,284)
Business-type Activities:						
Water	749,041	836,045	-	-	87,004	87,004
Sewer	486,078	154,170	-	-	(331,908)	(331,908)
Moss Landing	116,077	189,386	-	-	73,309	73,309
<i>Total Business-type Activities</i>	1,351,196	1,179,601	-	-	(171,595)	(171,595)
Total Primary Government	1,497,957	1,246,832	1,246	(78,284)	(171,595)	(249,879)
General Revenues:						
Property Taxes				-	173,044	173,044
Investment Earnings				-	10,001	10,001
Miscellaneous				-	541,123	541,123
Total General Revenues				-	724,168	724,168
Change in Net Assets				(78,284)	552,573	474,289
Net Assets-Beginning				730,989	14,064,843	14,795,832
Net Assets-Ending				\$ 652,705	\$ 14,617,416	\$ 15,270,121

See Auditor's Report

The Notes to Financial Statements Are An Integral Part of This Statement

Castroville Community Services District
Governmental Funds
Balance Sheet
June 30, 2015

	<u>Zone 1</u> <u>Castroville</u>	<u>Zone 2</u> <u>Moro Cojo</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash and Investments	\$ 499,449	\$ 154,603	\$ 654,052
Interest Receivable	210	108	318
Total Assets	<u>\$ 499,659</u>	<u>\$ 154,711</u>	<u>\$ 654,370</u>
LIABILITIES			
Accounts Payable	\$ 1,499	\$ 166	\$ 1,665
Total Liabilities	<u>1,499</u>	<u>166</u>	<u>1,665</u>
FUND BALANCES			
Fund Balance			
Restricted:			
Special Revenue Fund	498,160	154,545	652,705
Total Fund Balances	<u>498,160</u>	<u>154,545</u>	<u>652,705</u>
Total Liabilities and Fund Balances	<u>\$ 499,659</u>	<u>\$ 154,711</u>	<u>\$ 654,370</u>

Castroville Community Services District
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2015

	Zone 1 Castroville	Zone 2 Moro Cojo	Total Governmental Funds
REVENUES			
User Fees	\$ 33,416	\$ 33,815	\$ 67,231
Interest Income	1,246	-	1,246
Total Revenues	<u>34,662</u>	<u>33,815</u>	<u>68,477</u>
EXPENDITURES			
Current:			
Streets, Street Lights and Open Space	40,366	5,070	45,436
Recreation	101,325	-	101,325
Total Expenditures	<u>141,691</u>	<u>5,070</u>	<u>146,761</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(107,029)</u>	<u>28,745</u>	<u>(78,284)</u>
OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(107,029)	28,745	(78,284)
BEGINNING FUND BALANCES	605,189	125,800	730,989
ENDING FUND BALANCES	<u>\$ 498,160</u>	<u>\$ 154,545</u>	<u>\$ 652,705</u>

Castroville Community Services District

Statement of Net Position - Proprietary Funds

June 30, 2015

ASSETS

	<u>6/30/2015</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Moss Landing</u>	<u>Total</u>
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 2,156,755	\$ 496,540	\$ 105,654	\$ 2,758,949
Cash and Cash Equivalents, Designated for Capital Additions	1,136,034	3,319,659	180,333	4,636,026
Investments	-	2,286,493	-	2,286,493
Cash - Designated for Customer Deposits	61,973	1,901	-	63,874
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$1,200	49,241	-	36,550	85,791
Interest Receivable	2,282	4,000	91	6,373
Due From Other Fund	-	213,000	-	213,000
Supplies Inventory	27,528	3,063	-	30,591
Prepaid Expenses	3,676	3,676	817	8,169
Total Current Assets	<u>3,437,489</u>	<u>6,328,332</u>	<u>323,445</u>	<u>10,089,266</u>
<u>NON-CURRENT ASSETS</u>				
Property Plant and Equipment, Net of Accumulated Depreciation, Note 3	2,305,802	1,417,050	305,328	4,028,180
Construction in Progress	1,344,631	-	52,290	1,396,921
Total Property, Plant and Equipment	<u>3,650,433</u>	<u>1,417,050</u>	<u>357,618</u>	<u>5,425,101</u>
<u>RESTRICTED ASSETS</u>				
Cash and Cash Equivalents (Restricted)	77,212	-	-	77,212
Total Restricted Assets	<u>77,212</u>	<u>-</u>	<u>-</u>	<u>77,212</u>
<u>OTHER ASSETS</u>				
Organizational Costs, Net of Accumulated Amortization of \$36,466	-	87,203	-	87,203
Total Other Assets	<u>-</u>	<u>87,203</u>	<u>-</u>	<u>87,203</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources	8,498	8,498	1,888	18,884
Total Deferred Outflows of Resources	<u>8,498</u>	<u>8,498</u>	<u>1,888</u>	<u>18,884</u>
Total Assets	<u>\$ 7,173,632</u>	<u>\$ 7,841,083</u>	<u>\$ 682,951</u>	<u>\$ 15,697,666</u>

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financials Statements

Castroville Community Services District
Statement of Net Position - Proprietary Funds *(continued)*
June 30, 2015

LIABILITIES AND NET ASSETS

	6/30/2015			
	<u>Water</u>	<u>Sewer</u>	<u>Moss Landing</u>	<u>Totals</u>
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 33,487	\$ 3,170	\$ 1,277	\$ 37,934
Accrued Payroll	37,758	36,715	7,695	82,168
Due to Other Fund	-	-	213,000	213,000
Customer Deposits	61,075	1,901	-	62,976
Current Note Payable	20,000	-	-	20,000
Other Post Employment Benefits	32,503	16,492	-	48,995
Total Current Liabilities	<u>184,823</u>	<u>58,278</u>	<u>221,972</u>	<u>465,073</u>
<u>LONG-TERM LIABILITIES</u>				
Bonds Payable	106,000	-	-	106,000
Net Pension Liability	169,305	169,305	37,624	376,234
Total Long-Term Liabilities	<u>275,305</u>	<u>169,305</u>	<u>37,624</u>	<u>482,234</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources	59,824	59,824	13,295	132,943
Total Deferred Inflows of Resources	<u>59,824</u>	<u>59,824</u>	<u>13,295</u>	<u>132,943</u>
Total Liabilities	<u>519,952</u>	<u>287,407</u>	<u>272,891</u>	<u>1,080,250</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	3,524,433	1,417,050	357,618	5,299,101
Restricted for Monterey County Assessment Bond	77,212	-	-	77,212
Unrestricted	3,052,035	6,136,626	52,442	9,241,103
Total Net Assets	<u>\$ 6,653,680</u>	<u>\$ 7,553,676</u>	<u>\$ 410,060</u>	<u>\$ 14,617,416</u>
Total Liabilities and Net Assets	<u>\$ 7,173,632</u>	<u>\$ 7,841,083</u>	<u>\$ 682,951</u>	<u>\$ 15,697,666</u>
Adjustment for elimination of interfund loan between Sewer and Moss Landing funds for consolidation purposes Net Position of Business-Type Activities				<u>(213,000)</u> <u>\$ 15,484,666</u>

Castroville Community Services District

Statement of Activities - Proprietary Funds

For the Year Ended June 30, 2015

	6/30/2015			
	Water	Sewer	Moss Landing	Totals
<u>OPERATING REVENUES</u>				
Water Sales	\$ 831,348	\$ -	\$ -	\$ 831,348
Property Tax and User Fees	-	245,214	271,386	516,600
New Service and Connection Fees	4,697	-	-	4,697
ROPS Pass-Through Income	-	464,051	-	464,051
Other Revenues	53,923	23,149	-	77,072
Total Operating Revenues	889,968	732,414	271,386	1,893,768
<u>OPERATING EXPENSES</u>				
General Operation Expenses				
Depreciation Expense	202,750	76,478	19,145	298,373
Payroll and Related Expenses	77,329	78,359	17,637	173,325
Utility Expense	85,735	-	-	85,735
Water and Sewer Line Expenses	5,758	17,657	1,529	24,944
General Operations	16,872	3,453	609	20,934
Meter Expenses	6,538	-	-	6,538
Automobile Expenses	4,803	7,097	1,822	13,722
Lift Station Expenses	-	15,016	15,222	30,238
Well Site Expenses	15,476	-	-	15,476
Storm drain Expenses	-	7,124	-	7,124
Hydrant Expenses	866	-	-	866
Administrative Expenses				
Payroll and Related Expenses	206,944	201,133	45,876	453,953
Consulting Expenses	23,345	15,462	6,137	44,944
Office Expenses	26,741	15,558	3,962	46,261
Retirement Plan Contributions	34,708	30,019	-	64,727
Billing Expenses	13,317	-	-	13,317
Insurance Expense	10,490	10,302	2,418	23,210
Utility Expenses	3,484	3,652	774	7,910
Bond, Loan and Certificate Expense	-	646	946	1,592
Bad Debts	555	-	-	555
Total Operating Expenses	735,711	481,956	116,077	1,333,744
<u>NON-OPERATING REVENUES and (EXPENSES)</u>				
Interest Revenue	9,577	-	424	10,001
Amortization of Investment Discount	-	(4,122)	-	(4,122)
Bond Issue Cost Amortization	(311)	-	-	(311)
Interest on Long-Term Debt	(7,250)	-	-	(7,250)
Debt Administration Costs	(5,769)	-	-	(5,769)
Total Non-operating Revenues (Expenses)	(3,753)	(4,122)	424	(7,451)
Net Income Before Transfers	150,504	246,336	155,733	552,573
<u>TRANSFERS</u>				
Transfers In/(Out)	18,699	(13,508)	(5,191)	-
<u>CHANGE IN NET ASSETS</u>				
<u>NET ASSETS</u>				
Net Assets, Beginning of Year	6,701,786	7,538,157	307,583	14,547,526
Prior year Restatement for Pension Liability	(217,309)	(217,309)	(48,065)	(482,683)
Net Assets, Beginning of Year, Restated	6,484,477	7,320,848	259,518	14,064,843
Net Assets, End of Year	\$ 6,653,680	\$ 7,553,676	\$ 410,060	\$ 14,617,416

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financial Statements

Castroville Community Services District
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2015

	6/30/2015			
	Water	Sewer	Moss Landing	Totals
<u>Cash Flows From Operating Activities:</u>				
Cash Received from Customers	\$ 819,390	\$ 249,698	\$ 251,828	\$ 1,320,916
Other Cash Receipts	53,923	274,200	-	328,123
Cash Paid to Suppliers for Services and Inventories	(218,284)	(124,154)	(31,553)	(373,991)
Cash Paid to Employees for Services	(302,516)	(262,048)	(55,818)	(620,382)
Net Cash Provided By Operations	<u>352,513</u>	<u>137,696</u>	<u>164,457</u>	<u>654,666</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Debt Administration Costs	(5,769)	-	-	(5,769)
Interest on Long Term Debt	(7,250)	-	-	(7,250)
Payment and Current maturities of Long-Term Debt	(20,000)	-	(21,000)	(41,000)
Transfers Between Funds	18,699	(13,508)	(5,191)	-
Net Cash (Used) By Non-Capital Financing Activities	<u>(14,320)</u>	<u>(13,508)</u>	<u>(26,191)</u>	<u>(54,019)</u>
<u>Cash Flows from Capital Financing Activities:</u>				
Purchase of Property and Equipment	(24,419)	(11,008)	(82,957)	(118,384)
Additions to Construction in Progress	(100,892)	-	-	(100,892)
Net Cash (Used) By Non-Capital Financing Activities	<u>(125,311)</u>	<u>(11,008)</u>	<u>(82,957)</u>	<u>(219,276)</u>
<u>Cash Flows Provided by Investing Activities:</u>				
Purchase of Investments	-	(12,515)	-	(12,515)
Interest Earned on Operating Funds	9,002	25,418	333	34,753
Net Cash Flows (Used) by Investing Activities	<u>9,002</u>	<u>12,903</u>	<u>333</u>	<u>22,238</u>
Net Increase (Decrease) in Cash	221,884	126,083	55,642	403,609
Cash and Cash Equivalents at Beginning of Year	3,210,090	3,692,017	230,345	7,132,452
Cash and Cash Equivalents at End of Year	<u>\$ 3,431,974</u>	<u>\$ 3,818,100</u>	<u>\$ 285,987</u>	<u>\$ 7,536,061</u>
<u>Cash at End of Year is Composed of:</u>				
Cash, Restricted	\$ 77,212	\$ -	\$ -	\$ 77,212
Cash, Unrestricted	3,354,762	3,818,100	285,987	7,458,849
Total Cash	<u>\$ 3,431,974</u>	<u>\$ 3,818,100</u>	<u>\$ 285,987</u>	<u>\$ 7,536,061</u>
<u>Reconciliation of Operating Income(Loss) to Net Cash Provided (Used) by Operating Activities</u>				
Operating Income (loss)	\$ 154,257	\$ 250,458	\$ 150,542	\$ 555,257
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	202,750	76,478	19,145	298,373
Changes in assets and liabilities:				
Accounts Receivable	(16,655)	(208,516)	(19,558)	(244,729)
Prepaid Expenses	721	622	(377)	966
Inventory	2,049	(225)	-	1,824
Deferred Outflows	(8,498)	(8,498)	(1,888)	(18,884)
Accrued Payroll and Related Items	(18,243)	17,444	7,695	6,896
Deposits	(355)	-	-	(355)
Accounts Payable	23,667	(1,887)	6,044	27,824
Net Pension Liability	(48,004)	(48,004)	(10,441)	(106,449)
Deferred Inflows	59,824	59,824	13,295	132,943
Note Payable	1,000	-	-	1,000
Net Cash Provided (Used) by Operating Activities	<u>\$ 352,513</u>	<u>\$ 137,696</u>	<u>\$ 164,457</u>	<u>\$ 654,666</u>

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financial Statements

Castroville Community Services District

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Operations:

Castroville Community Services District (the "District") is authorized by California Government Code Sections 6100 et seq. The District provides water, sewer, storm drain, street lights, open space, street maintenance and recreational services to residential and commercial customers in and around the Township of Castroville, California and sewer services for Moss Landing, California.

The District has defined its reporting entity in accordance with GASB Statement No. 14, "The Financial Reporting Entity," which provides guidance for determining which governmental activities, organizations, and functions should be included in its reporting entity. The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility. Oversight responsibility is determined on the basis of selection of the governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

Basis of Presentation:

The Castroville Community Services District's financial statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide Statements: The *Statement of Net Assets* and the *Statement of Activities* display information about the primary government (the District). These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities*, which are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which are financed, in whole or in part, by fees charged to external parties.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for fund categories – *governmental and proprietary* -are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Financial reporting is based upon all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements. The District reported the following major funds in the accompanying financial statements:

Zone 1 Water Fund (Proprietary) – This fund accounts for all of the District's water resources.

Zone 1 and 2 Sewer Fund (Proprietary) – This Fund accounts for all of the District's sewer operations.

Zone 3 Sewer Fund Moss Landing (Proprietary) – This Fund accounts for all of the Moss Landing sewer operations.

Zone 1 Castroville (Governmental) – This fund accounts for the income and expenditures related to street lighting and recreation activities in Zone 1.

Zone 2 (Governmental) – This fund accounts for the income and expenditures related to the open space, street lighting, and Streets activities in Zone 2.

Castroville Community Services District
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Basis of Accounting:

The Castroville Community Services District uses the accrual method of accounting for financial statement reporting purposes. Under the accrual method revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Reporting Entity:

The District's reporting entity includes all significant operation and revenue sources for which the District Board of Directors exercises oversight responsibility as determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by FASB. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. The financial statements of Castroville Water District include the financial activities of the District as well as transactions made by the fiscal agent under authority granted by the District in various resolutions authorizing the issuance of improvement bonds and water certificates. The District is exempt from federal income and state franchise taxes.

As of July 1, 2014, the District has consolidated with the Moss Landing County Sanitation District and as a result all financial assets of the Moss Landing County Sanitation District have been transferred to the District. Also as a result of the consolidation the District paid off the Moss Landing Sewer Bond in the amount of \$234,946.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The District maintains bank accounts at financial institutions located within the Counties of Monterey and San Francisco.

Cash and cash equivalents are summarized as follows:

	<u>2015</u>
FDIC Insured Accounts	\$ 231,060
Funds in County Treasury	77,212
Funds in CAMP	335,751
Funds in LAIF	7,545,290
Petty Cash	800
Total Cash	<u>\$ 8,190,113</u>

It is the District's policy to maintain all investments in insured accounts in the District's name. Assessments in excess of estimated current bond requirements of the District are deposited in the Local Agency Investment Fund. Said cash earns interest based on the fund's prorata share of the cash in the fund. In accordance with the Governmental Accounting Standards Board Statement 3 (i.e., Deposits with Financial Institutions, GASB 3), the cash is to be categorized to indicate the level of credit risk assumed by the Fund at year end. Substantially, all investments are insured or registered and held by the Fund or its agent in the agent's nominee name, with subsidiary records listing the Fund as the legal owner. Accordingly, said cash investment would be included in "Category 1" as defined by GASB 3. See Note 2 for further discussion of Cash & Cash Equivalents.

Investments

In December 2012, the District entered into an agreement with the CalTrust Joint Powers Authority to invest in the CalTrust Money Market Fund. The fair market value of the District's investment in the CalTrust Medium Term Fund at June 30, 2015 was \$2,286,493. The District's investment policy is based upon the provisions of the California Government Code commencing with Section 53600 governing the investments of local agency funds and deposits of public monies.

Accounts Receivable:

Accounts receivable as reflected in the financial statements are from customers whose property is located within the County of Monterey. Accounts receivable consists of amounts due from customers for water and sewer charges.

Inventories

Inventories are valued at cost, which approximates market. The District's inventory consists of parts and components for wells, lift stations and other infrastructure kept onsite.

Castroville Community Services District

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Interfund Transfers:

Expenses are allocated between the Water Fund (45%), Sewer Fund (45%) and Moss Landing Sewer fund (10%). All expenses are paid out of the Water Fund's checking account. These expenses are shown as Interfund Transfers on the Statement of Net Activities.

Interfund Balances:

On the fund financial statements, interfund loans are classified as "due to/from other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

Capital Assets:

Minor expenditures for renewals and betterments are charged to expense. Major expenditures for renewals and betterments are capitalized. In cases where assets are donated to the District, construction costs or estimated market values are recorded. Costs of assets sold, retired or otherwise disposed of have been eliminated from the accounts, and gains or losses on disposition are included in operations.

The cost of property and equipment is depreciated over the estimated lives of the assets from date of acquisition based on the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Category</u>	<u>Useful Lives</u>
Buildings and Improvements	5-35 years
Water Equipment, and Vehicles	3-30 years
Sewer Equipment, and Vehicles	3-50 years
Hydrants	10-45 years
Meters	5-30 years
Projects, Wells, and Pipes	10-40 years
SCADA System	5 years
Telemetry System	5-7 years

Compensated Absences:

The District has recorded an accrual for compensated absences in accordance with the District's policy of paying for unused vacation time of employees. Sick leave is not included in the accrual as the District does not pay for unused sick time upon employee termination.

Employees earn vacation leave after six months of continuous employment as follows:

<u>Time of Employment</u>	<u>Accrual of Vacation Leave</u>
Six months to one year	40.00 hours earned
One to five years	6.67 hours per month
Five to ten years	10.00 hours per month
Ten or more years	13.33 hours per month

Customer Deposits:

New customers are required to provide deposits for service. The customer deposits held by the District are refunded upon termination of service or on written request after one year.

Restricted and Designated Assets:

Certain cash and investments of the District are classified as restricted because their uses are limited by commitments to customers for service deposits and to bondholders in accordance with bond covenants. Also, certain assets are classified as designated due to the Board of Directors designation for capital additions.

Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed. There were no assets donated to the District during the year.

Castroville Community Services District
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Proprietary Fund Type Statement of Net Assets. Debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Pensions

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

Net Assets/Fund Equity

The financial statements are presented using the net asset method. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Assets – This category presents external restrictions on net assets imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This category represents net assets of the District not restricted for any project or other purpose.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred on debt issued to finance construction is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Fund Balances – Governmental Funds

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the district's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned – contains all other spendable amounts.

Castroville Community Services District

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Fund Balances – Governmental Funds (continued)

The District applies restricted resources first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the district considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Revenues – Operating:

Revenues, such as charges for services, result from exchange transactions, in which each party gives and receives essentially equal value. On an accrual basis, revenue from charges for service is recognized in the period in which the service has been completed. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Revenues – Non-operating:

Revenues that result from non-exchange transactions or ancillary activities in which the District receives value without directly giving equal value in return, include investment earnings, subsidies, property taxes and ROPS revenues. On an accrual basis, non-exchange transactions is recognized in the period in which the ancillary activity takes place.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items in the District’s financial statements subject to such estimates and assumptions include the valuations of the Net Pension Liability. The Net Pension Liability is reported to the District by CalPERS and as of the date of the financial statements the report is not completed. However a preliminary estimate was provided by CalPERS in September 2015 and management believes this estimate will not materially change in the future.

NOTE 2 – CASH AND INVESTMENTS:

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District’s cash on deposits or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all public agency deposits. Under California law this collateral remains with the institution but is held in the District’s name and places the District ahead of general creditors of the institution.

Cash and Investments at June 30, 2015 are classified on the Financial Statements as follows:

Statement of Net Assets	Water Fund	Sewer Fund	Moss Landing Fund	Governmental Funds	Total
Cash and Investments	\$ 3,354,762	\$ 6,104,593	\$ 285,987	\$ 654,052	\$ 10,399,394
Restricted Cash and Investments	77,212	-	-	-	77,212
Total Cash and Investments	<u>\$ 3,431,974</u>	<u>\$ 6,104,593</u>	<u>\$ 285,987</u>	<u>\$ 654,052</u>	<u>\$ 10,476,606</u>

The District’s Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District. The following also identifies certain provisions of the District and California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Castroville Community Services District

Notes to Financial Statements For the Year Ended June 30, 2015

NOTE 2 – CASH AND INVESTMENTS, continued:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligation	5 years	N/A	100%	No Limit
U.S. Agency Securities	5 years	N/A	100%	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A-I	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	100%	No Limit
Reverse Repurchase Agreements	92 days	N/A	20%	No Limit
Demand Deposits	N/A	Highest Category	20%	10%
Medium Term Notes	5 years	A	30%	No Limit
Money Market Mutual Funds	N/A	Highest Category	20%	10%
Asset-Backed Securities	5 years	AA	20%	No Limit
State of California Obligations	5 years	N/A	100%	No Limit
Local Agency Investment Fund	N/A	N/A	\$50 million account	No Limit

The District must maintain required amounts of cash and investments with trustees or fiscal agents based on the terms of their debt agreements. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under the debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statutes.

The table below identifies the investment types that are authorized for investments held by fiscal agents.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
Local District Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	100%
California Local District Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers Acceptances	180 days	None	40%
Commercial Paper	270 days	A1/P1/F1	25%
Negotiable Certificates of Deposit	5 years	None	30%
Repurchase Agreements	1 year	Various	None
Reverse Repurchase Agreements	92 days	A	20% of Base
Medium Term Notes	5 years	Various	30%
Money Market Mutual Funds	N/A	None	20%
Collateralized Bank Deposits	5 years	AA	None
Mortgage Pass-Through Securities	5 years	None	20%
Time Deposits	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Country Pooled Investment Funds	N/A	None	None
Non-Negotiable Certificates of Deposit	1 year	None	100%

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity the more sensitive the investment is to market fluctuations.

Castroville Community Services District

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued):

The sensitivity of the District's investments is summarized by the following table. This table shows the maturity terms of the District's investments.

Investment Type	12 Months or Less	13 to 24 Months	Total
LAIF	\$ 7,545,290	\$ -	\$ 7,545,290
CAMP	335,751	-	335,751
Monterey County Investment Pool	77,212	-	77,212
CalTrust	-	2,286,493	2,286,493
Total Cash Equivalents and Investments	\$ 7,958,253	\$ 2,286,493	10,244,746
Cash in Bank and on Hand			231,860
Total Cash and Investments			\$ 10,476,606

Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund was created by statute and began in 1977. The Local Agency Investment Fund is a voluntary program for California local governments and special districts. The Fund is administered by the California State Treasurer, and is enabled by Section 16429.1 et seq. of the California Government Code.

All securities purchased within LAIF are purchased under the authority of Government Code Section 16430 and 16480.4. All investments are purchased at market and a market valuation is conducted monthly. All District deposits with LAIF are available on demand.

California Asset Management Program (CAMP)

The California Asset Management Program is a Joint Powers Authority formed in 1989 by treasurers and finance directors of several local government agencies to provide professional investment services to California public agencies at a reasonable cost. CAMP offers investors the option of investing in either the CAMP money market portfolio, which is rated AAAM by Standard & Poor's, or other individually managed portfolios.

CalTrust Medium Term Fund

CalTrust is a Joint Powers Authority formed by the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. CalTrust offers local agencies the option of investing in either the Money Market, Short-Term or Medium-Term accounts, which are rated AAA by Standard & Poor's.

Credit Risk

Credit risk is measured by nationally recognized statistical agencies such as Standard & Poor's. Credit risk is simply the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The below table shows the credit ratings of the Districts Cash and Investments.

Castroville Community Services District

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued):

	Rating as of Year-End		Total	% of Total
	AAA	AAAm		
Investment Type				
Monterey County Pool	\$ 77,212	\$ -	\$ 77,212	1%
CAMP Money Market Fund	-	335,751	335,751	3%
CalTrust Medium-Term Fund	2,286,493	-	2,286,493	22%
Total Cash Equivalents	<u>\$ 2,363,705</u>	<u>\$ 335,751</u>	2,699,456	
Not Rated:				
LAIF			7,545,290	72%
Cash in Bank and on Hand			231,860	2%
Total Cash and Investments			<u>\$ 10,476,606</u>	

NOTE 3 – CAPITAL ASSETS:

Capital assets at June 30, 2015 comprise:

	June 30, 2014	Additions	Dispositions	June 30, 2015
<i>Capital assets not being depreciated:</i>				
Land	\$ 205,610	\$ -	\$ -	\$ 205,610
Construction in Progress	1,243,739	153,182	-	1,396,921
Total Capital Assets not being Depreciated	<u>1,449,349</u>	<u>153,182</u>	<u>-</u>	<u>1,602,531</u>
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	659,082	-	-	659,082
Water Equipment, and Vehicles	435,825	12,815	-	448,640
Sewer Equipment and Vehicles	791,519	28,839	-	820,358
Hydrants	37,292	-	-	37,292
Meters	348,639	5,223	-	353,862
Projects, Wells, and Pipes	7,046,917	313,023	-	7,359,940
Telemetry System	173,095	-	-	173,095
Total Capital Assets being Depreciated	<u>9,492,369</u>	<u>359,900</u>	<u>-</u>	<u>9,852,269</u>
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	(267,792)	(13,212)	-	(281,004)
Water Equipment, and Vehicles	(369,145)	(14,194)	-	(383,339)
Sewer Equipment and Vehicles	(425,293)	(95,092)	-	(520,385)
Hydrants	(22,924)	(915)	-	(23,839)
Meters	(143,081)	(11,322)	-	(154,403)
Projects, Wells, and Pipes	(4,329,996)	(163,638)	-	(4,493,634)
Telemetry System	(173,095)	-	-	(173,095)
Total Accumulated Depreciation	<u>(5,731,326)</u>	<u>(298,373)</u>	<u>-</u>	<u>(6,029,699)</u>
Net Capital Assets being Depreciated	<u>3,761,043</u>	<u>61,527</u>	<u>-</u>	<u>3,517,242</u>
Business-Type Activity Capital Assets, Net	<u>\$ 5,210,392</u>	<u>\$ 214,709</u>	<u>\$ -</u>	<u>\$ 5,425,101</u>

Castroville Community Services District
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 4 – DUE TO/FROM OTHER FUND:

As a result of the consolidation with the Moss Landing Sanitation District in July 2014, the District’s sewer fund has paid the USDA Bond obligation of the Moss Landing Sanitation District in the amount of \$234,000. Therefore the total amount of the bond or \$234,000 was due from the Moss Landing Sewer Fund to the Zone 1 Sewer Fund. As of June 30, 2015 \$213,000 was due from the Moss Landing Sewer fund to the Zone 1 Sewer fund.

NOTE 5 - LONG-TERM DEBT:

Long-term debt and related current maturities as of June 30, 2015, are as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
Castroville Water Project					
Assessment District Bonds	\$ 145,000	\$ -	\$ 19,000	\$ 126,000	\$ 20,000
Total Business-Type Activity Debt	<u>\$ 145,000</u>	<u>\$ -</u>	<u>\$ 19,000</u>	<u>\$ 126,000</u>	<u>\$ 20,000</u>

Castroville Water Project Assessment District Bonds

On March 10, 1982 the District issued Water Project Assessment District Bonds, Series 1982-1 in the amount of \$465,000 at 5%, payable in semi-annual installments every January and July, maturing in 2021.

Debt Service Requirements

The annual requirements to amortize the principal and interest of the above long-term debt as of June 30, 2015 are outlined below.

Years Ending June 30,	Total Debt Service		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,000	\$ 6,300	\$ 26,300
2016	21,000	5,300	26,300
2017	22,000	4,250	26,250
2018	23,000	3,150	26,150
2019	24,000	2,000	26,000
Thereafter	16,000	800	16,800
	<u>\$ 126,000</u>	<u>\$ 21,800</u>	<u>\$ 147,800</u>

NOTE 6 - DEFINED BENEFIT PENSION PLAN:

Plan Description

The District contributes to the California Public Employee's Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. The District’s plan is of the “Miscellaneous 2% at 60 Risk Pool” and “2% at 62 Risk Pool”. Those employees who first established CalPERS membership prior to January 1, 2013 without a break in service greater than six months participate in the “Miscellaneous 2% at 60 Risk Pool”. Employees hired on or after January 1, 2013 who participate in CalPERS for the first time and also those employees not eligible for reciprocity with another California public retirement system participate in the “Miscellaneous 2% at 62 Risk Pool”. PERS acts as a common investment and administrative agent for all participating public entities within the State of California. Benefit Provisions and other requirements are established by state statute. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the one of the following: the Basic Death Benefit, the Post-Retirement Survivor Allowance or the Optional Settlement 2W Death Benefit.

Castroville Community Services District

Notes to Financial Statements For the Year Ended June 30, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN, (continued):

Employees Covered

Active	5
Transferred	2
Retired	3

Funding Policy

All full-time District employees must participate in PERS, based on state statute. The Plan requires participants to contribute an amount of 7% or 6.5% of their annual covered salary determined by actuarial valuation and which plan applies to employees as described in the paragraph above. The contribution rate for the 2013-14 fiscal year was 8.181% for those employees hired prior to January 1, 2013 and 6.70% for those employees hired on or after January 1, 2013 of annual covered payroll. For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was \$42,081.

Pension Liability, Pension Expense and Deferred Outflow/Inflows of Resources Related to Pension

As of June 30, 2015, the District reported \$169,305 for its proportionate share of the net pension liability of its Plan. The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2013 was \$518,146 and June 30, 2014 was \$169,305. For the year ended June 30, 2015, the District recognized pension expense of \$42,081. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 34,697	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	(129,674)
Adjustment due to Differences in Proportions	(15,813)	(3,269)
Total	\$ 18,884	\$ (132,943)

\$34,697 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2016	\$ (33,586)
2017	(33,586)
2018	(33,351)
2019	(32,420)
2020	-
Thereafter	-

Castroville Community Services District

Notes to Financial Statements For the Year Ended June 30, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN, (continued):

Actuarial Assumptions

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

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Projected Salary Increase	3.30% to 14.20% (1)
Payroll Growth	3%
Investment Rate of Return	7.5% (2)
Mortality	XXX

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expense

The underlying mortality assumptions and all other assumptions used in the June 30, 2013 valuation were based upon the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS' website under Forms and Publications.

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	\$ 676,593	\$ 376,234	\$ 126,965

Pension Plan Fiduciary Net Position:

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Castroville Community Services District
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 6 - DEFINED BENEFIT PENSION PLAN, (continued):

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

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

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Castroville Community Services District

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 7 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK:

The District maintains bank accounts at various financial institutions. The balances of these accounts may occasionally exceed the FDIC insured amount of \$250,000.

NOTE 8 – POSTEMPLOYMENT HEALTHCARE PLAN:

The District has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The annual required contribution (ARC) was \$24,626 for the year ended June 30, 2015. The District has established an irrevocable trust in CalPERS California Employees Retiree Benefit Trust fund. The ARC was paid in full. Therefore, there is no increase to the OPEB Obligation during this year. The accumulated obligation at June 30, 2015 is \$48,995.

Plan Description

The post-employment benefit plan (the plan) is a multi-employer defined benefit healthcare plan administered by California Public Employees Retirement System (CalPERS). The plan offers lifetime medical benefits to certain eligible participants. Employees hired before January 1, 2013, that are at least 50 years of age upon retirement and have a total of 20 years of services with the District shall be eligible for 100% retiree health benefits for themselves and their qualified dependents upon retirement. Employee's hired on or after January 1, 2013, are at least 52 years of age upon retirement will receive the minimum employer contribution for health benefits upon retirement with CalPERS.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District's Board of Directors. The Employer's Contribution for each employee shall be the amount necessary to pay the full cost of his/her enrollment including the enrollment of family members in a health benefits plan or plans up to a maximum of total premium per month. The District is required to contribute the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation

For fiscal year ended on June 30, 2015, the District's annual OPEB cost (expense) is calculated based on ARC of the employer, an amount actuarially determined in accordance with GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover *normal* cost and to *amortize* the unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed and changes to the Districts' net OPEB Obligation to the Plan.

Annual required contribution	\$ 24,626
Contributions made	<u>(24,626)</u>
Increase in net OPEB obligation	-
Net OPEB Obligation, beginning of the year	<u>48,995</u>
Net OPEB Obligation, end of year	<u>\$ 48,995</u>

Castroville Community Services District

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 8 – POSTEMPLOYMENT HEALTHCARE PLAN (continued):

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB Cost contributed to the Plan, and the net OPEB Obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 25,805	\$ 25,805	100%	\$ 48,995
6/30/2014	\$ 24,626	\$ 24,626	100%	\$ 48,995
6/30/2015	\$ 24,626	\$ 24,626	100%	\$ 48,995

Funded Status and Funding Progress

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality and health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan are increasing or decreasing over time relative to the accrued liabilities for benefits.

Actuarial Method and Assumptions

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

For the year ended on June 30, 2015, the most recent actuarial valuation, the entry age actuarial cost method was used in the actuarial valuation. The District has seven eligible participants in total and six active employees that are eligible for the plan. Since the Plan includes fewer than 100 employees, GASB Statement No. 45 provides an alternate allowable method.

Actuarial Cost Method	Entry Age Normal
Valuation Date	6/30/2015
Inflation Rate	2.75% per year
Discount Rate	7.20%
Trend Rate	4.00%
Payroll Growth Rate	2.75%
Retirement Rates	CalPERS retirement rates for the 2%@60 Rates for Miscellaneous Employees
Turnover Assumptions	CalPERS turnover for Miscellaneous employees for all employees

NOTE 9 – CONTRACTS:

The District is under contract with two consulting companies for the Arsenic Removal from one of the District's wells. The contracts total \$1.4 million to be paid over the course of the next year.

Castroville Community Services District

Notes to Financial Statements

For the Year Ended June 30, 2015

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLES

Effective for the fiscal years beginning after June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27". Implementation of this new accounting standard required a restatement of beginning net position for unfunded pension obligation (net Pension Liability). GASB Statement 68 requires unfunded pension liability to be recorded as a liability.

Net Assets on the Statement of Net Position at June 30, 2014 was \$14,547,526. After the implementation of GASB 68 beginning Net Assets at July 1, 2014 was \$14,064,843; the adjustment required was \$482,683.

	<u>As Originally Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
Water Fund	\$ 6,701,786	\$ (217,309)	\$ 6,484,477
Sewer Fund	7,538,157	(217,309)	7,320,848
Moss Landing Fund	307,583	(48,065)	259,518
Total	<u>\$ 14,547,526</u>	<u>\$ (482,683)</u>	<u>\$ 14,064,843</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2015, the date which the financial statements were available for issue, and has determined that there are no additional adjustments and/or disclosures required.

Castroville Community Services District
Required Supplemental Information
For the Year Ended June 30, 2015
Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

	<u>6/30/2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00605%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$376,234
Plan's Covered-Employee Payroll	\$420,797
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	89.41%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.38%
Plan's Proportionate Share of Aggregate Employer Contributions	\$51,050

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

SCHEDULE OF PLAN CONTRIBUTIONS

	<u>Fiscal Year 2013-14</u>
Actuarially Determined Contribution	32,063
Contributions in Relation to the Actuarially Determined Contribution	(32,063)
Contribution Deficiency (Excess)	\$0
Covered-Employee Payroll	\$420,797
Contributions as a Percentage of Covered-Employee Payroll	7.62%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: None

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

Castroville Community Services District
 Required Supplemental Information
 For the Year Ended June 30, 2015

***SCHEDULE OF FUNDING PROGRESS
 Of Other Post Employment Healthcare Plan***

Postemployment Healthcare Plan

Actuarial Valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL(UAAL) (B-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	\$ 54,614	\$ 280,722	\$ 226,108	19%	\$ 421,270	54%
6/30/2014	\$ 54,614	\$ 280,722	\$ 226,108	19%	\$ 458,354	49%
6/30/2015	\$ 116,340	\$ 329,827	\$ 213,487	35%	\$ 457,015	47%

Castroville Community Services District
Required Supplemental Information
Detailed Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Governmental Funds
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment Earnings	\$ -	\$ -	\$ 1,246	\$ 1,246
Charges for Services and Other	66,700	66,700	67,231	531
Total Revenues	<u>66,700</u>	<u>66,700</u>	<u>68,477</u>	<u>1,777</u>
EXPENDITURES:				
Current:				
Streets, Street Lights and Open Space	51,000	51,000	45,436	5,564
Recreation	140,000	140,000	101,325	38,675
Total Expenditures	<u>191,000</u>	<u>191,000</u>	<u>146,761</u>	<u>44,239</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(124,300)</u>	<u>(124,300)</u>	<u>(78,284)</u>	<u>46,016</u>
NET CHANGE IN FUND BALANCE	<u>\$ (124,300)</u>	<u>\$ (124,300)</u>	<u>\$ (78,284)</u>	<u>\$ 46,016</u>

Castroville Community Services District

Required Supplemental Information

Statement of Activities

Budget and Actual - Water Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>OPERATING REVENUES</u>				
Water Sales	\$ 831,500	\$ 831,500	\$ 831,348	\$ (152)
New Service and Connection Fees	4,000	4,000	4,697	697
Other Revenues	76,900	76,900	53,923	(22,977)
Total Operating Revenues	<u>912,400</u>	<u>912,400</u>	<u>889,968</u>	<u>(22,432)</u>
<u>OPERATING EXPENSES</u>				
General Operation Expenses				
Payroll and Related Expenses	78,750	78,750	77,329	1,421
Utility Expense	87,000	87,000	85,735	1,265
Water and Sewer Line Expenses	14,500	14,500	5,758	8,742
General Operations	16,800	16,800	16,872	(72)
Meter Expenses	5,600	5,600	6,538	(938)
Automobile Expenses	4,200	4,200	4,803	(603)
Well Site Expenses	15,600	15,600	15,476	124
Hydrant Expenses	2,000	2,000	866	1,134
Administrative Expenses				
Payroll and Related Expenses	206,108	206,108	206,944	(836)
Consulting Expenses	18,208	18,208	23,345	(5,137)
Office Expenses	37,330	37,330	26,741	10,589
Retirement Plan Contributions	31,790	31,790	34,708	(2,918)
Billing Expenses	13,250	13,250	13,317	(67)
Insurance Expense	11,538	11,538	10,490	1,048
Utility Expenses	3,748	3,748	3,484	264
Bad Debts	500	500	555	(55)
Total Operating Expenses	<u>546,922</u>	<u>546,922</u>	<u>532,961</u>	<u>13,961</u>
<u>NON-OPERATING REVENUES and (EXPENSES)</u>				
Interest Revenue	7,000	7,000	9,577	2,577
Bond Issue Cost Amortization	-	-	(311)	(311)
Interest on Long-Term Debt	(8,650)	(8,650)	(7,250)	1,400
Debt Administration Costs	(3,493)	(3,493)	(5,769)	(2,276)
Total Non-operating Revenues (Expenses)	<u>(5,143)</u>	<u>(5,143)</u>	<u>(3,753)</u>	<u>1,390</u>
Net Income Before Depreciation (Budgetary Basis)	360,335	360,335	353,254	(7,081)
<u>GAAP RECONCILING ITEMS</u>				
Depreciation	<u>(220,000)</u>	<u>(220,000)</u>	<u>(202,750)</u>	<u>17,250</u>
Total GAAP Reconciling Items	<u>(220,000)</u>	<u>(220,000)</u>	<u>(202,750)</u>	<u>17,250</u>
Net Income Before Transfers (GAAP Basis)	140,335	140,335	150,504	10,169
<u>TRANSFERS</u>				
Transfers In/(Out)	-	-	18,699	18,699
<u>CHANGE IN NET ASSETS</u>	<u>\$ 140,335</u>	<u>\$ 140,335</u>	<u>\$ 169,203</u>	<u>\$ 28,868</u>

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financial Statements

Castroville Community Services District
 Required Supplemental Information
 Statement of Activities
 Budget and Actual - Sewer Fund
 For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>OPERATING REVENUES</u>				
Property Tax and User Fees	\$ 252,800	\$ 252,800	\$ 245,214	\$ (7,586)
Connection Fees	3,168	3,168	-	(3,168)
Other Revenues	218,300	218,300	487,200	268,900
Total Operating Revenues	<u>474,268</u>	<u>474,268</u>	<u>732,414</u>	<u>258,146</u>
<u>OPERATING EXPENSES</u>				
General Operation Expenses				
Payroll and Related Expenses	274,463	274,463	279,492	(5,029)
General Operations	6,150	6,150	3,453	2,697
Lift Station Expense	22,100	22,100	15,016	7,084
Sewer Line	22,000	22,000	17,657	4,343
Storm drain Expense	14,700	14,700	7,124	7,576
Utility Expense	3,749	3,749	3,652	97
Retirement Plan Contributions	27,090	27,090	30,019	(2,929)
Insurance Expense	11,538	11,538	10,302	1,236
Office Expense	22,400	22,400	15,558	6,842
Consulting Expense	20,100	20,100	15,462	4,638
Automobile Expense	10,000	10,000	7,097	2,903
Bond, Loan and Certificate Expense	1,650	1,650	646	1,004
Total Operating Expenses	<u>435,940</u>	<u>435,940</u>	<u>405,478</u>	<u>30,462</u>
<u>NON-OPERATING REVENUES and (EXPENSES)</u>				
Amortization of Organizational Cost	(4,122)	(4,122)	(4,122)	-
Total Non-operating Revenues	<u>(4,122)</u>	<u>(4,122)</u>	<u>(4,122)</u>	<u>-</u>
Net Income Before Depreciation (Budgetary Basis)	34,206	34,206	322,814	288,608
<u>GAAP RECONCILING ITEMS</u>				
Depreciation	(69,352)	(69,352)	(76,478)	(7,126)
Total GAAP Reconciling Items	<u>(69,352)</u>	<u>(69,352)</u>	<u>(76,478)</u>	<u>(7,126)</u>
Net Income Before Transfers (GAAP Basis)	(35,146)	(35,146)	246,336	281,482
<u>TRANSFERS</u>				
Transfers In/(Out)	-	-	(13,508)	(13,508)
<u>CHANGE IN NET ASSETS</u>	<u>\$ (35,146)</u>	<u>\$ (35,146)</u>	<u>\$ 232,828</u>	<u>\$ 267,974</u>

Castroville Community Service District
 Required Supplemental Information
 Statement of Activities
 Budget and Actual - Moss Landing Fund
 For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>OPERATING REVENUES</u>				
Property Tax and User Fees	\$ 238,970	\$ 238,970	\$ 271,386	\$ 32,416
Other Revenues	-	-	424	424
Total Operating Revenues	<u>238,970</u>	<u>238,970</u>	<u>271,810</u>	<u>32,840</u>
<u>OPERATING EXPENSES</u>				
General Operation Expenses				
Payroll and Related Expenses	62,493	62,493	63,513	1,020
General Operations	1,550	1,550	609	(941)
Lift Station Expense	13,700	13,700	15,222	1,522
Sewer Line	3,000	3,000	1,529	(1,471)
Utility Expense	833	833	774	(59)
Insurance Expense	2,564	2,564	2,418	(146)
Office Expense	4,250	4,250	3,962	(288)
Consulting Expense	10,635	10,635	6,137	(4,498)
Automobile Expense	3,200	3,200	1,822	(1,378)
Bond, Loan and Certificate Expense	946	946	946	-
Total Operating Expenses	<u>103,171</u>	<u>103,171</u>	<u>96,932</u>	<u>(6,239)</u>
<u>NON-OPERATING REVENUES and (EXPENSES)</u>				
Net Income Before Depreciation (Budgetary Basis)	135,799	135,799	174,878	39,079
<u>GAAP RECONCILING ITEMS</u>				
Depreciation	<u>(19,859)</u>	<u>(19,859)</u>	<u>(19,145)</u>	<u>714</u>
Total GAAP Reconciling Items	<u>(19,859)</u>	<u>(19,859)</u>	<u>(19,145)</u>	<u>714</u>
Net Income Before Transfers (GAAP Basis)	115,940	115,940	155,733	39,793
<u>TRANSFERS</u>				
Transfers In/(Out)	<u>-</u>	<u>-</u>	<u>(5,191)</u>	<u>(5,191)</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 115,940</u>	<u>\$ 115,940</u>	<u>\$ 150,542</u>	<u>\$ 34,602</u>

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Board of Directors and Members
Castroville Community Services District
Castroville, California

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards.**

We have audited, 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 Comp Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Castroville Community Services District's basic financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Other Reporting Required by Government Auditing Standards

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

Hinricher, Douglas & Porter, LLP

September 30, 2015