

FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
December 14, 2011
9:00 a.m.

Approximate Meeting Time: 2 Hours

1. Call Meeting to Order
2. Approve the Minutes of the November 16, 2011 Finance & Information Technology Board of Directors' Meeting
3. Public Comments
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

PRESENTATION ITEMS

None

DISCUSSION ITEMS (Action will be taken when appropriate for certain items at the Thursday Board Meeting)

4. Fiscal Year 2010/2011 Comprehensive Annual Financial Report (CAFR) for Year Ended June 30, 2011
5. SOCWA Use Audit Refund – IRWD Biosolids Project Withdrawal Fee
6. Controller Transition Plan
7. District Auditing Services
8. Financial Statements for Period Ended October 31, 2011
9. Summary of Disbursements for the Period Ended November 30, 2011

INFORMATION ITEMS

10. Recognition of Steve Retmier, Inventory Control Worker

11. Late Items (Appropriate Findings to be Made)

- a. Need to take immediate action; and
- b. Need for action came to District's attention after Agenda posting
[Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 present]

12. Adjournment

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 643-2006 at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room.

Moulton Niguel Water District



MEMORANDUM

TO: Finance Board **MEETING DATE:** December 14, 2011
FROM: David D. Cain, Director of Finance/Treasurer
SUBJECT: **SOCWA: Use Audit Refund – IRWD Biosolids Project Withdrawal Fee**

SUMMARY

Issue: Allocate SOCWA Use Audit Refund to original funds and appropriate funds for Withdrawal Fee for the SOCWA/IRWD Biosolids Project.

Recommendation:

- 1.) Accept SOCWA Use Audit refund revenue to be allocated to the General Operations Fund - SOCWA O&M expenditure of \$657,691.38, SOCWA Closed CIP excess of \$126,332.64, and General Operations Interest Earned of \$19,085.12.
- 2.) Appropriate \$106,732.81 from General Fund operating reserves for the SOCWA/IRWD Biosolids Withdrawal Fee.

Fiscal Impact: The Use Audit revenues will offset the increased cost of the SOCWA/IRWD Biosolids Project Fee.

Previously Related Action: None.

DISCUSSION:

1. SOCWA Use Audit

The SOCWA Board of Directors approved the refund of payments that the District had overpaid into SOCWA operations expenses and CIP programs at the October 6, 2011 Board meeting. The table below provides the detail on the Use Audit Refund.

<u>SOCWA USE AUDIT</u>	
Operations	\$657,691.38
Interest	\$19,085.12
Closed CIP	\$126,332.64
Total	<u><u>\$803,109.14</u></u>

2. SOCWA/IRWD Biosolids Project

In accordance with an agreement between SOCWA and IRWD for redesign costs associated with potential participation in the Biosolids project with seven other water agencies, each agency was required to pay a withdrawal fee if an agency dropped participation. Total costs for the redesign was \$229,540 and Moulton Niguel's participation was 46.50% or \$106,732.81.

Exhibit A: SOCWA Use Audit Refund & Biosolids Reconciliations



South Orange County Wastewater Authority

September 15, 2011

Ms. David Cain
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road
Laguna Niguel, CA. 92656

ANNUAL USE AUDIT REVIEW
F.Y. 2010/2011

Dear Mr. Cain:

Enclosed, please find SOCWA'S annual use audit for fiscal year 2010/2011. This document has also been sent to Dr. Robert Gumerman. If you have any questions or concerns please contact me at (949) 234-5415. The use audit will be brought to SOCWA'S October 2011 board meeting for approval. If I do not hear from you prior to September 30, 2011, I will assume the use audit meets with your approval. Once the use audit is approved, refunds and/or billings (in the amounts noted on page S-3) will be issued in the next check/billing processing cycle.

Sincerely,

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Michael D. Demaree
Director of Finance

Enclosure:

Moulton Niguel Water District
SOCWA Use Audit Refund Reconciliation
FY 2010-2011 Applied to FY 2011-2012

<u>Description</u>	<u>MNWD Account No.</u>	<u>Type</u>	<u>Amount</u>
Use Audit Funds	940.WSL.750	O&M	657,691.38
Interest Earned:			
PC2(R)	SOCWA096	Capital	1,152.79
PC3A	SOCWA097	Capital	2,388.40
PC3A(R)	SOCWA097	Capital	1,194.08
PC15(R)	SOCWA098	Capital	1,163.79
PC17(R)	SOCWA099	Capital	7,064.51
General Fund	940.WSL.750	O&M	247.26
PC2 O&M	940.WSL.750	O&M	773.83
PC2 (SO) - Permits	940.WSL.750	O&M	163.63
PC5 Outfall (San Juan Creek)	940.WSL.750	O&M	88.00
PC15 O&M	940.WSL.750	O&M	111.86
PC17 O&M	940.WSL.750	O&M	4,456.30
PC 21 - ETM	940.WSL.750	O&M	56.66
PC24 Outfall (Aliso Creek)	940.WSL.750	O&M	164.81
Pretreatment Program	940.WSL.750	O&M	59.20
			19,085.12
(2) Closed Capital Project Excess			
PC2(R) JB Latham Treatment Plant	SOCWA096	Capital	23,124.61
PC3A(R) MNWD/SMWD Treatment Plant	SOCWA097	Capital	7,564.91
PC15(R) Coastal Treatment Plant	SOCWA098	Capital	1,496.93
PC17(R) Regional Treatment Plant	SOCWA099	Capital	94,146.19
			126,332.64

Total Refund Due to Member

\$ 803,109.14

<u>MNWD</u> <u>Accounts</u>	<u>Amount</u>
940.WSL.750	(657,691.38)
01.00.49200.001	(19,085.12)
SOCWA104- PC 2R	(23,124.61)
SOCWA105 - PC 3AR	(7,564.91)
SOCWA106 - PC 15R	(1,496.93)
SOCWA107 - PC 17R	(94,146.19)
	\$ (803,109.14)



South Orange County Wastewater Authority

16808

Inv. No. 1113

November 10, 2011

Mr. David Cain
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road
Laguna Niguel, CA. 92656

*Approved
R. Hummon
11-15-2011*

Bob G.

INVOICE
IRWD BIOSOLIDS
WITHDRAWAL FEE

Dear Mr. Cain:

In accordance with the agreement with IRWD, regarding their biosolids project, the SOCWA Board has withdrawn their desire to participate and is liable for a withdrawal fee. Attached is the agreed break down per Member Agency and the subsequent billing issued by IRWD. SOCWA will pay IRWD once it has received every Member Agencies' share. Your share is noted below.

Should you have any questions please call me at (949) 234-5415.

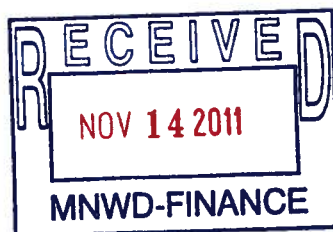
Total Due: \$ 106,732.81

Checks should be made payable and mailed to:

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
34156 Del Obispo Street
Dana Point, CA. 92629

Thank you.
Enclosure:

949. WSL. 750





Irvine Ranch Water District
15600 Sand Canyon Ave
Irvine, CA 92618-3100
(949) 453-5300

Invoice Number: 16628

SOUTH ORANGE COUNTY WASTEWATER
AUTHORITY
34156 DEL OBISPO STREET
DANA POINT CA 92629

Invoice Date: 10/10/11

Due Date: 10/10/11

DESCRIPTION	QUANTITY	UNIT AMT	TOTAL
Costs associated with redesign now that SOCWA is no longer participating in the IRWD project		229540.00	229,540.00
201 NOV 16 P 3:46			
ACCOUNTS PAYABLE			
TOTAL DUE			\$229,540.00

TERMS: Net 15

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
IRWD BIOSOLIDS FACILITY RELATED EXPENSES
AUGUST 25, 2011**

Type of Expense	Paid to Date	Future Expense	Total	
Engineering - Assistance	\$14,809.00		\$14,809.00	
Engineering - Strain Press Evaluation	50,499.92		50,499.92	
Legal	17,240.50		17,240.50	
Design of Larger Dryer		145,940.00	145,940.00	
Re-Design to Smaller Dryer	0.00	83,600.00	83,600.00	
Totals	\$82,549.42	\$229,540.00	\$312,089.42	

Member Agency	Participation %	Cost Allocation	Funds Expensed in F/Y 10/11 Operations	Member Agency Accounts Receivable
City of Laguna Beach	7.84%	\$24,478.30	\$6,474.65	\$18,003.65
City of San Juan Capistrano	9.99%	31,179.13	8,247.06	22,932.07
El Toro Water District	10.28%	32,067.41	8,482.01	23,585.40
Emerald Bay Service District	0.27%	846.55	223.92	622.63
Moulton Niguel Water District	46.50%	145,117.11	38,384.30	106,732.81
Santa Margarita Water District	9.37%	29,235.66	7,733.00	21,502.66
South Coast Water District	15.75%	49,165.26	13,004.48	36,160.78
Totals	100.00%	\$312,089.42	\$82,549.42	\$229,540.00

2011 NOV 16 P 3:44

ACCOUNTS PAYABLE

Moulton Niguel Water District



MEMORANDUM

TO: Finance Board **MEETING DATE:** December 14, 2011
FROM: David D. Cain, Director of Finance
Nancy Desai, Controller

SUBJECT: District Auditing Services

SUMMARY

Issue: One year contract with Mayer Hoffman McCann for auditing services.

Recommendation: Authorize a one year contract with Mayer Hoffman McCann for auditing services for the 2011-12 fiscal year.

Fiscal Impact: Funds are available in the 2011/12 adopted budget.

Previously Related Action: One year extension to an existing audit contract.

DISCUSSION:

Currently the District is in the middle of implementing a new ERP software system and hiring and training new staff. Both these events have a major impact on the Finance Department's work load over the coming year.

ERP Considerations

Phase I of the ERP implementation involves the "finance" modules, including General Ledger, Budgeting, AP, AR, Purchasing, Warehouse, Fixed Assets, Project Costing and Inventory. The present schedule now involves the finance staff who met with the JD Edwards consultants Tues. through Thurs. each week. Currently staff is working on configuration and software set-up. The schedule sets the goal of having the finance modules operational by the end of March. This includes data conversion, verification, and testing. Staff will be performing unit testing in Feb. and integrated testing in March. During April and May all other staff would be trained on the software so they could utilize requisitions, budgeting, learn how to perform inquiries, and run various ad-hoc reports. Go live would be July 1, 2012

Starting January 2012 Phase II will begin with Utility Billing and Customer Service modules. The goal will be to do parallel testing on UB with a potential go live date of September or October 2012.

One possible scenario that has been taken into consideration if the District were required to select a new Auditor would be to delay the implementation timeline for the financials from March to June. There are risks and additional costs in delaying the implementation of the financials from a March date from Denovo's perspective, which are as stated by the Denovo Project Manager:

- Denovo and our consultants make money from the hours that we bill. In order to provide top notch consultants we endeavor to keep them as busy as possible. With the new timeline our consultants are not going to be full time and consequently will have to be assigned to other clients. Denovo will make every effort to make sure that the consultants currently on the project will stay but there is no guarantee. If they do get assigned to other clients we would need to bring the new consultants up to speed and that would take additional time and money. The individual initiative of the MNWD project team to keep testing and practicing will also play heavily into any additional Denovo consultant assistance that will be required. We will need to monitor these activities very closely.
- Since the Denovo consultants will not be full time and will be assigned to other clients their response time to project issues will not be as quick. This includes functional and technical consultants.
- Other costs that may have not been considered:
 - MNWD project team members will become weary of practicing and testing the system because they will be doing it for an extended period of time. This could lead to diminished excitement and positive attitude of the new system
 - Ad hoc requests for Denovo consultant assistance during this period will take more time because they will be less intimate with the MNWD project team member's tasks.
 - The extended timeline is a great departure from the original proposal and is out of the ordinary. From a high level this may or may not require additional costs which is something that we will need to monitor closely.

Total costs could range between a low of \$64,060 to a high of \$87,260 based on the factors listed above.

Staffing Considerations

During the period staff would normally be working with the auditors and the ERP implementation is moving forward at full speed, finance staff will also be involved in the year end close, physical inventory, and budget preparation for the 2012-14 operating and CIP budgets. Staff will also be hiring and training a new Controller during this period.

Audit Changes - Advantages and Disadvantages

The hiring of a new auditing firm has both advantages and disadvantages. The advantages include having a fresh set of eyes looking at the finances of the District.

The major disadvantage is the immense amount of District staff time required to get a new firm "up to speed." This could be equated to training a new employee, not only on their basic job responsibilities but educating them on every major financial activity that has taken place in the District since its inception. This is a task that cannot be delegated to a temporary employee or contract individual but requires the knowledge of District staff. The education process would include the various bond issues that have been sold/refinanced; Improvement District financing; various JPA agreements and related financial relationships; financial and personnel policies and procedures; internal controls; and any other transactions that would be required to review and be understand.

- MHM is willing to reduce the audit fee by another 5%, bringing the audit fee from \$42,127 in FY 10/11 to \$40,020 in FY 11/12.
- MHM is in the process of rebuilding its government practice. MHM was successful in getting a multi-year audit contract with Mesa Consolidated Water District in FY 10/11, getting a 5 year renewal on the City of Commerce starting in FY 10/11, getting a 5 year renewal on the City of Victorville, and getting one year extensions on several other government agencies.
- MHM received a clean audit opinion on its recent nationwide peer review with no letters of comment. The peer review supports MHM's assertion that they provide high quality audit services.
- There have been several other public scandals recently at the City of Montebello, the City of Vernon, and the City of San Diego. MHM is not the auditor for any of these Cities.
- MHM has rotated the Senior Manager on the audit to Michelle Bannigan to provide a "fresh look" on the audit.
- MHM has performed additional procedure this year in light of changes in the audit risk environment for government agencies. Some of those changes are as follows:
 - Increased sample sizes of cash disbursements and water bills
 - Additional 3rd party confirmations of receivables
 - Review of General Manager contract for unusual compensation practices
 - Testing of credit card transactions that are immaterial but could have high public scrutiny
 - Internet searches on organization and key management
 - Increased testing of expenditures of bond funds
 - Ensuring unspent bond proceeds are invested and earning interest
 - Online verification of bond compliance and continuing disclosure
 - Testing of 10 largest vendor contracts to ensure adherence to purchasing policies and BOD approval

**MOULTON NIGUEL WATER DISTRICT
INVESTMENT ACTIVITY SUMMARY
AS OF OCTOBER 31, 2011**

Investment Summary 10/31/2011	TOTAL	1 YEAR	2 YEARS	3 YEARS	4-5 YEARS	5+ YEARS	% OF PORTFOLIO
LAIF-State of California	\$ 6,868,731	6,868,731	0	0	0	0	5.858%
Cash-Wells Fargo Bank	626,054	626,054	0	0	0	0	0.534%
Money Market	1,923,849	1,923,849	0	0	0	0	1.641%
Corporate & Discount Notes	30,181,077	1,028,364	1,651,054	12,707,762	14,793,896	0	25.739%
Federal Agencies	60,442,059	2,082,114	5,447,143	7,018,355	14,837,330	31,057,117	51.547%
U.S. Treasuries	17,214,826	2,062,968	2,506,276	2,948,024	1,733,907	7,963,651	14.681%
Total Market Value	\$ 117,256,595	14,592,079	9,604,473	22,674,140	31,365,133	39,020,769	100.000%

Investments SOCWA & SCWD October 2011	4,775,736
Total Investment Portfolio October 2011	\$ 122,032,331
Total Investment Portfolio October 2010	\$ 114,406,208

Maturity Distribution Percentages					
12.4%	8.2%	19.3%	26.7%	33.3%	Oct-11
11.2%	8.1%	19.0%	28.4%	33.3%	Sept-11
3.5%	16.5%	17.1%	31.9%	31.0%	Oct-10

10/31/2011


General Fund	\$ 44,620,083	38.05%
WBRS	851,276	0.73%
Planning and Construction Fund	28,625,516	24.41%
Self Insurance Fund	1,226,857	1.05%
Replacement & Refurbishment Fund	19,350,393	16.50%
Rate Stabilization Fund	9,073,550	7.74%
Water Supply Reliability Fund	1,839,945	1.57%
Total Market Value Unrestricted	\$ 105,587,621	

Restricted Funds:		
Fiduciary Fund-Employee Deferred Compensation	4,182,971	3.57%
2003 GOB Consolidated Refunding	7,167,205	6.11%
Capital Facilities Fund	318,798	0.27%
Total Market Value Restricted	11,668,974	
Total Market Value Restricted & Unrestricted	\$ 117,256,595	100.00%

Investments SOCWA & SCWD	4,775,736
Total Investment Portfolio	\$ 122,032,331

Restricted Trust Accounts	Final Debt Service Date	
DWR Trust Reserves	10/2015	\$ 769,636
2003 COPS Trust Reserves	09/2023	2,454,296
2009 COPS Trust Reserves	09/2039	6,077,199
2009 COPS Project Fund	09/2039	26,475,247
2010 COPS Trust Reserves	09/2017	896,631
Total Restricted Trust Accounts		\$ 36,673,008

Note: I certify that this report reflects the investments of the Moulton Niguel Water District and is in conformity with the Government Code requirements and the Districts Investment Policy and Guidelines in effect at the time of investment. The Investment Program herein shown provides sufficient cash flow liquidity to meet the next six month's estimated expenditures. The source for the market values are Chandler Asset Management, Inc. and stock quote from IDC Pricing.

Approved: 
David D. Cain
Director of Finance/Treasurer

** Per GAAP the investment balance includes \$5,970,157.13 unrealized gains as investment balances are reflected as a marked to market value.

	COST VALUE		AVG PUR YTM
TOTAL CHANDLER OPERATING FUND	\$104,864,824		\$3,023,314
AVERAGE PURCHASE YIELD TO MATURITY (YTM) RATE			2.88%
MNWD RATE OF RETURN CALCULATION FOR OCT 2011			
TOTAL CHANDLER OPERATING FUND	\$104,864,824		\$3,023,314
FISCAL YEAR ESTIMATED LAIF INTEREST	6,856,063	0.385%	26,396
FISCAL YEAR ESTIMATED CASH-WFB INTEREST	626,054	0.010%	63
FISCAL YEAR ESTIMATED CHANDLER FEES			(104,818)
FISCAL YEAR TO DATE REALIZED GAIN/(LOSS)			980,083
TOTAL ALL INVESTMENTS	\$112,346,941		\$3,925,037
MNWD RATE OF RETURN ON INVESTMENTS			3.494%
ONE MONTH PERCENTAGE RATE			0.2911%



PORTFOLIO CHARACTERISTICS

Average Duration	3.76
Average Coupon	3.89 %
Average Purchase YTM	2.88 %
Average Market YTM	1.33 %
Average S&P/Moody Rating	AA/Aa1
Average Final Maturity	4.26 yrs
Average Life	4.22 yrs

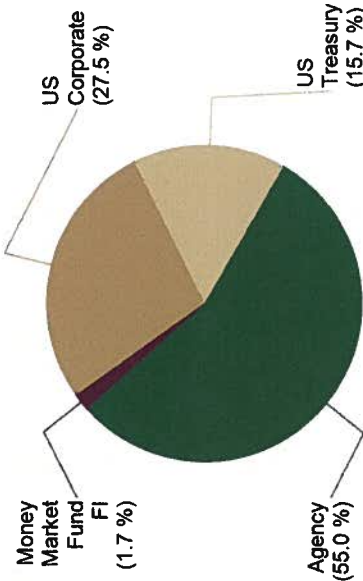
ACCOUNT SUMMARY

Market Value	Beg. Values as of 9/30/11	End Values as of 10/31/11
Accrued Interest	109,789,258	109,761,811
Total Market Value	1,000,484	1,180,070
	110,789,742	110,941,881
Income Earned	250,547	246,086
Cont/Wd		-375
Par	99,759,665	99,903,849
Book Value	103,741,143	103,807,268
Cost Value	104,720,640	104,864,824

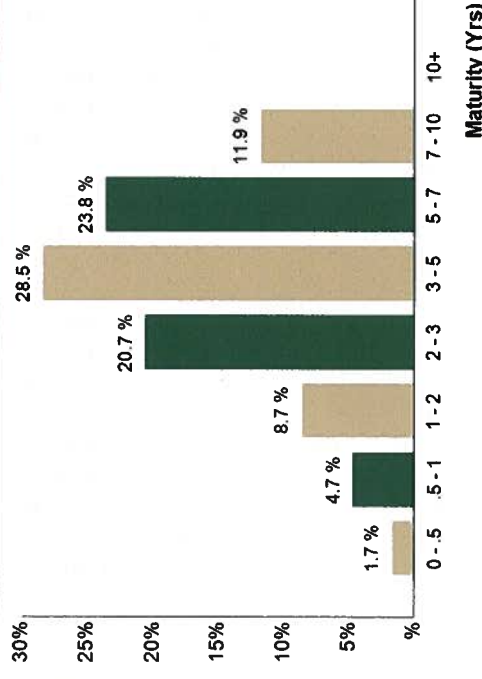
TOP ISSUERS

Issuer	% Portfolio
Federal Home Loan Bank	17.0 %
Government of United States	15.7 %
Federal National Mortgage Assoc	10.8 %
Tennessee Valley Authority	9.4 %
Federal Home Loan Mortgage Corp	9.2 %
Federal Farm Credit Bank	8.6 %
General Electric Co	1.9 %
IBM Corp	1.8 %
	74.5 %

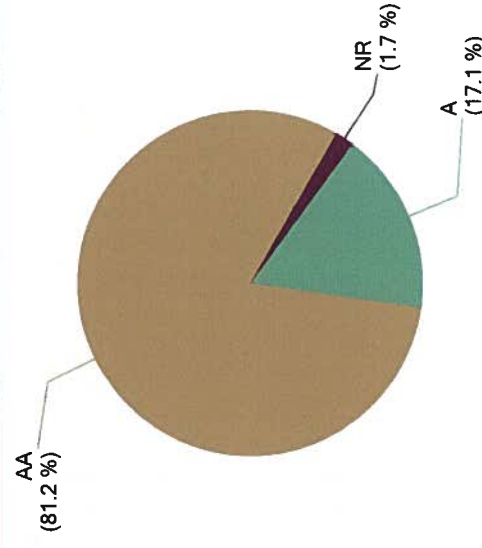
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY



PERFORMANCE REVIEW

Total Rate of Return As of 10/31/2011	Current Month	Latest 3 Months	Year To Date	1 Yr	3 Yrs	Annualized 5 Yrs	10 Yrs	9/30/1995	Since 9/30/1995
Moulton Niguel Water District Operating Reserve	0.14 %	1.58 %	5.36 %	3.26 %	6.78 %	6.11 %	5.05 %	5.95 %	153.47 %
1-10 yr Govt	-0.19 %	1.79 %	5.39 %	3.37 %	5.20 %	5.81 %	4.60 %	5.62 %	140.98 %
1-10 Year Govt/A Rated or better Corporate	0.14 %	1.41 %	5.21 %	3.20 %	6.66 %	5.56 %	4.70 %	N/A	N/A



Moulton Niguel Water District Operating Reserve

October 31, 2011

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the District's investment policy.

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	A1/P1 ;≤40%; 180 days	Complies - 0.0%
Commercial Paper	A1/P1	Complies - 0.0%
Max. maturity< 270 days	25% maximum	Complies
Repurchase Agreements	≤10%; ≤ one year	Complies - 0.0%
Rev. Repo Agreements	≤90 days; ≤10%	Complies - 0.0%
Time CDs	110% collateral over \$100,000	Complies - 0.0%
Negotiable CDs	30%; A1/P1; ≤2 yrs	Complies - 0.0%
Medium Term Notes	30% max; A-rated	Complies - 27.5%
Mutual Funds	≤20%	Complies - 1.7%
LAIF	Not used by outside adviser; \$50 million maximum imposed by LAIF	Complies - \$6.9MM
Mortgage Pass Thrus, including CMOs and ABS	20% Maximum	Complies - 0.0%
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Per issuer max	5% (except gov'ts)	Complies
Modified duration	+/- 20% of 1-10 Year benchmark duration	Complies - 3.76
% invested less than 2 years	≥10%	Complies - 15.1%
% invested beyond 5 years	≤40%	Complies - 35.6%
Maximum maturity	10 years	Complies
Maximum maturity of corp.	5 years	Complies

Bill Lockyer, State Treasurer



Inside the State Treasurer's Office

Local Agency Investment Fund (LAIF)

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
10/28/2011	0.38	0.39	240
10/29/2011	0.38	0.39	240
10/30/2011	0.38	0.39	240
10/31/2011	0.38	0.39	229
11/1/2011	0.39	0.40	226
11/2/2011	0.38	0.40	224
11/3/2011	0.38	0.40	222
11/4/2011	0.38	0.40	221
11/5/2011	0.38	0.40	221
11/6/2011	0.38	0.40	221
11/7/2011	0.38	0.40	221
11/8/2011	0.39	0.40	223
11/9/2011	0.39	0.40	226
11/10/2011	0.38	0.40	226

*Daily yield does not reflect capital gains or losses

LAIF Performance Report

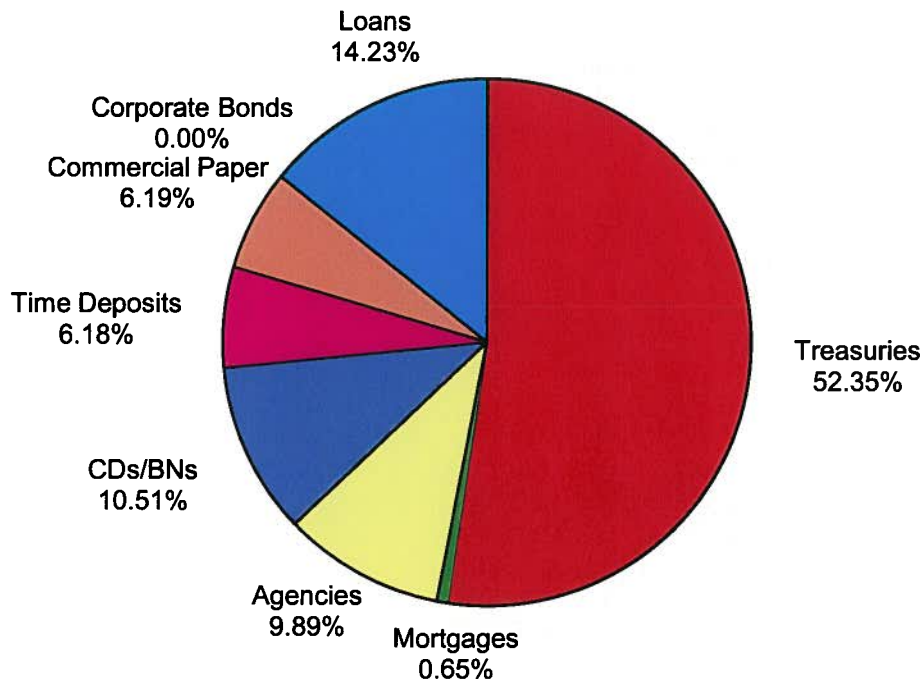
Quarter ending 09/30/2011

Apportionment Rate: 0.38%
 Earnings Ratio: .00001042339247730
 Fair Value Factor: 1.001847592
 Daily: 0.37%
 Quarter To Date: 0.39%
 Average Life: 236

PMIA Average Monthly Effective Yields

OCT 2011 0.385%
 SEP 2011 0.378%
 AUG 2011 0.408%

Pooled Money Investment Account Portfolio Composition \$66.2 Billion 09/30/11



**MOULTON NIGUEL WATER DISTRICT
BUDGET COMPARISON
FOR 4 MONTHS ENDING OCTOBER 31, 2011**

DESCRIPTION	ADOPTED BUDGET	ADJUSTED BUDGET	CURRENT MONTH	MO %	YEAR TO DATE ACTUAL	%	REMAINING BUDGET
1 Accounting Services	150,000	150,000	7,578	5.1%	33,003	22.0%	116,997
2 Annual Audit	40,020	40,020	20,000	50.0%	20,000	50.0%	20,020
3 Member Agencies O&M-District's Portion	1,409,392	1,409,392	18,600	1.3%	229,841	16.3%	1,179,551
4 Director's Fees	168,000	168,000	9,576	5.7%	38,003	22.6%	129,998
5-7 Dues and Memberships	96,310	96,760	4,474	4.6%	19,470	20.1%	77,290
9 Consulting Services	359,000	353,000	5,811	1.6%	38,756	11.0%	314,244
10 Equipment Rental	125,000	125,000	7,328	5.9%	34,001	27.2%	90,999
11 Gasoline and Oil	280,000	280,000	12,673	4.5%	91,171	32.6%	188,829
12 Insurance - General	536,825	536,825	41,811	7.8%	162,654	30.3%	374,171
13 Insurance - Workers Comp/Unemployment	371,820	371,820	19,253	5.2%	93,865	25.2%	277,955
14 Insurance-Life, Dental, Health & Disability	2,109,655	2,109,655	185,047	8.8%	733,975	34.8%	1,375,680
15 Legal Services - General Counsel	150,000	150,000	5,499	3.7%	22,246	14.8%	127,754
15 Legal Services - Outside Counsel	115,000	115,000	14,553	12.7%	35,593	31.0%	79,407
16 Management Information Systems	387,500	390,700	7,130	1.8%	96,633	24.7%	294,067
17 District Office Supplies	483,880	489,880	34,577	7.1%	62,811	12.8%	427,069
17 Community Relations/Conservation Supplies	214,000	298,937	8,732	2.9%	119,194	39.9% ¹	179,743
18 District Operating Supplies	158,500	159,700	12,466	7.8%	43,535	27.3%	116,165
19 Employee Relations	80,000	80,000	1,227	1.5%	3,603	4.5%	76,397
20-21 Repairs & Maintenance - Equipment	1,169,450	1,167,450	70,258	6.0%	227,302	19.5%	940,148
22 Repairs & Maintenance - Facilities	2,918,450	2,912,700	225,374	7.7%	637,722	21.9%	2,274,978
23 Retirement Program	1,318,544	1,318,544	96,133	7.3%	432,715	32.8%	885,829
24 Safety Equipment and Supplies	72,960	72,960	2,082	2.9%	24,212	33.2%	48,748
25 Salaries	7,707,032	7,707,032	434,209	5.6%	2,382,246	30.9%	5,324,786
26 Non-Capitalized Equipment (Small Tools)	46,360	46,360	2,543	5.5%	16,731	36.1%	29,629
27 SOCWA O&M	8,902,380	8,902,380	75,774	0.9%	2,282,369	25.6%	6,620,011
28 Special Assessments	232,000	232,000	1,885	0.8%	21,523	9.3%	210,477
29 Tax Collection Charges	65,000	65,000	98	0.2%	1,931	3.0%	63,069
30 Educational Courses & Certifications	50,600	50,600	865	1.7%	3,998	7.9%	46,602
31 Travel and Meetings	174,000	176,900	11,214	6.3%	31,459	17.8%	145,441
32 Utilities	1,792,860	1,792,860	126,220	7.0%	674,433	37.6%	1,118,427
33 Water Purchases	25,570,680	25,485,743	1,948,747	7.6%	8,704,390	34.2%	16,781,353
34 Meter Purchases	40,000	40,000	3,126	7.8%	13,278	33.2%	26,722
35 Captal Outlay	376,500	376,500	-	0.0%	-	0.0%	376,500
	57,671,718	57,671,718	3,414,863	5.9%	17,332,660	30.1%	40,339,058

0.00

**Four Month Period
Under/(Over)**

**33.3%
3.28%**

¹ Costs related to CHOICE Water Use Efficiency education by MWDOC.

**MOULTON NIGUEL WATER DISTRICT
COMPARATIVE INCOME STATEMENT
For the Year to Date Ending October 31**

	FY 2011/12	FY 2010/11	
<u>OPERATING INCOME</u>			
Water Sales	\$ 10,598,885	\$ 9,216,772	15%
Recycled Water Sales	2,228,204	2,333,930	-5%
Sewer Sales	6,102,176	5,216,998	17%
WBBRS Efficiency Funds	2,035,750	-	
Other Operating Income	127,466	179,939	-29%
TOTAL OPERATING REVENUE	21,092,481	16,947,639	24%
<u>OPERATING EXPENSES</u>			
Source of Supply			
Utilities	605,791	658,285	-8%
Meter Purchases	13,278	24,313	-45%
Water Purchases	8,704,390	7,762,187	12%
Pumping	116,576	130,194	-10%
Treatment	2,532,124	2,033,469	25%
Transmission & Distribution	1,106,565	1,210,929	-9%
Customer Service	101,383	110,268	-8%
General & Administrative	3,453,086	3,077,532	12%
Post Retirement Medical Benefits (OPEB)	191,395	208,674	-8% ¹
CalPERS Sidefund Amortization	14,533	13,488	8%
Engineering	503,004	370,695	36% ²
Vehicles/Equipment	171,588	83,337	106% ³
WBBRS Efficiency Rebates	-	-	
Depreciation	5,206,105	5,100,507	2%
TOTAL OPERATING EXPENSES	22,719,818	20,783,878	9%
OPERATING INCOME (LOSS)	(1,627,337)	(3,836,239)	-58%
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Investment Income	1,959,787	2,259,321	-13%
Investment Income - Restricted	127,639	316,974	-60% ⁴
Unrealized Gain (Loss)	1,243,072	975,199	27%
Ad Valorem Property Tax Income	853,472	835,292	2%
General Obligation Bonds Assessment	76,683	77,819	-1%
Interest Expense	(2,378,072)	(1,401,627)	70% ⁵
Amortization of Bond Costs	(134,303)	(155,383)	-14%
Intergovernmental Revenue - 2009 COPS Federal Subsidy	717,321	717,321	
Cellular Lease Income	513,365	496,322	3%
Other Non-Operating Revenues (Expenses)	24,235	669	
TOTAL NONOPERATING REVENUES (EXPENSES)	3,003,200	4,121,907	
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,375,862	285,668	
CAPITAL CONTRIBUTIONS:			
Grant Funding	-	-	
Donated Facilities	-	-	
Connection Fees	-	172,800	
CHANGE IN NET ASSETS	1,375,862	458,468	
NET ASSETS - AT JULY 1	394,313,123	389,373,362	
NET ASSETS - AS OF OCTOBER 31	\$ 395,688,985	\$389,831,830	

*** Change in Net Assets does not include Fiduciary Fund activity.

1 OPEB Expense reduced by Rate Subsidy.

2 Due to a salaries increase for additional staff.

3 Due to the reclassification of fuel charges; fuel charges were previously allocated to G&A.

4 Due to the decline in cash balance from bond proceeds as a result of WSR project costs.

5 Recognizing the full interest expense of the 2009 COPS. Principal repayment begins in 2024.

**MOULTON NIGUEL WATER DISTRICT
COMPARATIVE STATEMENT OF NET ASSETS
For October 31**

	FY 2011/12	FY 2010/11
<u>CURRENT ASSETS</u>		
Cash and Investments (due within 1 year)	14,592,079	3,885,026
Cash - WBBRS Efficiency Fund	851,276	-
Accounts Receivable		
Water & Sanitation Charges	4,898,974	4,748,253
WBBRS Inefficiency Charges	1,184,474	-
Accounts Receivable - Other	302,085	651,362
Interest Receivable	1,182,405	1,169,308
AMP Receivable - Current Portion	27,194	31,518
Meters & Supplies Inventory, at Cost	1,496,961	1,500,649
Prepaid Expenses	2,237,371	2,224,715
CalPERS Sidefund Prepaid Expense	3,058,826	3,100,335
Investment in Joint Projects	395,600	395,600
TOTAL CURRENT ASSETS	30,227,245	17,706,766
<u>NONCURRENT ASSETS</u>		
Investments	97,630,269	102,204,990
Restricted Cash and Investments with Fiscal Agent	36,673,008	45,279,429
Bond Issuance Costs	1,373,408	1,800,110
Retrofit Contracts Receivable	702,361	730,091
AMP Receivable - Long Term	1,075,910	1,282,756
Capital Assets, net of accumulated depreciation	345,365,958	352,595,668
Capital Assets, not being depreciated		
Land	1,091,910	1,091,910
Construction in Progress	25,072,317	17,293,512
TOTAL NONCURRENT ASSETS	508,985,141	522,278,466
TOTAL ASSETS	\$ 539,212,387	\$ 539,985,232

**MOULTON NIGUEL WATER DISTRICT
COMPARATIVE STATEMENT OF NET ASSETS
For October 31**

	FY 2011/12	FY 2010/11
<u>CURRENT LIABILITIES (due within 1 year)</u>		
Accounts Payable	\$ 4,636,548	\$ 4,395,470
Interest Payable	1,304,226	61,998
Post Retirement Medical Benefits (OPEB)	130,700	120,592
Current Portion of Long-Term Liabilities		
Certificates of Participation Payable	1,640,000	1,625,000
Bonds Payable	4,980,000	4,645,000
Loans Payable	1,396,529	1,234,658
	14,088,003	12,082,718
<u>LONG-TERM LIABILITIES</u>		
Compensated Absences	1,090,057	988,503
Long-term debt		
Certificates of Participation	83,545,076	85,464,301
Bonds Payable	26,441,613	31,145,740
Loans Payable	18,358,653	20,472,140
	129,435,399	138,070,684
TOTAL LIABILITIES	143,523,401	150,153,402
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	271,841,322	271,673,679
Restricted for Capital Projects	312,742	119,402
Unrestricted, designated	46,514,481	52,860,896
Unrestricted, undesignated	77,020,441	65,177,853
	395,688,985	389,831,830
TOTAL NET ASSETS	395,688,985	389,831,830
TOTAL LIABILITIES AND NET ASSETS	\$ 539,212,387	\$ 539,985,232

**MOULTON NIGUEL WATER DISTRICT
BUDGET VS. ACTUAL REPORT
FOR 4 MONTHS ENDING OCTOBER 31, 2011**

SOURCES	ADOPTED		FISCAL YEAR TO DATE		VARIANCE	
	BUDGET	BUDGET	BUDGET	ACTUAL	DOLLARS	PERCENT
WATER SALES						
POTABLE	26,947,832	10,859,976	10,598,885		(261,091)	-2.40%
RECYCLED	3,644,800	1,589,133	2,228,204		639,071	40.22%
SEWER SALES	16,850,232	6,004,122	6,102,176		98,055	1.63%
INTEREST EARNED	3,400,000	1,133,333	1,959,787		826,454	72.92%
INTEREST EARNED - RESTRICTED	220,000	73,333	127,639		54,306	74.05%
OTHER	1,897,560	632,520	670,047		37,527	5.93%
AD VALOREM PROPERTY TAX (DISTRICT'S SHARE OF 1%)	21,000,000	1,050,000	853,472		(196,528)	-18.72%
GENERAL OBLIGATION BOND PROPERTY TAX	5,657,632	141,441	76,683		(64,757)	-45.78%
INTERGOVERNMENTAL REVENUE	1,434,642	717,321	717,321		-	0.00%
CIP, R&R & WSR RESERVE FUNDS	36,096,609	12,032,203	1,097,901		(10,934,302)	-90.88%
TOTAL SOURCES	117,149,307	34,233,382	24,432,116		(9,801,266)	-28.63%
USES						
OPERATIONS & MAINTENANCE EXPENSES						
REPLACEMENT & REFURBISHMENT	57,671,718	19,223,906	17,332,660		(1,891,246)	-3.28%
MNWD	12,399,954	4,133,318	261,820		(3,871,498)	-93.67%
SOCWA & JRWSS	6,479,010	2,159,670	570,870		(1,588,800)	-73.57%
CAPITAL IMPROVEMENT PROJECTS						
WATER SUPPLY RELIABILITY FUND	14,746,345	4,915,448	264,619		(4,650,829)	-94.62%
PLANNING & CONSTRUCTION FUND	2,471,300	823,767	592		(823,175)	-99.93%
G.O. BOND DEBT SERVICE	6,279,306	5,442,180	5,511,506		69,326	1.27%
LONG TERM DEBT SERVICE	9,360,312	5,367,063	5,367,063		-	0.00%
TOTAL USES	109,407,945	42,065,352	29,309,130		(12,756,222)	-30.32%
OTHER OPERATING INCOME						
RECONNECT FEES	30,000	10,000	10,150		150	1.50%
TAG FEES	120,000	40,000	56,790		16,790	41.98%
RECONNECT FEES/AFTER HOURS	3,500	1,167	1,250		83	7.14%
BACK FLOW NOTICE	6,500	2,167	1,600		(567)	-26.15%
SERVICE INSTALLATION CHARGES/RW SUR CHARGES	98,000	32,667	36,495		3,828	11.72%
SITE VISIT CHARGES	1,000	333	300		(33)	-10.00%
METER REMOVAL/RE-SET FEE	300	100	200		100	100.00%
PLAN CHECK & INSPECTION FEES	35,000	11,667	2,644		(9,023)	-77.34%
FOG PROGRAM	11,100	3,700	-		(3,700)	-100.00%
METER SALES	45,000	15,000	11,936		(3,065)	-20.43%
MISC	5,000	1,667	6,101		4,435	7.60%
TOTAL OTHER OPERATING INCOME	355,400	118,467	127,466		8,999	7.60%
NON-OPERATING INCOME						
CONNECTION FEES	20,000	6,667	-		(6,667)	-33.33%
RETURNED CHECKS	10,000	3,333	4,100		767	7.67%
CELLULAR LEASES	1,480,660	493,553	513,365		19,812	1.34%
BOARD ROOM RENTAL	6,500	2,167	1,125		(1,042)	-16.03%
MISC	25,000	8,333	23,991		15,658	1.85%
TOTAL NON-OPERATING INCOME	1,542,160	514,053	542,582		28,528	5.93%
TOTAL - OTHER	1,897,560	632,520	670,047		37,527	7.60%

1 Includes sale of scrap, fire flow test fees, UB collection charges, environmental discharge fees
Refund for remainder of leasing contract with Xerox - \$10,602.46

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF NOVEMBER 2011**

GENERAL FUND TOTAL \$ 6,014,974

RESTRICTED FUNDS

SELF INSURANCE FUND	\$	2,911	
REPLACEMENT & REFURBISHMENT FUND		863,299	
WATER SUPPLY RELIABILITY FUND		19,733	
PLANNING & CONSTRUCTION FUND		1,132	
SRF FUND		816,563	
TOTAL RESTRICTED FUNDS			1,703,638

TOTAL DISBURSEMENTS ALL FUNDS \$ 7,718,612

The major expenditures for November 2011 include the following:

1. Municipal Water District of Orange County (MWDOC)		
September Water Purchases AF 2,892.9	\$	2,164,612
August Reclaimed Rebate 481.7		(74,182)
September Capacity Charge		28,206
September RTS Charges		98,214
RTS Adjustment		(49,035)
September SCP Operation Surcharge		14,178
	<u>\$</u>	<u>2,181,995</u>
2. South Coast WD/JRWSS		
O&M JRWSS FY 2011-2012 2nd Qtr	\$	106,435
3. Denovo, LLC		
C# 2010.033 New District Enterprise Software	\$	120,338
4. Aqua-Metric Sales, Co.		
Inventory	\$	120,680