

# **AGENDA**

Board of Directors' Meeting  
October 20, 2011  
5:30 p.m.

A copy of the agenda and attachments is available for review at the District office. 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. The next Regular Board Meeting will be held at 5:30 p.m. on November 17, 2011 at the Moulton Niguel Water District.

**BOARD OF DIRECTORS' MEETING  
MOULTON NIGUEL WATER DISTRICT  
27500 La Paz Road, Laguna Niguel  
October 20, 2011  
5:30 p.m.  
Approximate Meeting Time: 2 Hours**

*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.*

## **AGENDA**

**1. CALL MEETING TO ORDER**

**2. PLEDGE OF ALLEGIANCE**

**3. MINUTE APPROVAL:**

- REGULAR BOARD OF DIRECTORS' MEETING OF SEPTEMBER 15, 2011

**4. 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.*

**GENERAL MANAGER MATTERS:**

5. a. SOUTH ORANGE COUNTY WASTEWATER AUTHORITY (SOCWA) UPDATE
- b. UPDATE ON CHIQUITA WATER RECLAMATION PLANT BIOSOLIDS PROJECT
- c. UPDATE ON WBBRS IMPLEMENTATION
- d. MEETING SCHEDULED WITH THE NINE SOUTH COUNTY AGENCIES ON OCTOBER 26, 2011
- e. CALDESAL AWARD

## LEGISLATIVE UPDATE

### f. SENATE BILL 607 UPDATE

On August 26, 2011, the General Manager wrote a letter to Governor Jerry Brown requesting that he support and sign Senate Bill 607 that will help make treated brackish groundwater a more viable and plentiful contributor to California's sustainable water supplies. The bill has been passed and a section will be added to the Water Code.

### g. SENATE BILL 293 (PADILLA) UPDATE

Senate Bill 293 (SB 293) states that "...private and public works of improvement, and in a public works contract, a prime contractor or subcontractor pay to any subcontractor, not later than 10 days after receipt of each progress payment, unless otherwise agreed to in writing, the respective amount allowed the contractor on account of the work performed by the subcontractors, to the extent of each subcontractor's interest herein, as prescribed."

At the September 15, 2011, the Board of Directors authorized the General Manager to write a veto request letter to Governor Jerry Brown expressing the Board's position. On September 19, 2011, a letter was sent to Governor Brown requesting that he veto Senate Bill 293 explaining that this bill would put limited public funds for water and sewer projects at risk by limiting the ability of a local government agency to set retention levels appropriate to the risk of each project. The letter also stated that "bills like SB 293 are inconsistent with a policy of relying on local agencies to provide core services efficiently and effectively. Unfortunately, the bill has been signed by the Governor.

### **CONSENT CALENDAR ITEMS:**

*Consent items: Unless the General Manager or the Board requests that an item be removed from the Consent Calendar, all items will be acted upon as a whole and by one vote. Requests for discussion of any specific item should be made to the Presiding Officer in conjunction with the discussion of the consent motion.*

**The following items were previously discussed at the Engineering & Operations Board Meeting (10/17/11) and the Finance & IT Board Meeting (10/19/11).**

6. RECEIVE AND FILE MONTHLY OPERATIONAL STATUS REPORTS.
7. RECEIVE AND FILE MONTHLY CONSTRUCTION PROGRESS REPORT.
8. RECEIVE AND FILE CAPITAL PROJECTS BUDGET SUMMARY.
9. RECEIVE AND FILE WATER SUPPLY RELIABILITY PROJECTS' STATUS SUMMARY REPORT.
10. PROGRAMMABLE LOGIC CONTROLLER (PLC) PANEL REPLACEMENT, CONTRACT 2011.016

THE BOARD OF DIRECTORS INCREASE THE PROJECT EXPENSE AUTHORIZATION OF \$63,000 TO \$83,000. THIS PROJECT WILL BE FINANCED FROM FUND 7 – REPLACEMENT AND REFURBISHMENT FUND.

11. LOS SERRANOS/VISTA HERMOSA SEWER REFURBISHMENT, CONTRACT 2011.036

THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT AWARD THE PROFESSIONAL SERVICES AGREEMENT TO DUDEK FOR AN AMOUNT NOT-TO-EXCEED \$71,598; AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT; AND APPROVE A PROJECT EXPENSE AUTHORIZATION OF \$85,000. THIS PROJECT WILL BE FINANCED FROM FUND 7 – REPLACEMENT AND REFURBISHMENT FUND.

12. WATER EFFICIENCY FUND REBATE PROGRAM

THE BOARD OF DIRECTORS ADOPTS RESOLUTION APPROVING REBATE PROGRAM UNDER WATER EFFICIENCY FUND ESTABLISHED FOR APPLICATION OF CERTAIN WBBRS REVENUES; AND AUTHORIZE \$750,000 IN THE WATER EFFICIENCY FUND REVENUE ACCOUNT AND APPROVE AN EXPENDITURE APROPRIATION OF \$750,000 TO FUND THE WATER EFFICIENCY FUND REBATE PROGRAM AND OTHER AUTHORIZED EXPENDITURES FOR THE FISCAL YEAR 2011-12 BUDGET. FUTURE REVENUES AND EXPENDITURES WILL BE BASED ON THE ACTUAL CASH BALANCE IN THE WATER EFFICIENCY FUND AND WILL REQUIRE BOARD APPROVAL.

13. RECEIVE AND FILE FINANCIAL STATEMENTS FOR PERIOD ENDED AUGUST 31, 2011.

14. RECEIVE AND FILE THE SUMMARY OF DISBURSEMENTS IN THE AMOUNT OF \$5,650,913.00 DATED SEPTEMBER 30, 2011.

ENGINEERING & OPERATIONS MATTERS:

15. 2011 PRESSURE REDUCING STATIONS RELOCATION PROJECT, MISCELLANEOUS CONTRACTS

SUMMARY AND DISCUSSION:

Staff issued a Request for Proposals (RFP) for Engineering Design Services to develop the design, construction documents, and provide construction support for the relocations of four pressure reducing stations. Five proposals were received with the TetraTech, Inc. proposal best meeting the District's needs. A Staff Report was provided on this matter at the Engineering and Operations Meeting on October 17, 2011.

RECOMMENDED ACTION:

THE BOARD OF DIRECTORS AWARDS THE PROFESSIONAL SERVICES AGREEMENT TO TETRA TECH, INC. FOR AN AMOUNT NOT-TO-EXCEED \$108,000; AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT; AND APPROVE A PROJECT EXPENSE AUTHORIZATION OF \$130,000. THIS PROJECT WILL BE FINANCED FROM FUND 7 – REPLACEMENT AND REFURBISHMENT FUND.

**16. SEVILLE RESERVOIR NOS. 1 AND 2 INTERIOR AND EXTERIOR COATING, CONTRACT 2011.021**

**SUMMARY AND DISCUSSION:**

District staff issued a Notice of Inviting Sealed Proposals (Bids) for the interior and exterior coating, structural modification of overflow piping from interior to exterior, addition of cathodic protection to tank interior, modification of sample ports to single stainless steel enclosure, and addition of spiral stair case. Four sealed bids were received on October 6, 2011. A Staff Report was provided on this matter at the Engineering and Operations Meeting on October 17, 2011.

**RECOMMENDED ACTION:**

THE BOARD OF DIRECTORS AWARDS THE CONTRACT TO ADVANCED INDUSTRIAL SERVICES, LOWEST RESPONSIVE AND RESPONSIBLE BIDDER, FOR AN AMOUNT OF \$752,700; AND APPROVE A PROJECT BUDGET AND EXPENSE AUTHORIZATION OF \$925,000. THIS PROJECT WILL BE FINANCED FROM FUND 7 – REPLACEMENT AND REFURBISHMENT FUND.

**FINANCE & INFORMATION TECHNOLOGY MATTERS:**

None

**LEGAL MATTERS:**

**17. SPECIAL ANNUAL MEETING OF MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**

**SUMMARY AND DISCUSSION:**

The MNWD Public Facilities Corporation (Corporation) was originally formed in order to execute and deliver the District's 1993 Certificates of Participation (COPs). The Corporation has since that time been involved in the 2003, 2009 and 2010 Certificates of Participation financings/refinancings. The Corporation Bylaws and resolutions adopted for the Corporation's organization (and State law) require the Corporation to meet on an annual basis.

**Attachment L-1** to the District Agenda is the **Notice** and **Agenda** for the Corporation's Special Annual Meeting.

**RECOMMENDED ACTION:**

THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION CONVENE THE SPECIAL ANNUAL MEETING OF THE CORPORATION.

**18. PRESIDENT'S REPORT**

**19. BOARD REPORTS**

20. 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 are present]

**ADDITIONAL AGENDA ITEM FOR MOULTON NIGUEL WATER DISTRICT  
BOARD OF DIRECTORS' MEETING  
THURSDAY, OCTOBER 20, 2011  
5:30 P.M.**

**LEGAL MATTERS**

**21. THE BOARD WILL CONDUCT THE FOLLOWING CLOSED SESSION:**

CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION  
(ONE CASE)

Pursuant to Government Code Section 54956.9(b)(1), a Closed Session will be conducted to confer regarding the *Claim of Shapell Industries, Inc.*

I hereby certify that the foregoing Notice was personally delivered, faxed, mailed or e-mailed to each member of the MNWD Board of Directors at least 72 hours prior to the scheduled time of the Regular Meeting so noticed above; and posted 72 hours prior to the time of the Regular Meeting at the usual agenda posting location of MNWD.

  
Leslie C. Gray, Secretary  
MOULTON NIGUEL WATER DISTRICT

# **LIST OF ATTACHMENTS**

## **LEGAL MATTERS**

### **Attachment L-1**

Notice and Agenda for the Public Facilities Corporation Annual Meeting

**ATTACHMENT NO. L-1**

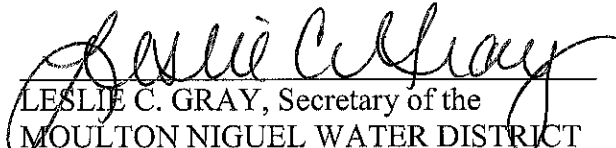
**NOTICE OF 2011 SPECIAL ANNUAL MEETING OF  
THE MOULTON NIGUEL WATER DISTRICT  
PUBLIC FACILITIES CORPORATION**

**NOTICE IS HEREBY GIVEN** that the Special Annual Meeting of the Moulton Niguel Water District Public Facilities Corporation will be held on October 20, 2011, at 5:30 p.m., or as soon thereafter as possible, at the Board Meeting Room, 27500 La Paz Road, Laguna Niguel.

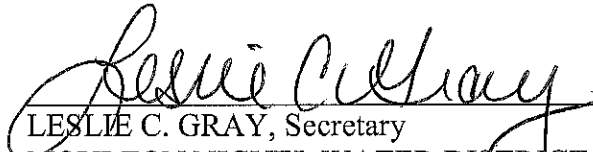
The following business will be transacted:

1. See agenda items for Annual Meeting attached hereto as Attachment 1 and incorporated herein.
2. Public Comments - only on Agenda items listed.

DATED this 14<sup>th</sup> day of October, 2011.

  
LESLIE C. GRAY, Secretary of the  
MOULTON NIGUEL WATER DISTRICT  
PUBLIC FACILITIES CORPORATION  
and of the Board of Directors thereof

I hereby certify that the foregoing Notice was posted at least 24 hours prior to the time of the Special Annual Meeting noticed above, at the usual agenda posting location of the Corporation.

  
LESLIE C. GRAY, Secretary  
MOULTON NIGUEL WATER DISTRICT  
PUBLIC FACILITIES CORPORATION  
and the Board of Directors thereof

**AGENDA FOR 2011 SPECIAL ANNUAL MEETING**

**MOULTON NIGUEL WATER DISTRICT  
PUBLIC FACILITIES CORPORATION**

**October 20, 2011  
5:30 p.m., or immediately following the  
Moulton Niguel Water District  
Board of Directors Meeting**

**CALL TO ORDER:** Board Room  
Moulton Niguel Water District  
27500 La Paz Road  
Laguna Niguel, California 92677

<b><u>PRESENT:</u></b>	President	Donald R. Froelich
	Vice President	Larry McKenney
	Director	Larry R. Lizotte
	Director	Gary R. Kurtz
	Director	Richard S. Fiore
	Director	Brian S. Probolsky
	Director	Scott F. Colton
	Treasurer	David D. Cain
	Secretary	Leslie C. Gray

**ACTION ITEMS:**

1. **APPROVAL OF MINUTES OF ANNUAL MEETING OF JUNE 17, 2010; AND SPECIAL MEETING OF OCTOBER 21, 2010 (Attachment A)**

**Recommendation:** Motion approving the minutes of the Annual Meeting of June 17, 2010 and minutes of Special Meeting of October 21, 2010

2. **ADOPTION OF RESOLUTION TO CHANGE DATE AND TIME OF ANNUAL CORPORATION MEETING (Attachment B)**

**Recommendation:** Motion to adopt resolution to change the Annual Meeting from a June date to October pursuant to the Corporation Bylaws.

3. 2010-11 ANNUAL FINANCIAL STATEMENTS; AUTHORIZATION FOR 2011-12  
AUDIT

**Recommendation:** Motion to receive and file the financial statements for the Corporation for fiscal year ending June 30, 2011, pursuant to California Corporation Code Section 6321. **(Under Separate Cover)**

Motion to authorize the Treasurer to hire an Auditor to examine the financial statements for the Corporation for fiscal year ending June 30, 2012, pursuant to California Corporation Code Section 6321.

4. INFORMATIONAL ITEMS - Staff may discuss Corporation matters related to the foregoing agenda items as necessary.

5. ADJOURNMENT

Next Annual Meeting is scheduled for October 18, 2012.

**MINUTES OF THE ANNUAL MEETING  
OF THE BOARD OF DIRECTORS  
OF THE  
MOULTON NIGUEL WATER DISTRICT  
PUBLIC FACILITIES CORPORATION**

**JUNE 17, 2010**

The Annual Meeting of the Board of Directors of the Moulton Niguel Water District Public Facilities Corporation was held at the District office, 27500 La Paz Road, Laguna Niguel, California, at 7:30 p.m. on Thursday, June 17, 2010. There were present and participating:

**DIRECTORS**

GERALD E. BUCK	President
RICHARD S. FIORE	Vice President
DON FROELICH	Director
GARY R. KURTZ	Director (Via Teleconference)
LARRY R. LIZOTTE	Vice President
LARRY MCKENNEY	Director

Also present and participating were:

**STAFF MEMBERS, LEGAL COUNSEL**

ROBERT C. GUMERMAN	General Manager
DAVID CAIN	Director of Finance/Treasurer
TOM STEPHENSON	Director of Engineering
CHARLES ROY	Director of Customer Service
MATT COLLINGS	Assistant Director of Engineering
PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
NANCY DESAI	MNWD
KELLY ROY	MNWD
FRANI BAILEY	MNWD

Absent was:

BRIAN PROBOLSKY	Director
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President Buck called the meeting to order and noted for the record that Directors Kurtz, Lizotte, Froelich, Fiore, and McKenney were present at the meeting.

Approval of Minutes of Annual Meeting of June 18, 2009 and Minutes of Special Meeting of November 19, 2009 (2009 Certificates of Participation financing)

Chairman Buck reported that he would entertain a motion to approve the minutes of the Annual Meeting of June 18, 2009 and the minutes of the Special Meeting of November 19, 2009, which are attached to Attachment L-5.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR FIORE AND SECONDED BY DIRECTOR KURTZ, THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION APPROVED THE MINUTES OF THE ANNUAL MEETING OF JUNE 18, 2009 AND THE MINUTES OF THE SPECIAL MEETING OF NOVEMBER 19, 2009 AS PRESENTED BY THE FOLLOWING VOTE: AYES: DIRECTORS LIZOTTE, FROELICH, FIORE, BUCK, AND KURTZ; NOES: NONE; ABSTAIN: DIRECTOR MCKENNEY.

Annual Audit Report

Chairman Buck reported that he would entertain a motion to authorize the Treasurer to hire an auditor to examine the financial statement for the Corporation for Fiscal Year ending June 30, 2010 pursuant to California Corporation Code Section 6321.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR FIORE AND SECONDED BY DIRECTOR KURTZ, THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION AUTHORIZED THE TREASURER TO HIRE AN AUDITOR TO EXAMINE THE FINANCIAL STATEMENT FOR THE CORPORATION FOR FISCAL YEAR ENDING JUNE 30, 2010, PURSUANT TO CALIFORNIA CORPORATION CODE SECTION 6321 BY THE FOLLOWING VOTE: AYES: DIRECTORS LIZOTTE, FROELICH, FIORE, BUCK, MCKENNEY, AND KURTZ; NOES: NONE; ABSTAIN: NONE.

Chairman Buck reported that the next Annual Meeting of the Corporation is scheduled for June 16, 2011.

ADJOURNMENT

There was no further business to come before the Board, and President Buck entertained a motion to adjourn the Annual Meeting of the Public Facilities Corporation.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR FIORE AND SECONDED BY DIRECTOR MCKENNEY, THE ANNUAL MEETING OF THE MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION WAS ADJOURNED AT 7:35 P.M.

Respectfully submitted,

A handwritten signature in cursive script that reads "Frani Bailey".

Frani Bailey  
Recording Secretary

**MINUTES OF THE SPECIAL MEETING  
OF THE BOARD OF DIRECTORS  
OF THE  
MOULTON NIGUEL WATER DISTRICT  
PUBLIC FACILITIES CORPORATION**

**OCTOBER 21, 2010**

The Special Meeting of the Board of Directors of the Moulton Niguel Water District Public Facilities Corporation was held at the District office, 27500 La Paz Road, Laguna Niguel, California, at 7:50 p.m. on Thursday, October 21, 2010. There were present and participating:

**DIRECTORS**

GERALD E. BUCK	President
RICHARD S. FIORE	Vice President
DON FROELICH	Director
GARY R. KURTZ	Director (Via Teleconference)
LARRY R. LIZOTTE	Vice President
LARRY MCKENNEY	Director
BRIAN PROBOLSKY	Director

Also present and participating were:

**STAFF MEMBERS, LEGAL COUNSEL**

ROBERT C. GUMERMAN	General Manager
DAVID D. CAIN	Director of Finance/Treasurer
MATT COLLINGS	Director of Engineering
CHARLES J. ROY	Director of Customer Service
PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
NANCY DESAI	MNWD
LESLIE GRAY	MNWD
KELLY ROY	MNWD
FRANI BAILEY	MNWD

Absent was:

There were no absences.

President Buck called the meeting to order and noted for the record that Directors Kurtz, Lizotte, Froelich, Fiore, Probolsky, and McKenney were present at the meeting.

Receive and File Fiscal Year 2009-10 Audited Financial Statements

Chairman Buck reported that he would entertain a motion to receive and file the Fiscal Year 2009-10 Audited Financial Statements of the Corporation.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR FIORE AND SECONDED BY DIRECTOR FROELICH, THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION RECEIVED AND FILED THE FISCAL YEAR 2009-2010 AUDITED FINANCIAL STATEMENTS OF THE CORPORATION BY THE FOLLOWING ROLL CALL VOTE: AYES: DIRECTORS LIZOTTE, FROELICH, FIORE, BUCK, MCKENNEY, PROBOLSKY, AND KURTZ; NOES: NONE; ABSTAIN: NONE.

Adoption of Resolution to Authorize Execution and Delivery of 2010 Certificates of Participation (1993 Refunding)

Chairman Buck reported that he would entertain a motion to adopt the resolution for execution and delivery of the 2010 Certificates of Participation (1993 Refunding)

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR FROELICH AND SECONDED BY DIRECTOR KURTZ, THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION ADOPTED RESOLUTION 10-01 ENTITLED "RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION OF DOCUMENTS WITH RESPECT TO THE EXECUTION AND DELIVERY OF MOULTON NIGUEL WATER DISTRICT 2010 CERTIFICATES OF PARTICIPATION (1993 REFUNDING), AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND RELATED ACTIONS IN CONNECTION THERWITH" BY THE FOLLOWING ROLL CALL VOTE: AYES: DIRECTORS LIZOTTE, FROELICH, FIORE, BUCK, MCKENNEY, PROBOLSKY, AND KURTZ; NOES: NONE; ABSTAIN: NONE.

Adjournment

The Special Meeting of the Moulton Niguel Water District Public Facilities Corporation was adjourned at 7:52 p.m.

Respectfully submitted,



Frani Bailey  
Recording Secretary

October 21, 2010

**RESOLUTION NO. 11-**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON  
NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION  
REVISING DATE AND TIME FOR ANNUAL MEETING UNDER  
CORPORATION BYLAWS**

**WHEREAS**, the Board of Directors of the Moulton Niguel Water District Public Facilities Corporation (Board) adopted Resolution No. 93-4 on October 21, 1993, along with other initial organizational resolutions of the Moulton Niguel Water District Public Facilities Corporation (Corporation), in order to establish the time and place for the Annual Meeting of the Corporation Board, currently held in the month of June, on the same date and at a time to coincide with the regular Thursday meeting of the Moulton Niguel Water District Board of Directors thereof (District Board); and

**WHEREAS**, Staff recommends that the annual meeting of the Corporation be convened by the Board on the third Thursday during the month of October in order to have the Corporation's annual financial report available at that time.

**NOW, THEREFORE**, the Board of Directors of the Moulton Niguel Water District does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

**Section 1.** The Board hereby sets the month, date and time of the Annual Meeting of the Corporation and the Board to be the third Thursday of October at 5:30 p.m., or immediately following the District Board meeting, to be effective commencing with the Annual Board Meeting in October 2012, and continuing thereafter unless or until changed by further action of the Board.

**Section 2.** The Secretary of the District is hereby directed to conform any terms in other Corporation documents to the revised month, date and time of the Annual Meeting, as approved by this Resolution.

**Section 3.** The Board hereby rescinds Resolution No. 93-4 in its entirety.

**APPROVED, ADOPTED** and **SIGNED** this 21st day of October 2010.

**MOULTON NIGUEL WATER DISTRICT**

\_\_\_\_\_  
President  
MOULTON NIGUEL WATER DISTRICT  
and Board of Directors thereof

\_\_\_\_\_  
Secretary  
MOULTON NIGUEL WATER DISTRICT  
and Board of Directors thereof

**APPROVED AS TO FORM:**

BOWIE, ARNESON, WILES & GIANNONE  
Legal Counsel – Moulton Niguel Water District

By: \_\_\_\_\_  
Patricia B. Giannone

# Moulton Niguel Water District



## MEMORANDUM

**TO:** Board of Directors  
Nancy Desai, Controller

**MEETING DATE:** October 20, 2011

**SUBJECT: 2010-2011 Public Facilities Corporation Audited Financial Statements**

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### **SUMMARY**

**Issue:** Requesting the Board of Directors to review and approve the 2010-2011 Audited Financial Statements.

**Recommendation:** To receive and file the statements.

**Fiscal Impact:** None.

**Previously Related Action:** The Board of Directors of the Public Facilities Corporation (PFC) authorized District staff to engage auditing services in order to perform the annual audit of the PFC's financial statements.

**DISCUSSION:** None.



**Moulton Niguel Water District  
Public Facilities Corporation**

**Basic Financial Statements**

**For the Year Ended  
June 30, 2011**



**Moulton Niguel Water District Public Facilities Corporation**

**Table of Contents**

**For the Year Ended  
June 30, 2011**

<b>Independent Auditors' Report.....</b>	<b>1</b>
<b>Statement of Net Assets.....</b>	<b>2</b>
<b>Statement of Revenues, Expenses and Changes in Net Assets.....</b>	<b>3</b>
<b>Statement of Cash Flows .....</b>	<b>4</b>
<b>Notes to Financial Statements.....</b>	<b>5</b>
<b>Report on Compliance and Other Matters on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....</b>	<b>14</b>

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Board of Directors  
Moulton Niguel Water District Public Facilities Corporation  
Laguna Niguel, California

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Moulton Niguel Water District Public Facilities Corporation (the Corporation) (a component unit of the Moulton Niguel Water District) as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Moulton Niguel Water District Public Facilities Corporation as of June 30, 2011 and the changes in financial position and cash flows of the Moulton Niguel Water District Public Facilities Corporation for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Corporation has not presented *management's discussion and analysis* that the accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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, operating, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2011, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 4, 2011



**Moulton Niguel Water District Public Facilities Corporation**  
**Statement of Net Assets**  
**For the Year Ended June 30, 2011**

**Assets**

**Current Assets**

Accrued Interest Receivable from Moulton Niguel Water District	\$	1,760,856
Installment Receivable from Moulton Niguel Water District, Current (Note 2 & 3)		<u>1,590,000</u>
Total Current Assets		<u>3,350,856</u>

**Noncurrent Assets**

Installment Receivable from Moulton Niguel Water District, Long-term (Note 2 & 3)		<u>85,215,000</u>
Total Noncurrent Assets		<u>85,215,000</u>

Total Assets	\$	<u>88,565,856</u>
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**Liabilities and Net Assets**

**Current Liabilities**

Accrued Interest Payable	\$	1,760,856
Certificates of Participation Payable, Current (Note 2)		<u>1,590,000</u>
Total Current Liabilities		<u>3,350,856</u>

**Long-Term Liabilities**

2003 Certificates of Participation Payable, Long-term (Note 2)	17,840,000
2010 Certificates of Participation Payable, Long-term (Note 2)	7,375,000
2009 Certificates of Participation Payable, Long-term (Note 3)	<u>60,000,000</u>
Total Long-Term Liabilities	<u>85,215,000</u>

Total Liabilities	<u>88,565,856</u>
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**Net Assets**

Total Net Assets	<u>-</u>
Total Liabilities and Net Assets	\$ <u>88,565,856</u>

(See accompanying Notes to Financial Statements.)

**Moulton Niguel Water District Public Facilities Corporation  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2011**

REVENUE:

Interest Income – Installment Sale Receivable	\$ <u>5,278,682</u>
Total Revenue	<u>5,278,682</u>

EXPENSE:

Interest Expense – Certificates Of Participation Payable	\$ <u>5,278,682</u>
Total Expenses	<u>5,278,682</u>

Changes in Net Assets -

Net Assets, June 30, 2010 -

Net Assets, June 30, 2011 \$ -

(See accompanying Notes to Financial Statements.)



**Moulton Niguel Water District Public Facilities Corporation**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

Reconciliation of Net Income to Net Cash Provided by Operating Activities:	
Net Income	\$ -
Cash Flow used for Capital Financing Activities:	
Interest Paid on Certificates of Participation	(5,278,682)
Proceeds from Certificates of Participation	8,965,000
Principal Paid on Certificates of Participation	<u>(11,000,000)</u>
Net cash provided by (used for) capital financing activities	<u>(7,313,682)</u>
Cash Flow from Investing Activities:	
Interest received on installment sale agreement	5,278,682
New installment agreement issued	(8,965,000)
Repayment of installment agreement	<u>11,000,000</u>
Net cash provided by (used for) investing activities	<u>7,313,682</u>
Net Increase (decrease) in cash	-
Cash, June 30, 2010	<u>-</u>
Cash, June 30, 2011	\$ <u><u>-</u></u>

Noncash investing and financing activities

There was no significant noncash investing and financing activities during the fiscal year ended June 30, 2011.

(See accompanying Notes to Financial Statements.)

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

(1) Reporting Entity and Summary of Significant Accounting Policies

The Moulton Niguel Water District Public Facilities Corporation (the "Corporation") was incorporated as a California Nonprofit Public Facilities Corporation on October 12, 1993, and has received exempt-from-tax status from the Internal Revenue Service and California Franchise Tax Board. The Corporation was formed to provide public facility financial assistance to the Moulton Niguel Water District (the "Water District") in financing public facilities and improvements ("Improvements") necessary to provide water service to existing and future customers within the Water District.

The accounting policies of the Corporation conform to generally accepted accounting principles. The following is a summary of the more significant policies.

Basis of Accounting

The Corporation prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when liabilities are incurred.

(2) 2003 Refunding Certificates of Participation, & 2010 Refunding Certificates of Participation

On August 1, 2003, the Corporation sold \$25,145,000 of 2003 Refunding Certificates of Participation (2003 Refunding COP) to refund a portion of its 1993 Certificates of Participation (1993 COPs), to fund a debt service reserve fund and pay for delivery costs related to the COPs. There will remain under the 1993 Indenture \$12,625,000 aggregate principal amount of Moulton Niguel Water District 1993 Certificates of Participation (the "Remaining 1993 Certificates").

On November 1, 2010, the Corporation sold \$8,965,000 of the 2010 Refunding Certificates of Participation (2010 COPs) to refund the remaining portion of the 1993 COPs, to refinance the 1993 Installment Payments and 1993 Certificates; to fund a debt service reserve fund for the Certificates; and pay certain costs of executing and delivering the Certificates.

The interest for the 2003 Refunding COP will be calculated from August 1, 2003 at rates from 3%-5% payable semi-annually on March 1 and September 1 of each year commencing March 1, 2004 and ending on the date of maturity or prepayment, whichever is earlier.

The interest for the 2010 Refunding COP will be calculated from November 1, 2010 at rates from 2%-4% payable semi-annually on March 1 and September 1 of each year commencing March 1, 2011 and end on the date of maturity or prepayment, whichever is earlier.

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**  
(Continued)

(2) 2003 Refunding Certificates of Participation, & 2010 Refunding Certificates of Participation,  
(continued)

Advance and current refunding

The District refunded the 1993 COPs and issued the 2003 COPs and 2010 COPs. The reacquisition price of the 2003 COPs exceeded the net carrying amount of the old debt by \$647,932. This amount is being netted against the new debt and amortized over the new debt's life, which equal to the refunded debt. The reacquisition price of the 2010 COPs exceeded the net carrying amount of the old debt by \$785,679. This amount is being netted against the new debt and amortized over the new debt's life, which equal to the refunded debt.

Optional Prepayment

The COPs for the 2003 Refunding maturing on or before September 1, 2013, are not subject to optional prepayment prior to maturity. The Certificates maturing on or after September 1, 2018, are subject to prepayment prior to maturity on or after September 1, 2016, in whole or in part (but not in a total prepayment amount of less than \$5,000) on any date from the District's exercise of its option to prepay Installment Payments at a price equal to the principal amount thereof, plus accrued interest thereon to the date of prepayment, without premium. The selection of Certificates for prepayment from any maturity shall be made at the discretion of the District and by lot within the same maturity, if less than all Certificates of a maturity are to be prepaid.

The 2010 Refunding COPs are not subject to optional prepayment prior to their maturity.

Reserve Fund

The Reserve Fund is established under the Trust Indenture and will be funded from proceeds of the Certificates in an amount equal to the Reserve Requirement. Moneys in the Reserve Fund are to be used for the payment of Installment Payments to the extent amounts in the Installment Payment Fund are insufficient therefore. To the extent that moneys in the Reserve Fund exceed the Reserve Requirement, such excess amount will be transferred annually to the Installment Payment Fund. Any money remaining in the Reserve Fund after all of the principal and interest due with respect to the Certificates has been paid will be transferred to the District.

The term "Reserve Requirement" is defined in the Trust Indenture to mean, as of any date of calculation, the least of (a) 10% of the principal amount of the Certificates, less original issue discount, if any, (b) Maximum Annual Debt Service on the Certificates, or (c) 125% of Average Annual Debt Service on the Certificates.

As of June 30, 2011, the Reserve Requirement for the 2003 Refunding COPs is \$2,449,043. At June 30, 2011, the District has \$2,335,823 in the reserve account.

As of June 30, 2011, the Reserve Requirement for the 2010 Refunding COPs is \$896,500. At June 30, 2011, the District has \$897,301 in the reserve account.

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**  
(Continued)

(2) 2003 Refunding Certificates of Participation, & 2010 Refunding Certificates of Participation, (continued)

Continuing Disclosure Covenant

The District covenants and agrees that it shall comply with and carry out all of its obligations under the Continuing Disclosure Agreement (CDA). Notwithstanding any other provision of the Trust Indenture, failure of the District to comply with its obligation under the CDA shall not be considered an event of Default under the Trust Indenture, and the sole remedy, in the event of any failure of the District to comply with the CDA, shall be an action to compel performance thereof.

The Moulton Niguel Water District Public Facilities Corporation is in compliance with covenants of the COPs as of June 30, 2011.

Installment payments are secured by a first pledge, charge and lien first on tax revenues and second to the extent tax revenues are insufficient to pay all required amounts, on net revenues, in amounts sufficient to pay installment payments as they become due and payable by Moulton Niguel Water District.

The certificates for the 2003 Refunding COP are being executed and delivered pursuant to a trust indenture by and among Moulton Niguel Water District, the Corporation and US Bank National Association, Los Angeles, California as Trustee, Registrar and Paying Agent (the "Trustee") dated as of August 1, 2003 (the "Trust Indenture").

The certificates for the 2010 Refunding COP are being executed and delivered pursuant to the provisions of a Trust Indenture, dated November 1, 2010, among the District, the Corporation, and US Bank National Association, as trustee.

Funds held by the Trustee are recorded as assets, income, and expense in the books and on the financial statements of the Water District.

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**  
(Continued)

(2) 2003 Refunding Certificates of Participation, & 2010 Refunding Certificates of Participation, (continued)

The annual requirements to repay the 2003 and 2010 Certificates of Participation as of June 30, 2011 are as follows:

**2003 Refunding Certificates of Participation**

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2012	\$	\$ 858,800	\$ 858,800
2013	1,630,000	826,200	2,456,200
2014	1,690,000	759,800	2,449,800
2015		726,000	726,000
2016		726,000	726,000
2017-2021	6,730,000	3,136,250	9,866,250
2022-2024	<u>7,790,000</u>	<u>597,000</u>	<u>8,387,000</u>
TOTAL	<u>\$ 17,840,000</u>	<u>\$ 7,630,050</u>	<u>\$ 25,470,050</u>

**2010 Refunding Certificates of Participation**

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2012	\$ 1,590,000	\$ 308,900	\$ 1,898,900
2013	50,000	292,500	342,500
2014	50,000	291,500	341,500
2015	1,715,000	256,700	1,971,700
2016	1,780,000	186,800	1,966,800
2017-2018	<u>3,780,000</u>	<u>152,600</u>	<u>3,932,600</u>
TOTAL	<u>\$ 8,965,000</u>	<u>\$ 1,489,000</u>	<u>\$ 10,454,000</u>

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**  
(Continued)

(3) 2009 Certificates of Participation (Build America Bonds)

On December 22, 2009, the Corporation sold \$60,000,000 of Certificates of Participation (COP) federally taxable Build America Bonds. The COPs were secured by an installment sale agreement between the Water District and the Corporation. The COPs are being issued to finance the acquisition of capacity rights related to the District's water and recycled water systems through contributions to the costs of constructing regional facilities owned by other public agencies.

The COPs have been executed and delivered in denominations of \$5,000 principal amount or integral multiples thereof. Interest will accrue from the date of delivery and is payable semiannually on March 1 and September 1 of each year commencing on March 1, 2010, at rates from 5.982% to 6.332%, and ending on the date of maturity or prepayment, whichever is earlier. Principal will be payable on September 1 of each year commencing September 1, 2025 and ending on date of maturity or prepayment, whichever is earlier.

Optional Prepayment

The COPs maturing on or after September 1, 2020 are subject to prepayment at the option of the District in whole or in part in integral multiples of \$5,000 on any date on or after September 1, 2019, at a prepayment price equal to the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium, from any source of funds, including, but not limited to, the prepayment of the principal component of the Installment Payments.

Reserve Fund

The Reserve Fund is established under the Trust Indenture and will be funded from proceeds of the Certificates in an amount equal to the Reserve Requirement. Moneys in the Reserve Fund are to be used for the payment of Installment Payments to the extent amounts in the Installment Payment Fund are insufficient therefore. To the extent that moneys in the Reserve Fund exceed the Reserve Requirement, such excess amount will be transferred annually to the Installment Payment Fund. Any money remaining in the Reserve Fund after all of the principal and interest due with respect to the Certificates has been paid will be transferred to the District.

The term "Reserve Requirement" is defined in the Trust Indenture to mean, as of any date of calculation, the least of (a) 10% of the principal amount of the Certificates, less original issue discount, if any, (b) Maximum Annual Debt Service on the Certificates, or (c) 125% of Average Annual Debt Service on the Certificates.

As of June 30, 2011, the Reserve Requirement for the 2009 COPs is \$6,000,000. At June 30, 2011, the District has \$6,180,551 in the reserve account.



**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**  
(Continued)

(3) 2009 Certificates of Participation (Build America Bonds), (continued)

Mandatory Sinking Fund Prepayment

The COPs maturing on September 1, 2029 and September 1, 2039 are also subject to mandatory sinking fund prepayment on September 1 in each year on or after September 1, 2027 and September 1, 2030, respectively, by lot, in integral multiples of \$5,000, at a prepayment price equal to the principal amount thereof, without premium, together with accrued interest to the date of prepayment, from the principal component of the Installment Payments to be paid by the Water District pursuant to the Installment Sale Agreement with respect to each such prepayment date as follows:

**\$ 9,395,000 Certificates Maturing September 1, 2029**

<u>Year (September 1)</u>	<u>Principal Amount of Certificates to be Prepaid</u>
2027	\$ 2,995,000
2028	3,130,000
2029 (maturity)	3,270,000

**\$ 42,340,000 Certificates Maturing September 1, 2039**

<u>Year (September 1)</u>	<u>Principal Amount of Certificates to be Prepaid</u>
2030	\$ 3,425,000
2031	3,580,000
2032	3,750,000
2033	3,920,000
2034	4,105,000
2035	4,295,000
2036	4,495,000
2037	4,700,000
2038	4,920,000
2039 (maturity)	5,150,000

In the event that the Trustee prepays the COPs maturing on September 1, 2029 or September 1, 2039 in part but not in whole pursuant to a prepayment described in "Optional Prepayment," the amount of the COPs to be prepaid on each prepayment date identified above will be modified at the written direction of the Water District to correspond to the modified principal component of the Installment Payment due on such prepayment date.

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**  
(Continued)

(3) 2009 Certificates of Participation (Build America Bonds), (continued)

Extraordinary Optional Prepayment

Prior to September 1, 2019, the COPs are also subject to prepayment prior to their stated maturity dates, at the option of the Water District, on any date, in whole or in part upon the occurrence of an Extraordinary Event (as defined below), at a prepayment price equal to the greater of (i) the issue price (but not less than 100% of the principal amount) of the COPs to be prepaid; or (ii) the sum of the present value of the remaining scheduled payments of principal to the maturity date of the COPs to be prepaid plus the present value of the remaining scheduled payments of interest to the next optional prepayment date of the COPs to be prepaid, not including any portion of those payments of interest accrued and unpaid as of the date on which the COPs are to be prepaid, discounted to the date on which COPs are to be prepaid on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 100 basis points; plus, in each case, accrued interest represented by such COPs to be prepaid to the date of prepayment.

Tax Covenants

The District hereby irrevocably elects to apply the provisions of the Section 54AA(d) of the Code to the Installment Sale Agreement and the Certificates and intends that the Installment Sales Agreement and the Certificates be treated as Build America Bonds ("BABS"). In addition, the District hereby irrevocably elects to treat the Installment Sales Agreement and the Certificates as "Qualified Bonds" within the meaning of Section 54AA(d) of the Code such that the Installment Sale Agreement and the Certificates will be eligible for direct payment by the federal government of a refundable credit equal to 35 percent (35%) of interest payable with respect to the Installment Sale Agreement and the Certificates (the "Refundable Credit Payment"). The District will, within the 45-day period beginning on the date that is 90 days before the next interest payment date with respect to the Installment Sale Agreement and the Certificates, file Form 8038-CP or any successor form designated by the federal government, requesting payment of the Refundable Credit Payment with respect to the next interest payment with respect to the Certificates. The Refundable Credit Payment is recorded as Intergovernmental Revenue on the part of the Water District.

**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**  
 (Continued)

(3) 2009 Certificates of Participation (Build America Bonds), (continued)

Summary

The Moulton Niguel Water District Public Facilities Corporation is in compliance with covenants of the COPs as of June 30, 2011.

Pursuant to the Installment Sale Agreement, the Water District covenants agree that the payment of the Installment Payments and Parity Debt Service is secured by a first pledge, charge and lien upon, first, the Tax Revenues and, second, Net Revenues, and Tax Revenues and/or Net Revenues sufficient to pay the Installment Payments and Parity Debt Service as they become due and payable are pledged by the Water District for the purpose of securing payment of the Installment Payments and Parity Debt Service. The Tax Revenues and Net Revenues constitute a trust fund for the security and payment of the Prior Parity Obligations, any Additional Obligations and the Installment Payments.

The COPs are being executed and delivered pursuant to a trust indenture by and among Moulton Niguel Water District, the Corporation, and US National Association, Los Angeles, California as Trustee, Registrar and Paying Agent (the "Trustee") dated as of December 1, 2009. Funds held by the Trustee are recorded as assets, income and expense in the books and on the financial statements of the Water District. Detailed information regarding the issuance of these COPs can be found in the Official Statement for the 2009 COP.

The annual requirements to repay the Certificates of Participation as of June 30, 2011 are as follows:

<b>Year Ended</b>			
<b><u>June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Payment</u></b>
2012	\$	\$ 4,098,976	\$ 4,098,976
2013		4,098,976	4,098,976
2014		4,098,976	4,098,976
2015		4,098,976	4,098,976
2016		4,098,976	4,098,976
2017-2021		20,494,879	20,494,879
2022-2026	5,395,000	20,172,541	25,567,541
2027-2031	15,690,000	16,340,467	32,030,467
2032-2036	19,650,000	10,262,280	29,912,280
2037-2040	<u>19,265,000</u>	<u>2,761,688</u>	<u>22,026,688</u>
<b>TOTAL</b>	<b><u>\$ 60,000,000</u></b>	<b><u>\$ 90,526,735</u></b>	<b><u>\$ 150,526,735</u></b>



**MOULTON NIGUEL WATER DISTRICT PUBLIC FACILITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**  
(Continued)

(4) Long-Term Liabilities

The changes in long-term liabilities for the year ended June 30, 2011 are as follows:

Certificates of Participation:

	Balance at <u>06/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>06/30/2011</u>	Due Within <u>One Year</u>	Due Beyond <u>One Year</u>
1993 COPs	\$ 11,000,000	\$ -	\$ (11,000,000)	\$ -	\$ -	\$ -
1993 COPs CAC						
Deferred Compounded Interest	(167,180)	-	167,180	-	-	-
2003 COPs	17,840,000	-	-	17,840,000	-	17,840,000
2009 COPs	60,000,000	-	-	60,000,000	-	60,000,000
2010 COPs	-	<u>8,965,000</u>	-	<u>8,965,000</u>	<u>1,590,000</u>	<u>7,375,000</u>
Total Certificates	<u>\$ 88,672,820</u>	<u>\$ 8,965,000</u>	<u>\$ (10,832,820)</u>	<u>\$ 86,805,000</u>	<u>\$ 1,590,000</u>	<u>\$ 85,215,000</u>



**Mayer Hoffman McCann P.C.**

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Board of Directors  
Moulton Niguel Water District Public Facilities Corporation  
Laguna Niguel, California

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

We have audited the basic financial statements of Moulton Niguel Water District Public Facilities Corporation (a component unit of Moulton Niguel Water District) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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 or other matters that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

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

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

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 4, 2011