



**FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
October 15, 2014
9:00 AM
Approximate Meeting Time: 2 Hours**

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE SEPTEMBER 17, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS - CLOSED SESSION
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.

CLOSED SESSION

4. CONFERENCE WITH REAL PROPERTY NEGOTIATORS, Pursuant to Government Code Section 54956.8

*Property: 4 Liberty, Aliso Viejo, CA 92656
Under Negotiation: Price and terms of payment
Real Property Negotiators: Joone Lopez, Matt Collings, Kevin Turner, Mike Hartel*
5. PUBLIC COMMENTS - OPEN SESSION

PRESENTATION ITEMS

6. Quarterly Investment Report - Chandler Asset Management

DISCUSSION ITEMS/ACTION ITEMS

7. Rate Study Update

8. DIVISION 6 DIRECTOR VACANCY; TRANSITION PLAN FOR BOARD PRESIDENT

Recommended Actions:

The Board will review and determine the administrative process for filling the upcoming Division 6 Director vacancy.

The Board will consider any additional transition procedures and direct staff accordingly.

INFORMATION ITEMS

9. Monthly Financial Report

- a. Summary of Financial Results
- b. Budget Comparison Report
- c. Financial Statements
- d. Restricted Cash and Investments with Fiscal Agent
- e. Unrestricted and Restricted Fund Balances
- f. Summary of Disbursements September 2014

10. 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]

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) 831-2500 at least forty-eight (48) 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 forty-eight (48) 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 seventy-two (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 and on the District website at www.mnwd.com.



DRAFT
MINUTES OF THE REGULAR MEETING OF THE
FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT

September 17, 2014

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 AM on September 17, 2014. There were present and participating:

DIRECTORS

Scott Colton	Director
Richard Fiore	Director
Donald Froelich	Vice President
Larry Lizotte	Director
Larry McKenney	President
Brian Probolsky	Vice President/Chair (arrived at 9:15 a.m.)

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Marc Serna	Director of Engineering & Operations
Gina Hillary	Director of Human Resources
Kelly Winsor	Assistant to the General Manager
Ruth Zintzun	Finance Manager
Matt Weber	Downey Brand
Paige Gulck	Board Secretary
Michael Bell	PFM
Mike Hartel	Voit
Kevin Turner	Voit
Drew Atwater	MNWD
Megan Geer	MNWD
Vivian Lim	MNWD
Karren Maddox	MNWD
Eva Plajzer	MNWD

Carole Wayman-Piascik MNWD

1. CALL MEETING TO ORDER

The meeting was called to order by Larry McKenney at 9:01 a.m.

2. APPROVE THE MINUTES OF THE AUGUST 20, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY SCOTT COLTON AND SECONDED BY DONALD FROELICH, MINUTES OF THE AUGUST 20, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, LARRY LIZOTTE, AND LARRY MCKENNEY ALL VOTING 'AYE'. DIRECTORS GARY KURTZ AND BRIAN PROBOLSKY WERE ABSENT.

PUBLIC COMMENTS - CLOSED SESSION

None.

Brian Probolsky arrived at 9:15 a.m.

CLOSED SESSION

3. CONFERENCE WITH REAL PROPERTY NEGOTIATORS, Pursuant to Government Code Section 54956.8

Property: 4 Liberty, Aliso Viejo, CA 92656

Under Negotiation: Price and terms of payment

Real Property Negotiators: Joone Lopez, Matt Collings, Kevin Turner, Mike Hartel

Brian Probolsky stated that no reportable action was taken on this item.

PUBLIC COMMENTS - OPEN SESSION

None.

DISCUSSION ITEMS/ACTION ITEMS

4. AT LARGE VOTING (RESOLUTION NO. 14-__)

Recommended Action: As directed by the Board of Directors

Joone Lopez stated that the Citizens' Advisory Committee was reminded of the meeting

via email. Any comments regarding At Large voting that came back from the Citizens' Advisory Committee were forwarded to the Board.

Larry McKenney motioned for adoption of the Resolution entitled, "Resolution of the Board of Directors of Moulton Niguel Water District Repealing Resolution No. 81-37 and Returning to At Large Voting" with an effective date of January 1, 2015.

MOTION DULY MADE BY LARRY MCKENNEY AND SECONDED BY DONALD FROELICH, ITEM 4 FAILED. THE VOTE WAS SPLIT WITH DIRECTORS DONALD FROELICH, LARRY MCKENNEY, AND BRIAN PROBOLSKY ALL VOTING 'AYE', AND DIRECTORS SCOTT COLTON, RICHARD FIORE, AND LARRY LIZOTTE ALL VOTING 'NAY'. DIRECTOR GARY KURTZ WAS ABSENT.

5. ADOPTION OF THE PURCHASING POLICY (RESOLUTION NO. 14-)

It is recommended that the Board of Directors approve the resolution entitled, "Resolution of the Board of Directors of Moulton Niguel Water District Approving Updated Purchasing Policy."

Matt Collings reviewed the changes made from the Board's feedback at the July meeting.

Scott Colton left at 11:35 a.m.

MOTION DULY MADE BY LARRY MCKENNEY AND SECONDED BY DONALD FROELICH, ITEM 5 WAS APPROVED WITH REVISIONS. THE VOTE WAS UNANIMOUS WITH DIRECTORS RICHARD FIORE, DONALD FROELICH, LARRY LIZOTTE, LARRY MCKENNEY, AND BRIAN PROBOLSKY ALL VOTING 'AYE'. DIRECTORS SCOTT COLTON AND GARY KURTZ WERE ABSENT.

6. LEGAL COUNSEL SERVICES FOR THE DISTRICT

It is recommended that the Board of Directors approve the continued utilization of Downey Brand and Bowie Arneson Wiles & Giannone (BAWG) for District's legal counsel based on the current engagement within the budgeted legal services for FY 2014-15.

Joone Lopez presented the item. Discussion ensued regarding future options for legal services.

MOTION DULY MADE BY LARRY MCKENNEY AND SECONDED BY RICHARD FIORE, ITEM 6 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS RICHARD FIORE, DONALD FROELICH, LARRY LIZOTTE, LARRY MCKENNEY, AND BRIAN PROBOLSKY ALL VOTING 'AYE'. DIRECTORS SCOTT COLTON AND GARY KURTZ WERE ABSENT.

INFORMATION ITEMS

7. Cost of Service Update

Ruth Zintzun presented the Cost of Service Update. Discussion ensued regarding the process, budget allocations, and project timeline.

8. Monthly Financial Report

This item was continued to before or during the Board of Directors' meeting on Thursday, September 18, 2014.

9. Late Items (Appropriate Findings to be Made)

None.

CLOSED SESSION

10. CONFERENCE INVOLVING A JOINT POWERS AGENCY: SAN JUAN BASIN AUTHORITY (SJBA)

Pursuant to Government Code Section 54956.96 (a) (1) and (b), a Closed Session will be conducted for the following purposes (Legal Counsel in attendance):

Discussion will concern: Government Code Section 54956.9 (a)-(d)(1), Existing Litigation of San Juan Basin Authority: One Case

San Juan Hills Golf Club, LP v. City of San Juan Capistrano, San Juan Basin Authority, et. al. Case No. 30-2014-00742347

This item was continued to before or during the Board of Directors' meeting on Thursday September 18, 2014.

ADJOURNMENT

The meeting was continued to before or during the Board of Directors' meeting on Thursday September 18, 2014 at 5:30 p.m.

Respectfully submitted,

Paige Gulck
Board Secretary



CHANDLER ASSET MANAGEMENT

Investment Report

Moulton Niguel Water District

Period Ending
September 30, 2014



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#6.

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Account Profile

SECTION 2

Portfolio Holdings

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Economic Update



SECTION 1

Account Profile



Investment Objectives

In order to provide for current expenses and long term growth, the District has divided its portfolio into two categories, the Liquid Fund and the Operating Reserve Fund. The investment goals of the Liquid Fund are: to provide liquidity for operating expenses and current capital requirements, to preserve principal, and to earn a total rate of return commensurate with the first two goals.

The investment goals of the Operating Reserve Fund are to preserve real capital and provide growth over the long term by earning the rate of return which is available from longer term investments permitted under the California Government Code.

Chandler Asset Management Performance Objectives

The performance objective for the Liquid Fund is to earn a return in excess of the return on 90-day Treasury bills.

The investment performance objectives of the Operating Reserve Fund are (1) to earn a total rate of return over a market cycle which exceeds the return on a market index of government securities with maturities of one to ten years (the Bank of America Merrill Lynch 1-10 Year Government Index).

Strategy

In order to meet its goals, the Liquid Fund is invested in short term securities and LAIF. The average maturity of the Liquid Fund may not exceed 90 days, and the maximum maturity of individual securities in the fund shall be one year. In order to meet its goals, the Operating Reserve Fund is invested in a diversified portfolio of high quality fixed income securities with a maximum maturity of ten years. No more than 40% of the fund may be invested in securities with maturities in excess of five years.



Moulton Niguel Water District Operating Reserve
 September 30, 2014

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	≤40%; 180 days	Complies - 0.0%
Commercial Paper	A1/P1	Complies - 2.1%
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤10%; ≤1 year	Complies
Rev. Repo Agreements	≤10%; ≤90 days	Complies - 0.0%
Time CDs	110% collateral over \$100,000 or insured	Complies - 0.0%
Negotiable CDs	30% max; ≤2 yrs	Complies - 0.0%
Medium Term Notes	"A"-rated; 30% max	Complies - 24.5%
Mutual Funds	≤20%	Complies - 0.3%
LAIF	Not used by outside adviser; \$50 million maximum imposed by LAIF	Complies
Mortgage Pass Through, including CMOs and ABS	"AA"-rated; 20% Maximum	Complies - 8.7%
Money Market Funds	"AAA"-rated or SEC reg.; 20% Maximum	Complies
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 - 3.65
% invested less than 2 years	≥10%	Complies - 21.0%
% invested beyond 5 years	≤40%	Complies - 28.7%
Maximum maturity	10 years	Complies
Maximum maturity of corp.	5 years	Complies



PORTFOLIO CHARACTERISTICS

	Liquid Fund		
	3-month T-Bills Benchmark* G001 9/30/2014	Liquid Fund 9/30/2014	6/30/2014
Portfolio book value	--	\$7,160,715	\$20,251,454
Market value	--	\$7,169,070	\$20,261,149
Average book yield	--	0.24%	0.23%
Average maturity (yrs)	0.16	0.00	0.00
Modified duration	0.16	0.00	1.00
\$ change in value for 1% change in rates	--	\$0	\$0
% maturing within one year	100%	100%	100%
Average credit quality	AAA	Not Rated	Not Rated

Operating Reserve Fund

	Operating Reserve Fund		
	1-10 year Govt Benchmark* G5A0 9/30/2014	Operating Reserve Fund 9/30/2014	6/30/2014
Portfolio book value	--	\$124,378,953	\$123,647,150
Market value	--	\$125,184,597	\$125,269,229
Average book yield	--	2.18%	2.16%
Average maturity (yrs)	3.97	4.05	4.17
Modified duration	3.73	3.65	3.77
\$ change in value for 1% change in rates	--	\$4,569,238	\$4,722,650
% maturing within two years	22.9%	21.0%	18.4%
Average credit quality	AAA	AA	AA

During the last quarter, our portfolio maturity and duration positioning remained close to that of the benchmark index with rebalancing and re-investment purchases totaling \$3.6 million.

Operating Reserve Fund

40- Trading Activity -6/30/2014 -9/30/2014

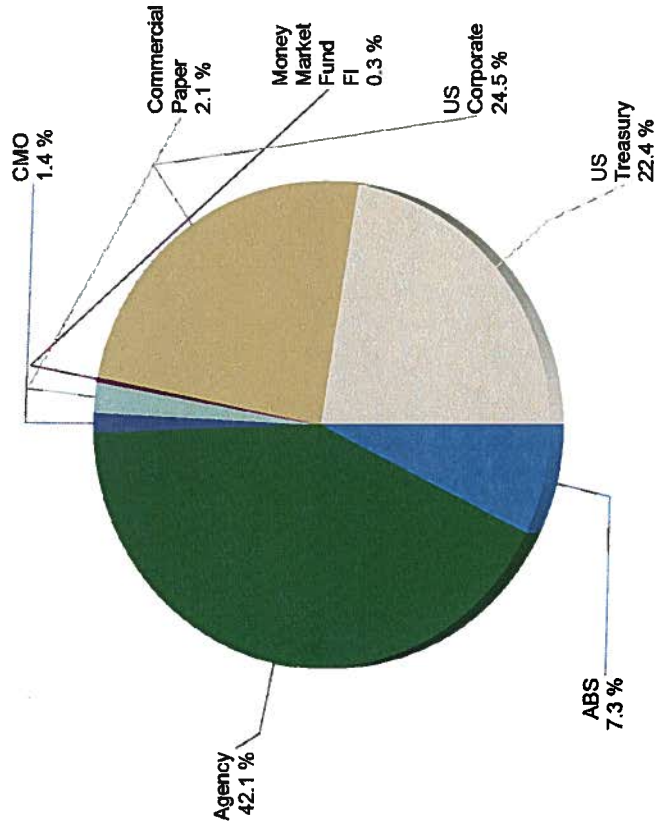
Settle Date	Description	MIG	Mat Date	Amount	Book Value	Market Value	Gain/Loss	Duration	Yield
Purchase									
07/31/2014	US Treasury	US Treasury	02/15/2022	\$2,025,000.00	\$1,978,970.99	\$1,978,970.99	\$0.00	6.885	2.330
08/20/2014	Honda Auto Receivables	Asset Backed Security	06/15/2018	\$1,015,000.00	\$1,014,804.21	\$1,014,804.21	\$0.00	2.156	0.891
09/03/2014	John Deere Owner Trust	Asset Backed Security	11/15/2018	\$580,000.00	\$579,873.33	\$579,873.33	\$0.00	2.277	1.082
				\$3,620,000.00	\$3,573,648.53	\$3,573,648.53	\$0.00		
Sale									
08/19/2014	FFCB	Agency	12/22/2015	\$500,000.00	\$501,810.00	\$513,715.00	\$11,905.00	1.323	0.300
09/03/2014	FFCB	Agency	12/22/2015	\$250,000.00	\$250,905.00	\$256,640.00	\$5,735.00	1.284	0.305
				\$750,000.00	\$752,715.00	\$770,355.00	\$17,640.00		

During the third quarter of 2014, our portfolio investment and re-balancing activity included purchases totaling \$3.6 million. Recent purchases included Treasury and Asset Backed securities with maturities ranging from June 2018 through February 2022. Our transactions adjusted the portfolio duration to close to that of the benchmark index duration. Our cumulative sales transactions realized a net gain of \$17,640.

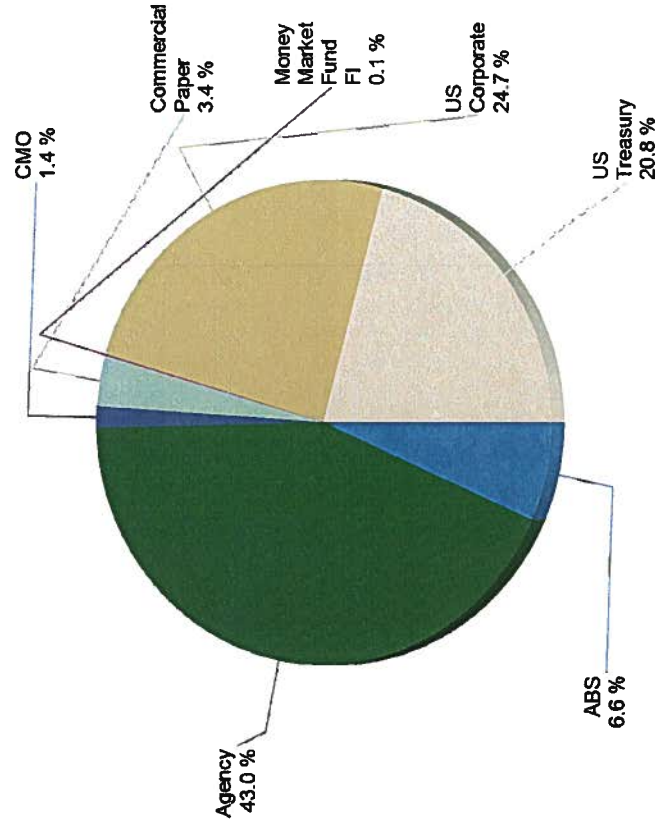
CAI | Sector Distribution

Moulton Niguel Water District Operating Reserve

September 30, 2014

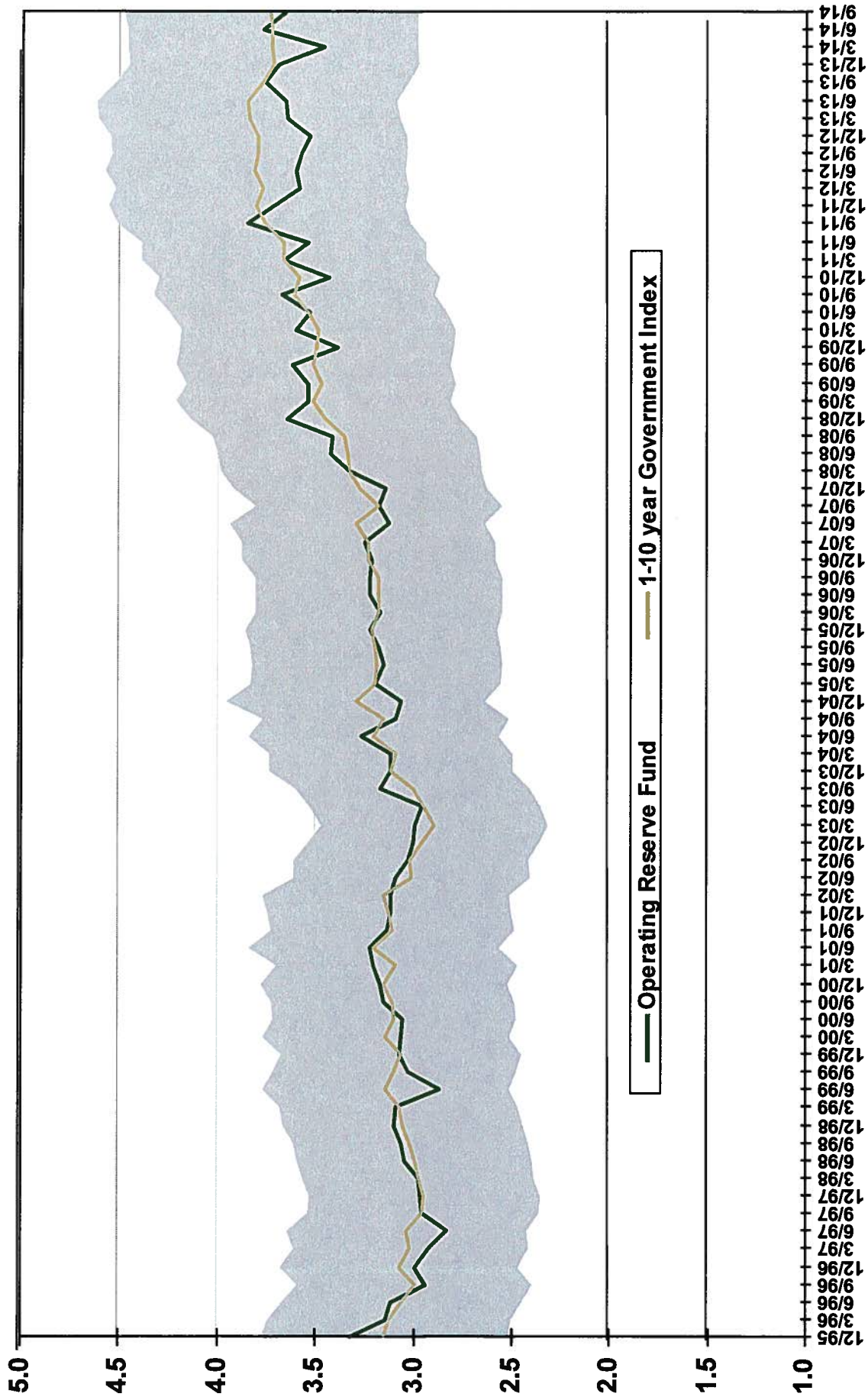


June 30, 2014



The portfolio sector allocation experienced small increases in Treasury and Asset Backed Security sectors, and was offset with small decreases in the Agency and Commercial Paper sectors.

**Operating Reserve Fund Duration Compared to
1 - 10 Year Government Index Duration**





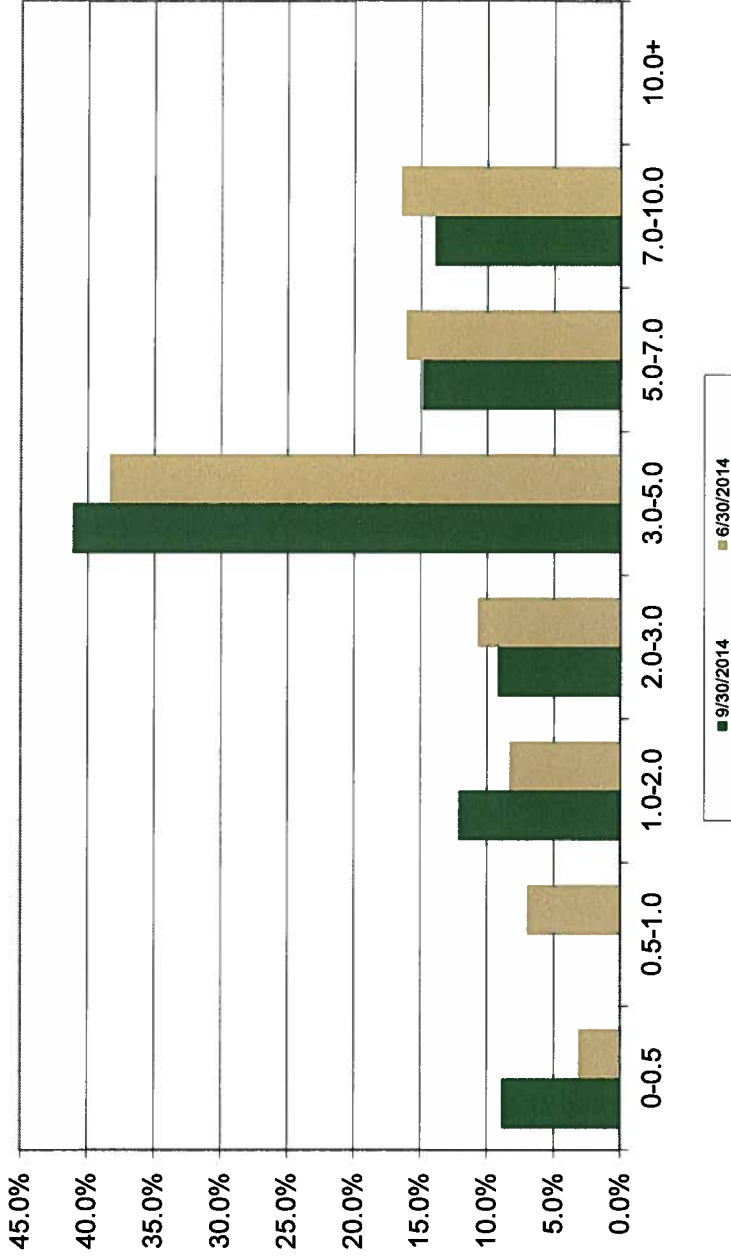
Maturity Distribution

#6.

MATURITY DISTRIBUTION

Operating Reserve Fund

September 30, 2014 vs. June 30, 2014



	0-0.5	0.5-1.0	1.0-2.0	2.0-3.0	3.0-5.0	5.0-7.0	7.0-10.0	10.0+
9/30/2014	8.9%	0.0%	12.1%	9.2%	41.1%	14.8%	13.9%	0.0%
6/30/2014	3.1%	7.0%	8.3%	10.7%	38.3%	16.1%	16.5%	0.0%

The market expects the Federal Reserve to complete its bond purchases in October and the market is moving closer to the eventual "lift off" date for the initial change to the Fed Funds rate, likely increasing interest rate volatility going forward. We anticipate the "lift-off" date for a change to the Fed Funds rate is in the 2nd half of 2015 and therefore will keep the duration of the portfolio close to the District's 1-10 Year Government benchmark in the upcoming quarter.



Investment Performance

Moulton Niguel Water District Operating Reserve

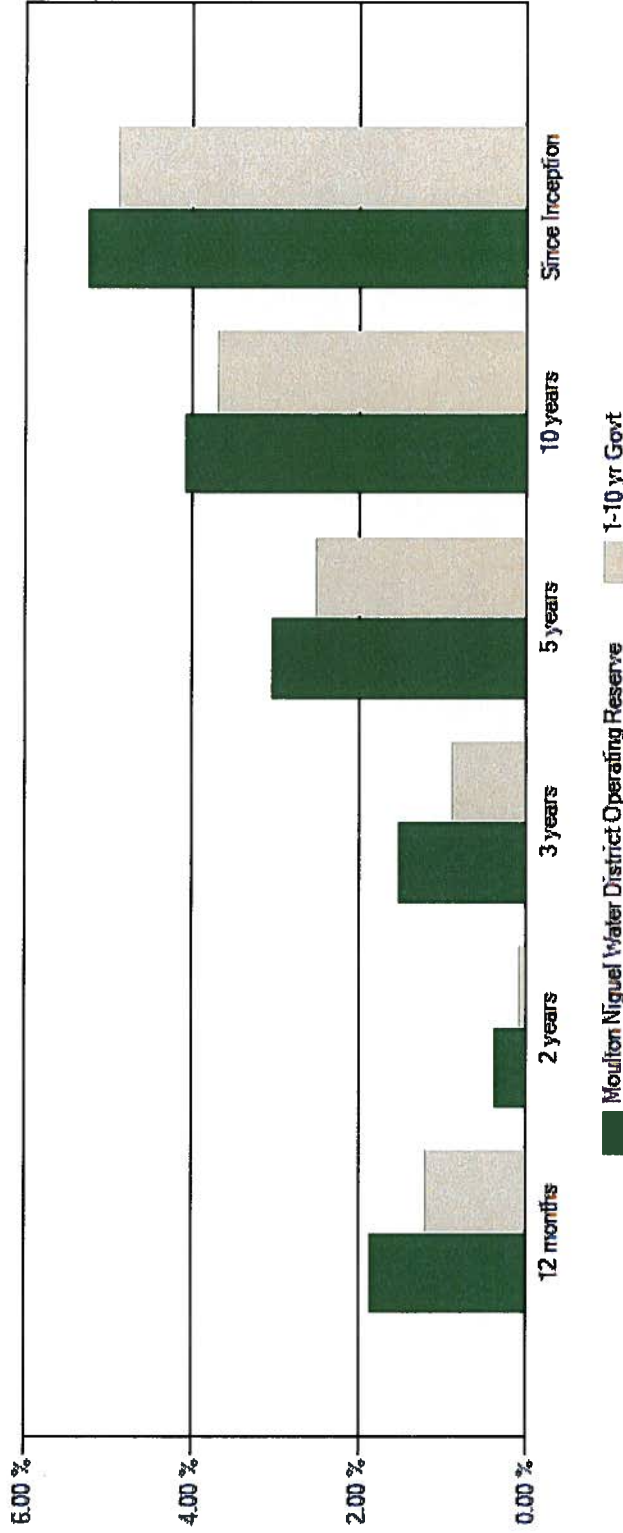
Period Ending

September 30, 2014

Total Rate of Return

Annualized Since Inception

September 30, 1995



	Annualized						
	3 months	12 months	2 years	3 years	5 years	10 years	Since Inception
Moulton Niguel Water District Operating Reserve	-0.07 %	1.88 %	0.41 %	1.53 %	3.05 %	4.08 %	5.26 %
1-10 yr Govt	0.01 %	1.22 %	0.09 %	0.91 %	2.54 %	3.70 %	4.90 %

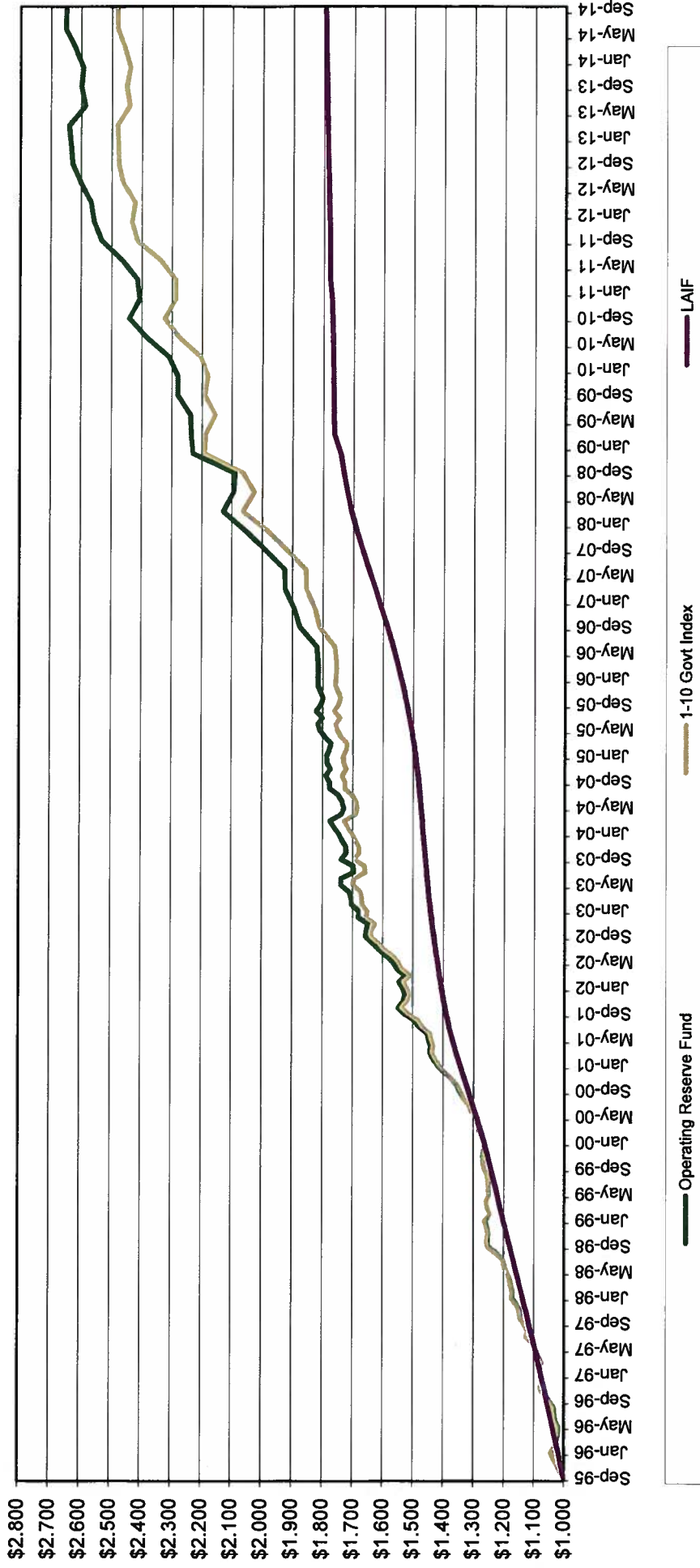
Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Growth Over Time

#6.

Operating Reserve Fund Growth of \$1 Million

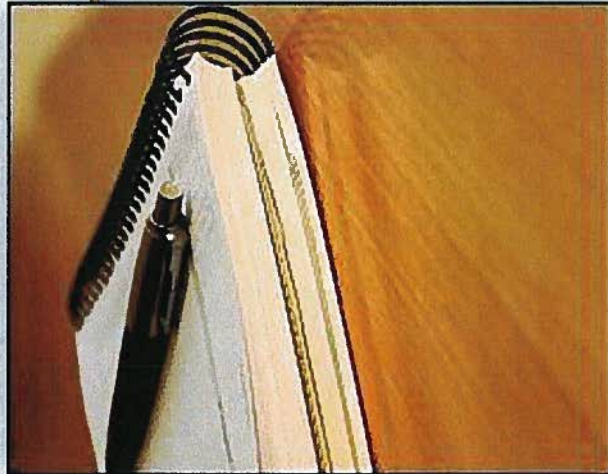


Historical return on \$1 million invested in September 1995

	9/30/2014	Return
Operating Reserve Fund	\$2,649,320	5.26%
1-10 Govt Index	\$2,480,798	4.90%
LAIF	\$1,793,684	3.12%

SECTION 2

Portfolio Holdings




**Moulton Niguel Water District Operating Reserve
Account #40**
**Issuer Report
As of 9/30/2014**

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	22.38 %
Federal Home Loan Mortgage Corp	Agency	10.82 %
Federal National Mortgage Association	Agency	9.42 %
Federal Home Loan Bank	Agency	8.10 %
Tennessee Valley Authority	Agency	8.06 %
Federal Farm Credit Bank	Agency	5.69 %
John Deere ABS	ABS	2.69 %
Honda ABS	ABS	2.28 %
Deere & Company	US Corporate	1.60 %
IBM Corp	US Corporate	1.59 %
Wells Fargo Corp	US Corporate	1.49 %
Cisco Systems	US Corporate	1.44 %
General Electric Co	US Corporate	1.43 %
Federal Home Loan Mortgage Corp	CMO	1.42 %
Apple Inc	US Corporate	1.41 %
Berkshire Hathaway	US Corporate	1.35 %
Ebay	US Corporate	1.32 %
Toyota ABS	ABS	1.32 %
Honda Motor Corporation	US Corporate	1.30 %
JP Morgan Chase & Co	US Corporate	1.28 %
Pepsico Inc	US Corporate	1.26 %
Toyota Motor Corp	Commercial Paper	1.24 %
Chevron/Texaco Corp	US Corporate	1.23 %
Bank of New York	US Corporate	1.18 %
Intel Corp	US Corporate	1.16 %
JP Morgan ABS	ABS	1.00 %
Oracle Corp	US Corporate	0.92 %
BlackRock Inc/New York	US Corporate	0.89 %
Coca Cola Co.	US Corporate	0.87 %
Bank of Tokyo-Mit UFJ	Commercial Paper	0.82 %
US Bancorp	US Corporate	0.81 %
Google Inc	US Corporate	0.80 %
Wal-Mart Stores	US Corporate	0.67 %



**Moulton Niguel Water District Operating Reserve
Account #40**

**Issuer Report
As of 9/30/2014**

Issue Name	Investment Type	% Portfolio
Praxair	US Corporate	0.40 %
Wells Fargo Adv Govt Money Market Fund	Money Market Fund FI	0.28 %
United Technology Corp	US Corporate	0.09 %
Total		100.00 %

Moulton Niguel Water District Operating Reserve
Account #40

Holdings Report
 As of 9/30/14



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
89231NAC7	Toyota Auto Receivable 2012-B A3 0.46% Due 7/15/2016	678,010.71	09/18/2012 0.46 %	677,946.23 677,946.23	100.04 0.37 %	678,261.57 138.62	0.54 % 315.34	Aaa / AAA NR	1.79 0.43
4778TRAC4	John Deere Owner Trust 2012-B A3 0.53% Due 7/15/2016	834,409.66	03/28/2014 0.47 %	834,931.16 834,931.16	100.03 0.46 %	834,639.12 196.55	0.67 % (292.04)	Aaa / NR AAA	1.79 0.41
43813CAC4	Honda Auto Receivables 2012-4 A3 0.52% Due 8/18/2016	823,534.03	10/11/2012 0.52 %	823,454.31 823,454.31	100.09 0.33 %	824,271.09 154.64	0.66 % 816.78	Aaa / AAA NR	1.88 0.47
161571FL3	Chase CHAIT Pool #2012-A5 0.59% Due 8/15/2017	1,255,000.00	03/19/2013 0.59 %	1,255,000.00 1,255,000.00	100.10 0.47 %	1,256,276.34 329.09	1.00 % 1,276.34	NR / AAA AAA	2.88 0.85
47789AC4	John Deere Owner Trust 2013-B A3 0.87% Due 8/15/2017	500,000.00	08/27/2013 0.88 %	499,931.85 499,931.85	100.24 0.64 %	501,192.50 193.33	0.40 % 1,260.65	Aaa / NR AAA	2.88 1.04
89231MAC9	Toyota Auto Receivables Owner 2014-A 0.67% Due 12/15/2017	975,000.00	03/11/2014 0.69 %	974,819.82 974,819.82	99.88 0.75 %	973,830.98 290.33	0.78 % (988.84)	Aaa / AAA NR	3.21 1.58
43814GAC4	Honda Auto Receivables 2014-2 A3 0.77% Due 3/19/2018	1,020,000.00	05/13/2014 0.78 %	1,019,877.40 1,019,877.40	99.82 0.88 %	1,018,119.12 283.62	0.81 % (1,758.28)	Aaa / AAA NR	3.47 1.77
47787VAC5	John Deere Owner Trust 2014-A A3 0.92% Due 4/16/2018	1,455,000.00	04/02/2014 0.93 %	1,454,766.91 1,454,766.91	99.86 1.00 %	1,452,992.10 594.93	1.16 % (1,774.81)	Aaa / NR AAA	3.55 1.76
43814HAC2	Honda Auto Receivables 2014-3 A3 0.88% Due 6/15/2018	1,015,000.00	08/12/2014 0.89 %	1,014,804.21 1,014,804.21	99.98 0.89 %	1,014,846.74 396.98	0.81 % 42.53	Aaa / AAA AAA	3.71 1.96
77877AD6	John Deere Owner Trust 2014-B A3 1.07% Due 11/15/2018	580,000.00	08/26/2014 1.08 %	579,873.33 579,873.33	99.78 1.17 %	578,729.22 482.69	0.46 % (1,144.11)	Aaa / NR AAA	4.13 2.18
Total ABS		9,135,954.40	0.73 %	9,135,405.22	0.71 %	9,133,158.78 3,060.78	7.30 % (2,246.44)	Aaa / AAA Aaa	2.99 1.29
AGENCY									
31331VGU4	FFCB Note 4.875% Due 12/16/2015	2,500,000.00	Various 4.28 %	2,595,126.00 2,595,126.00	105.49 0.33 %	2,637,297.50 35,546.88	2.14 % 42,171.50	Aaa / AA+ AAA	1.21 1.18
31331J6C2	FFCB Note 2.35% Due 12/22/2015	450,000.00	03/28/2011 2.27 %	451,629.00 451,629.00	102.31 0.46 %	460,379.70 2,908.13	0.37 % 8,750.70	Aaa / AA+ AAA	1.23 1.21
3135G0BA0	FNMA Note 2.375% Due 4/11/2016	1,245,000.00	03/08/2011 2.49 %	1,238,438.85 1,238,438.85	102.94 0.45 %	1,281,609.23 13,963.02	1.03 % 43,170.38	Aaa / AA+ AAA	1.53 1.49
31331V2U9	FFCB Note 5.125% Due 8/25/2016	1,950,000.00	08/30/2011 1.14 %	2,324,887.50 2,324,887.50	108.46 0.64 %	2,115,055.80 9,993.75	1.70 % (209,831.70)	Aaa / AA+ AAA	1.90 1.83
3135G0UY7	FNMA Callable Note 1X 2/27/15 1% Due 2/27/2017	1,150,000.00	04/23/2013 0.75 %	1,160,925.00 1,160,925.00	99.90 1.04 %	1,148,804.00 1,086.11	0.92 % (12,121.00)	Aaa / AA+ AAA	2.41 1.44
31359M7X5	FNMA Note 5% Due 5/11/2017	1,550,000.00	12/31/2009 3.68 %	1,680,508.45 1,680,508.45	110.39 0.97 %	1,711,017.10 30,138.89	1.39 % 30,508.65	Aaa / AA+ AAA	2.61 2.44
31398ADM1	FNMA Note 5.375% Due 6/12/2017	1,200,000.00	Various 3.58 %	1,341,020.65 1,341,020.65	111.59 1.01 %	1,339,080.00 19,529.17	1.09 % (1,940.65)	Aaa / AA+ AAA	2.70 2.51
880591EA6	Tennessee Valley Authority Note 5.5% Due 7/18/2017	2,460,000.00	Various 4.32 %	2,660,209.76 2,660,209.76	112.08 1.11 %	2,757,177.84 27,435.84	2.22 % 96,968.08	Aaa / AA+ AAA	2.80 2.61
									15



Moulton Niguel Water District Operating Reserve
Account #40

Holdings Report
As of 9/30/14

CUSIP	Security Description	Par Value/Units	Purchase Date	Cost Value	Mkt Price	Market Value	% of Port.	Moody/S&P	Maturity
AGENCY			Book Yield	Book Value	Mkt YTM	Accrued Int.	Gain/Loss	Fitc	Duration
3137EABA6	FHLMC Note 5.125% Due 11/17/2017	1,400,000.00	02/03/2011 3.13 %	1,569,204.00 1,569,204.00	111.74 1.29 %	1,584,376.80 26,706.94	1.27 % (4,827.20)	Aaa / AA+ AAA	3.13 2.88
313372C36	FHLB Note 3.125% Due 12/8/2017	1,150,000.00	03/18/2011 2.87 %	1,167,848.00 1,167,848.00	105.57 1.34 %	1,214,026.25 11,280.38	0.98 % 46,178.25	Aaa / AA+ AAA	3.19 3.02
880591CU4	Tennessee Valley Authority Note 6.25% Due 12/15/2017	1,890,000.00	Various 4.27 %	2,157,081.80 2,157,081.80	115.43 1.32 %	2,181,693.15 34,781.24	1.77 % 24,611.35	NR / AA+ AAA	3.21 2.91
3135G0TG8	FNMA Note 0.875% Due 2/8/2018	1,660,000.00	Various 1.15 %	1,640,685.20 1,640,685.20	98.40 1.36 %	1,633,514.70 2,138.41	1.31 % (7,170.50)	Aaa / AA+ AAA	3.36 3.29
880591EC2	Tennessee Valley Authority Note 4.5% Due 4/1/2018	285,000.00	02/03/2010 3.90 %	296,826.36 296,826.36	110.18 1.51 %	314,014.14 6,412.50	0.26 % 17,187.78	Aaa / AA+ AAA	3.50 3.20
31331YF21	FFCB Note 4.25% Due 4/16/2018	650,000.00	07/15/2010 2.98 %	706,634.50 706,634.50	110.57 1.19 %	718,734.90 12,661.46	0.58 % 12,100.40	Aaa / AA+ AAA	3.55 3.26
3135G0WJ8	FNMA Note 0.875% Due 5/21/2018	2,340,000.00	Various 1.42 %	2,285,340.25 2,285,340.25	97.94 1.46 %	2,291,707.08 7,393.75	1.84 % 6,366.83	Aaa / AA+ AAA	3.64 3.55
3137EABP3	FHLMC Note 4.875% Due 6/13/2018	1,950,000.00	Various 2.67 %	2,224,649.10 2,224,649.10	112.34 1.44 %	2,190,684.60 28,518.75	1.77 % (33,964.50)	Aaa / AA+ AAA	3.70 3.38
3135G0ZA4	FNMA Note 1.875% Due 2/19/2019	2,300,000.00	Various 1.74 %	2,314,350.50 2,314,350.50	100.29 1.81 %	2,306,644.70 5,031.26	1.85 % (7,705.80)	Aaa / AA+ AAA	4.39 4.18
137EADG1	FHLMC Note 1.75% Due 5/30/2019	2,345,000.00	04/27/2012 1.66 %	2,358,760.46 2,358,760.46	99.70 1.82 %	2,337,892.31 13,793.16	1.88 % (20,868.15)	Aaa / AA+ AAA	4.67 4.44
3137EADK2	FHLMC Note 1.25% Due 8/1/2019	2,250,000.00	Various 1.48 %	2,219,414.80 2,219,414.80	97.07 1.89 %	2,184,140.25 4,687.50	1.75 % (35,274.55)	Aaa / AA+ AAA	4.84 4.65
3133X8AS1	FHLB Note 5.125% Due 8/15/2019	2,000,000.00	06/07/2011 3.02 %	2,303,860.00 2,303,860.00	114.38 2.01 %	2,287,646.00 13,097.22	1.84 % (16,214.00)	Aaa / AA+ AAA	4.88 4.35
3137EADM8	FHLMC Note 1.25% Due 10/2/2019	1,425,000.00	Various 1.60 %	1,396,312.75 1,396,312.75	97.14 1.85 %	1,384,192.28 8,856.77	1.11 % (12,120.47)	Aaa / AA+ AAA	5.01 4.79
3137EADR7	FHLMC Note 1.375% Due 5/1/2020	1,575,000.00	04/17/2014 2.18 %	1,503,983.25 1,503,983.25	96.40 2.06 %	1,518,309.45 9,023.44	1.22 % 14,326.20	Aaa / AA+ AAA	5.59 5.31
3133ECPD0	FFCB Note 1.42% Due 5/13/2020	1,165,000.00	05/22/2013 1.63 %	1,148,561.85 1,148,561.85	96.92 2.00 %	1,129,157.61 6,341.48	0.91 % (19,404.24)	Aaa / AA+ AAA	5.62 5.33
3133XDV57	FHLB Note 5.25% Due 12/11/2020	2,600,000.00	07/07/2011 3.54 %	2,953,808.00 2,953,808.00	116.60 2.35 %	3,031,594.80 41,708.33	2.46 % 77,786.80	Aaa / AA+ AAA	6.20 5.31
880591EL2	Tennessee Valley Authority Note 3.875% Due 2/15/2021	2,120,000.00	04/06/2011 3.87 %	2,121,611.20 2,121,611.20	109.00 2.35 %	2,310,783.04 10,496.94	1.85 % 189,171.84	Aaa / AA+ AAA	6.38 5.65
3133752P1	FHLB Note 3.5% Due 7/29/2021	3,300,000.00	08/03/2011 3.19 %	3,388,209.00 3,388,209.00	106.63 2.44 %	3,518,829.60 19,891.67	2.83 % 130,620.60	Aaa / AA+ AAA	6.83 6.05
3137EADB2	FHLMC Note 2.375% Due 1/13/2022	2,275,000.00	Various 2.28 %	2,291,259.33 2,291,259.33	99.42 2.46 %	2,261,845.95 11,706.77	1.82 % (29,413.38)	Aaa / AA+ AAA	7.29 6.62

Moulton Niguel Water District Operating Reserve Account #40

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CUSIP	Security Description	Par Value/Units	Purchase Date	Cost Value	Mkt Price	Market Value	% of Port.	Moody/S&P	Maturity
AGENCY			Book Yield	Book Value	MKT YTM	Accrued Int.	Gain/Loss	Fitch	Duration
880591EN8	Tennessee Valley Authority Note 1.875% Due 8/15/2022	2,585,000.00	Various 2.03 %	2,550,760.80 2,550,760.80	94.31 2.68 %	2,437,864.39 6,193.23	1.95 % (112,896.41)	Aaa / AA+ AAA	7.88 7.22
Total Agency		49,770,000.00	2.66 %	52,051,906.36 52,051,906.36	1.63 %	52,268,073.17 421,322.99	42.09 % 216,166.81	Aaa / AA+ Aaa	4.35 3.98
CMO									
3137AH6Q6	FHLMC K704 A2 2.412% Due 8/25/2018	1,745,000.00	03/06/2014 1.68 %	1,798,576.95 1,798,576.95	102.12 1.79 %	1,781,908.50 701.49	1.42 % (16,668.45)	NR / NR AAA	3.90 3.55
Total CMO		1,745,000.00	1.68 %	1,798,576.95 1,798,576.95	1.79 %	1,781,908.50 701.49	1.42 % (16,668.45)	NR / NR Aaa	3.90 3.55
COMMERCIAL PAPER									
06538CKM2	Bank of Tokyo Mitsubishi NY Discount CP 0.21% Due 10/21/2014	1,030,000.00	06/16/2014 0.21 %	1,029,242.95 1,029,879.83	99.99 0.21 %	1,029,879.83 0.00	0.82 % 0.00	P-1 / A-1 F-1	0.06 0.06
89233HN59	Toyota Motor Credit Discount CP 0.2% Due 1/5/2015	1,550,000.00	Various 0.20 %	1,548,245.55 1,549,173.33	99.95 0.20 %	1,549,173.33 0.00	1.24 % 0.00	P-1 / A-1+ F-1	0.27 0.27
Total Commercial Paper		2,580,000.00	0.21 %	2,577,488.50 2,579,053.16	0.21 %	2,579,053.16 0.00	2.06 % 0.00	P-1 / A-1 F-1	0.18 0.18
MONEY MARKET FUND FI									
94975J466	Wells Fargo Advantage Government MMF	348,382.30	Various 0.01 %	348,382.30 348,382.30	1.00 0.01 %	348,382.30 0.00	0.28 % 0.00	Aaa / NR AAA	0.00 0.00
Total Money Market Fund FI		348,382.30	0.01 %	348,382.30 348,382.30	0.01 %	348,382.30 0.00	0.28 % 0.00	Aaa / NR Aaa	0.00 0.00
US CORPORATE									
09247XAD3	Blackrock Inc Note 3.5% Due 12/10/2014	1,090,000.00	Various 2.84 %	1,120,065.90 1,120,065.90	100.59 0.45 %	1,096,454.98 11,762.92	0.89 % (23,610.92)	A1 / AA- NR	0.19 0.19
713448BM9	Pepsico Inc. Note 3.1% Due 1/15/2015	1,550,000.00	Various 2.10 %	1,614,584.35 1,614,584.35	100.80 0.36 %	1,582,348.86 10,143.88	1.26 % (52,235.49)	A1 / A- A	0.29 0.29
94980VAA6	Wells Fargo Bank Note 4.75% Due 2/9/2015	1,825,000.00	Various 3.52 %	1,914,016.00 1,914,016.00	101.52 0.49 %	1,852,818.48 12,521.53	1.49 % (61,197.52)	A1 / A+ A+	0.36 0.36
084670AV0	Berkshire Hathaway Note 3.2% Due 2/1/2015	1,665,000.00	Various 3.12 %	1,670,612.45 1,670,612.45	101.04 0.34 %	1,682,272.71 7,400.00	1.35 % 11,660.26	Aa2 / AA A+	0.37 0.36
06406JHB4	Bank of New York Mellon Note 4.95% Due 3/15/2015	1,445,000.00	Various 2.11 %	1,620,058.00 1,620,058.00	102.08 0.40 %	1,475,082.01 3,179.00	1.18 % (144,975.99)	A2 / A A+	0.45 0.46
74005PAR5	Praxair Note 4.625% Due 3/30/2015	490,000.00	Various 2.58 %	534,803.30 534,803.30	102.11 0.40 %	500,332.14 62.95	0.40 % (34,471.16)	A2 / A NR	0.50 0.50



**Moulton Niguel Water District Operating Reserve
Account #40**

**Holdings Report
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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
278642AB9	Ebay Inc Note 1.625% Due 10/15/2015	1,625,000.00	10/22/2010 1.66 %	1,622,156.25 1,622,156.25	101.16 0.51 %	1,643,882.50 12,176.22	1.32 % 21,726.25	A2 / A A	1.04 1.03
459200GU9	IBM Corp Note 2% Due 1/5/2016	1,950,000.00	Various 2.77 %	1,882,374.00 1,882,374.00	101.75 0.61 %	1,994,031.40 9,316.66	1.59 % 101,657.40	Aa3 / AA- A+	1.27 1.25
24422ERZ4	John Deere Capital Corp Note 0.75% Due 1/22/2016	475,000.00	01/17/2013 0.79 %	474,496.50 474,496.50	100.25 0.56 %	476,169.45 682.81	0.38 % 1,672.95	A2 / A NR	1.31 1.30
38259PAC6	Google Inc Note 2.125% Due 5/19/2016	975,000.00	11/15/2012 0.75 %	1,021,108.20 1,021,108.20	102.41 0.64 %	998,521.88 7,596.88	0.80 % (22,586.32)	Aa2 / AA NR	1.64 1.60
191216AU4	Coca Cola Company Note 1.8% Due 9/1/2016	1,070,000.00	08/13/2013 0.98 %	1,096,225.70 1,096,225.70	101.97 0.76 %	1,091,117.52 1,605.00	0.87 % (5,108.18)	Aa3 / AA A+	1.92 1.89
36962G5W0	General Electric Capital Corp Note 2.3% Due 4/27/2017	1,720,000.00	03/07/2013 1.44 %	1,778,875.60 1,778,875.60	102.75 1.21 %	1,767,293.12 16,922.89	1.43 % (11,582.48)	A1 / AA+ NR	2.58 2.48
913017BU2	United Tech Corp Note 1.8% Due 6/1/2017	115,000.00	05/24/2012 1.82 %	114,901.10 114,901.10	101.48 1.24 %	116,698.78 690.00	0.09 % 1,797.68	A2 / A A	2.67 2.59
68389XAN5	Oracle Corp Note 1.2% Due 10/15/2017	1,150,000.00	08/28/2013 1.87 %	1,119,421.50 1,119,421.50	99.28 1.44 %	1,141,707.35 6,363.33	0.92 % 22,285.85	A1 / A+ A+	3.04 2.96
156764AA8	Chevron Corp. Callable Note Cont 11/5/17 1.104% Due 12/5/2017	535,000.00	Various 1.19 %	533,208.75 533,208.75	99.04 1.41 %	529,873.63 1,903.18	0.42 % (3,335.12)	Aa1 / AA NR	3.18 3.10
458140AL4	Intel Corp Note 1.35% Due 12/15/2017	1,445,000.00	12/12/2012 1.29 %	1,449,314.55 1,449,314.55	99.68 1.45 %	1,440,318.20 5,743.88	1.16 % (8,996.35)	A1 / A+ A+	3.21 3.12
931142DF7	Wal-Mart Stores Note 1.125% Due 4/11/2018	840,000.00	04/04/2013 1.14 %	839,227.20 839,227.20	98.64 1.52 %	828,601.20 4,462.50	0.67 % (10,626.00)	Aa2 / AA AA	3.53 3.43
037833AJ9	Apple Inc Note 1% Due 5/3/2018	1,800,000.00	Various 1.29 %	1,776,528.00 1,776,528.00	97.53 1.71 %	1,755,579.60 7,400.00	1.41 % (20,948.40)	Aa1 / AA+ NR	3.59 3.49
166764AE0	Chevron Corp. Callable Note Cont 5/24/2018 1.718% Due 6/24/2018	1,000,000.00	03/28/2014 1.71 %	1,000,470.00 1,000,470.00	100.04 1.71 %	1,000,351.00 4,629.06	0.80 % (119.00)	Aa1 / AA NR	3.73 3.51
02665WAC5	American Honda Finance Note 2.125% Due 10/10/2018	1,600,000.00	03/28/2014 1.99 %	1,609,232.00 1,609,232.00	100.49 2.00 %	1,607,814.40 16,150.00	1.30 % (1,417.60)	A1 / A+ NR	4.03 3.81
91159HHE3	US Bancorp Callable Note Cont 10/15/2018 1.95% Due 11/15/2018	1,010,000.00	11/19/2013 1.86 %	1,014,082.85 1,014,082.85	99.80 2.00 %	1,007,931.52 7,440.34	0.81 % (6,151.33)	A1 / A+ AA-	4.13 3.92
24422ESF7	John Deere Capital Corp Note 1.95% Due 12/13/2018	1,520,000.00	Various 2.00 %	1,516,398.40 1,516,398.40	99.79 2.00 %	1,516,826.24 8,892.00	1.22 % 427.84	A2 / A NR	4.21 3.99
46625HJR2	JP Morgan Chase Note 2.35% Due 1/28/2019	1,600,000.00	04/02/2014 2.32 %	1,601,856.00 1,601,856.00	99.52 2.47 %	1,592,289.60 6,580.00	1.28 % (9,566.40)	A3 / A A+	4.33 4.07



Moulton Niguel Water District Operating Reserve
Account #40

Holdings Report
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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
17275RAR3	Cisco Systems Note 2.125% Due 3/1/2019	1,800,000.00	Various 2.05 %	1,806,359.70 1,806,359.70	99.95 2.14 %	1,799,094.60 3,187.50	1.44 % (7,265.10)	A1 / AA- NR	4.42 4.19
Total US Corporate		30,295,000.00	2.00 %	30,730,376.30 30,730,376.30	1.18 %	30,467,411.17 166,812.53	24.47 % (262,965.13)	A1 / AA- A+	2.33 2.24
US TREASURY									
912828GH7	US Treasury Note 4.625% Due 2/15/2017	800,000.00	07/12/2007 5.14 %	769,187.50 769,187.50	108.97 0.80 %	871,750.40 4,725.54	0.70 % 102,562.90	Aaa / AA+ AAA	2.38 2.26
912828HH6	US Treasury Note 4.25% Due 11/15/2017	1,850,000.00	12/05/2007 3.94 %	1,896,755.86 1,896,755.86	109.47 1.16 %	2,025,172.80 29,698.03	1.64 % 128,416.94	Aaa / AA+ AAA	3.13 2.91
912828SD3	US Treasury Note 1.25% Due 1/31/2019	2,335,000.00	05/29/2012 1.09 %	2,359,362.67 2,359,362.67	98.32 1.65 %	2,295,779.01 4,917.46	1.84 % (63,583.66)	Aaa / AA+ AAA	4.34 4.19
912828SX9	US Treasury Note 1.125% Due 5/31/2019	2,475,000.00	01/30/2013 1.23 %	2,459,444.48 2,459,444.48	97.26 1.74 %	2,407,130.55 9,357.33	1.93 % (52,313.93)	Aaa / AA+ AAA	4.67 4.50
912828TH3	US Treasury Note 0.875% Due 7/31/2019	2,300,000.00	10/25/2012 1.21 %	2,249,696.70 2,249,696.70	95.80 1.78 %	2,203,508.10 3,390.63	1.76 % (46,188.60)	Aaa / AA+ AAA	4.84 4.69
12828UB4	US Treasury Note 1% Due 11/30/2019	2,400,000.00	Various 1.91 %	2,271,415.85 2,271,415.85	95.81 1.85 %	2,299,500.00 8,065.57	1.84 % 28,084.15	Aaa / AA+ AAA	5.17 4.98
12828PX2	US Treasury Note 3.625% Due 2/15/2021	1,425,000.00	06/02/2011 2.95 %	1,505,662.92 1,505,662.92	109.09 2.09 %	1,594,586.65 6,597.40	1.25 % 48,923.73	Aaa / AA+ AAA	6.38 5.70
912828RC6	US Treasury Note 2.125% Due 8/15/2021	1,650,000.00	02/28/2014 2.23 %	1,637,953.86 1,637,953.86	99.50 2.20 %	1,641,750.00 4,478.09	1.32 % 3,796.14	Aaa / AA+ AAA	6.88 6.34
912828RR3	US Treasury Note 2% Due 11/15/2021	2,300,000.00	01/18/2012 1.90 %	2,320,313.90 2,320,313.90	98.45 2.24 %	2,264,241.90 17,375.00	1.82 % (56,072.00)	Aaa / AA+ AAA	7.13 6.55
912828SF8	US Treasury Note 2% Due 2/15/2022	2,025,000.00	07/31/2014 2.33 %	1,978,970.99 1,978,970.99	98.22 2.26 %	1,988,930.70 5,172.55	1.59 % 9,959.71	Aaa / AA+ AAA	7.38 6.79
912828SV3	US Treasury Note 1.75% Due 5/15/2022	2,400,000.00	07/29/2013 2.41 %	2,275,134.60 2,275,134.60	96.14 2.30 %	2,307,374.40 15,864.13	1.86 % 32,239.80	Aaa / AA+ AAA	7.63 7.03
912828TJ9	US Treasury Note 1.625% Due 8/15/2022	2,450,000.00	Various 2.15 %	2,342,880.91 2,342,880.91	94.95 2.33 %	2,326,350.95 5,084.75	1.86 % (16,529.96)	Aaa / AA+ AAA	7.88 7.31
912828TY6	US Treasury Note 1.625% Due 11/15/2022	2,600,000.00	Various 2.43 %	2,437,783.83 2,437,783.83	94.51 2.37 %	2,457,202.80 15,958.56	1.98 % 19,418.97	Aaa / AA+ AAA	8.13 7.49
912828VB3	US Treasury Note 1.75% Due 5/15/2023	1,300,000.00	06/26/2014 2.42 %	1,230,688.80 1,230,688.80	94.78 2.42 %	1,232,155.60 8,593.07	0.99 % 1,466.80	Aaa / AA+ AAA	8.63 7.87
Total US Treasury		28,310,000.00	2.19 %	27,735,252.87 27,735,252.87	1.98 %	27,875,433.86 139,278.11	22.38 % 140,180.99	Aaa / AA+ Aaa	6.12 5.70
TOTAL PORTFOLIO		122,184,336.70	2.18 %	124,377,388.50 124,378,953.16	1.50 %	124,453,420.94 731,175.90	100.00 % 74,467.78	Aa1 / AA Aaa	4.05 3.65
TOTAL MARKET VALUE PLUS ACCRUED						125,184,596.84			19



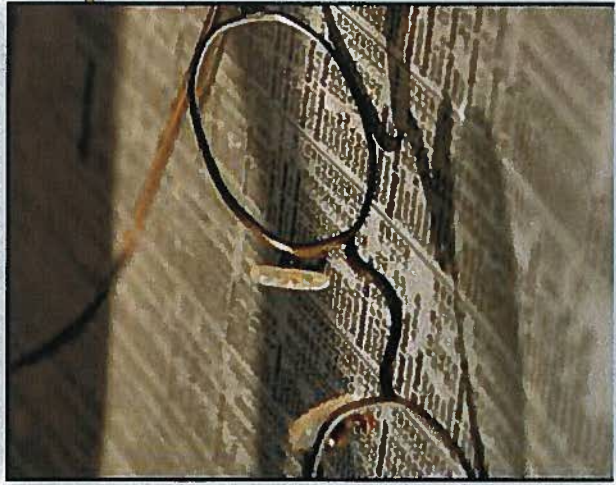
Holdings Report

As of 9/30/14

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
90LAIF\$00	Local Agency Investment Fund State Pool	6,160,715.11	Various 0.24 %	6,160,715.11 6,160,715.11	1.00 0.24 %	6,160,715.11 8,348.16	100.00 % 0.00	NR / NR NR	0.00 0.00
Total LAIF		6,160,715.11	0.24 %	6,160,715.11 6,160,715.11	0.24 %	6,160,715.11 8,348.16	100.00 % 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		6,160,715.11	0.24 %	6,160,715.11 6,160,715.11	0.24 %	6,160,715.11 8,348.16	100.00 % 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUED						6,169,063.27			

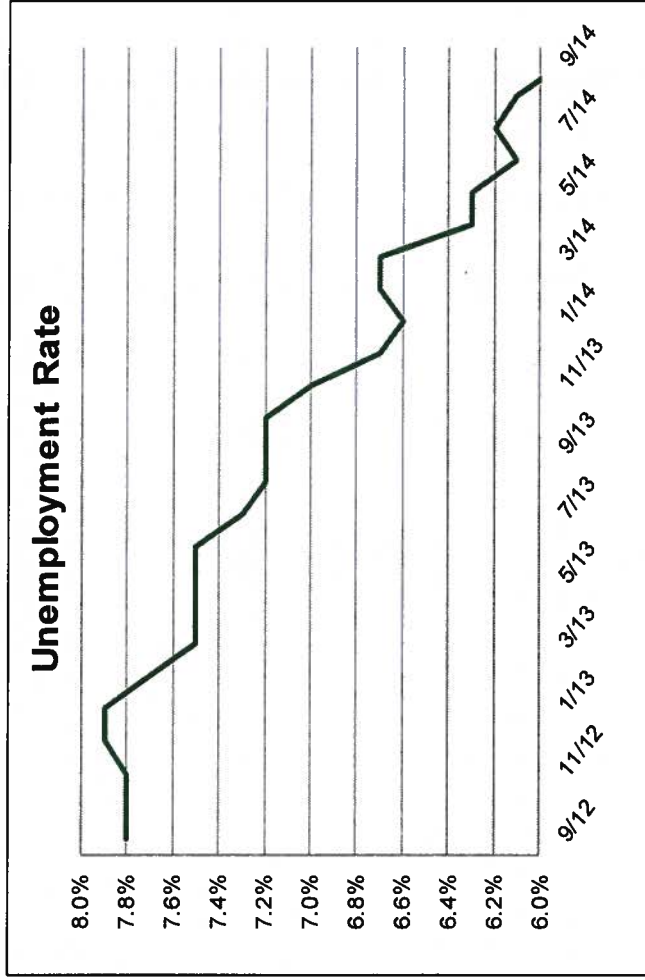
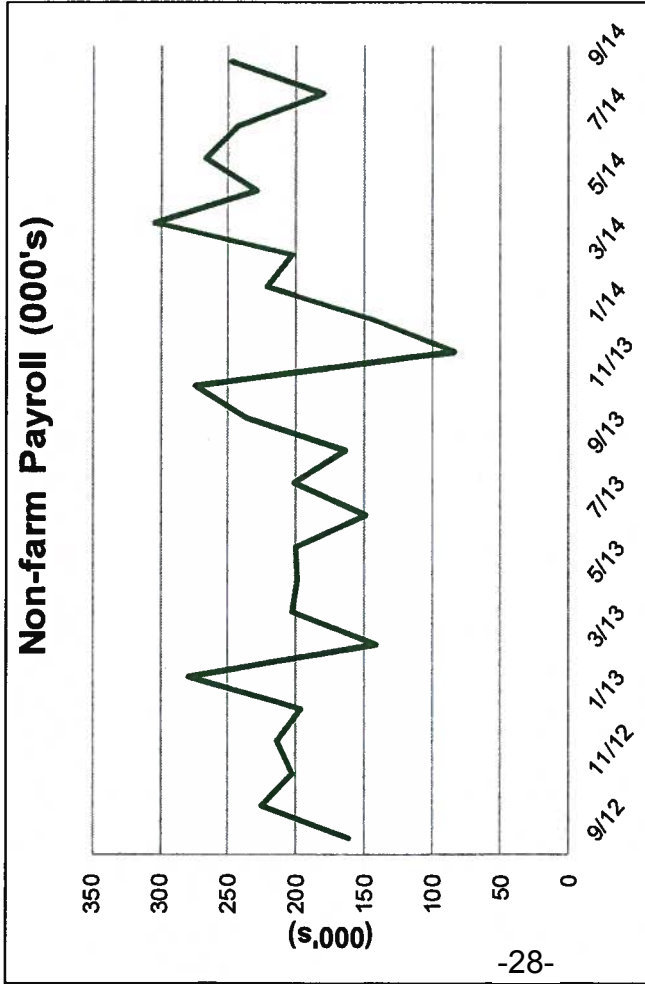
SECTION 3

Economic Update



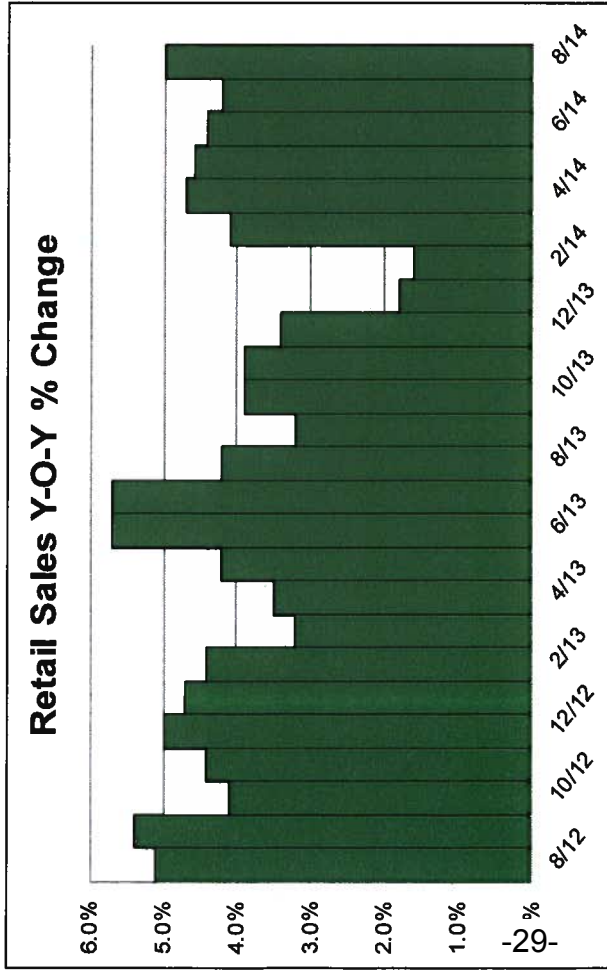


- The economy remains on a slow growth trajectory, fueled by job growth. In the third quarter, payrolls rose by 224,000 per month on average, following average growth of 267,000 per month during the second quarter. The September employment report was better than expected (as payrolls rose by 248,000 versus expectations of 215,000), and August and July payrolls were revised higher by a combined 69,000. The unemployment rate declined to 5.9% in September from 6.1% in August, but wage growth and the labor participation rate continued to be weak. The manufacturing sector continues to show strength, with the ISM manufacturing index remaining well above 50.0 in September at 58.6. Consumer spending also remains healthy, and ongoing job growth should support this trend. The housing sector, on the other hand, has shown the most volatility and continues to lag behind other sectors of the economy.
- In September, the FOMC left policy rates unchanged and continued to reduce asset purchases, as expected. Overall, the Fed's statement language suggested a modest uptick to their overall view of the economy, but the message remained dovish. The Fed noted inflation is running below target, signaling their ongoing capacity to keep interest rates low. More recently, the stronger than expected September employment report gives hawkish Fed members a compelling argument for raising interest rates earlier than market participants may be expecting. However, we believe the majority of FOMC voting members are generally dovish and will be reluctant to raise rates before the economy is on a sustainable growth trajectory. At this point, we continue to believe the Fed isn't likely to start raising rates until the second half of 2015. However, the Fed may make some changes to its next policy statement, such as removing the "considerable period" language. The Fed remains on course to complete the unwinding of quantitative easing this month and the next Federal Open Market Committee meeting is scheduled for October 28-29.
- During the past three months, the yield curve has flattened even as the Fed has been tapering its purchases of long-term Treasury bonds. Market participants have reacted to mixed domestic and global economic data, as well as geopolitical tensions. These concerns have kept downward pressure on longer yields.

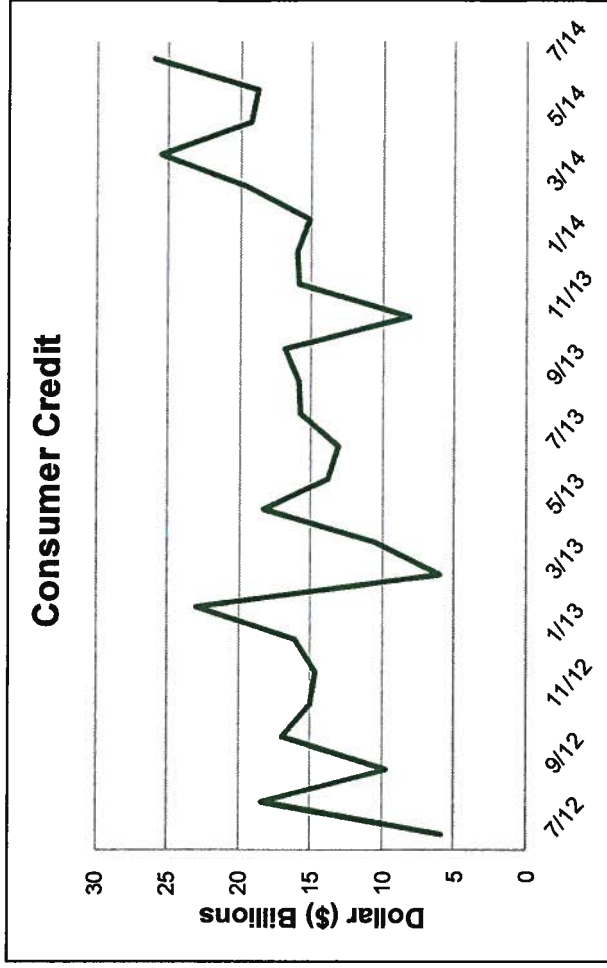


Source: U.S. Department of Labor

The September employment report was stronger than expected as nonfarm payrolls rose by 248,000, following gains of 180,000 and 243,000 in August and July, respectively. The consensus forecast for September was 215,000. The net revisions for August and July were +69,000. For the third quarter, payrolls rose 224,000 per month, on average, compared to average growth of 267,000 per month during the second quarter. Private payrolls rose by 236,000 in September while government jobs rose by 12,000. The unemployment rate declined to 5.9% from 6.1%, but the participation rate also ticked down to 62.7% from 62.8%. Wage growth was flat in September, missing expectations for a 0.2% gain.



Source: U.S. Department of Commerce



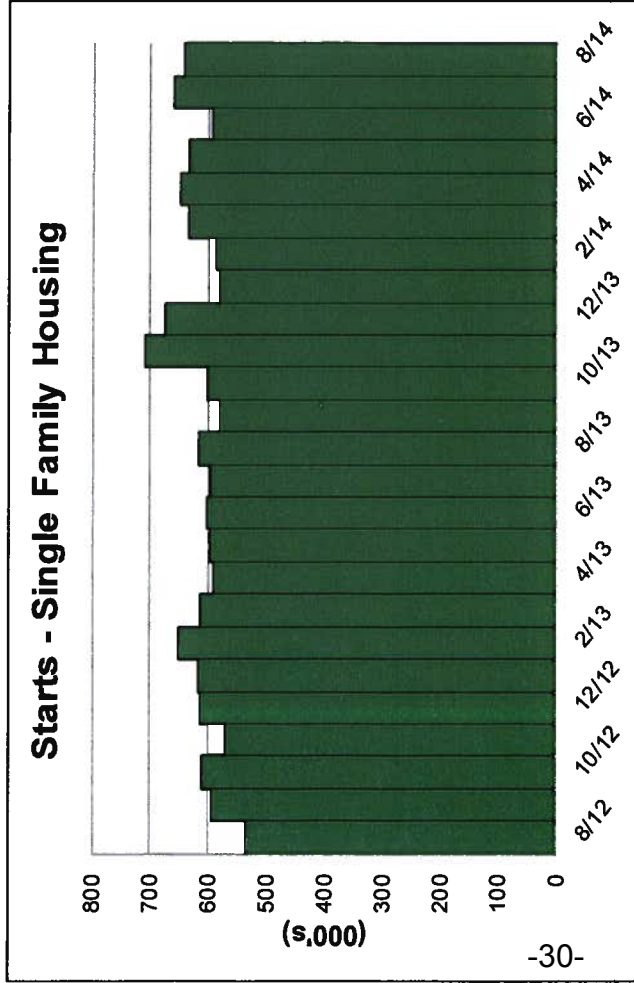
Source: Federal Reserve

In August, Retail Sales rose 5.0% on a year-over-year basis versus a gain of 4.2% in July. On a month-over-month basis, Retail Sales were up 0.6% in July, which was in line with expectations. Overall, Retail Sales appear healthy. Consumer Credit rose by \$26.0 billion in July versus a gain of \$18.8 billion in June. The gain continued to be fueled largely by nonrevolving credit (auto loans in particular) which rose \$20.6 billion in July, but revolving credit also increased \$5.4 billion.

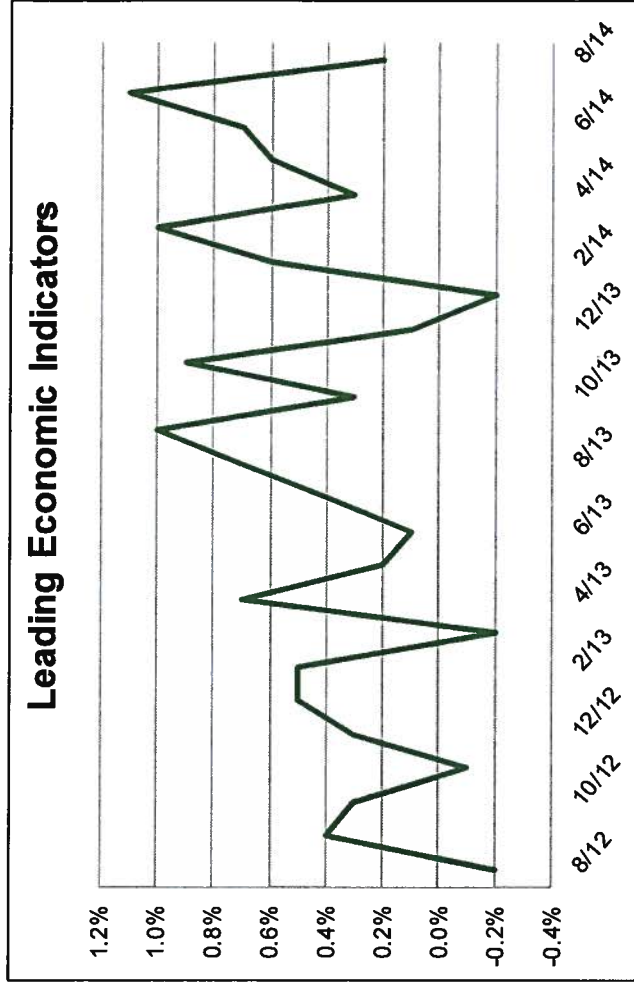


Broad Measures

#6.

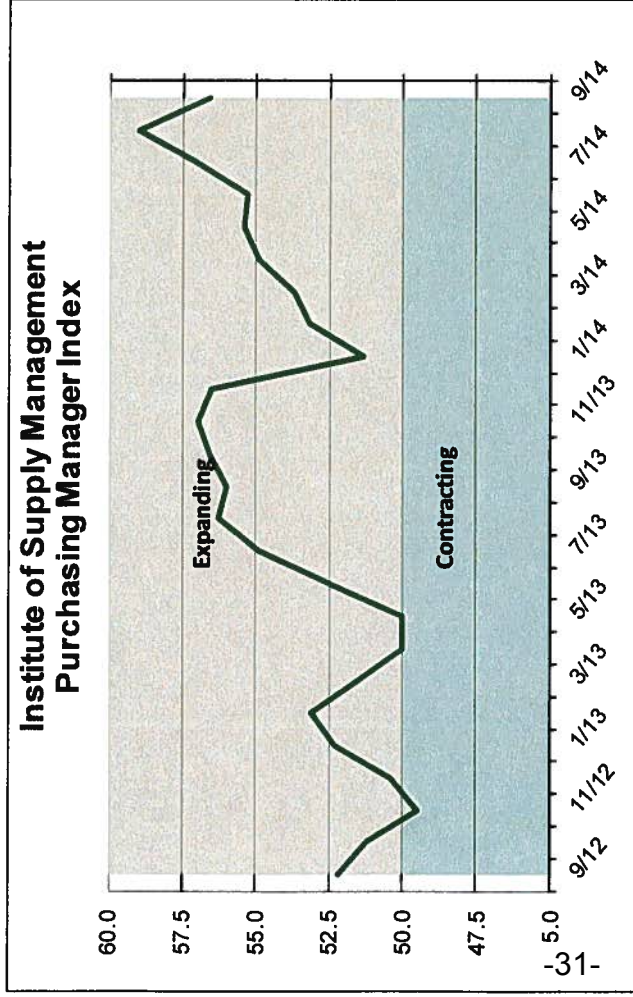


Source: US Department of Commerce

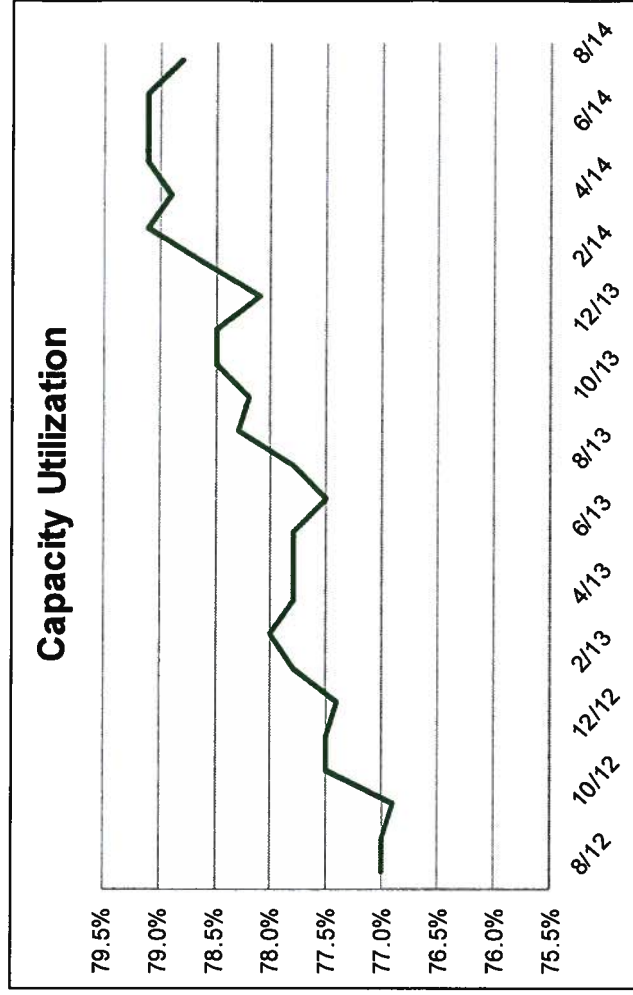


Source: The Conference Board

Recent housing data has been volatile. Single-family housing starts declined 2.4% in August to 643,000 following an 11.1% gain in July. Multifamily starts declined 31.7% in August after increasing 44.9% in July. The index of Leading Economic Indicators (LEI) rose 0.2% in August following a 1.1% gain in July. Overall, the LEI index continues to point to modest economic growth.

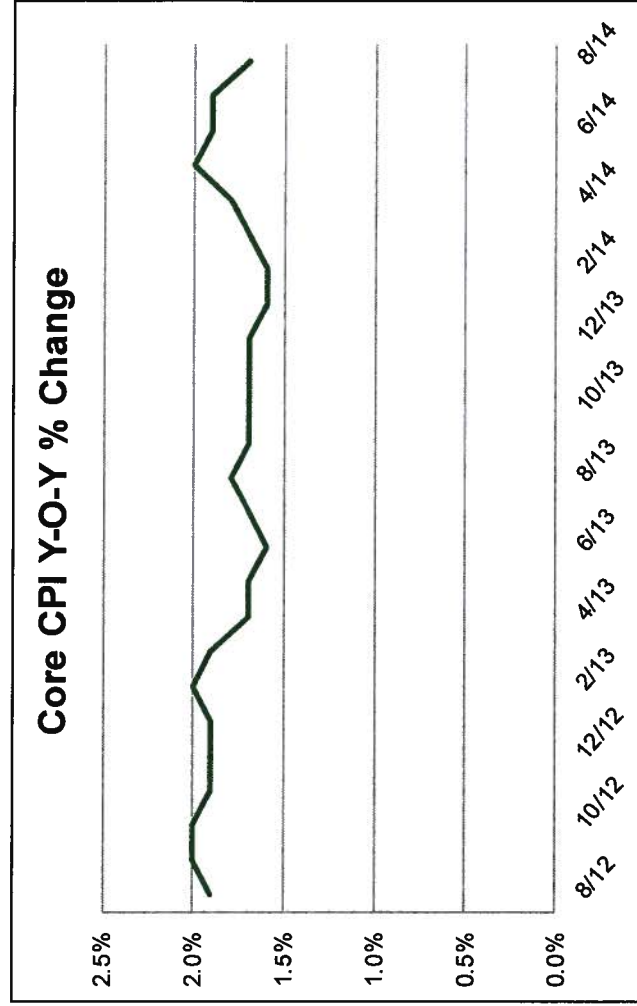
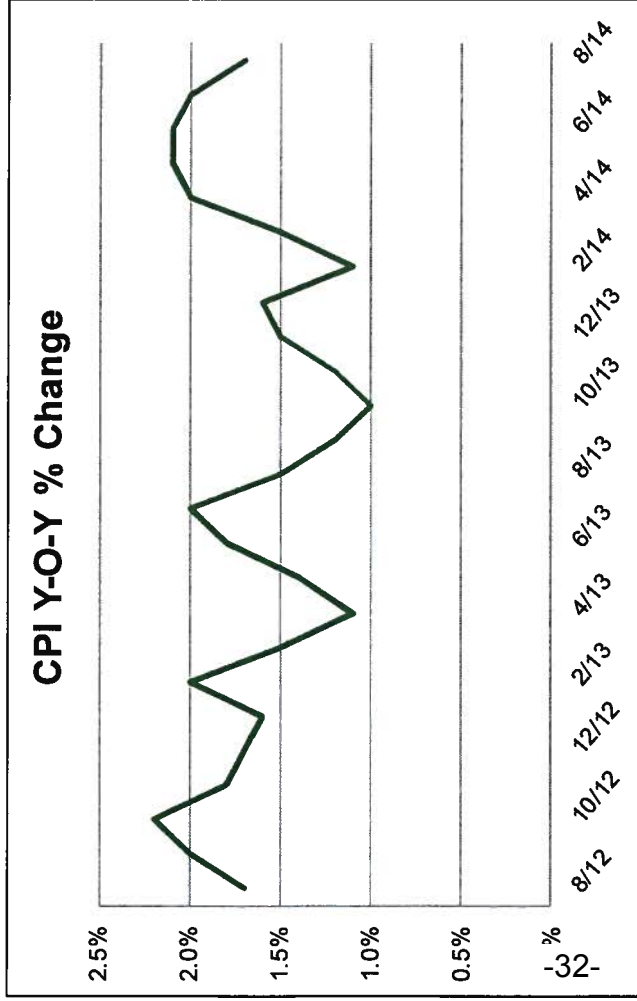


Source: Institute for Supply Management



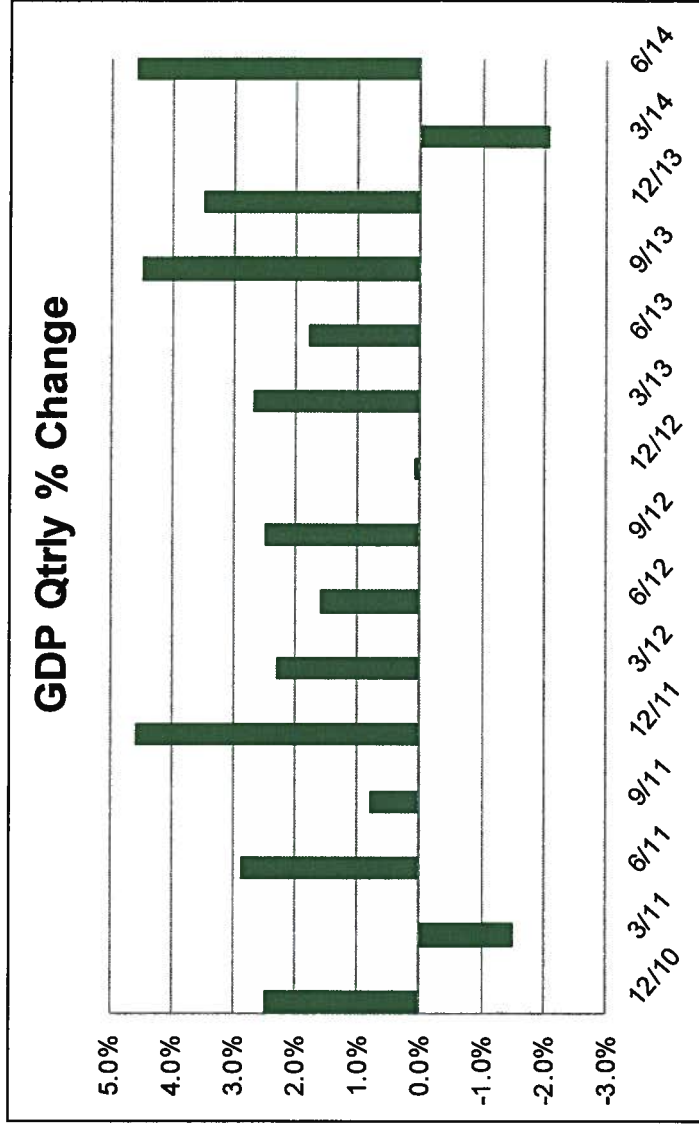
Source: Federal Reserve

During September, the ISM Manufacturing Index decreased to 50.0 from 59.0 in August. The decline was disappointing, but the index continues to signal ongoing growth in the manufacturing sector. A reading above 50.0 is viewed as expansionary in the manufacturing sector, while a reading below 50.0 suggests contraction. Capacity Utilization, which is production divided by capacity, declined in August to 78.8% from 79.1% in July. The Capacity Utilization rate remains below the long-run average of 80.1% (1972-2013).



Source: US Department of Labor

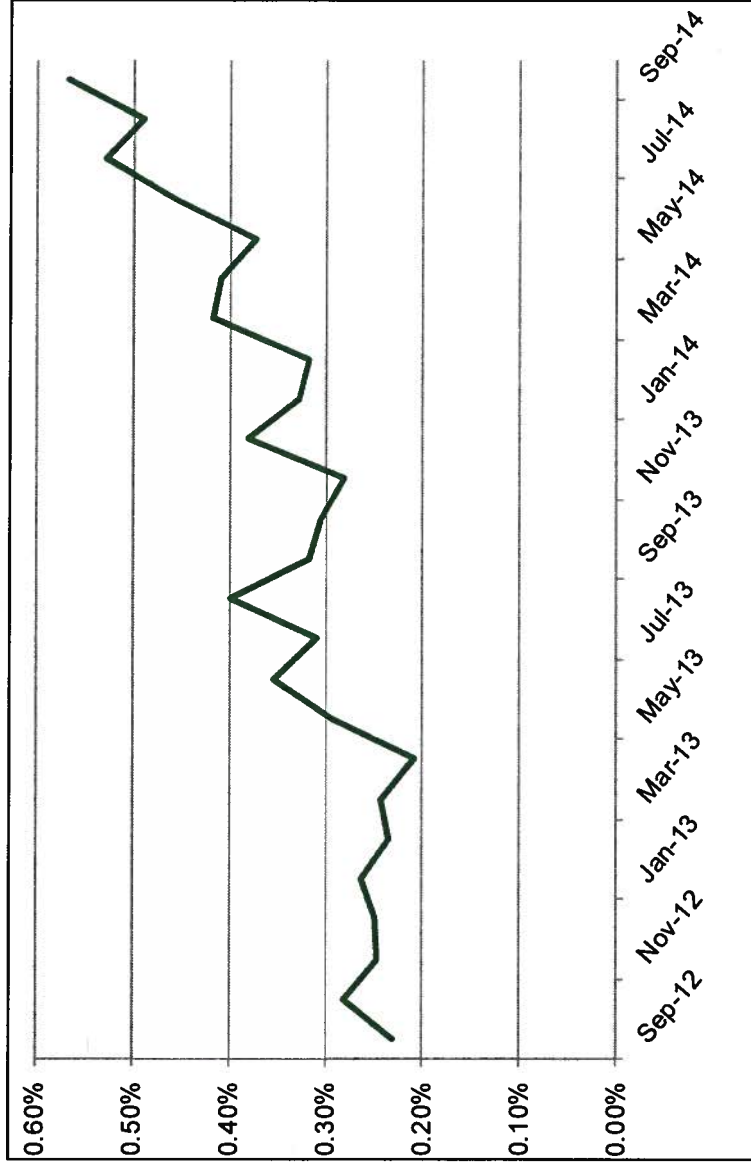
In August, overall CPI inflation was 1.7% on a year-over-year basis down from 2.0% in July. The year-over-year Core CPI (CPI less food and energy) declined to 1.7% in August from 1.9% in July.



Source: U.S. Department of Commerce

Real annualized GDP growth for the second quarter of 2014 was 4.6%, according to the final revision, up from the prior estimate of 4.2%. Second quarter growth was in line with the consensus forecast. An upward revision in nonresidential investment spending was the primary factor for the change. First quarter GDP declined 2.1%, largely due to unfavorable weather.

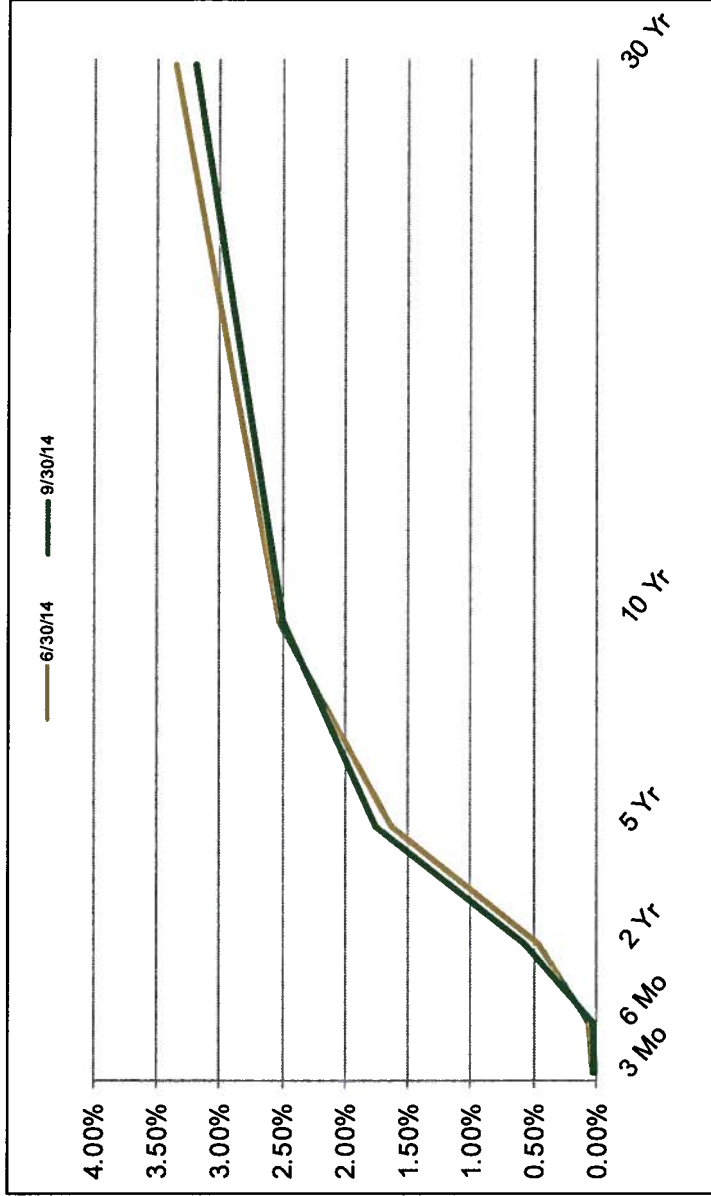
Yield on the Two-Year Note September 2012 through September 2014



Source: Bloomberg

The yield on the two-year Treasury note increased by about 8 basis points in September, following a modest decline in August. Economic data was fairly strong in September. The unwinding of quantitative easing by the Federal Reserve along with the anticipation of a potential fed funds rate hike next year have also put upward pressure on rates, but this has been somewhat offset by geopolitical tensions and sluggish economic growth in Europe.

June 30, 2014 and September 30, 2014



Source: Bloomberg

During the past three months, the yield curve has flattened even as the Fed has been tapering its purchases of long-term Treasury bonds. Market participants have reacted to mixed domestic and global economic data as well as geopolitical tensions. These concerns have kept downward pressure on longer yields.

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results

Results of operations for the two months ended August 31, 2014, as compared to the two months ended August 31, 2013, are summarized below. It is important to recognize that the unaudited statements presented below are currently being reviewed by the District's auditors and are not finalized. Therefore, actual audited financial statements may differ from what is presented here.

Summary Budget Comparison Report

The Summary Budget Comparison Report is a high level statement of the operating activities of the District over the past two months compared to the budget. The report includes total revenues and expenses, as well as line item revenues and expenses for the General Fund and the Water Efficiency Fund. As shown in the summary report, operating revenues were approximately \$10.2 million, or 19% of the annual \$53.0 million budget. Operating expenses were \$16.0 million, or 24% of the annual \$67.7 million budget. Expenses are higher than expected due to annual Fiscal Year commitments.

Non-operating revenues are approximately at 3% of budget for the Fiscal Year due to the timing of the receipt of property tax revenue.

Statement of Net Position

The Statement of Net Position shows the District's assets and liabilities as of August 31, 2014, compared to the balances at fiscal year ended June 30, 2014. Overall, assets were about \$10.8 million lower than at June 30, 2014, primarily due to a reduction in current cash and investments as a result of recent debt service payments. Liabilities have decreased by approximately \$7.2 million since June 30, 2014, also due to debt service payments. As a result, the District's net position decreased by approximately \$3.6 million for the month ending August 31, 2014, compared to fiscal year ending June 30, 2014.

Revenues

Total revenues for the two months ended August 31, 2014 were \$11.8 million, approximately \$0.6 million more than from August 31, 2013, due to an increase in investment income. Total Operating Revenues for the month ended August 31, 2014, were \$10.2 million, a decrease of \$0.2 million compared to August 31, 2013.

Expenses

Total expenses for the two months ended August 31, 2014, were \$15.5 million, a increase of \$0.5 million or 3% as compared to \$15.0 million on August 31, 2013. Total operating expenses were \$11.4 million, an increase of \$0.5 million from last year. Other operating expenses for the two months ended August 31, 2014, were \$3.0 million, an increase of \$0.1 million compared to \$2.9 million on August 31, 2013. Other non-operating expenses for the two months ended August 31, 2014, totaled \$1.0 million, a decrease of approximately \$0.2 million or 15.0% compared to \$1.2 million on August 31, 2013.

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results

Restricted Cash and Investments with Fiscal Agent

Restricted cash includes funds held by the trustee. The use of these funds is restricted by law or bond covenants. Funds in these accounts were about \$26.3 million at August 31, 2014, an increase of \$3.9 million compared to June 30, 2014. This increase is due to the timing of debt service payments which are due on September 1.

Unrestricted and Restricted Fund Balances

The unrestricted and restricted fund balances reflect the funds in each of the District's unrestricted and restricted funds that are not held by the Fiscal Agent. The unrestricted fund balances are further broken down by designated and undesignated funds. As shown in the report, the District has five funds that are designated by District policy for specific purposes, including Self Insurance, Replacement and Refurbishment, Rate Stabilization, Emergency and General Operating. Total unrestricted funds decreased by approximately \$14 million since June 30, 2014, due to debt service payments and general operating expenses. Restricted fund balances are \$3.4 million, a decrease of \$5.8 million compared to June 30, 2014. This decrease is due to debt service payments.

In August 2014, the Board of Directors adopted a revised Reserve policy for the District's funds. The Unrestricted and Restricted Fund Balances report and funds have been updated to reflect the revised policy. As of August 31, 2014 the Self Insurance Reserve was in excess of 110% of policy target, the excess amounts in this fund will be transferred to unrestricted, undesignated funds in September.

**Moulton Niguel Water District
Summary - Budget Comparison Report
Two Months Ended August 31, 2014**

#9.b.

Description	Approved Budget	Fiscal Year to Date Commitments	% of Commitments to Budget
<u>GENERAL FUND & WATER EFFICIENCY FUND:</u>			
Operating Revenues	\$ 53,033,500	\$ 10,203,031	19%
Operating Expenses	67,653,553	16,012,597	24%
Operating Income (Loss)	(14,620,053)	(5,809,566)	
Non-Operating Revenues (Expenses)	26,749,707	899,377	3%
Total Change in Funds	<u>\$ 12,129,654</u>	<u>\$ (4,910,190)</u>	
<u>GENERAL FUND:</u>			
Operating Revenues	\$ 49,683,500	\$ 9,314,960	19%
Operating Expenses	63,991,103	14,005,124	22%
Operating Income (Loss)	(14,307,603)	(4,690,164)	
Non-Operating Revenues (Expenses)	26,629,707	875,898	3%
Change in General Fund	<u>\$ 12,322,104</u>	<u>\$ (3,814,266)</u>	
<u>WATER EFFICIENCY FUND:</u>			
Operating Revenues	\$ 3,350,000	\$ 888,071	27%
Operating Expenses	3,662,450	2,007,474	55%
Operating Income (Loss)	(312,450)	(1,119,403)	
Non-Operating Revenues (Expenses)	120,000	23,479	20%
Change in Water Efficiency Fund	<u>\$ (192,450)</u>	<u>\$ (1,095,924)</u>	

**Moulton Niguel Water District
General Fund - Budget Comparison Report
Two Months Ended August 31, 2014**

#9.b.

Description	Approved Budget	Fiscal Year to Date Commitments	% of Commitments to Budget
GENERAL FUND			
<u>Operating Revenues</u>			
Water Sales	\$ 27,325,000	\$ 5,060,978	19%
Recycled Water Sales	4,725,000	1,225,381	26%
Sewer Sales	17,150,000	2,956,148	17%
Other Operating Income	483,500	72,454	15%
Total Operating Revenue	49,683,500	9,314,960	
<u>Operating Expenses</u>			
Salaries	9,550,317	1,592,118	17%
PERs Employer Contributions	990,416	176,455	18%
PERs Employee Contributions	196,566	30,659	16%
PERs Other (Side fund, 401A)	214,956	33,334	16%
Educational Courses	51,720	6,851	13%
Travel & Meetings	251,034	34,812	14%
Employee Relations	14,800	2,979	20%
General Services	402,776	172,975	43%
Annual Audit	40,000	40,000	100%
Member Agencies O&M	1,231,370	796,624	65%
Dues & Memberships	93,968	15,693	17%
Election Expenses	150,000	-	0%
Consulting Services	1,602,900	443,155	28%
Equipment Rental	65,000	38,804	60%
District Fuel	340,000	45,708	13%
Insurance - District	576,151	86,319	15%
Insurance - Personnel	468,100	65,855	14%
Insurance - Benefits	2,360,333	345,486	15%
Legal Services - Personnel	50,000	614	1%
Legal Services - General (See Footnote 1)	170,000	12,949	8%
District Office Supplies	499,900	243,764	49%
District Operating Supplies	315,850	122,984	39%
Repairs & Maintenance - Equipment	867,287	218,422	25%
Repairs & Maintenance - Facilities	3,550,995	1,167,757	33%
Safety Program & Compliance Requirements	285,250	22,936	8%
SOCWA	8,450,820	2,239,198	26%
Special Outside Assessments	230,300	23,159	10%
Utilities	2,126,000	409,021	19%
Water Purchases	27,976,295	5,510,910	20%
Meter / Vault Purchases	868,000	105,583	12%
Total Operating Expenses	63,991,103	14,005,124	
Operating Income (Loss)	(14,307,603)	(4,690,164)	
<u>Non-Operating Revenues (Expenses)</u>			
Property Tax Revenue	21,848,500	132,072	1%
Investment Income	2,973,207	434,317	15%
Cellular Lease Income	1,740,000	282,415	16%
Misc. Non-Operating Income	68,000	27,094	40%
Total Non-Operating Revenue (Expenses)	26,629,707	875,898	
Change in General Fund	\$ 12,322,104	\$ (3,814,266)	

Footnote 1: Legal Services include services provided by Bowie, Arneson, Wiles & Giannone, Downey Brand LLP and Best Best & Krieger LLP.

Moulton Niguel Water District
Water Efficiency Fund - Budget Comparison Report
Two Months Ended August 31, 2014

#9.b.

Description	Approved Budget	Fiscal Year to Date Commitments	% of Commitments to Budget
WATER EFFICIENCY FUND			
<u>Operating Revenue</u>			
Water Efficiency	\$ 3,350,000	\$ 888,071	27%
Total Operating Revenue	3,350,000	888,071	
<u>Operating Expenses</u>			
Salaries	326,918	35,106	11%
PERs Employer Contributions	30,463	4,575	15%
PERs Employee Contributions	11,403	1,417	12%
Educational Courses	500	155	31%
Travel & Meetings	2,700	568	21%
Dues & Memberships	500	-	0%
Insurance - Personnel	4,131	743	18%
Insurance - Benefits	75,900	9,501	13%
District Office Supplies	77,810	18,228	23%
Water Efficiency	3,132,124	1,937,182	62%
Total Operating Expenses	3,662,450	2,007,474	
Operating Income (Loss)	(312,450)	(1,119,403)	
<u>Non-Operating Revenue</u>			
Investment Income	120,000	23,479	20%
Total Non-Operating Revenue	120,000	23,479	
Change in Water Efficiency Fund	\$ (192,450)	\$ (1,095,924)	

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF NET POSITION

	<u>(Unaudited)</u> <u>August 31, 2014</u>	<u>(Unaudited)</u> <u>June 30, 2014</u>
CURRENT ASSETS:		
Cash and investments	\$ 18,120,381	\$ 33,146,395
Accounts receivables:		
Water and sanitation charges	6,035,717	5,555,769
Taxes and acreage assessments	-	355,126
Other accounts receivable	(231,380)	232,217
Interest receivable	576,104	704,810
Current portion of AMP receivable	66,858	67,493
Inventory	1,563,496	1,511,749
Prepaid expenses	643,796	302,644
	<u>26,774,972</u>	<u>41,876,204</u>
NONCURRENT ASSETS:		
Investments	113,995,320	111,995,607
Restricted cash and investments with fiscal agent	26,330,494	22,445,384
Retrofit loans receivable	620,930	629,243
Net pension asset (CalPERS sidefund payoff)	3,740,967	2,945,897
AMP Receivable	-	-
Capital assets, net of accumulated depreciation	348,214,801	350,982,234
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress	15,101,597	14,785,814
	<u>509,096,018</u>	<u>504,876,089</u>
TOTAL ASSETS	<u>535,870,990</u>	<u>546,752,293</u>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	(724,333)	(747,875)
	<u>(724,333)</u>	<u>(747,875)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 535,146,658</u>	<u>\$ 546,004,418</u>

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF NET POSITION

	<u>(Unaudited)</u> <u>August 31, 2014</u>	<u>(Unaudited)</u> <u>June 30, 2014</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 6,019,347	\$ 6,932,496
Interest payable	2,186,900	2,133,231
Compensated absences	622,452	397,439
Current portion of long-term debt:		
Bonds payable	-	5,465,000
Loans Payable	1,058,833	2,071,133
Certificates of participation	<u>1,715,000</u>	<u>1,715,000</u>
TOTAL CURRENT LIABILITIES	<u>11,602,531</u>	<u>18,714,299</u>
 LONG-TERM LIABILITIES		
Compensated absences	26,458	132,480
Long-term debt:		
Bonds payable	15,850,000	15,850,000
Loans payable	12,948,778	12,948,778
Certificates of participation	<u>80,080,000</u>	<u>80,080,000</u>
TOTAL LONG-TERM LIABILITIES	<u>108,905,235</u>	<u>109,011,258</u>
 TOTAL LIABILITIES	<u>120,507,767</u>	<u>127,725,557</u>
 NET POSITION:		
Net investment in capital assets	282,523,190	273,136,859
Restricted for capital projects and GOB Refunding	3,419,285	9,243,269
Unrestricted	<u>128,696,416</u>	<u>135,898,733</u>
TOTAL NET POSITION	<u>414,638,891</u>	<u>418,278,861</u>
 TOTAL LIABILITIES AND NET POSITION	<u>\$ 535,146,658</u>	<u>\$ 546,004,418</u>

Note: Totals may not sum due to rounding

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(Unaudited)	
	Two Months Ended August 31,	
	2014	2013
Operating Revenues:		
Water Sales	\$ 5,060,978	\$ 5,184,818
Recycled Water Sales	1,225,381	1,220,982
Sewer Sales	2,956,148	3,051,212
WBBRS Efficiency Funds	888,071	894,728
Other Operating Income	72,454	69,479
Total Operating Revenues	10,203,031	10,421,219
Non-Operating Revenues:		
Investment Income	457,796	(343,689)
Property Tax Revenue	132,072	123,015
GOB Assessment	42,980	33,687
Other Non-Operating Revenues	975,182	966,529
Total Non-Operating Revenues	1,608,031	779,542
TOTAL REVENUES	11,811,061	11,200,760
Operating Expenses:		
Water Purchases	5,510,910	5,361,735
Meter Purchases	85,880	22,257
Operating Supply and Maintenance	385,784	519,622
Salaries and Benefits	1,873,663	1,514,844
Professional Services	96,152	52,906
Member Agencies O&M	152,977	160,976
Insurance	507,905	539,787
SOCWA	2,239,198	2,175,549
Utilities	408,678	388,994
General, Administrative, and Other	161,418	137,802
Total Operating Expenses	11,422,564	10,874,471
Other Operating Expenses:		
Depreciation and Misc. Operating Revenue	2,770,476	2,768,212
Water Efficiency	257,437	136,833
Total Other Operating Expenses	\$ 3,027,913	\$ 2,905,045

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(Unaudited)	
	Two Months Ended August 31,	
	2014	2013
Non Operating Expenses:		
Interest Expense	\$ 1,037,040	\$ 1,141,260
Amortization and Misc. Non-Operating Expense	(21,456)	56,075
Total Non Operating Expenses	1,015,584	1,197,335
TOTAL EXPENSES	15,466,061	14,976,851
Capital Contributions:		
Connection Fees	15,030	-
Donated Facilities	-	-
Contributed Revenue	-	-
Total Capital Contributions	15,030	-
CHANGE IN NET POSITION	\$ (3,639,970)	\$ (3,776,091)
Net Position, Beginning	\$ 418,278,857	\$ 411,940,088
Change in Net Position	(3,639,970)	(3,776,091)
Net Position, Ending	\$ 414,638,887	\$ 408,163,998

Note: Totals may not sum due to rounding

**MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
AS OF AUGUST 31, 2014**

	(Unaudited) Balance 6/30/2014	Net Change	(Unaudited) Balance 8/31/2014
<u>Restricted Cash and Investments:</u>			
DWR Trust Reserves	\$ 615,715	\$ -	\$ 615,715
2003 COPS Trust Reserve	2,514,893	(11,527)	2,503,366
2009 COPS Trust Reserve	6,032,816	2,035,719	8,068,535
2009 COPS Project Fund	12,385,581	663	12,386,244
2010 COPS Trust Reserves	896,263	1,860,370	2,756,633
2014 Refunding Bonds	115	(115)	0
Total Restricted Trust Accounts	<u>\$ 22,445,385</u>	<u>\$ 3,885,110</u>	<u>\$ 26,330,494</u>

Note: Totals may not sum due to rounding

MOULTON NIGUEL WATER DISTRICT
UNRESTRICTED AND RESTRICTED FUND BALANCES
AS OF AUGUST 31, 2014

	(Unaudited)		(Unaudited)	
	Balance	Net Change	Balance	Reserve Policy Target
	6/30/2014		8/31/2014	
Unrestricted Fund Balances:				
Designated for Self Insurance Reserves ¹	\$ 1,293,508	\$ (1,001,133)	\$ 292,376	\$ 250,000
Designated for Water Efficiency (WBBRS)	6,691,089	581,955	7,273,044	n/a
Designated for Replacement and Refurbishment	27,397,177	(10,219,605)	17,177,572	17,061,912
Designated for Water Supply Reliability	4,886,211	(1,383,421)	3,502,790	n/a
Designated for Planning and Construction	29,730,932	99,305	29,830,237	n/a
Designated for Rate Stabilization	9,815,536	1,035,028	10,850,564	10,663,995
Designated for Emergency Reserve	-	-	6,884,925	6,884,925
Unrestricted, undesignated ²	56,084,280	(3,199,372)	52,884,908	20,262,901
Total Unrestricted Fund Balance	135,898,733	(14,087,243)	128,696,416	55,123,733 ³
Restricted Fund Balances:				
Restricted 2014 GOB Consolidated Refunding	8,311,666	(5,842,079)	2,469,587	
Restricted for Capital Facilities (Projects)	931,602	18,095	949,698	
Total Restricted Fund Balance	9,243,269	(5,823,984)	3,419,285	
Total Unrestricted and Restricted Fund Balance	\$ 145,142,002	\$ (19,911,226)	\$ 132,115,701	

Note: Totals may not sum due to rounding

1. Money will be transferred out of the Self Insurance Reserve in September 2014 to bring the fund balances inline with Reserve Policy targets.
2. Unrestricted, undesignated funds include the General Operating Reserve as well as the regular District cash flows.
3. All funds in excess of reserve policy targets will be used to fund capital projects and operations and are projected to be exhausted in within 2 years. The District is currently analyzing increasing rates in the near future to incrementally increase revenue and plan for future needs.

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF SEPTEMBER 2014**

Summary of Disbursements in September 2014:

General Fund Disbursements		\$ 4,930,176
 <u>Restricted Fund Disbursements:</u>		
WBBRS Efficiency Fund	\$ 188,031	
Replacement & Refurbishment Fund	599,448	
Planning & Construction Fund	2,540	
DWR Loan	153,927	
2003 COPS REFUNDING	2,200	
	946,146	
Total Disbursements for all Funds		\$ 5,876,322

Detail of Major Expenditures in September 2014:

1. Municipal Water District of Orange County (MWDOC)		
July Water Purchases AF 2937.90	\$ 2,616,200	
Reclaimed Rebate AF 829.6	(127,758)	
July Capacity Charge	29,362	
July RTS Charges	162,769	
July SCP Operation Surcharge	14,884	
	\$ 2,695,456	
 2. Advanced Industrial Services		
C#2013.011 Wood Canyon Res Recoat		465,246
 3. ACWA/JPIA		
14/15 Auto and liability Insurance		403,257
 4. Quinn Company		
New Backhoe Loader		109,573
 5. Paulus Engineering, Inc.		
Waterline Repair at Alicia & Pacific Park & Paseo De La Colinas		103,692

