



# moulton niguel water district

## FINANCE & INFORMATION TECHNOLOGY

### BOARD OF DIRECTORS' MEETING

### MOULTON NIGUEL WATER DISTRICT

27500 La Paz Road, Laguna Niguel

March 16, 2016

8:30 AM

**Approximate Meeting Time: 2 Hours**

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE FEBRUARY 17, 2016 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS

*Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.*

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

### **DISCUSSION ITEMS**

4. Agreement for Independent Audit Services
5. Rebate Applications for Turf Removal

### **INFORMATION ITEMS**

6. Monthly Financial Report
  - a. Summary of Financial Results
  - b. Budget Comparison Reports
  - c. Statement of Net Position
  - d. Restricted Cash and Investments with Fiscal Agent
  - e. Net Position
  - f. Summary of Disbursements February 2016

7. Municipal Water District of Orange County Rate Study
8. Restricted Reserves Update
9. Budget Update
10. Water Usage Update
11. Outreach Update
12. Future Agenda Items (Any items added under this section are for discussion at future meetings only)
13. 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](http://www.mnwd.com).



# moulton niguel water district

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

**February 17, 2016**

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 8:30 AM on February 17, 2016. There were present and participating:

**DIRECTORS**

Duane Cave	Director
Scott Colton	Vice President
Richard Fiore	Director
Donald Froelich	President
Gary Kurtz	Director
Larry Lizotte	Director
Brian Probolsky	Vice President/Chair (arrived at 9:19 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
Tamara Bogosian	Best, Best & Krieger
Paige Gulck	Board Secretary
Tim Bonita	Recording Secretary
Trevor Agrelius	MNWD
Drew Atwater	MNWD
Johnathan Cruz	MNWD
Tracy Ingebrigtsen	MNWD
Eva Plajzer	MNWD
Megan Schneider	MNWD
Carole Wayman-Piascik	MNWD

## #2.

Andrew Zelinko  
Michael Bell  
Kelly Rowe  
Jayson Schmidt

MNWD  
Michael Bell Consulting, Inc.  
Member of the Public  
Chandler Asset Management

### 1. CALL MEETING TO ORDER

*The meeting was called to order by Richard Fiore at 8:30 a.m.*

### 2. APPROVE THE MINUTES OF THE JANUARY 20, 2016 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

*MOTION DULY MADE BY DON FROELICH AND SECONDED BY SCOTT COLTON, MINUTES OF THE JANUARY 20, 2016 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, AND LARRY LIZOTTE ALL VOTING 'AYE'. DIRECTOR BRIAN PROBOLSKY WAS ABSENT*

### 3. PUBLIC COMMENTS

*Kelly Rowe provided information on concerns he has with the San Juan Basin and seawater intrusion.*

### PRESENTATION ITEMS

#### 4. Quarterly Investment Report - Chandler Asset Management

*Jayson Schmidt from Chandler Asset Management presented the Quarterly Investment Report. Key topics presenter were the account profile, portfolio holdings, and economic update.*

#### 5. Fee Study Update

*Joone Lopez gave a brief introduction to the item. Johnathan Cruz presented the Fee Study Update. Key topics presented were fee study background, policy goals and the timeline for the study.*

*Brian Probolsky arrived at 9:19 a.m.*

**6. Urban Water Management Plan Update**

*Drew Atwater presented the Urban Water Management Plan Update. Key items discussed during the presentation were background, work to date, total water demand forecast and forecast schedule.*

**INFORMATION ITEMS****7. Water Usage Update**

*Drew Atwater provided an update on the State Water Resource Control Board extended regulations and presented a water usage update.*

**8. Outreach Update**

*Richard Fiore and Joone Lopez provided an outreach update. Staff proposed a new District logo to the Board of Directors. Discussion ensued regarding the new logo. The Board of Directors directed staff to proceed with implementation of the new logo.*

**9. Private Development Status**

*This item was discussed at the Engineering & Operations Meeting.*

**10. Agora Concept Water Supply Assessment**

*This item was discussed at the Engineering & Operations Meeting.*

**11. Plant 3A Creek Mitigation Plan**

*This item was discussed at the Engineering & Operations Meeting.*

**12. Quarterly Capital Improvement Program Report**

*Joone Lopez stated that the Quarterly Capital Improvement Program Report was in the packet. There were no question on the item.*

**13. Quarterly Communications License Program Report**

*Joone Lopez stated that the Quarterly Communications License Program Report was in the packet. There were no questions on the item.*

**14. Monthly Financial Report**

*Trevor Agrelius answered questions regarding the Monthly Financial Report.*

15. Future Agenda Items (Any items added under this section are for discussion at future meetings only)

*None.*

16. Late Items (Appropriate Findings to be Made)

*Staff has none.*

**CLOSED SESSION:**

17. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code Section 54956.9

Receipt of claim: Peter Nelmes

Receipt of claim: Steve Horn

Receipt of claim: Maria Garcia

*The Board met in closed session under Government Code Section 54956.9(d)(2) in regard to the receipt of claims from Peter Nelmes and Steve Horn. The Board did not review the claim from Maria Garcia. On a motion by Director Probolsky, seconded by Director Cave, the Board took action to reject the claims submitted by Mr. Nelmes and Mr. Horn and directed that the appropriate notice be sent to both claimants and that the matters be submitted to the District's insurance carrier for further handling. The motion passed 7-0.*

**ADJOURNMENT**

*The meeting was adjourned at 11:55 a.m.*

Respectfully submitted,

Tim Bonita  
Recording Secretary



# moulton niguel water district

## STAFF REPORT

**TO:** Board of Directors **MEETING DATE:** March 16, 2016

**FROM:** Trevor Agrelius, Controller

**SUBJECT:** Agreement for Independent Audit Services

**DIVISION:** District-wide

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### SUMMARY

Issue: Consideration of the engagement of an Independent Certified Public Accounting Firm to provide annual audits for fiscal years 2016, 2017, and 2018, with an option to extend through fiscal years 2019 and 2020.

Recommendation: It is recommended that the Board of Directors approve a Professional Services Agreement with Vavrinek, Trine, Day & Co., LLP, for the provision of independent audits for a not to exceed amount of \$42,650 in fiscal year 2016; not to exceed \$42,650 in fiscal year 2017; and not to exceed \$43,930 in fiscal year 2018.

Fiscal Impact: Funds are budgeted in the Annual Audit operating expense account for the provision of these services.

### DISCUSSION:

On January 11, 2016, the District issued a Request for Proposal (RFP) to seven firms to perform annual audits for fiscal years 2016, 2017, and 2018 for the District. At the District’s option, services could be extended through fiscal years 2019 and 2020. District staff discussed the decision to issue an RFP with the audit ad hoc.

Four proposals were received on February 9, 2016, in response to the RFP. Firms that submitted proposals were:

## #4.

### Agreement for Independent Audit Services

March 16, 2016

Page 2 of 4

- Davis Farr, LLP
- Rogers, Anderson, Malody & Scott, LLP
- Vavrinek, Trine, Day & Co., LLP
- White Nelson Deihl Evans, LLP

Written proposals were evaluated by Finance staff. The proposals were evaluated based upon the following criteria:

- Firm qualifications and experience
- Partner, supervisory, and staff qualifications and experience
- Similar engagements with other governmental agencies
- Audit approach
- Whether the proposal properly addressed the District's identified scope
- Cost

The scope of work for the selected independent auditor includes, but is not limited to, the following tasks:

1. The audit shall be in compliance with Section 26909 of the Governmental Code and the related State Controller Guidelines.
2. The District desires the independent auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP).
3. The audit shall be a full-scope financial and compliance review of all funds and account groups of the District. The auditor shall issue an opinion letter on the District's financial statements, in compliance with applicable legal provisions, the auditors' report on the study and evaluation of the internal control system and the auditors' report on compliance.
4. The auditor shall provide guidance and technical assistance in completing the Comprehensive Annual Financial Report ("CAFR"), including the Management Discussion and Analysis ("MD&A"), to adhere to the standards required by *GASB Statement No. 34*.
5. The audits performed under the Request for Proposal shall cover the following periods:
  - July 1, 2015 - June 30, 2016
  - July 1, 2016 - June 30, 2017
  - July 1, 2017 - June 30, 2018
  - an option to extend for fourth & fifth year



## Agreement for Independent Audit Services

March 16, 2016

Page 3 of 4

6. Final copies of the financial statements, including the opinion letter, footnotes, and supplemental information, must be available for review by the Board of Directors during a regular Board Meeting.
7. The auditor shall submit a written letter on internal control to the Board of Directors that communicates any observations for improvements in the District's financial operations, and any deficiencies in internal controls that need to be addressed by the District.
8. The partners in charge shall be available to attend up to at least three District ad hoc and/or public meetings for each fiscal year period authorized in the contract at which the audit report may be discussed.
9. The auditor shall assist the District's personnel in applying GAAP and provide support necessary to maintain sound financial management procedures. The auditor shall provide financial advice and counsel on significant matters occurring throughout the year that would affect the annual reports and sound accounting practices.
10. The auditor shall perform a financial and compliance review of the Public Facility Corporation (PFC). The auditor shall issue an opinion letter on the PFC's financial statements, in compliance with applicable legal provisions, the auditors' report on the study and evaluation of internal control system and the auditors' report on compliance.

The firms were interviewed by the District's Assistant General Manager, Controller, Accounting Supervisor, and Michael Bell. The interview panel determined that Vavrinek, Trine & Day Co., LLP provided the most qualified and comprehensive proposal to perform the audit. District staff also discussed the RFP process and auditor recommendation with the audit ad hoc.

It is recommended to the Board of Directors that Vavrinek, Trine & Day Co., LLP be hired for fiscal 2016-2018 to provide audit services as described in the attached Agreement for a not to exceed amount of \$42,650 in fiscal year 2016; not to exceed \$42,650 in fiscal year 2017; and not to exceed \$43,930 in fiscal year 2018.

The District retains the option to extend the Agreement up to two more fiscal years at a not to exceed amount of \$45,247 in fiscal year 2019; and not to exceed \$46,604 in fiscal year 2020.

Attachments: AGREEMENT FOR CONSULTING SERVICES BETWEEN MOULTON NIGUELWATER DISTRICT AND VAVRINEK, TRINE & DAY CO., LLP MNWD

**#4.**

Agreement for Independent Audit Services

March 16, 2016

Page 4 of 4

PROJECT: ANNUAL INDEPENDENT AUDIT, 2016-2018; CONTRACT NO.  
OM15-16.058

**PROFESSIONAL SERVICES AGREEMENT FOR INDEPENDENT AUDITING SERVICES  
BETWEEN MOULTON NIGUEL WATER DISTRICT AND  
VAVRINEK, TRINE, DAY & COMPANY, LLP  
CONTRACT NO. OM15-16.058**

THIS AGREEMENT (the "Agreement") is dated as of \_\_\_\_\_, 2016 (the "Effective Date"), by and between Vavrinek, Trine, Day & Company, LLP, hereinafter referred to as the "AUDITOR" and Moulton Niguel Water District hereinafter referred to as "MNWD". MNWD and AUDITOR may sometimes be referred to in this Agreement individually as "party" and together as "parties."

In CONSIDERATION of the covenants hereinafter set forth, the parties hereto mutually agree as follows:

**A G R E E M E N T**

**SECTION I – SCOPE OF AUDITOR’S SERVICES**

Section 1.1 AUDITOR shall perform independent auditing services and duties that are set forth in Exhibit A – Scope of Work (the "Scope of Work"), which is attached hereto and incorporated herein by this reference as **Exhibit A**.

Section 1.2 MNWD may request or AUDITOR may recommend, that AUDITOR perform work in addition to or different from that delineated in the original Scope of Work, or delete services from the Scope of Work. Upon MNWD's request for additional or changed work, AUDITOR shall provide a cost estimate and written description of the additional or changed work. Prior to any such addition, changes, or deletion to the Scope of Work, MNWD and AUDITOR shall negotiate an adjustment of the compensation and time for completion and shall execute a written addendum to this Agreement. Upon execution of each addendum, (i) the Scope of Work shall thereafter be as described in **Exhibit A**, respectively, as modified by the addendum and any previously executed addendum; and (ii) the time for completing the work shall be as set forth in the addendum. Following execution of any addendum, all terms and provisions of the Agreement, except as expressly modified by such addendum, shall remain in full force and effect. MNWD will not be required to pay for any additional or changed work rendered in advance of the execution of an addendum covering the additional or changed work.

**SECTION II – PERFORMANCE OF SERVICES**

Section 2.1 AUDITOR shall perform all services and duties pursuant to this Agreement in a professional and timely manner, at the direction of the Controller, or his/her designee. All directives, instructions, or other communications from MNWD to AUDITOR shall be through only the Controller, or his/her designee.

Section 2.2 AUDITOR agrees shall promptly notify MNWD of any anticipated delays or causes or casualties beyond AUDITOR'S control which may affect the work schedule. In the event the time for completing the Scope of Work is projected to be exceeded due to circumstances beyond the control of AUDITOR, AUDITOR shall have an additional amount of time to be agreed upon in writing between the parties pursuant to Section 1.1 and an executed addendum, in which to complete the work. AUDITOR shall not begin work on any services pursuant to this Agreement until receipt of MNWD'S written direction to proceed. Upon receipt of such notice, AUDITOR shall immediately commence the services described in **Exhibit A**.

## #4.

Section 2.3 AUDITOR shall provide all personnel necessary to properly perform the services and duties required under this Agreement, and shall at all times direct such personnel in the performance of such services and duties. Auditor's Controller shall serve as the principal liaison between MNWD and AUDITOR.

Without prior written approval of MNWD, AUDITOR will not make any changes in AUDITOR'S representative, in consultants, in outside labor arrangements, or associations or joint ventures which are required to accomplish any part of the Scope of Work.

Section 2.4 AUDITOR shall not subcontract any of the Services without the prior written consent of MNWD.

Section 2.5 MNWD shall provide or make available to AUDITOR at no cost, all information, data, records, maps, reports, plans, equipment, or other material in its possession and other information reasonably required by AUDITOR for carrying out the services and duties contemplated under this Agreement.

Section 2.6 AUDITOR will furnish to MNWD the agreed upon audit reports, opinions and supporting documents. These instruments of service are furnished for MNWD's use in connection with the project or work provided for in this Agreement and shall become MNWD's property upon receipt. All documents and information generated by AUDITOR pursuant to this Agreement shall remain confidential and shall not be copied, distributed, or otherwise provided or referenced by AUDITOR to any third parties other than with MNWD's written consent, or as compelled by order of court.

### **SECTION III – COMPENSATION FOR SERVICES**

Section 3.1 In consideration for providing the Services referred to in SECTION I herein, MNWD agrees to compensate AUDITOR on an hourly rate basis, with a not-to-exceed maximum Agreement amount of **One Hundred Twenty-Nine Thousand Two Hundred Thirty Dollars (\$129,230)**. The breakdown of the rates and fees for the Services is attached hereto as **Exhibit B - Fee Schedule**, which is incorporated herein. Notwithstanding the foregoing, the total compensation for Services to be paid for each Fiscal Year audit, shall not exceed the following amounts: **Forty-Two Thousand Six Hundred Fifty (\$42,650)** for Fiscal Year 2015-16 Services; **Forty-Two Thousand Six Hundred Fifty (\$42,650)** for Fiscal Year 2016-17 Services; and **Forty-Three Thousand Nine Hundred Thirty Thousand (\$43,930)** for Fiscal Year 2017-18 Services.

Section 3.2 Payments will be made based on monthly submittal of invoices by AUDITOR. Invoices will include the number of hours worked by various labor categories, the hourly billing rate per individual, and the total amount due. Only one bill per month shall be submitted by AUDITOR.

### **SECTION IV - TERM**

Section 4.1 This Agreement shall commence on the Effective Date and shall terminate on **December 30, 2018** or upon completion of audit services for fiscal years ending June 30, 2016 through June 30, 2018, whichever is sooner, unless terminated earlier pursuant to Section VIII of this Agreement.

Section 4.2 This Agreement may be extended, at District's option, for two additional one-year terms, at the prices in the Fee Schedule listed in Exhibit B. Subject to the District's sole discretion, an extension will be based upon a satisfactory review of AUDITOR'S performance, MNWD's needs, and appropriation of funds by the MNWD Board of Directors. The parties will prepare a written amendment indicating the effective date and length of the extended Agreement.

**SECTION V - OWNERSHIP OF DOCUMENTS**

Section 5.1 MNWD and AUDITOR agree that all records, data, reports or other documentation prepared by AUDITOR, in response to, or as a result of the performance of this Agreement shall be the sole property of AUDITOR. MNWD and AUDITOR acknowledge and agree that all records, data, reports or other documentation prepared by AUDITOR pursuant to this Agreement shall be retained by AUDITOR for seven years after the date of the audit report.

**SECTION VI - WARRANTY/DISCLAIMER**

Section 6.1 In performing services under this Agreement, AUDITOR shall observe and abide by the terms and conditions of all applicable laws, regulations, ordinances, or other rules of the United States, of the State of California, or any political subdivisions thereof, or of any other duly constituted public authority or agency including but not limited to MNWD.

**SECTION VII - INSURANCE AND INDEMNIFICATION**

Section 7.1 Professional Liability Insurance. AUDITOR shall maintain throughout the term of this Agreement a professional liability (errors and omissions) policy of insurance having coverage of not less than One Million Dollars (\$1,000,000) for each claim and in annual aggregate. The following provisions shall apply if the professional liability coverage is written on a claims-made basis:

- (a) The retroactive date of the policy must be shown and must be dated before the date of this Agreement.
- (b) Insurance must be maintained and evidence of insurance must be provided for at least three (3) years after completion of this Agreement or the services hereunder.
- (c) If coverage is canceled or not renewed and it is not replaced with another claims made policy form with a retroactive date that precedes the date of this Agreement, AUDITOR must provide extended reporting coverage for a minimum of three (3) years after completion of the services. MNWD shall have the right to exercise at the AUDITOR'S cost any extended reporting provisions of the policy should the AUDITOR cancel or not renew the coverage.
- (d) A copy of the claims reporting requirements must be submitted to MNWD prior to the commencement of any work under this Agreement.

Section 7.2 General/ Automobile Liability Insurance. AUDITOR shall maintain throughout the term of this Agreement a general liability policy of insurance for bodily injury and/or death, personal injury and property damage claims which may arise from or in connection with the performance of the work under this Agreement by AUDITOR and each of their agents, representatives, or employees. Such public liability and property damage insurance (which shall cover claims, injury, death, loss or damage or accidents from the use or operation of any

## #4.

automobiles, trucks and/or other mobile or stationary equipment, whether owned, non-owned or hired) shall be comprehensive in form and shall be on a "per occurrence" basis in a minimum amount of One Million Dollars (\$1,000,000) per occurrence and an annual aggregate limit in a minimum amount at least twice the per occurrence limit specified in this section.

All insurance provided under this Section 7.2 shall name MNWD and its' directors, officers, employees and representatives as additional insureds under each such policy ("additional insureds") and an additional insured endorsement shall be provided in form acceptable to MNWD.

Section 7.3 Worker's Compensation. By its signature hereunder, AUDITOR certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that AUDITOR will comply with such provisions before commencing the performance of work under this Agreement. AUDITOR shall maintain throughout the term of this Agreement workers' compensation insurance with limits no less than the statutory limits, and Employer's Liability insurance with limits no less than One Million Dollars (\$1,000,000 ) per accident and per disease for their employees and shall file with the MNWD the certificate required by Labor Code Section 3700. The workers compensation/Employer's Liability insurance shall be endorsed with a waiver of subrogation in favor of MNWD and its' directors, officers, employees and representatives.

Section 7.4 Requirements of All Policies. All policies of insurance required under this SECTION IV shall be from insurance providers who are either admitted or licensed to do business in California, or are Surplus Lines Carriers authorized to do business in California, and who have financial size and ratings of no less than A-, Class XIII, and in either case are otherwise acceptable to MNWD. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to MNWD of any cancellation or material alteration of such insurance. AUDITOR shall provide original certificates and endorsements for all such insurance on forms approved by MNWD in conformity with all requirements of this Agreement prior to commencement of any work or professional services. The policies required hereunder shall be endorsed to include contractual liability.

In the case of additional insured provisions, any insurance afforded the additional insureds by this Agreement is primary insurance as to the additional insureds. Any insurance or self-insurance maintained by the additional insureds shall be excess of the AUDITOR'S insurance, and shall not contribute to such insurance.

Any deductibles or self-insured retentions must be declared in writing and approved by MNWD. At the option of MNWD, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects the MNWD and its' directors, officers, employees and representatives; or the AUDITOR shall provide a financial guarantee satisfactory to MNWD guaranteeing payment of losses and related investigations, claim administration and defense expenses. Maintenance of insurance coverage as specified in this Agreement is a material term of this Agreement, and any failure to maintain or renew coverage, or to provide evidence thereof, as required by the terms is a material breach of this Agreement.

Section 7.5 Indemnification.

AUDITOR shall defend, indemnify, and hold harmless, including the cost to defend, MNWD and its directors, officers, employees and representatives from liability, claims, damages, demands,

actions, attorneys' fees, costs and expenses (i) for personal injury, bodily injury or property damage that arise out of, pertain to, or relate to the operations and work of the AUDITOR under this Agreement, (ii) that arise out of, pertain to, or relate to AUDITOR'S: (a) performance of the Services, including but not limited to negligent acts, errors or omissions, recklessness, or willful misconduct in the performance (or actual or alleged non-performance) of the Services under this Agreement, (b) a breach or violation of any laws, statutes, ordinances, codes, regulations and requirements of any applicable federal, state and local government authorities or agencies; and (c) a breach by AUDITOR of any of its obligations under this Agreement.

The AUDITOR'S obligations pursuant to this Section shall survive the expiration or termination of this Agreement and/or the performance or completion of any or all services and work provided under this Agreement. This indemnity obligation shall apply to all liability regardless of whether any insurance is applicable, and the policy limits of any insurance shall not act as a limitation upon the indemnification, and amounts related thereto, to be provided by AUDITOR hereunder.

### **SECTION VIII - TERMINATION OR ABANDONMENT**

Section 8.1 This Agreement may be terminated in whole or in part in writing by either party provided that no such termination may be effected unless the other party is given not less than ten (10) calendar day's written notice of intent to terminate. Additionally, MNWD may suspend performance by AUDITOR of any or all services listed in the Scope of Work under this Agreement by providing written notice to AUDITOR at least five (5) working days prior to the date on which MNWD wishes to suspend; provided, upon receipt of such notice, AUDITOR shall immediately suspend any work or services hereunder, unless otherwise instructed by MNWD in such notice.

Section 8.2 AUDITOR shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from MNWD to resume performance. MNWD and AUDITOR agree that in the event MNWD suspends or terminates performance by AUDITOR for any cause other than the intentional or negligent error or omission of AUDITOR, AUDITOR shall be entitled to payment of compensation incurred prior to the effective date of the suspension or termination, as determined under SECTION III of this Agreement.

Section 8.3 In the event of any suspension or termination herein, MNWD shall have the right to take possession and shall immediately own all original drawings and other documents developed for that portion of the work completed and/or being suspended or abandoned.

### **SECTION IX - GENERAL**

Section 9.1 AUDITOR represents that it is aware of no facts or circumstances which would impair its ability to provide fair and unbiased advice to MNWD in the course of performing the Services hereunder, or which would impact its objectivity in performing such services hereunder.

Section 9.2 This Agreement represents the entire understanding of MNWD and AUDITOR as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be amended, modified or altered except in writing, signed by the parties. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared it.

Section 9.3 Any notice required or permitted to be given hereunder if not otherwise specified

## #4.

herein may be given or delivered by depositing the same in the United States Post Office, registered or certified, postage prepaid, or by personal service a hand delivery, and addressed to:

To MNWD -                   Attn: Matt Collings, Assistant General Manager  
Moulton Niguel Water District  
27500 La Paz Road  
Laguna Niguel, CA 92677-3489

To AUDITOR -                Attn: Roger Alfaro, Partner  
Vavrinek, Trine, Day & Company, LLP  
25231 Paseo De Alicia, Suite 100  
Laguna Hills, CA 92653

Section 9.4 California law shall govern the interpretation of this Agreement. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394.

Section 9.5 In the event an action is commenced by either party to enforce its rights or obligations arising from this Agreement, the prevailing party in such action, in addition to any other relief and recovery awarded by the court, shall be entitled to recover all costs and expenses, including court costs, plus a reasonable amount for attorney's fees.

Section 9.6 If any section of this Agreement or provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

Section 9.7 It is expressly understood and agreed that AUDITOR is an independent contractor and not an employee of MNWD while engaged in carrying out this Agreement. AUDITOR warrants that it will not represent, at any time or in any manner, that AUDITOR is an employee or agent of MNWD. AUDITOR shall have no authority to, and shall not, incur any debt, obligation or liability on behalf of MNWD.

Section 9.8 This Agreement shall not be assignable by either party without the prior written consent of the other party.

Section 9.9 The person signing this Agreement on behalf of each party hereto represents he/she has authority to sign on behalf of, respectively, MNWD or AUDITOR.

Section 9.10 This Agreement and all of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns; provided, however, that no assignment of this Agreement or any interest herein shall be made by AUDITOR without prior written consent of MNWD.

Section 9.11 This Agreement may be executed in counterparts, each of which shall be deemed an original.



**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the Effective Date as defined herein.

Moulton Niguel Water District

By: \_\_\_\_\_  
Joone Lopez  
General Manager

Vavrinek, Trine, Day & Co., LLP

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## Exhibit A – Scope of Work

### A. Project Management

VTD provides auditing services to a variety of governmental agencies throughout the State of California. The key to our success is to structure our audit teams with a designated project audit manager and project audit partner to maintain ultimate responsibility for timely completion of the audits. During the planning phase of the audit, VTD will work with the District to complete a matrix in order to map out all of the significant dates for the provision of service including key contacts, fieldwork entrance and exit dates, deliverable dates, report review dates, final due dates, and District Council presentation dates. By preparing a comprehensive matrix for each report, all the information regarding the timing of the audits and various projects is documented in one central location and is agreed upon between the auditor and the District. The timeline will then only be modified through communication between VTD and the District.

### B. Complete Work Plan/Project Description

#### *Overview of the Audits*

As required by the Request for Proposal our audit plan covers the engagements for:

- Financial and Compliance Audit of the District's CAFR, with option for auditor preparation of CAFR
- Single Audit, assuming one major program, as applicable
- Perform agreed upon procedures on the District's GANN Limit Calculation
- Option to prepare and transmit the Special Districts Financial Transaction Report to the State Controller's Office
- Prepare Form 990 – Return of Organization Exempt from Income tax and Form 199 – California Exempt Organization Annual Information Return
- Financial and Compliance Audit of the Public Facilities Corporation (PFC), with option for auditor preparation of the financial statements

The audits will be conducted in accordance with generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA), *Governmental Auditing Standards* published by the Comptroller General of the United States, and the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133.

#### *Level of staff and number of hours assigned to each segment*

	Pre-Audit Planning	Interim Audit	Final Audit	Total
Partner	2	13	17	32
Manager	4	29	40	73
Supervisor	4	34	48	86
Senior	5	36	49	90
Staff	4	28	39	71
Paraprofessional	-	3	4	7
Total	19	143	197	359

## Exhibit A – Scope of Work

### B. Complete Work Plan/Project Description, (Continued)

#### *Audit Hours by Area*

	Partner	Manager	Supervisor	Senior	Staff	Clerical	Total
1. Moulton Niguel Water District CAFR Audit	22	48	60	52	48	-	230
2. Optional: Preparation of District CAFR	3	5	16	8	2	2	36
3. Single Audit report (Compliance Audit) - assumes 1 major program	2	4	-	8	8	1	23
4. Appropriations Limit (GANN) Agreed-upon Procedures	1	1	-	-	3	1	6
5. Optional: Special Districts Financial Transaction Report to SCO (preparation and submittal)	1	4	10	-	-	1	16
6. Prepare Form 990 and Form 199	1	5	-	8	4	1	19
7. Financial and Compliance Audit of the Public Facilities Corporation (PFC)	1	4	-	8	6	-	19
8. Optional: Preparation of PFC financial statements	1	2	-	6	-	1	10
Totals	32	73	86	90	71	7	359

### C. Our Proposed Audit Plan

Our engagement approach for the Moulton Niguel Water District audit has well-detailed goals by which the engagement partner can measure progress. Our audit plan includes frequent contact between the partner and the engagement team to assure that objectives are attained according to the audit schedules and that problems are communicated and dealt with on a timely basis. Our engagement approach benefits from our long accumulated experience during which our firm has identified key areas of financial and accounting concern in the audit process. More importantly, the approach provides for a complete reassessment of the management and control environment in each year's audit and thus is capable of responding to changes and will ensure that deadlines are met in issuing the annual financial statements.

The key characteristics of our engagement approach are:

- *Knowledge of the Moulton Niguel Water District and similar entities.* We have extensive experience auditing governmental entities similar to the District. This experience enables us to perform a more efficient audit and identify key audit risks.
- *Cost-effectiveness.* Our experienced auditors' low percentage of turnover reduce your cost
- *Timeliness.* We take deadlines, both yours and ours, seriously.
- *Partner-manager involvement.* Deciding on audit strategies requires seasoned judgment. Our partners and managers have been heavily and continuously involved in governmental audits. Furthermore, you will be able to consult with senior team members whenever needed throughout the year. We are available during the year for any additional consultation that may arise and specified in the request for proposal.

## Exhibit A – Scope of Work

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### C. Our Proposed Audit Plan, (Continued)

#### Project Management – Overall Audit

Our audit plan for each of the fiscal years involves six (6) stages for each audit. These stages are:

- Stage 1, Planning
- Stage 2, Risk Assessment
- Stage 3, Preparation of the Overall Audit Plan
- Stage 4, Conducting the Interim Audit
- Stage 5, Conducting the Final Audit
- Stage 6, Reporting

These stages will be applied to the District's CAFR audit as well as the other audits. The audit approach will be tailored to the risk of each individual entity and the scale will also be adjusted as necessary to ensure that each entity's financial statements are fairly stated.

#### Stage 1, Planning

VTD will meet with key staff to plan the audit services for the year. These meetings will discuss all audit issues and the proposed interim work plan. During this phase, we will accomplish:

- Identifying the key personnel and contacts in the Finance Department and other departments.
- Identify the Moulton Niguel Water District significant classes of transactions and business processes.
- Obtain an understanding of audit risk areas.
- Developing an understanding of unusual transactions or events that have occurred during the fiscal year.
- Formalizing logistics.
- Finalizing the timeframes for interim fieldwork.

#### Stage 2, Risk Assessment

Based upon the information obtained in the planning meetings VTD will perform a risk assessment as required by Statements on Auditing Standards (SAS) to be used in the preparation of the overall audit plan. As part of this risk assessment we will perform the following:

1. Obtain an understanding of the entity and its environment and its risks and material compliance requirements. VTD will refer to the Moulton Niguel Water District's prior year Comprehensive Annual Financial Report, annual budget document, other relevant documentation to assist with our understanding of the Moulton Niguel Water District's business environment and risks. VTD will also conduct inquiry with key individuals within the Moulton Niguel Water District who are responsible for executing the Moulton Niguel Water District's strategic plan.

## Exhibit A – Scope of Work

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### C. Our Proposed Audit Plan, (Continued)

#### Stage 2, Risk Assessment, (Continued)

2. Obtain an understanding of the entity's internal controls. VTD will refer to the Moulton Niguel Water District's organizational charts, budget, written policies and procedures, financial accounting systems to assist with our understanding of internal controls. VTD will also perform inquiry, observation, inspection, and walk-throughs of key internal controls to ensure these key controls are properly designed and implemented. Key internal control cycles include –
  - Revenue Collection/Billing
  - Procurement / Cash Disbursements
  - Investment management
  - Debt management
  - Financial reporting
  - Year end closing
  - Budgeting
  - Risk management
  - Human Resources / Payroll
  - IT Controls, relating to all aspects of the audit
  - User access
  - Security
  - Backup and recovery
  - System interfaces
  - Fraud Prevention Programs
  - Grants Management
3. Preliminary analytical review, determination of preliminary materiality levels.
4. Analysis of known misstatements, if any.
5. Consideration of risk of material misstatement at the individual account balance, class of transactions and disclosure level.
6. Assessing the risks of material misstatement at both the financial statement and relevant assertion levels.
7. Assess the risk of material noncompliance with laws and regulations that have a direct and material effect on the financial statements.
8. Evaluation of the District's information technology and general information technology controls.

#### Stage 3, Preparation of the Overall Audit Plan

Once the planning and risk assessment process are complete an overall audit plan will be prepared. The plan will specify each audit task, staffing assignments, timelines, and due dates. The plan will also break down the work assignments between interim and final audit timelines. The audit plan will include the transaction cycles which have been selected for internal control testing and those for which only the detailed walk through will be performed.

We will also prepare:

The preliminary materiality guidelines, the audit programs, including consideration of:

- Identification of areas where special audit considerations are necessary.
- Design of further audit procedures to reduce risk if considered necessary.
- The development of expectations for a nalytical procedures, timelines, and assignment of all audit responsibilities.

## Exhibit A – Scope of Work

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### C. Our Proposed Audit Plan, (Continued)

#### Stage 4, the Interim Audit

Our interim fieldwork dates will normally occur during the April - May timeframe. The specific weeks will be determined during the planning meeting and preparation of the audit plan process.

We will obtain an understanding of the design and implementation of the financial reporting system to understand the follow of information for:

1. Each class of transactions that is significant to the financial statements.
2. The procedures within both automated and manual systems, by which those transactions are initiated, authorized, recorded, processed, and reported in the financial statements.
3. The related accounting records, whether in electronic or manual supporting information, and specific accounts in the financial statements involved in initiating, authorizing, recording, processing and reporting transactions.
4. How the information systems captures events and conditions other than classes of transactions that are significant to the financial statements.
5. The financial reporting process used to prepare the Moulton Niguel Water District's financial statements, including significant accounting estimates and disclosures.

We will also review and discuss with the District the draft Schedule of Expenditures of Federal Awards to determine if a Single Audit will be required each fiscal year. If required, we will perform our risk assessment and selection of major program(s), as required under the Uniform Grant Guidance and OMB Circular A-133.

#### Stage 5, the Final Audit

We will commence our final fieldwork as soon as Moulton Niguel Water District has sufficiently closed their accounting records. We expect final fieldwork to commence in late August to early September.

During this phase, we will perform substantive audit procedures on the year-end statement of net position and revenue and expense accounts. We will use a variety of audit procedures which may include outside confirmations, statistical sampling, and detailed testing of schedules, analytical review, inquiry, and observation.

Additionally, VTD will prepare the financial statements for the CAFR or PFC, as required, during this phase of the audit. If a Single Audit is required, testwork for the major program(s) would run concurrently with the final audit fieldwork.

## Exhibit A – Scope of Work

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### C. Our Proposed Audit Plan, (Continued)

#### Stage 6, the Reporting Phase

At the end of the audit process we will meet with key staff to cover the following:

- Discuss improvements for subsequent years audit plan.
- Meet with the District Board of Directors to present the results of the audit, if required.
- Communicate with those charged with governance.
- We will prepare Draft Audit Reports with management letter comments, and provide to management prior to the agreed upon issuance date.
- We will prepare Final Draft Audit Reports and management letter comments for presentation to the District prior to the agreed upon issuance date.
- Significant deficiencies and material weaknesses (if any) identified during the course of the audit. AU-C 265 requires written communication to management and those charged with governance, of significant deficiencies or material weaknesses, identified during the audit.
- Other matters that we believe to be of potential benefit to the management of the Moulton Niguel Water District, such as recommendations for operational or administrative efficiency, or for improving existing internal controls.

#### **Communication**

We do not believe in surprises. Although the reporting phase involves a recap of the process we will be in constant communication regarding the each aspect of the audit throughout the entire process. You will not have any surprises at the end of the audit.

### D. Our Proposed Plan For the Agreed Upon Procedures (AUP), Tax Return and State Controller’s Report, and Single Audit

We have experience providing Appropriations Limit testwork as outlined in the request for proposal. These procedures will be performed in conjunction with the audit phases described above, including the interim and final phases (Stages 4 and 5).

Our tax specialists will assist in the preparation of the Form 990 with a timeline established as required by the District.

The Special Districts Financial Transaction Report will be prepared (if required) during the final phase of the audit (Stage 5).

### E. Use of Computer Assisted Auditing Techniques Software in the Engagement

The key members assigned to the District’s engagement team are experienced in working with municipal information systems such as SunGard, Oracle, PeopleSoft, IFAS, SAP, Great Plains, EDEN, and HARRIS Utility Billing systems. Therefore minimal amounts of District time would be necessary to train our team in how to most efficiently access District transactions and documents for the audit.

### F. Identification of Potential Audit Issues

We do not anticipate problems within the audit. However, if audit issues are encountered, our process would include meeting with the District’s management to develop the appropriate response, and identify any special assistance that will be requested from the District.

## Exhibit A – Scope of Work

We have however identified the following areas that we believe that we can be of assistance.

- GASB Standard Implementations – GASB 72-79 will be required to be implemented during the contract term.
- Single Audits – Uniform Grant Guidance has been issued and is effective for the District for grants awarded after December 26, 2014.

### *Approach in Addressing New GASBs*

The District will be required to implement various GASB statements during the term of the contract. These accounting pronouncements impact the reporting of several areas including Fair Value for Investments, Investments in External Pools, Other Postemployment Benefits (OPEB), Pensions, and Tax Abatement Disclosures.

We understand that GASB implementations can be difficult and challenging. Therefore we believe in taking a team approach and performing proactive planning to ensure that new GASB Standards are implemented timely and correctly. This starts during the planning and interim phase of the audit and sitting down with management and discussing the potential impacts of the GASB standard and the documentation and information needed to implement. We will assist throughout the process as needed in providing technical guidance regarding the impacts of the change in standards to ensure new standards are successfully captured in the financial statements.

### G. Engagement Timeline:

#### Audit Milestones\*

- Planning Meeting (Stage 1)
- Audit Planning (Stage 2 and 3)
- Interim Fieldwork (Stage 4)
- Fiscal Year-End Work (Stage 5)
- Deliver Draft Auditors' Report (Stage 6)
- Deliver Final Reports

<b>1. Moulton Niguel Water District CAFR Audit</b>
March
April
April - May
August - September
mid-November
mid-December

\* The above timeline would be followed for the Single Audit, GANN AUP, State Controller's Report, Tax Return, and PFC audit



## Exhibit B – Fee Schedule

### A. Audit Work Cost Proposal Form

Description of Services	Estimated Hours	Proposed Audit Fees			Optional Years	
		2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
1. Moulton Niguel Water District CAFR Audit	230	\$ 27,500	\$ 27,500	\$ 28,325	\$ 29,175	\$ 30,050
2. Optional: Preparation of District CAFR	36	4,500	4,500	4,635	4,774	4,917
3. Single Audit report (Compliance Audit) - assumes 1 major program	(1) 23	2,500	2,500	2,575	2,652	2,732
4. Appropriations Limit (GANN) Agreed-upon Procedures	6	500	500	515	530	546
5. Optional: Special Districts Financial Transaction Report to SCO (preparation and submittal)	16	2,000	2,000	2,060	2,122	2,185
6. Prepare Form 990 and Form 199	19	2,450	2,450	2,524	2,599	2,677
7. Financial and Compliance Audit of the Public Facilities Corporation (PFC)	19	2,100	2,100	2,163	2,228	2,295
8. Optional: Preparation of PFC financial statements	10	1,100	1,100	1,133	1,167	1,202
Total for Fiscal Year (not-to-exceed)	<u>359</u>	<u>\$ 42,650</u>	<u>\$ 42,650</u>	<u>\$ 43,930</u>	<u>\$ 45,247</u>	<u>\$ 46,604</u>
(1) Additional major programs will be \$2,500 per program.						

QUOTED HOURLY RATES OF THE FIRM'S PROFESSIONALS:						
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	
Partner	\$ 210	\$ 210	\$ 216	\$ 223	\$ 229	
Manager	180	180	185	191	197	
Supervisor	160	160	165	170	175	
Senior	120	120	124	127	131	
Staff	100	100	103	106	109	
Paraprofessional	65	65	67	69	71	





**moulton niguel** water district

**STAFF REPORT**

**TO:** Board of Directors                      **MEETING DATE:** March 16, 2016

**FROM:** Matt Collings, Assistant General Manager  
Drew Atwater, Water Resources Manager

**SUBJECT:** Rebate Applications for Turf Removal

**DIVISION:** District-wide

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**SUMMARY:**

Issue: The District has received an exemption request for a rebate application that exceeded the maximum allowable acreage for turf removal as defined in the approved Board policy.

Recommendation: It is recommended that the Board of Directors consider the rebate applications for the identified projects without a limitation on the maximum allowable acreage for the projects and direct staff accordingly.

Fiscal Impact: Sufficient funds are available within the Water Use Efficiency Fund to fund the identified rebate application. Additional information is provided within the staff report.

**BACKGROUND:**

More than half of the water used at the District is for outdoor landscapes. Water efficient landscapes can decrease water use up to 70 percent through a combination of proper plant selection and irrigation technology. However, the cost of installing climate-applicable plants is sometimes an obstacle to turning traditional grass landscapes into more water-efficient environments. The District’s turf replacement program is designed to help residents, businesses, and public agencies make that conversion.

The proposed projects are eligible to receive \$2 per square foot from the District for turf removal and \$1.50 for synthetic turf installation. The program provides limitations on the amount of turf removal and/or synthetic turf installation that qualifies for the rebate. The relevant cap for the applicants are 10,000 square feet for District funding per meter for the commercial project and 3,000 square feet for the residential project.

## #5.

### Rebate Applications for Turf Removal

March 16, 2016

Page 2 of 2

All rebates from the District are funded through the Water Efficiency Fund using the incremental revenue generated from the higher consumption tiers (Tiers 3, 4 and 5) in the water budget-based rate structure.

#### **DISCUSSION:**

In recent months, the District has expanded its outreach efforts to promote water use efficiency in response to the drought emergency. Customers have responded with requests for nearly 5 million square feet of turf removal and more than 600,000 square feet of synthetic turf installation. The District has received an additional request from a customer to remove 5,000 square feet of turf. Table 1 identifies the customer and the rebate request.

Table 1 – Rebate Requests

Customer	Division	Proposed Turf Removal (Sq. Feet)	Proposed Synthetic Turf Installation (Sq. Feet)	Proposed Rebate Value (\$)
Resident – Acct #8-02971	3	5,000		\$10,000
<b>Total</b>		<b>5,000</b>		<b>\$10,000</b>

The values provided above are based on estimates from each of the project proponents and may vary as each project becomes more defined. The proposed rebate incentives for the identified project would be funded from the Water Efficiency Fund.

Staff is recommending the Board remove the maximum allowable acreage to allow the General Manager or her designee to consider each application based on the overall project objectives, various funding sources, and current available budget for rebate funding. Removal of the maximum acreage by the Board of Directors does not constitute an approval of the rebate application, but allows each application to be considered for the full amount of turf removal or synthetic turf installation.

**MOULTON NIGUEL WATER DISTRICT**  
**Summary of Financial Results**  
**March 16, 2016**

Results of operations for the seven months ended January 31, 2016, are summarized below. The end of January represents 7/12 (58%) of the fiscal year. This summary is intended to provide highlights and noteworthy issues to the Board.

District-wide total operating revenues were \$31.7 million through January 31, 2016, which is on track at 60% of the budget. Total District operating expenses were \$36.8 million as of January 31, 2016, which is also on track at 52% of the approved budget. Total Net Income for the seven months ended is at \$3.8 million. A positive Net Income amount is indicative of sound financial management strategies and shows that the District is in strong financial shape.

An expense line item to note is the annual auditing expense, which is at 92% of the budget. The audit fees are only billed after services are performed, and because the majority of the work is done after fiscal year end, the expenses reported this year actually relate to the fiscal year 2014-15 audit, which is now closed.

District total consulting expenses are at \$1.3 million, or 42% of the current year budget. The actual expenses don't include the additional \$1.3 million committed for items such as the Recycled Water Master Plan, the Data Collaborative, and District standards updates. The total actual and committed balance for consulting expenses is at \$2.6 million, which is on track with District projections.

Investment income remains strong at \$2.1 million fiscal year to date. The District's investment strategy is conservative to avoid losses but is able to maintain sufficient returns.

Including \$3.6 million in outstanding commitments, the Water Efficiency Fund has \$3.7 million remaining in Fund Balance. This is the amount available for additional rebates, capital projects, or Water Use Efficiency programs.

The District currently holds \$136.2 million in unrestricted cash. This amount has decreased by \$14.0 million since June 30, 2015, primarily due to the planned spend down related to capital projects. The projected capital spending for fiscal year 2015-16 is \$46.8 million, and the District has currently spent \$14.1 million on capital projects during the current year. The increase can be seen in our construction in progress balance which went from \$31.6 million at June 30, 2015, to \$45.4 million currently. This shows the public and rating agencies that the District is spending the resources to properly maintain the infrastructure to maintain a high level of service.

District total Long-term Debt has decreased by \$9.3 million during the current fiscal year due to debt payments made on outstanding loans, Certificates of Participation, and General Obligation Bonds. The most recent rating the District received was an AA+ rating from Standard & Poor's rating agency, which, according to the rating website means the District "has very strong capacity to meet its financial commitments."

The District is required to deposit cash with US Bank to satisfy the requirements to issue the debt. All deposits in these reserve accounts currently meet the requirements and are monitored on a monthly basis by District staff and US Bank.

**#6.a.**

**MOULTON NIGUEL WATER DISTRICT**  
**Summary of Financial Results**  
**March 16, 2016**

The District's total Net Position, or the net worth for the District, is \$410.8 million as of January 31, 2016. Of this amount, \$281.1 million represents the infrastructure throughout the service area. This amount is impacted by the capital spending of \$14.1 million discussed earlier. The Board adopted reserve policy targets are all currently being met, demonstrating that the District has properly planned for capital spending and financial management for the future.

The Financial Results for January 31, 2016, show that the District is in strong financial position. The District is on track with the current year budget for both revenues and expenses, and utilizing resources to increase capital project activity. This increase is right in line with the 10-year Cash Flow model and the District's Long Range Financial Plan. The District's goal is to be a leader in the service we provide to our customers, and the Board decision to reinvest in the infrastructure to provide that service has strengthened the overall financial outlook of the District.

**Moulton Niguel Water District**  
**Budget Comparison Report**  
**Seven Months Ended January 31, 2016**  
**ALL FUNDS**

Description	Fiscal Year to Date Actuals	Prior Fiscal Year to Date Actuals	Approved Budget	Budget Balance	% of Actuals to Budget
<b><u>Operating Revenues</u></b>					
Water Sales	\$ 14,980,948	15,845,295	\$ 25,449,137	\$ 10,468,189	59%
Recycled Water Sales	2,951,898	3,020,949	5,249,795	2,297,897	56%
Sewer Sales	10,773,875	9,999,732	18,053,647	7,279,772	60%
Water Efficiency	2,739,425	3,128,067	3,398,873	659,448	81%
Other Operating Income	234,385	217,082	483,500	249,115	48%
<b>A Total Operating Revenue</b>	<b>31,680,530</b>	<b>32,211,125</b>	<b>52,634,952</b>	<b>20,954,422</b>	<b>60%</b>
<b><u>Operating Expenses</u></b>					
Salaries	5,881,842	5,662,426	10,779,194	4,897,352	55%
PERs Employer Contributions	68,123	590,681	1,422,733	1,354,610	5%
PERs Employee Contributions	96,145	110,698	153,377	57,232	63%
Defined Contribution 401A	11,809	116,603	200,534	188,724	6%
Educational Courses	11,809	14,285	44,770	32,961	26%
Travel & Meetings	100,836	92,758	253,344	152,508	40%
Employee Relations	12,333	6,572	15,000	2,667	82%
General Services	165,350	231,612	463,095	297,745	36%
Annual Audit	44,087	39,915	48,080	3,993	92%
Member Agencies O&M	570,590	853,027	1,542,495	971,905	37%
Dues & Memberships	69,198	64,098	97,010	27,812	71%
Consulting Services	1,315,001	503,434	3,098,900	1,783,899	42%
Equipment Rental	36,501	34,987	65,000	28,499	56%
District Fuel	115,601	137,031	340,000	224,399	34%
Insurance - District	228,505	304,346	561,275	332,770	41%
Insurance - Personnel	212,578	231,522	447,992	235,414	47%
Insurance - Benefits	1,423,654	1,328,120	2,703,887	1,280,234	53%
Legal Services - Personnel	3,977	854	50,000	46,023	8%
Legal Services - General <sup>1</sup>	124,476	86,593	200,000	75,524	62%
District Office Supplies	492,824	322,802	965,151	472,327	51%
District Operating Supplies	208,126	155,453	392,967	184,841	53%
Repairs & Maintenance - Equipment	427,648	362,110	741,969	314,321	58%
Repairs & Maintenance - Facilities	1,287,883	1,477,319	4,135,970	2,848,087	31%
Safety Program & Compliance Requirements	109,315	89,936	309,450	200,135	35%
SOCWA	6,392,451	6,118,011	9,204,735	2,812,284	69%
Special Outside Assessments	24,292	24,296	225,000	200,708	11%
Utilities	1,251,767	1,323,686	2,258,900	1,007,133	55%
Water Purchases	14,095,076	15,724,364	23,697,842	9,602,767	59%
Meter / Vault Purchases	257,480	305,262	906,000	648,520	28%
Water Efficiency	1,770,973	1,626,620	4,849,624	3,078,651	37%
Other Operating Expenses	530	126,820	-	(530)	n/a
<b>B Total Operating Expenses</b>	<b>36,810,779</b>	<b>38,066,240</b>	<b>70,174,294</b>	<b>33,363,515</b>	<b>52%</b>
<b>A-B Operating Income (Loss)</b>	<b>(5,130,249)</b>	<b>(5,855,115)</b>	<b>(17,539,342)</b>	<b>(12,409,093)</b>	<b>29%</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>					
Property Tax Revenue	14,335,961	13,483,265	26,501,190	12,165,229	54%
Investment Income	2,103,065	3,408,737	2,027,705	(75,360)	104%
Property Lease Income	1,018,145	995,332	1,660,096	641,951	61%
Interest Expense	(3,280,421)	(3,536,958)	(5,594,886)	(2,314,465)	59%
Misc. Non-Operating Income <sup>2</sup>	4,671,014	12,153,352	68,000	(4,603,014)	n/a
<b>C Total Non-Operating Revenue (Expenses)</b>	<b>18,847,764</b>	<b>26,503,728</b>	<b>24,662,105</b>	<b>5,814,341</b>	<b>76%</b>
<b>A-B+C Change in All Funds</b>	<b>\$ 13,717,515</b>	<b>\$ 20,648,612</b>	<b>\$ 7,122,763</b>	<b>\$ (6,594,752)</b>	
<b><u>Other Non Cash Expenses</u></b>					
Depreciation	9,936,610	9,708,515	-	n/a	n/a
<b>D Total Change in Net Position</b>	<b>3,780,905</b>	<b>10,940,098</b>	<b>7,122,763</b>	<b>(6,594,752)</b>	

Note: Totals may not sum due to rounding.

1. Detail of Legal Services - General can be found on the next page.

2. The District received \$665,000 for the 2009 COP (Build America Bonds) Federal Interest subsidy and \$2.7 million for the Special Assessment District taxes. The District has historically not budgeted for these items but will re-evaluate for next year's Budget.

**#6.b.**

Moulton Niguel Water District  
Budget Comparison Report  
Seven Months Ended January 31, 2016

Legal Services - General

<b>Firm</b>	<b>General</b>	<b>Water Use Efficiency</b>	<b>Capital</b>	<b>Total</b>
<b>Bowie, Arneson, Wiles &amp; Giannone</b>	\$ 38,902	\$ -	\$ 10,022	\$ 48,924
<b>Best Best &amp; Krieger LLP</b>	79,846	5,134	14,695	99,674
<b>Downey Brand, Attorneys</b>	594	-	3,064	3,658
<b>Total</b>	\$ 119,342	\$ 5,134	\$ 27,780	\$ 152,256

*Note: Totals may not sum due to rounding.*



**Moulton Niguel Water District**  
**Budget Comparison Report**  
**Seven Months Ended January 31, 2016**  
**GENERAL FUND**

	Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
<b>GENERAL FUND</b>					
<b><u>Operating Revenues</u></b>					
	Water Sales	\$ 25,449,137	\$ 14,980,948	\$ 10,468,189	59%
	Recycled Water Sales	5,249,795	2,951,898	2,297,897	56%
	Sewer Sales	18,053,647	10,773,875	7,279,772	60%
	Other Operating Income	483,500	234,385	249,115	48%
<b>A</b>	<b>Total Operating Revenue</b>	<b>49,236,079</b>	<b>28,941,105</b>	<b>20,294,974</b>	<b>59%</b>
<b><u>Operating Expenses</u></b>					
	Salaries	10,307,516	5,576,219	4,731,297	54%
	PERs Employer Contributions	1,364,819	732,055	632,764	54%
	PERs Employee Contributions	147,341	67,114	80,227	46%
	Defined Contribution 401A	192,000	91,296	100,703	48%
	Educational Courses	44,270	11,809	32,461	27%
	Travel & Meetings	238,644	98,591	140,053	41%
	Employee Relations	15,000	12,333	2,667	82%
	General Services	458,095	165,350	292,745	36%
	Annual Audit	48,080	44,087	3,993	92%
	Member Agencies O&M	1,542,495	570,590	971,905	37%
	Dues & Memberships	96,510	69,198	27,312	72%
	Consulting Services	2,248,900	990,304	1,258,596	44%
	Equipment Rental	65,000	36,501	28,499	56%
	District Fuel	340,000	115,601	224,399	34%
	Insurance - District	561,275	228,505	332,770	41%
	Insurance - Personnel	438,275	205,589	232,686	47%
	Insurance - Benefits	2,587,061	1,351,363	1,235,698	52%
	Legal Services - Personnel	50,000	3,977	46,023	8%
	Legal Services - General <sup>1</sup>	200,000	119,342	80,658	60%
	District Office Supplies	475,400	238,582	236,818	50%
	District Operating Supplies	392,967	208,126	184,841	53%
	Repairs & Maintenance - Equipment	738,469	427,648	310,821	58%
	Repairs & Maintenance - Facilities	4,135,970	1,287,883	2,848,087	31%
	Safety Program & Compliance Requirements	309,450	109,315	200,135	35%
	SOCWA	9,204,735	6,392,451	2,812,284	69%
	Special Outside Assessments	225,000	24,292	200,708	11%
	Utilities	2,258,900	1,251,767	1,007,133	55%
	Water Purchases	23,697,842	14,095,076	9,602,766	59%
	Meter / Vault Purchases	906,000	257,480	648,520	28%
<b>B</b>	<b>Total Operating Expenses</b>	<b>63,290,013</b>	<b>34,782,446</b>	<b>28,507,567</b>	<b>55%</b>
<b>A-B</b>	<b>Operating Income (Loss)</b>	<b>(14,053,934)</b>	<b>(5,841,341)</b>	<b>(8,212,593)</b>	<b>42%</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>					
	Property Tax Revenue	26,501,190	14,335,961	12,165,229	54%
	Investment Income	1,867,913	1,986,477	(118,564)	106%
	Property Lease Income	1,660,096	1,018,145	641,951	61%
	Misc. Non-Operating Income <sup>2</sup>	68,000	3,745,171	(3,677,171)	n/a
<b>C</b>	<b>Total Non-Operating Revenue (Expenses)</b>	<b>30,097,199</b>	<b>21,085,754</b>	<b>9,011,445</b>	<b>70%</b>
<b>A-B+C</b>	<b>Change in General Fund</b>	<b>\$ 16,043,265</b>	<b>\$ 15,244,413</b>	<b>\$ 798,852</b>	

Note: Totals may not sum due to rounding.

1. Detail of Legal Services - General can be found on the next page.

2. The District received \$665,000 for the 2009 COP (Build America Bonds) Federal Interest subsidy and \$2.7 million for the Special Assessment District taxes. The District has historically not budgeted for these items but will re-evaluate for next year's Budget.

**#6.b.**

Moulton Niguel Water District  
 Budget Comparison Report  
 Seven Months Ended January 31, 2016  
**WATER EFFICIENCY FUND**

	Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
<b>WATER EFFICIENCY FUND</b>					
<u>Operating Revenue</u>					
	Water Efficiency	\$ 3,398,873	\$ 2,739,425	\$ 659,448	81%
<b>A</b>	<b>Total Operating Revenue</b>	<b>3,398,873</b>	<b>2,739,425</b>	<b>659,448</b>	<b>81%</b>
<u>Operating Expenses</u>					
	Labor	668,156	425,477	242,679	64%
	Educational Courses	500	-	500	0%
	Travel & Meetings	14,700	2,245	12,455	15%
	General Services	5,000	-	5,000	0%
	Dues & Memberships	500	-	500	0%
	Consulting Services	850,000	199,696	650,304	23%
	Legal Services	-	5,134	(5,134)	n/a
	Conservation supplies	489,751	254,241	235,509	52%
	Repairs and Maintenance - Equipment	3,500	-	3,500	0%
	Water Efficiency	4,849,624	1,770,973	3,078,651	37%
<b>B</b>	<b>Total Operating Expenses</b>	<b>6,881,731</b>	<b>2,657,767</b>	<b>4,223,964</b>	<b>39%</b>
<b>A-B</b>	<b>Operating Income (Loss)</b>	<b>(3,482,858)</b>	<b>81,659</b>	<b>(3,564,516)</b>	<b>-2%</b>
<u>Non-Operating Revenue</u>					
	Investment Income	159,792	116,584	43,208	73%
<b>C</b>	<b>Total Non-Operating Revenue</b>	<b>159,792</b>	<b>116,584</b>	<b>43,208</b>	<b>73%</b>
<b>A-B+C</b>	<b>Change in Water Efficiency Fund</b>	<b>\$ (3,323,066)</b>	<b>\$ 198,243</b>	<b>\$ (3,521,308)</b>	

Note: Totals may not sum due to rounding.

**Water Efficiency Available Net Position<sup>1</sup>**

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance
Fund Net Position, Beginning of Year	\$ 7,180,191	\$ 7,180,191	\$ 7,180,191
Change in Water Efficiency Fund	(3,323,066)	198,243	(3,521,308)
<b>Fund Net Position, December 31, 2015</b>	<b>\$ 3,857,125</b>	<b>\$ 7,378,434</b>	<b>\$ 3,658,883</b>

1. In addition to realized expenditures, there is approximately \$3,648,334 in project commitments, reducing the available fund balance to \$3,730,100.

**MOULTON NIGUEL WATER DISTRICT**  
**STATEMENT OF NET POSITION**

	<b>(Unaudited)</b>	<b>Audited</b>
	<b>January 31, 2016</b>	<b>June 30, 2015</b>
<b>CURRENT ASSETS:</b>		
Cash and investments	\$ 39,443,095	\$ 33,849,087
Restricted cash and investments with fiscal agent	8,139,377	8,777,679
Accounts receivables:		
Water and sanitation charges	3,108,327	3,392,611
Taxes and acreage assessments	-	300,842
Grant Reimbursements	90,746	405,068
Other accounts receivable	275,469	222,169
Interest receivable	550,224	620,930
Current portion of AMP receivable	656	1,302
Inventory	1,791,690	1,703,635
Prepaid expenses	711,596	480,124
	<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>	<b>54,111,180</b>	<b>49,753,446</b>
	<hr/>	<hr/>
<b>NONCURRENT ASSETS:</b>		
Investments	96,722,898	116,281,296
Retrofit loans receivable	569,963	597,037
AMP Receivable	-	-
Capital assets, net of accumulated depreciation	333,483,876	343,111,410
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress	45,417,454	31,642,242
	<hr/>	<hr/>
<b>TOTAL NONCURRENT ASSETS</b>	<b>477,286,101</b>	<b>492,723,895</b>
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>531,397,281</b>	<b>542,477,341</b>
	<hr/>	<hr/>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>		
Deferred Charges on Refunding	1,167,050	1,488,900
Deferred Items related to Pension	1,431,577	1,431,577
	<hr/>	<hr/>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>2,598,627</b>	<b>2,920,477</b>
	<hr/>	<hr/>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 533,995,908</b>	<b>\$ 545,397,818</b>
	<hr/> <hr/>	<hr/> <hr/>

**MOULTON NIGUEL WATER DISTRICT**  
**STATEMENT OF NET POSITION**

	<b>(Unaudited)</b>	<b>Audited</b>
	<b>January 31, 2016</b>	<b>June 30, 2015</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 3,717,267	\$ 8,162,699
Interest payable	2,167,663	1,830,740
Compensated absences	10,314	373,162
Current portion of long-term debt:		
Bonds payable	6,060,000	5,685,000
Loans Payable	248,068	2,110,606
Certificates of participation	1,855,000	1,780,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,058,312</b>	<b>19,942,207</b>
<b>LONG-TERM LIABILITIES</b>		
Compensated absences	3,438	124,386
Long-term debt:		
Bonds payable	16,370,000	22,430,000
Loans payable	10,688,012	10,688,012
Certificates of participation	61,925,000	63,780,000
Net Pension Liability	12,251,838	12,251,838
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>101,238,288</b>	<b>109,274,236</b>
Bond Discount/Premium	2,975,305	3,483,309
<b>TOTAL LIABILITIES</b>	<b>118,271,904</b>	<b>132,699,752</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>		
Deferred Items related to Pension	4,936,619	4,936,619
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>4,936,619</b>	<b>4,936,619</b>
<b>NET POSITION:</b>		
Net investment in capital assets	281,054,821	267,393,560
Restricted for capital projects	2,317,863	1,508,109
Unrestricted	127,414,701	138,859,778
<b>TOTAL NET POSITION</b>	<b>410,787,385</b>	<b>407,761,447</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b>\$ 533,995,908</b>	<b>\$ 545,397,818</b>

*Note: Totals may not sum due to rounding.*

**MOULTON NIGUEL WATER DISTRICT  
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT  
AS OF JANUARY 31, 2016**

	Reserve Requirement	(Unaudited) Balance 1/31/2016	Over (Under) Requirement	Audited Balance 6/30/2015
<b><u>Restricted Cash and Investments:</u></b>				
DWR Trust Reserves	\$ -	\$ -	\$ -	\$ 615,739
2009 COPS Trust Reserve	6,000,000	6,000,713	713	6,023,364
2010 Installment Payment	-	340,112	340,112	-
2010 COPS Trust Reserves	556,000	556,000	-	896,180
2015 Refunding Bonds	-	16	16	-
2015 (03) COPS Trust Reserve	1,226,500	1,226,638	138	1,226,500
2015 (03) COPS Issuance Fund	-	15,898	15,898	15,896
<b>Total Restricted Trust Accounts</b>	<b>\$ 7,782,500</b>	<b>\$ 8,139,377</b>	<b>\$ 356,877</b>	<b>\$ 8,777,679</b>

*Note: Totals may not sum due to rounding.*



**MOULTON NIGUEL WATER DISTRICT**  
**NET POSITION**  
**AS OF JANUARY 31, 2016**

	Reserve Policy Target	(Unaudited) Balance		Audited Balance
		1/31/2016	Net Change	6/30/2015
<b>Unrestricted Net Position:</b>				
Designated for Self Insurance Reserves	\$ 250,000	253,281	\$ 3,426	\$ 249,855
Designated for Water Efficiency (WBBRS) <sup>1</sup>	n/a	7,378,434	198,243	7,180,191
Designated for Replacement and Refurbishment	17,061,912	17,324,409	235,594	17,088,815
Designated for Water Supply Reliability	n/a	-	(801,631)	801,631
Designated for Planning and Construction	n/a	29,185,561	56,678	29,128,883
Designated for Rate Stabilization	13,250,595	13,454,136	2,453,855	11,000,281
Designated for Emergency Reserve	6,884,925	6,884,925	-	6,884,925
Unrestricted, undesignated <sup>2</sup>	23,390,581	52,933,955	(13,591,242)	66,525,197
<b>Total Unrestricted Net Position</b>	60,838,013 <sup>3</sup>	127,414,701	(11,445,077)	138,859,778
Restricted for Capital Facilities (Projects)		2,317,863	809,754	1,508,109
Net Investment in Capital Assets <sup>4</sup>		281,054,821	13,661,261	267,393,560
<b>Total Net Position</b>		<b>\$ 410,787,385</b>	<b>\$ 3,025,938</b>	<b>\$ 407,761,447</b>

Note: Totals may not sum due to rounding.

1. In addition to realized expenditures, there is approximately \$3,648,334 in project commitments, reducing the available fund balance to \$3,730,100.

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.

4. Net Investment in Capital Assets calculated as follows:

Total capital assets	379,993,240
Less capital related debt	(100,121,384)
Add deferred charges related to debt	1,167,050
Add unspent proceeds	15,915
<b>Total Net Investment in Capital Assets</b>	<b>281,054,821</b>





**MOULTON NIGUEL WATER DISTRICT  
SUMMARY OF DISBURSEMENTS  
FOR THE MONTH OF FEBRUARY 2016**

**Summary of Disbursements in February 2016:**

General Fund Disbursements		<b>3,866,418</b>
<b>Restricted Fund Disbursements:</b>		
Water Efficiency Fund	245,663	
Replacement & Refurbishment Fund	184,588	
Water Supply Reliability Fund	24,369	
Planning & Construction Fund	197,583	
2009 COP Debt Service	2,049,479	
2014 GOB ('03 Refunding)	222,684	
2015 COPS ('03 Refunding)	290,727	3,215,093
<b>Total Disbursements for all Funds</b>	<b>\$</b>	<b>7,081,511</b>

**Detail of Major Expenditures in February 2016:**

1. Municipal Water District of Orange County (MWDOC)		
November Water Purchases 1700.9 AF	1,569,931	
December Readiness to Serve	146,965	
December Turf, Nozzles, and Smart Timer Rebates	133,618	
December Capacity Charge	40,196	
December SoCal WaterSmart Residential Rebate Program	8,631	<b>1,899,340</b>
2. City of Mission Viejo-Public		
2015 CDBG Residential Resurfacing Program - Raising Sewer Manholes		<b>303,155</b>
3. Pure Technologies U.S. Inc.		
Consulting Assessment on Central Intertie Pipeline		<b>234,190</b>
4. Ferreira Construction Co. Inc.		
C# 2014.018 Flores Ave 8" Water Main Installation, progress payment #1		<b>159,050</b>

