



moulton niguel water district

FINANCE & INFORMATION TECHNOLOGY

BOARD OF DIRECTORS' MEETING

MOULTON NIGUEL WATER DISTRICT

27500 La Paz Road, Laguna Niguel

November 16, 2016

8:30 AM

Approximate Meeting Time: 3 Hours

1. CALL MEETING TO ORDER

2. PUBLIC COMMENTS

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

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

PRESENTATION ITEMS

3. CalPERS Update

4. Quarterly Investment Report - Chandler Asset Management

DISCUSSION ITEMS

5. Adoption of Amended Conflict of Interest Code

6. Draft Audit Reports for the Fiscal Year Ended June 30, 2016

INFORMATION ITEMS

7. Monthly Financial Report

a. Summary of Financial Results

b. Budget Comparison Report

c. Statement of Net Position

d. Restricted Cash and Investments with Fiscal Agent

- e. Net Position
- f. Summary of Disbursements October 2016
- 8. Water Usage Update
- 9. Outreach Update
- 10. Future Agenda Items (Any items added under this section are for discussion at future meetings only)
- 11. Late Items (Appropriate Findings to be Made)
 - a. Need to take immediate action; and
 - b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 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.

Moulton Niguel Water District

Period Ending
September 30, 2016



| | |
|------------------|---------------------------------|
| SECTION 1 | Consolidated Information |
| SECTION 2 | Account Profile |
| SECTION 3 | Portfolio Holdings |
| SECTION 4 | Economic Update |



SECTION 1

Consolidated Information

Investment Objectives

In order to provide for current expenses and long term growth, the District has divided its portfolio into three categories, the Liquid, Limited Maturity and Operating Reserve Funds. The investment goals of the Liquid and Limited Maturity Funds are to provide liquidity for operating expenses and current capital requirements, preserve principal, and 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 performance objective of the Limited Maturity Fund is to earn a return that equals or exceeds the return of the Bank of America Merrill Lynch 0-3 Year US Treasury/Agency Index.

The performance objective of the Operating Reserve Fund is 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).

Bond Reserves: To earn a commensurate rate of return over market cycles while ensuring compliance with the District's indentured funds.

Strategy

The Liquid Fund is invested in short term securities and LAIF in order to achieve its goals. 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 the goals of the Limited Maturity and Operating Reserve Funds, they are 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 in the Operating Reserve Fund.



Portfolio Characteristics

Moulton Niguel Water District Bond Reserves

| | 09/30/2016 | 06/30/2016 |
|------------------------|------------|------------|
| | Portfolio | Portfolio |
| Average Maturity (yrs) | 3.02 | 2.92 |
| Modified Duration | 2.93 | 2.83 |
| Average Purchase Yield | 1.00 % | 0.96 % |
| Average Market Yield | 0.95 % | 0.78 % |
| Average Quality | AA+/Aaa | AA+/Aaa |
| Total Market Value | 7,654,944 | 7,848,635 |

There was a \$179,266 withdrawal from the portfolio over the reporting period.

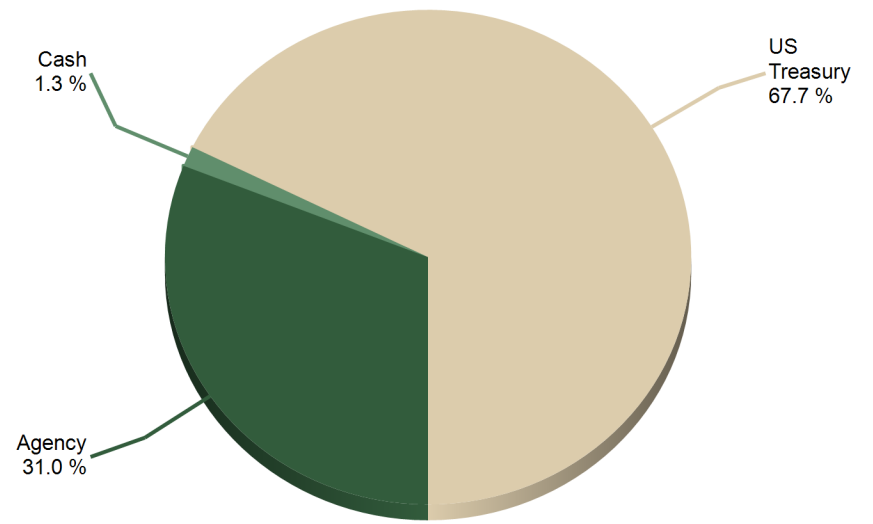
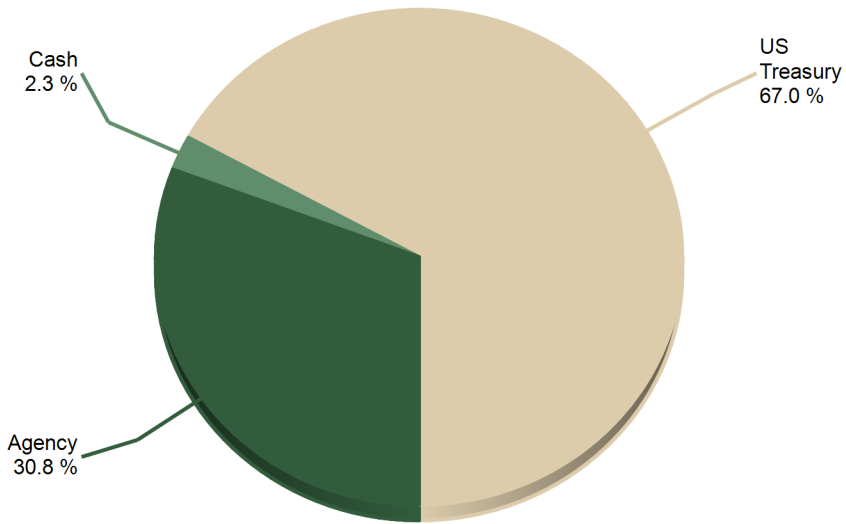


Moulton Niguel Water District Bond Reserves

September 30, 2016

June 30, 2016

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Portfolio Characteristics

Moulton Niguel Water District Consolidated

| | 09/30/2016 | 06/30/2016 |
|------------------------|-------------|-------------|
| | Portfolio | Portfolio |
| Average Maturity (yrs) | 3.18 | 2.90 |
| Modified Duration | 2.96 | 2.66 |
| Average Purchase Yield | 1.78 % | 1.63 % |
| Average Market Yield | 1.13 % | 0.95 % |
| Average Quality | AA/Aa1 | AA/Aa1 |
| Total Market Value | 121,196,482 | 139,268,732 |

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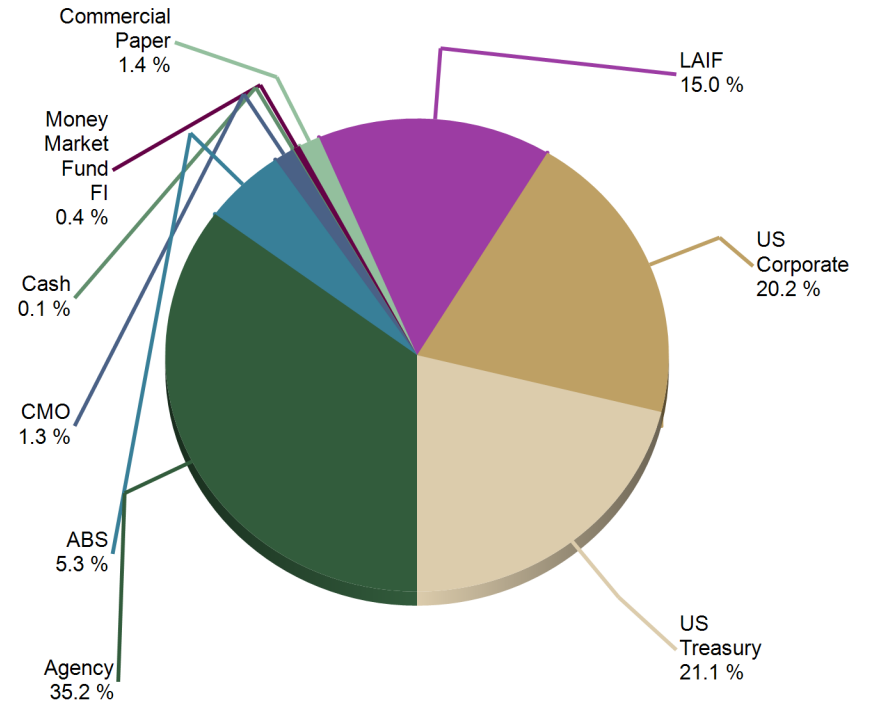
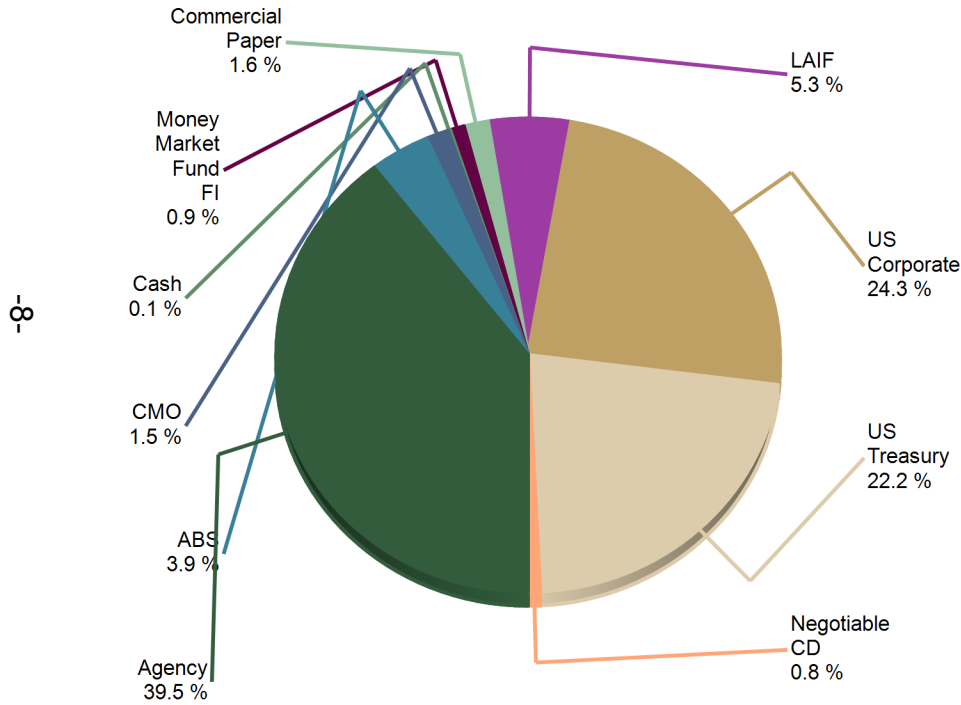


Sector Distribution

Moulton Niguel Water District Consolidated

September 30, 2016

June 30, 2016





Moulton Niguel Water District Consolidated Account #43

Issuer Report

As of 9/30/2016

| Issue Name | Investment Type | Avg Mkt Yield | Avg Maturity | % Portfolio |
|--|----------------------|---------------|--------------|-------------|
| Government of United States | US Treasury | 1.09% | 4.35 | 22.22 % |
| Federal Home Loan Bank | Agency | 1.16% | 3.93 | 11.81 % |
| Federal Home Loan Mortgage Corp | Agency | 1.05% | 3.37 | 10.50 % |
| Federal National Mortgage Association | Agency | 1.16% | 4.15 | 10.11 % |
| Tennessee Valley Authority | Agency | 1.27% | 4.16 | 5.55 % |
| Local Agency Investment Fund | LAIF | 0.63% | 0.00 | 5.28 % |
| General Electric Co | US Corporate | 1.11% | 0.89 | 1.77 % |
| ChevronTexaco Corp | US Corporate | 1.19% | 1.52 | 1.61 % |
| Bank of Tokyo-Mit UFJ | Commercial Paper | 0.75% | 0.07 | 1.56 % |
| Federal Farm Credit Bank | Agency | 1.02% | 2.85 | 1.55 % |
| Qualcomm Inc | US Corporate | 1.56% | 3.13 | 1.52 % |
| Federal Home Loan Mortgage Corp | CMO | 1.22% | 1.90 | 1.45 % |
| Bank of New York | US Corporate | 1.45% | 2.95 | 1.40 % |
| Paccar Financial | US Corporate | 1.31% | 2.53 | 1.36 % |
| Honda Motor Corporation | US Corporate | 1.23% | 2.03 | 1.36 % |
| Charles Schwab Corp/The | US Corporate | 1.23% | 1.44 | 1.35 % |
| Intel Corp | US Corporate | 1.09% | 1.21 | 1.30 % |
| John Deere ABS | ABS | 1.04% | 1.88 | 1.21 % |
| Honda ABS | ABS | 0.96% | 1.81 | 1.11 % |
| State Street Bank | US Corporate | 1.78% | 4.64 | 1.05 % |
| Exxon Mobil Corp | US Corporate | 1.71% | 4.42 | 1.04 % |
| Apple Inc | US Corporate | 1.09% | 1.59 | 1.03 % |
| JP Morgan ABS | ABS | 1.10% | 3.54 | 1.03 % |
| US Bancorp | US Corporate | 1.32% | 2.13 | 1.02 % |
| Cisco Systems | US Corporate | 1.30% | 2.42 | 1.01 % |
| Toyota Motor Corp | US Corporate | 1.35% | 2.30 | 1.01 % |
| JP Morgan Chase & Co | US Corporate | 1.62% | 2.33 | 1.01 % |
| Deere & Company | US Corporate | 1.17% | 2.20 | 0.99 % |
| Wells Fargo Adv Govt Money Market Fund | Money Market Fund FI | 0.14% | 0.00 | 0.90 % |
| Berkshire Hathaway | US Corporate | 1.52% | 4.46 | 0.89 % |
| Pepsico Inc | US Corporate | 1.40% | 3.58 | 0.82 % |
| Bank of Nova Scotia | Negotiable CD | 1.26% | 0.42 | 0.76 % |
| Microsoft | US Corporate | 1.64% | 4.86 | 0.72 % |



Moulton Niguel Water District Consolidated
Account #43

Issuer Report

As of 9/30/2016

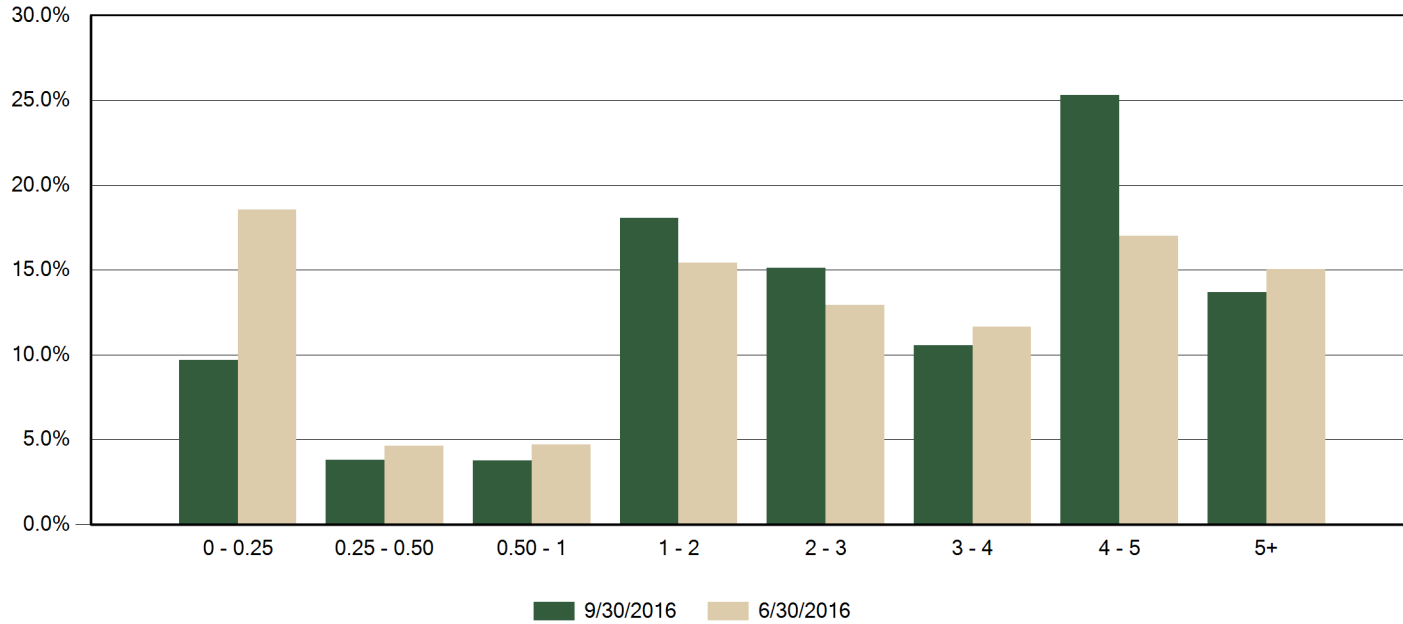
| Issue Name | Investment Type | Avg Mkt Yield | Avg Maturity | % Portfolio |
|--------------------------|-----------------|---------------|--------------|-----------------|
| Wal-Mart Stores | US Corporate | 0.98% | 1.53 | 0.70 % |
| HSBC USA Corp | US Corporate | 1.58% | 1.30 | 0.65 % |
| Toyota ABS | ABS | 0.98% | 1.75 | 0.53 % |
| Wells Fargo Corp | US Corporate | 1.40% | 1.30 | 0.33 % |
| Air Products & Chemicals | US Corporate | 1.13% | 1.04 | 0.25 % |
| Bank Cash Account | Cash | 0.00% | 0.00 | 0.14 % |
| United Technology Corp | US Corporate | 1.08% | 0.67 | 0.10 % |
| Total | | 1.13% | 3.18 | 100.00 % |



Duration Distribution

Moulton Niguel Water District Consolidated

September 30, 2016 vs. June 30, 2016



| | 0 - 0.25 | 0.25 - 0.50 | 0.50 - 1 | 1 - 2 | 2 - 3 | 3 - 4 | 4 - 5 | 5+ |
|----------------|----------|-------------|----------|--------|--------|--------|--------|--------|
| 9/30/16 | 9.7 % | 3.8 % | 3.8 % | 18.1 % | 15.1 % | 10.6 % | 25.3 % | 13.7 % |
| 6/30/16 | 18.5 % | 4.6 % | 4.7 % | 15.4 % | 13.0 % | 11.6 % | 17.0 % | 15.1 % |

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SECTION 2

Account Profile



Bond Reserves

| | Bond Reserves | |
|--|---------------|-------------|
| | 9/30/2016 | 6/30/2016 |
| Portfolio book value | \$7,635,016 | \$7,779,063 |
| Market value | \$7,654,944 | \$7,848,636 |
| Net Contribution/Withdrawal for the Period | (\$179,266) | -- |
| Average book yield | 1.00% | 0.97% |
| Average maturity (yrs) | 3.02 | 2.92 |
| Modified duration | 2.93 | 2.84 |
| \$ change in value for 1% change in rates | \$224,103 | \$222,680 |
| % maturing within two years | 27.4% | 35.5% |
| Average credit quality | AA+/Aaa | AA+/Aaa |



Liquid Fund

| | BAML 3-Month US Treasury Bill Index | Liquid Fund | |
|--|--|----------------|--------------|
| | 9/30/2016 | 9/30/2016 | 6/30/2016 |
| Portfolio book value | -- | \$6,384,402 | \$20,894,575 |
| Market value | -- | \$6,403,960 | \$20,931,026 |
| Net Contribution/Withdrawal for the Period | -- | (\$14,540,000) | -- |
| Average book yield | -- | 0.63% | 0.58% |
| Average maturity (yrs) | 0.15 | 0.00 | 0.00 |
| Modified duration | 0.15 | 0.00 | 0.00 |
| \$ 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 |



Limited Maturity Fund

| | BAML 0-3 Yr US Treasury/Agency Index | Limited Maturity Fund | |
|--|---|-----------------------|--------------|
| | 9/30/2016 | 9/30/2016 | 6/30/2016 |
| Portfolio book value | -- | \$12,098,203 | \$15,677,479 |
| Market value | -- | \$12,130,608 | \$15,419,083 |
| Net Contribution/Withdrawal for the Period | -- | (\$3,295,000) | -- |
| Average book yield | -- | 1.18% | 1.14% |
| Average maturity (yrs) | 1.39 | 1.19 | 1.17 |
| Modified duration | 1.36 | 1.06 | 1.06 |
| \$ change in value for 1% change in rates | -- | \$128,584 | \$163,442 |
| % maturing within two years | 68.5% | 78.9% | 72.5% |
| Average credit quality | AAA | AA/Aa1 | AA/Aa1 |

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Operating Reserve Fund

| | BAML 1-10 Yr US Treasury/Agency Index | Operating Reserve Fund | |
|--|--|------------------------|--------------|
| | 9/30/2016 | 9/30/2016 | 6/30/2016 |
| Portfolio book value | -- | \$92,372,419 | \$91,888,486 |
| Market value | -- | \$95,007,017 | \$95,069,988 |
| Net Contribution/Withdrawal for the Period | -- | (\$1,992) | -- |
| Average book yield | -- | 2.00% | 2.01% |
| Average maturity (yrs) | 3.94 | 3.66 | 3.82 |
| Modified duration | 3.70 | 3.41 | 3.49 |
| \$ change in value for 1% change in rates | -- | \$3,239,739 | \$3,317,943 |
| % maturing within two years | 21.6% | 20.1% | 19.0% |
| Average credit quality | AAA | AA/Aa1 | AA/Aa1 |



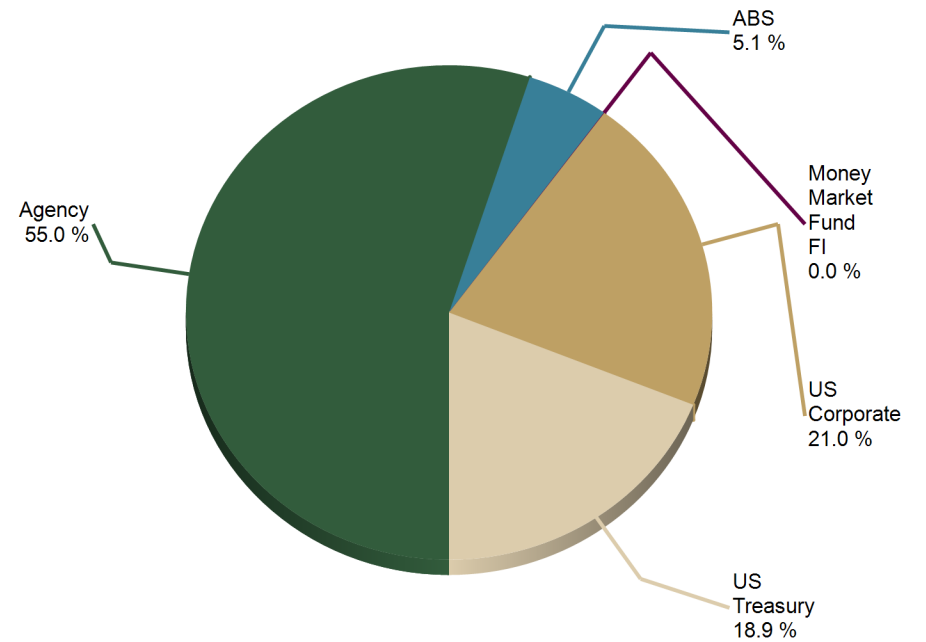
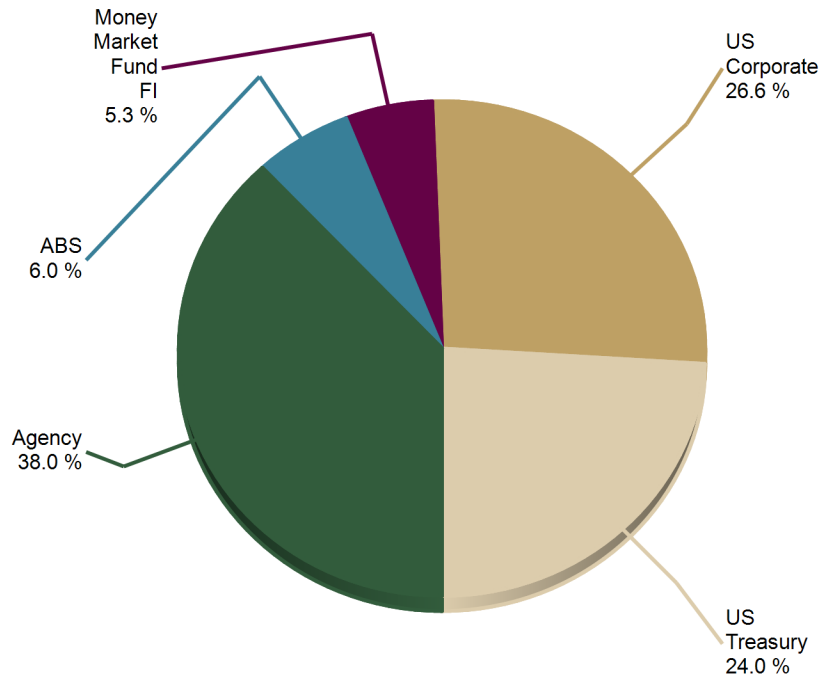
Sector Distribution

Moulton Niguel Water District Limited Maturity

September 30, 2016

June 30, 2016

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The portfolio sector allocation changed as funds were made available for transfer out of the portfolio into more liquid accounts such as LAIF and the District's bank accounts to cover upcoming capital improvement project expenditures. US Treasury, Corporates and Asset Backed Securities (ABS) increased while the Agency exposure declined. The District withdrew approximately \$3.3 million during the period.



Moulton Niguel Water District Limited Maturity Account #42

Issuer Report

As of 9/30/2016

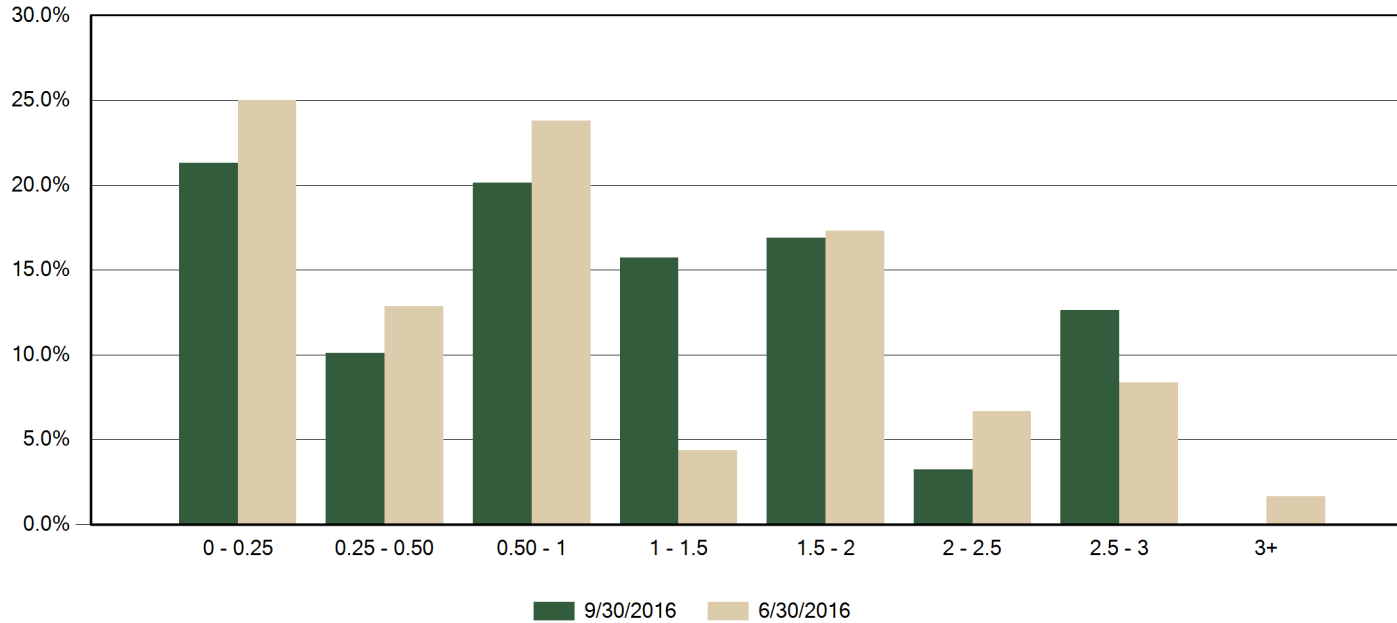
| Issue Name | Investment Type | Avg Mkt Yield | Avg Maturity | % Portfolio |
|--|----------------------|---------------|--------------|-----------------|
| Government of United States | US Treasury | 0.53% | 1.05 | 24.02 % |
| Federal Home Loan Bank | Agency | 0.67% | 1.29 | 12.89 % |
| Federal National Mortgage Association | Agency | 0.62% | 0.81 | 12.73 % |
| Federal Home Loan Mortgage Corp | Agency | 0.51% | 0.63 | 12.41 % |
| Wells Fargo Adv Govt Money Market Fund | Money Market Fund FI | 0.14% | 0.00 | 5.35 % |
| Qualcomm Inc | US Corporate | 1.30% | 1.63 | 3.82 % |
| Bank of New York | US Corporate | 1.45% | 2.95 | 3.80 % |
| Charles Schwab Corp/The | US Corporate | 1.23% | 1.44 | 3.56 % |
| Wells Fargo Corp | US Corporate | 1.40% | 1.30 | 3.31 % |
| ChevronTexaco Corp | US Corporate | 1.24% | 1.42 | 3.31 % |
| General Electric Co | US Corporate | 1.20% | 2.29 | 3.23 % |
| Toyota ABS | ABS | 1.00% | 2.13 | 3.12 % |
| Intel Corp | US Corporate | 1.09% | 1.21 | 3.07 % |
| Honda ABS | ABS | 0.99% | 2.39 | 2.89 % |
| Air Products & Chemicals | US Corporate | 1.13% | 1.04 | 2.49 % |
| Total | | 0.76% | 1.19 | 100.00 % |



Duration Distribution

Moulton Niguel Water District Limited Maturity

September 30, 2016 vs. June 30, 2016



| | 0 - 0.25 | 0.25 - 0.50 | 0.50 - 1 | 1 - 1.5 | 1.5 - 2 | 2 - 2.5 | 2.5 - 3 | 3+ |
|----------------|----------|-------------|----------|---------|---------|---------|---------|-------|
| 9/30/16 | 21.3 % | 10.1 % | 20.1 % | 15.7 % | 16.9 % | 3.2 % | 12.6 % | 0.0 % |
| 6/30/16 | 25.0 % | 12.8 % | 23.8 % | 4.4 % | 17.3 % | 6.7 % | 8.4 % | 1.6 % |

Financial markets are likely to remain volatile as the election draws near and the Federal Reserve continues to convey the message that an increase in the federal funds rate is still on the table for later this year at its December 2016 meeting. The financial markets are factoring in potentially one 0.25% increase in the federal funds rate this year, but the hurdle rate is high for additional increases in the near term. We anticipate keeping the duration close to the benchmark in the coming quarter while incorporating upcoming cash flows related to capital improvement projects into the overall term structure of the portfolio.

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Investment Performance

Moulton Niguel Water District Limited Maturity

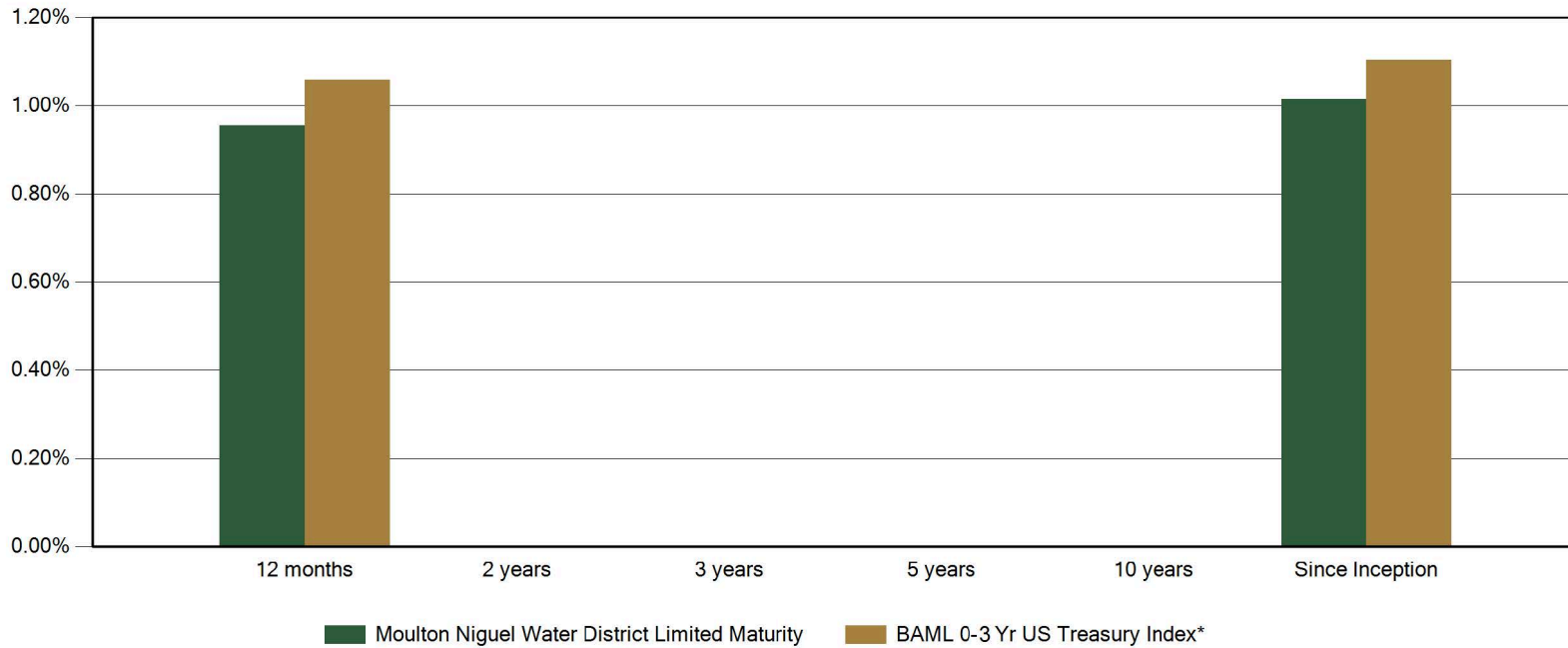
Period Ending

September 30, 2016

Total Rate of Return

Annualized Since Inception

February 28, 2015



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| | 3 months | 12 months | Annualized | | | | Since Inception |
|--|----------|-----------|------------|---------|---------|----------|-----------------|
| | | | 2 years | 3 years | 5 years | 10 years | |
| Moulton Niguel Water District Limited Maturity | 0.06 % | 0.96 % | N/A | N/A | N/A | N/A | 1.02 % |
| BAML 0-3 Yr US Treasury Index* | -0.02 % | 0.97 % | N/A | N/A | N/A | N/A | 1.05 % |

*BAML 1-3 Yr US Treasury Index until 6/30/16; Then 0-3 BAML US Treasuries

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.



Operating Reserve Fund

40- Trading Activity -6/30/2016 -9/30/2016

| Settle Date | Description | Sector | Maturity Date | Amount | Book Value | Market Value | Gain/Loss | Duration | Yield |
|------------------|-------------------------------|-----------------------|---------------|----------------|----------------|----------------|---------------|----------|-------|
| Purchase | | | | | | | | | |
| 07/26/2016 | FNMA | Agency | 05/06/2021 | \$1,850,000.00 | \$1,848,649.50 | \$1,848,649.50 | \$0.00 | 4.612 | 1.266 |
| 08/08/2016 | Microsoft | US Corporate | 08/08/2021 | \$620,000.00 | \$619,349.00 | \$619,349.00 | \$0.00 | 4.793 | 1.572 |
| 08/30/2016 | Bank of Nova Scotia | Negotiable CD | 03/01/2017 | \$925,000.00 | \$924,999.80 | \$924,999.80 | \$0.00 | 0.498 | 1.260 |
| 08/08/2016 | Microsoft | US Corporate | 08/08/2021 | \$250,000.00 | \$249,617.50 | \$249,617.50 | \$0.00 | 4.792 | 1.582 |
| 08/10/2016 | Nissan Auto Receivables Owner | Asset Backed Security | 05/15/2019 | \$595,000.00 | \$594,976.56 | \$594,976.56 | \$0.00 | 1.416 | 1.075 |
| 08/11/2016 | Paccar Financial Corp | US Corporate | 08/11/2021 | \$530,000.00 | \$529,289.80 | \$529,289.80 | \$0.00 | 4.779 | 1.678 |
| 08/18/2016 | FHLMC | Agency | 08/12/2021 | \$1,900,000.00 | \$1,881,855.00 | \$1,881,855.00 | \$0.00 | 4.827 | 1.324 |
| | | | | \$6,670,000.00 | \$6,648,737.16 | \$6,648,737.16 | \$0.00 | | |
| -21- Sale | | | | | | | | | |
| 07/26/2016 | US Treasury | US Treasury | 01/31/2019 | \$1,000,000.00 | \$1,010,433.69 | \$1,011,129.46 | \$695.77 | 2.458 | 0.802 |
| 08/18/2016 | John Deere Owner Trust | Asset Backed Security | 04/15/2020 | \$715,000.00 | \$714,887.46 | \$715,977.54 | \$1,090.08 | 1.913 | 1.292 |
| 08/18/2016 | Nissan Auto Receivables Owner | Asset Backed Security | 05/15/2019 | \$595,000.00 | \$594,976.56 | \$594,930.27 | (\$46.29) | 1.394 | 1.081 |
| 08/18/2016 | Toyota Auto Receivables | Asset Backed Security | 04/15/2020 | \$950,000.00 | \$949,951.46 | \$952,152.34 | \$2,200.88 | 1.918 | 1.185 |
| 08/08/2016 | US Treasury | US Treasury | 11/30/2019 | \$525,000.00 | \$496,291.16 | \$527,951.37 | \$31,660.21 | 3.246 | 0.827 |
| 08/04/2016 | Tennessee Valley Authority | Agency | 07/18/2017 | \$585,000.00 | \$656,277.26 | \$611,781.30 | (\$44,495.96) | 0.939 | 0.685 |
| 08/04/2016 | US Treasury | US Treasury | 05/31/2019 | \$600,000.00 | \$596,228.96 | \$605,716.74 | \$9,487.78 | 2.770 | 0.783 |
| | | | | \$4,970,000.00 | \$5,019,046.55 | \$5,019,639.02 | \$592.47 | | |



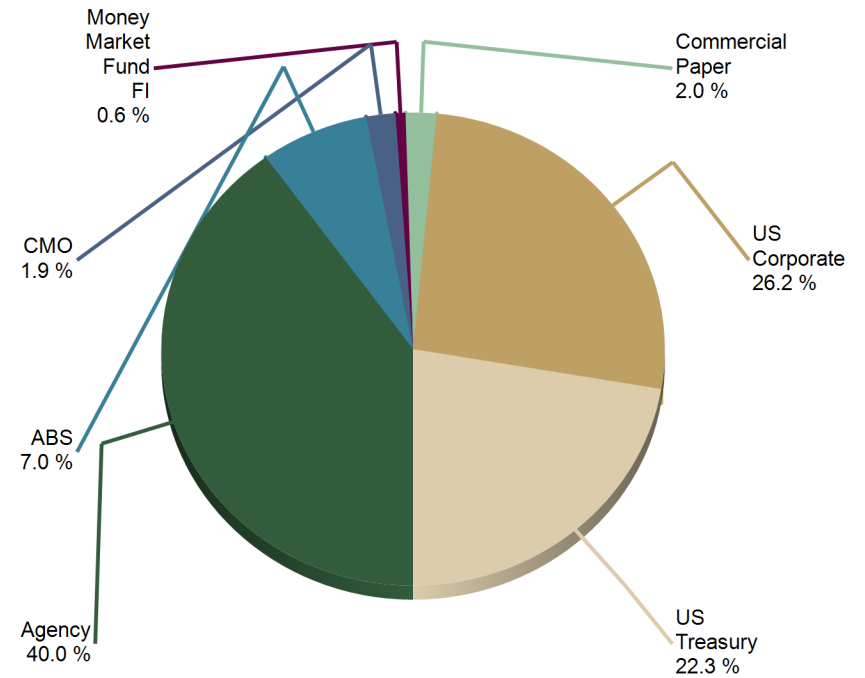
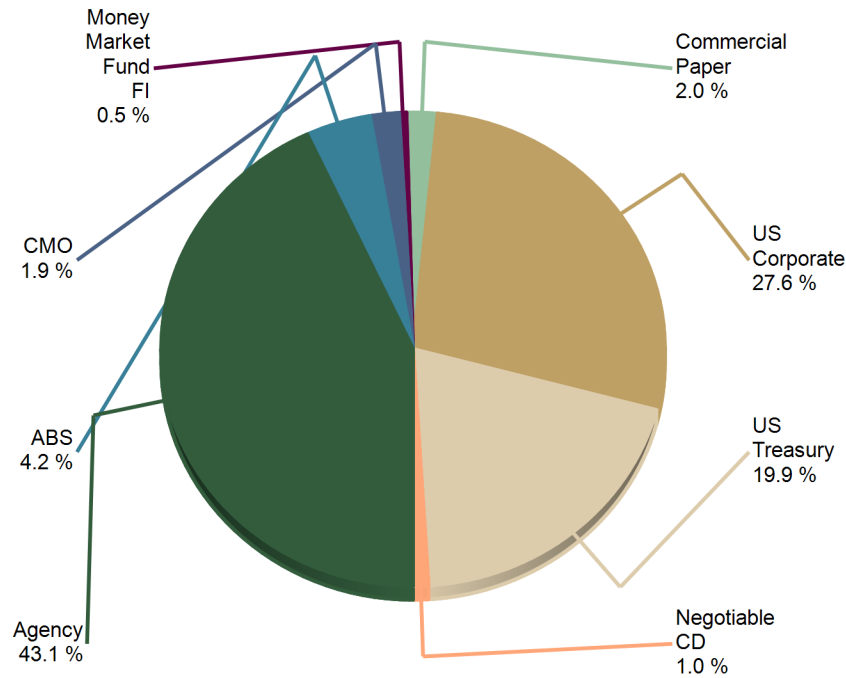
Sector Distribution

Moulton Niguel Water District Operating Reserve

September 30, 2016

June 30, 2016

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The portfolio sector allocation experienced small changes during the reporting period as we increased the allocation to Agency, Corporate and Negotiable CDs securities while reducing the allocation to Treasury and Asset Backed Securities (ABS). We introduced Negotiable CDs into the portfolio to take advantage of an anomaly in the market created by money market fund reform. As prime money market funds incorporated floating net asset values, yields on short-term corporate obligations increased above recent historical norms. We purchased a negotiable CD of a high quality issuer to take advantage of this opportunity and increase the earnings of the portfolio.



Moulton Niguel Water District Operating Reserve Account #40

Issuer Report

As of 9/30/2016

| Issue Name | Investment Type | Avg Mkt Yield | Avg Maturity | % Portfolio |
|---------------------------------------|------------------|---------------|--------------|-------------|
| Government of United States | US Treasury | 1.21% | 5.19 | 19.88 % |
| Federal Home Loan Mortgage Corp | Agency | 1.12% | 3.76 | 11.60 % |
| Federal Home Loan Bank | Agency | 1.25% | 4.45 | 11.43 % |
| Federal National Mortgage Association | Agency | 1.25% | 4.69 | 11.00 % |
| Tennessee Valley Authority | Agency | 1.27% | 4.16 | 7.08 % |
| Bank of Tokyo-Mit UFJ | Commercial Paper | 0.75% | 0.07 | 1.99 % |
| Federal Farm Credit Bank | Agency | 1.02% | 2.85 | 1.98 % |
| Federal Home Loan Mortgage Corp | CMO | 1.22% | 1.90 | 1.85 % |
| General Electric Co | US Corporate | 1.09% | 0.57 | 1.84 % |
| Paccar Financial | US Corporate | 1.31% | 2.53 | 1.74 % |
| Honda Motor Corporation | US Corporate | 1.23% | 2.03 | 1.73 % |
| ChevronTexaco Corp | US Corporate | 1.17% | 1.54 | 1.63 % |
| John Deere ABS | ABS | 1.04% | 1.88 | 1.54 % |
| Qualcomm Inc | US Corporate | 1.65% | 3.64 | 1.45 % |
| State Street Bank | US Corporate | 1.78% | 4.64 | 1.34 % |
| Exxon Mobil Corp | US Corporate | 1.71% | 4.42 | 1.33 % |
| Apple Inc | US Corporate | 1.09% | 1.59 | 1.32 % |
| JP Morgan ABS | ABS | 1.10% | 3.54 | 1.31 % |
| US Bancorp | US Corporate | 1.32% | 2.13 | 1.30 % |
| Bank of New York | US Corporate | 1.45% | 2.95 | 1.29 % |
| Cisco Systems | US Corporate | 1.30% | 2.42 | 1.29 % |
| Toyota Motor Corp | US Corporate | 1.35% | 2.30 | 1.29 % |
| JP Morgan Chase & Co | US Corporate | 1.62% | 2.33 | 1.29 % |
| Intel Corp | US Corporate | 1.09% | 1.21 | 1.27 % |
| Charles Schwab Corp/The | US Corporate | 1.23% | 1.44 | 1.27 % |
| Deere & Company | US Corporate | 1.17% | 2.20 | 1.26 % |
| Berkshire Hathaway | US Corporate | 1.52% | 4.46 | 1.13 % |
| Honda ABS | ABS | 0.95% | 1.60 | 1.04 % |
| Pepsico Inc | US Corporate | 1.40% | 3.58 | 1.04 % |
| Bank of Nova Scotia | Negotiable CD | 1.26% | 0.42 | 0.97 % |
| Microsoft | US Corporate | 1.64% | 4.86 | 0.91 % |
| Wal-Mart Stores | US Corporate | 0.98% | 1.53 | 0.89 % |
| HSBC USA Corp | US Corporate | 1.58% | 1.30 | 0.83 % |



Moulton Niguel Water District Operating Reserve
Account #40

Issuer Report

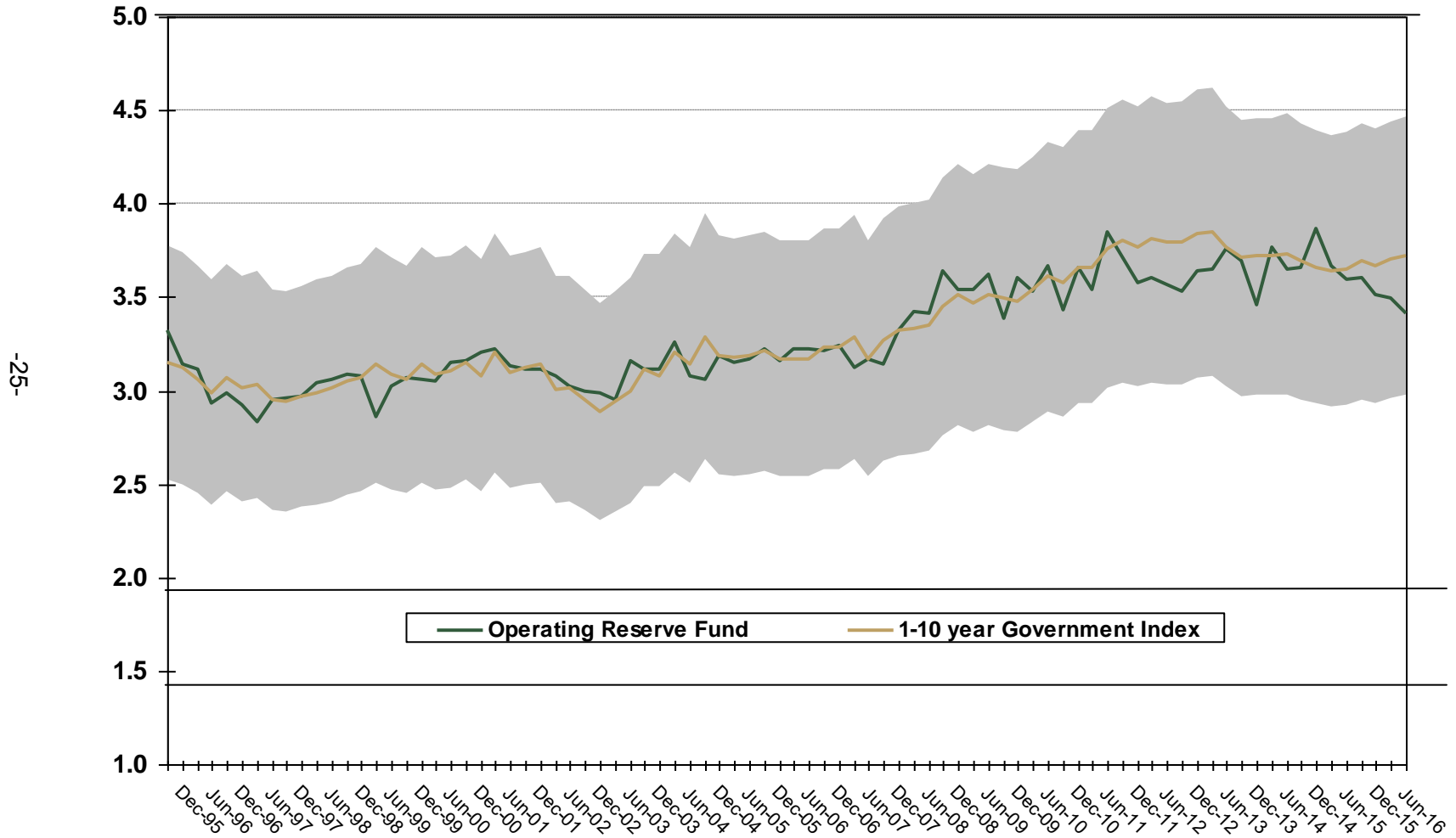
As of 9/30/2016

| Issue Name | Investment Type | Avg Mkt Yield | Avg Maturity | % Portfolio |
|--|----------------------|---------------|--------------|-----------------|
| Wells Fargo Adv Govt Money Market Fund | Money Market Fund FI | 0.14% | 0.00 | 0.47 % |
| Toyota ABS | ABS | 0.96% | 1.21 | 0.28 % |
| United Technology Corp | US Corporate | 1.08% | 0.67 | 0.12 % |
| Total | | 1.23% | 3.66 | 100.00 % |



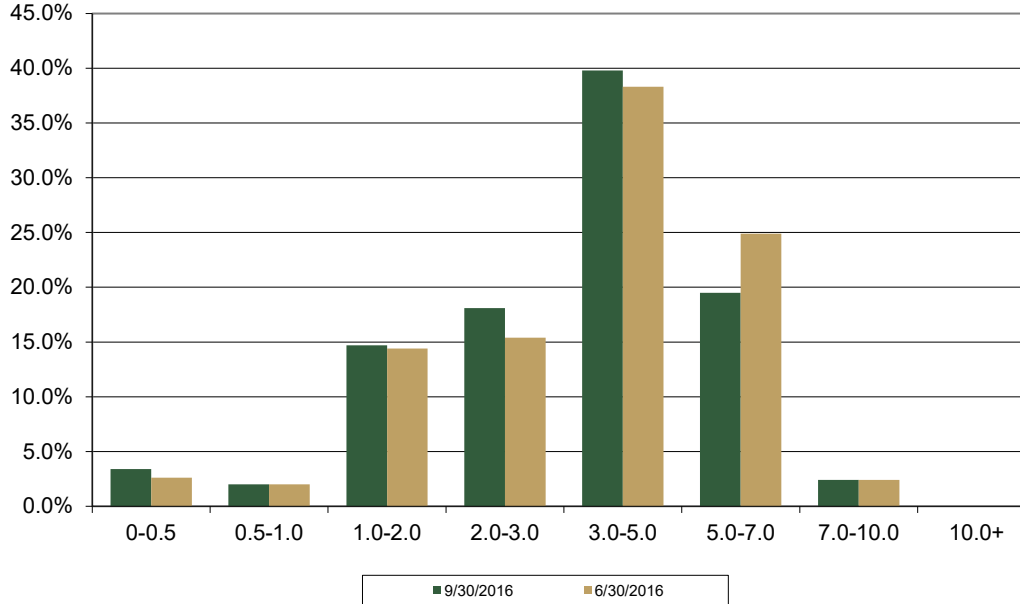
Exposure to Market Risk

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





Operating Reserve Fund September 30, 2016 vs. June 30, 2016



| | 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+ |
|-----------|-------|---------|---------|---------|---------|---------|----------|-------|
| 9/30/2016 | 3.4% | 2.0% | 14.7% | 18.1% | 39.8% | 19.5% | 2.4% | 0.0% |
| 6/30/2016 | 2.6% | 2.0% | 14.4% | 15.4% | 38.3% | 24.9% | 2.4% | 0.0% |

Financial markets are likely to remain volatile as the election draws near and the Federal Reserve continues to convey the message that an increase in the federal funds rate is still on the table for later this year at its December 2016 meeting. The financial markets are factoring in potentially one 0.25% increase in the federal funds rate this year, but the hurdle rate is high for additional increases in the near term. We anticipate keeping the duration close to the benchmark in the coming quarter while incorporating upcoming cash flows related to capital improvement projects into the overall term structure of the portfolio.



Investment Performance

Moulton Niguel Water District Operating Reserve

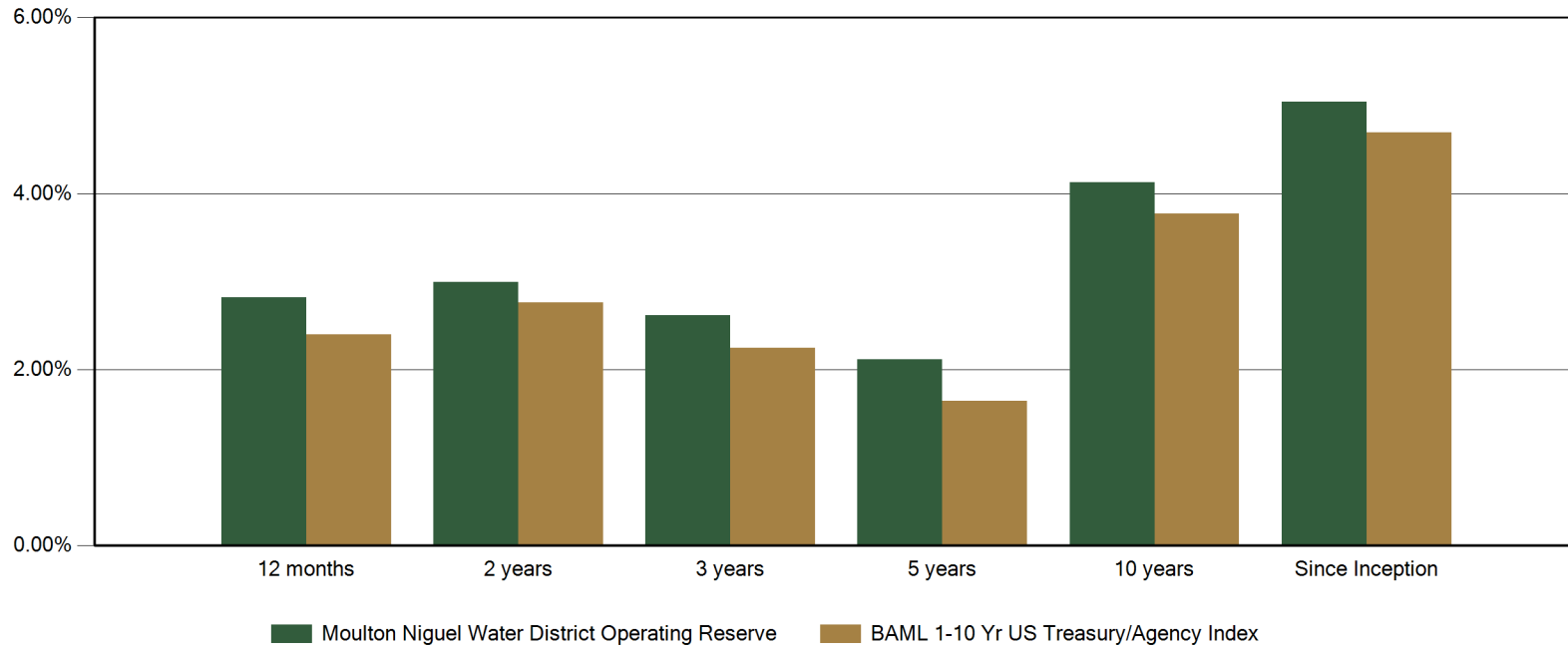
Period Ending

September 30, 2016

Total Rate of Return

Annualized Since Inception

September 30, 1995



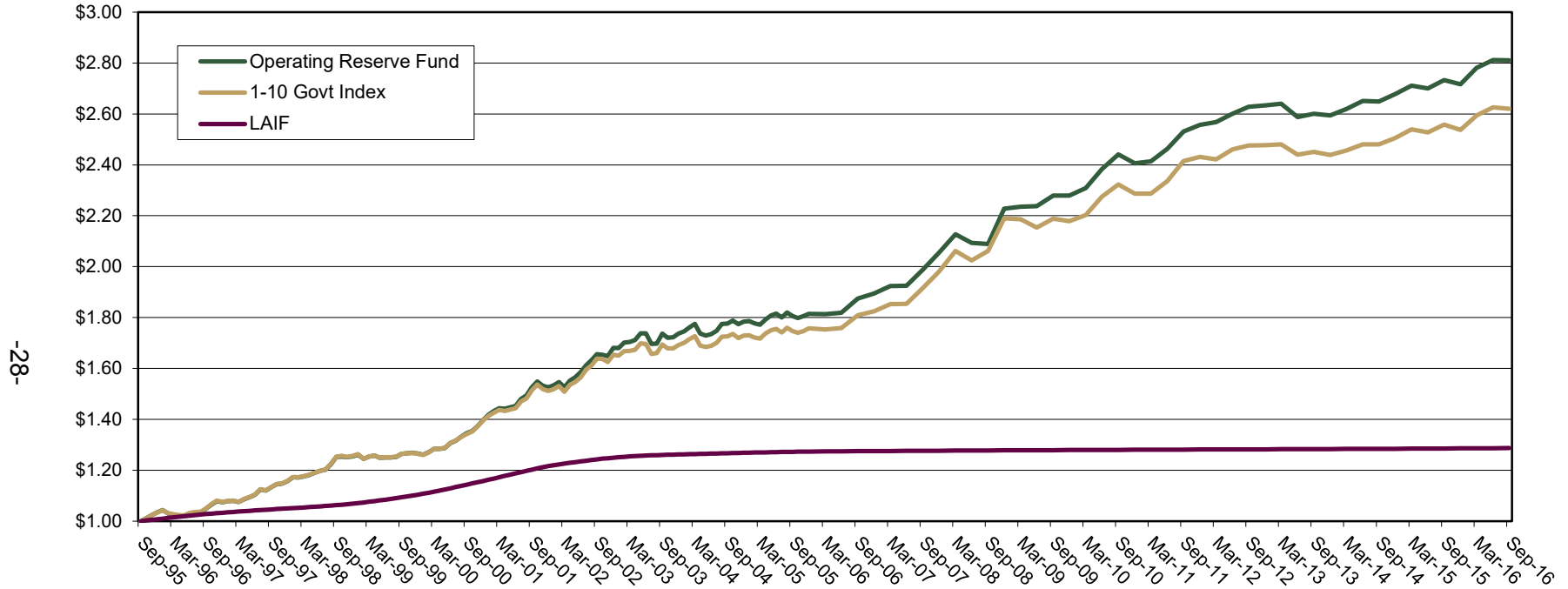
-27-

| | 3 months | 12 months | Annualized | | | | |
|---|----------|-----------|------------|---------|---------|----------|-----------------|
| | | | 2 years | 3 years | 5 years | 10 years | Since Inception |
| Moulton Niguel Water District Operating Reserve | -0.06 % | 2.82 % | 2.99 % | 2.62 % | 2.11 % | 4.13 % | 5.04 % |
| BAML 1-10 Yr US Treasury/Agency Index | -0.24 % | 2.40 % | 2.77 % | 2.25 % | 1.65 % | 3.77 % | 4.69 % |

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.



Operating Reserve Fund Growth of \$1 Million



Historical return on \$1 million invested in September 1995

Operating Reserve Fund
1-10 Govt Index
LAIF

| 9/30/2016 | Return |
|-------------|--------|
| \$2,810,319 | 5.04% |
| \$2,619,912 | 4.69% |
| \$1,286,802 | 1.21% |



SECTION 3

Portfolio Holdings



Holdings Report

As of 9/30/16

| 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 |
|--|---|---------------------|-----------------------------|--|----------------------|---|--------------------------------|-----------------------------|----------------------------|
| LAIF | | | | | | | | | |
| 90LAIF\$00 | Local Agency Investment Fund State Pool | 6,384,401.86 | Various 0.63 % | 6,384,401.86 6,384,401.86 | 1.00 0.63 % | 6,384,401.86 19,511.50 | 100.00 % 0.00 | NR / NR NR | 0.00 0.00 |
| Total LAIF | | 6,384,401.86 | 0.63 % | 6,384,401.86 6,384,401.86 | 0.63 % | 6,384,401.86 19,511.50 | 100.00 % 0.00 | NR / NR NR | 0.00 0.00 |
| TOTAL PORTFOLIO | | 6,384,401.86 | 0.63 % | 6,384,401.86 6,384,401.86 | 0.63 % | 6,384,401.86 19,511.50 | 100.00 % 0.00 | NR / NR NR | 0.00 0.00 |
| TOTAL MARKET VALUE PLUS ACCRUED | | | | | | 6,403,913.36 | | | |



| 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 |
|-----------------------------------|---|---------------------|-----------------------------|--------------------------|----------------------|---|--------------------------------------|--------------------------------|----------------------------|
| ABS | | | | | | | | | |
| 89231TAB6 | Toyota Auto Receivables Owner 2015-C 0.92% Due 2/15/2018 | 93,490.69 | 08/18/2015 0.93 % | 93,483.17 93,483.17 | 99.99 0.97 % | 93,480.03 38.23 | 0.77 % (3.14) | Aaa / AAA NR | 1.38 0.23 |
| 89236WAC2 | Toyota Auto Receivables Owner 2015-A 1.12% Due 2/15/2019 | 285,000.00 | 02/24/2015 1.13 % | 284,956.91 284,956.91 | 100.07 1.01 % | 285,206.91 141.87 | 2.35 % 250.00 | Aaa / AAA NR | 2.38 0.64 |
| 43813NAC0 | Honda Auto Receivables 2015-2 A3 1.04% Due 2/21/2019 | 350,000.00 | 05/13/2015 1.05 % | 349,946.28 349,946.28 | 100.04 0.99 % | 350,134.05 101.11 | 2.89 % 187.77 | NR / AAA AAA | 2.39 0.75 |
| Total ABS | | 728,490.69 | 1.07 % | 728,386.36 | 1.00 % | 728,820.99 281.21 | 6.01 % 434.63 | Aaa / AAA Aaa | 2.26 0.64 |
| AGENCY | | | | | | | | | |
| 3137EADS5 | FHLMC Note 0.875% Due 10/14/2016 | 625,000.00 | 03/04/2015 0.59 % | 627,881.25 627,881.25 | 100.02 0.43 % | 625,108.13 2,536.89 | 5.17 % (2,773.12) | Aaa / AA+ AAA | 0.04 0.04 |
| 3130A3J70 | FHLB Note 0.625% Due 11/23/2016 | 610,000.00 | 03/09/2015 0.65 % | 609,725.50 609,725.50 | 100.05 0.31 % | 610,280.60 1,355.56 | 5.04 % 555.10 | Aaa / AA+ AAA | 0.15 0.15 |
| 3137EADU0 | FHLMC Note 0.5% Due 1/27/2017 | 625,000.00 | 02/26/2015 0.64 % | 623,343.75 623,343.75 | 100.03 0.40 % | 625,193.13 555.56 | 5.16 % 1,849.38 | Aaa / AA+ AAA | 0.33 0.32 |
| 3135G0ZB2 | FNMA Note 0.75% Due 4/20/2017 | 625,000.00 | 02/26/2015 0.73 % | 625,206.25 625,206.25 | 100.12 0.53 % | 625,761.88 2,096.35 | 5.18 % 555.63 | Aaa / AA+ AAA | 0.55 0.55 |
| 31359M7X5 | FNMA Note 5% Due 5/11/2017 | 550,000.00 | 12/31/2009 3.68 % | 596,309.45 596,309.45 | 102.70 0.59 % | 564,835.70 10,694.44 | 4.74 % (31,473.75) | Aaa / AA+ AAA | 0.61 0.60 |
| 3130A4GJ5 | FHLB Note 1.125% Due 4/25/2018 | 610,000.00 | 07/31/2015 0.94 % | 613,078.67 613,078.67 | 100.49 0.81 % | 612,964.60 2,973.75 | 5.08 % (114.07) | Aaa / AA+ AAA | 1.57 1.55 |
| 3135G0WJ8 | FNMA Note 0.875% Due 5/21/2018 | 340,000.00 | 04/11/2013 0.92 % | 339,272.40 339,272.40 | 100.09 0.82 % | 340,301.92 1,074.31 | 2.81 % 1,029.52 | Aaa / AA+ AAA | 1.64 1.62 |
| 3137EADK2 | FHLMC Note 1.25% Due 8/1/2019 | 250,000.00 | 01/04/2013 1.35 % | 248,450.00 248,450.00 | 100.73 0.99 % | 251,814.50 520.83 | 2.08 % 3,364.50 | Aaa / AA+ AAA | 2.84 2.78 |
| 3133X8AS1 | FHLB Note 5.125% Due 8/15/2019 | 300,000.00 | 06/07/2011 3.02 % | 345,579.00 345,579.00 | 111.54 1.04 % | 334,634.40 1,964.58 | 2.77 % (10,944.60) | Aaa / AA+ AAA | 2.87 2.69 |
| Total Agency | | 4,535,000.00 | 1.31 % | 4,628,846.27 | 0.60 % | 4,590,894.86 23,772.27 | 38.04 % (37,951.41) | Aaa / AA+ Aaa | 0.92 0.89 |
| MONEY MARKET FUND FI | | | | | | | | | |
| 94975J466 | Wells Fargo Advantage Government MMF | 648,665.77 | Various 0.14 % | 648,665.77 648,665.77 | 1.00 0.14 % | 648,665.77 0.00 | 5.35 % 0.00 | Aaa / AAA AAA | 0.00 0.00 |
| Total Money Market Fund FI | | 648,665.77 | 0.14 % | 648,665.77 | 0.14 % | 648,665.77 0.00 | 5.35 % 0.00 | Aaa / AAA Aaa | 0.00 0.00 |
| US CORPORATE | | | | | | | | | |
| 009158AS5 | Air Products & Chemicals Note 1.2% Due 10/15/2017 | 300,000.00 | 03/03/2015 1.28 % | 299,379.00 299,379.00 | 100.08 1.13 % | 300,230.70 1,660.00 | 2.49 % 851.70 | A2 / A NR | 1.04 1 |



| 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 | | | | | | | | | |
| 458140AL4 | Intel Corp Note 1.35% Due 12/15/2017 | 370,000.00 | 12/12/2012 1.28 % | 371,195.10 371,195.10 | 100.31 1.09 % | 371,155.14 1,470.75 | 3.07 % (39.96) | A1 / A+ A+ | 1.21 1.19 |
| 94974BFG0 | Wells Fargo Corp Note 1.5% Due 1/16/2018 | 400,000.00 | 02/23/2015 1.47 % | 400,372.00 400,372.00 | 100.13 1.40 % | 400,509.20 1,250.00 | 3.31 % 137.20 | A2 / A AA- | 1.30 1.27 |
| 166764AV2 | Chevron Corp Note 1.365% Due 3/2/2018 | 400,000.00 | 02/24/2015 1.37 % | 400,000.00 400,000.00 | 100.18 1.24 % | 400,704.80 439.83 | 3.31 % 704.80 | Aa2 / AA- NR | 1.42 1.40 |
| 808513AK1 | Charles Schwab Corp Callable Note Cont 2/10/2018 1.5% Due 3/10/2018 | 430,000.00 | Various 1.48 % | 430,191.20 430,191.20 | 100.36 1.23 % | 431,565.63 376.25 | 3.56 % 1,374.43 | A2 / A A | 1.44 1.34 |
| 747525AG8 | Qualcomm Inc Note 1.4% Due 5/18/2018 | 460,000.00 | Various 1.45 % | 459,275.60 459,275.60 | 100.16 1.30 % | 460,734.16 2,343.44 | 3.82 % 1,458.56 | A1 / A+ NR | 1.63 1.60 |
| 36962G7G3 | General Electric Capital Corp Note 2.3% Due 1/14/2019 | 380,000.00 | 07/31/2015 1.82 % | 386,087.60 386,087.60 | 102.49 1.20 % | 389,448.70 1,869.39 | 3.23 % 3,361.10 | A1 / AA- AA- | 2.29 2.22 |
| 06406HCW7 | Bank of New York Callable Note Cont 8/11/2019 2.3% Due 9/11/2019 | 450,000.00 | 11/19/2014 2.25 % | 451,017.00 451,017.00 | 102.37 1.45 % | 460,672.20 575.00 | 3.80 % 9,655.20 | A1 / A AA- | 2.95 2.77 |
| Total US Corporate | | 3,190,000.00 | 1.57 % | 3,197,517.50 3,197,517.50 | 1.26 % | 3,215,020.53 9,984.66 | 26.59 % 17,503.03 | A1 / A+ A+ | 1.70 1.64 |
| US TREASURY | | | | | | | | | |
| 912828G46 | US Treasury Note 0.5% Due 11/30/2016 | 600,000.00 | 02/19/2015 0.56 % | 599,322.32 599,322.32 | 100.05 0.20 % | 600,294.60 1,008.20 | 4.96 % 972.28 | Aaa / AA+ AAA | 0.17 0.17 |
| 912828H78 | US Treasury Note 0.5% Due 1/31/2017 | 600,000.00 | 02/19/2015 0.62 % | 598,619.20 598,619.20 | 100.06 0.32 % | 600,351.00 505.43 | 4.95 % 1,731.80 | Aaa / AA+ AAA | 0.34 0.33 |
| 912828SS0 | US Treasury Note 0.875% Due 4/30/2017 | 600,000.00 | 02/19/2015 0.74 % | 601,806.70 601,806.70 | 100.20 0.54 % | 601,183.80 2,197.01 | 4.97 % (622.90) | Aaa / AA+ AAA | 0.58 0.58 |
| 912828XK1 | US Treasury Note 0.875% Due 7/15/2018 | 625,000.00 | 07/31/2015 0.98 % | 623,024.56 623,024.56 | 100.18 0.77 % | 626,147.50 1,159.14 | 5.17 % 3,122.94 | Aaa / AA+ AAA | 1.79 1.77 |
| 912828SX9 | US Treasury Note 1.125% Due 5/31/2019 | 475,000.00 | 01/30/2013 1.23 % | 472,014.60 472,014.60 | 100.74 0.84 % | 478,525.45 1,795.85 | 3.96 % 6,510.85 | Aaa / AA+ AAA | 2.67 2.61 |
| Total US Treasury | | 2,900,000.00 | 0.81 % | 2,894,787.38 2,894,787.38 | 0.53 % | 2,906,502.35 6,665.63 | 24.02 % 11,714.97 | Aaa / AA+ Aaa | 1.05 1.04 |
| TOTAL PORTFOLIO | | 12,002,156.46 | 1.18 % | 12,098,203.28 12,098,203.28 | 0.76 % | 12,089,904.50 40,703.77 | 100.00 % (8,298.78) | Aa1 / AA Aaa | 1.19 1.06 |
| TOTAL MARKET VALUE PLUS ACCRUED | | | | | | 12,130,608.27 | | | |



| 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 |
|------------------|--|---------------------|-----------------------------|--|----------------------|--|----------------------------------|--------------------------------|----------------------------|
| ABS | | | | | | | | | |
| 477879AC4 | John Deere Owner Trust 2013-B A3 0.87% Due 8/15/2017 | 9,388.20 | 08/27/2013 0.88 % | 9,386.92 9,386.92 | 99.99 0.87 % | 9,387.41 3.63 | 0.01 % 0.49 | Aaa / NR AAA | 0.87 0.02 |
| 89231MAC9 | Toyota Auto Receivables Owner 2014-A 0.67% Due 12/15/2017 | 261,980.41 | 03/11/2014 0.69 % | 261,932.00 261,932.00 | 99.95 0.96 % | 261,838.42 78.01 | 0.28 % (93.58) | Aaa / AAA NR | 1.21 0.18 |
| 43814GAC4 | Honda Auto Receivables 2014-2 A3 0.77% Due 3/19/2018 | 424,825.92 | 05/13/2014 0.78 % | 424,774.86 424,774.86 | 99.94 0.95 % | 424,576.97 118.13 | 0.45 % (197.89) | Aaa / AAA NR | 1.47 0.34 |
| 47787VAC5 | John Deere Owner Trust 2014-A A3 0.92% Due 4/16/2018 | 590,416.66 | 04/02/2014 0.93 % | 590,322.08 590,322.08 | 99.94 1.11 % | 590,074.81 241.41 | 0.62 % (247.27) | Aaa / NR AAA | 1.54 0.31 |
| 43814HAC2 | Honda Auto Receivables 2014-3 A3 0.88% Due 6/15/2018 | 567,790.20 | 08/12/2014 0.89 % | 567,680.68 567,680.68 | 99.97 0.95 % | 567,630.65 222.07 | 0.60 % (50.03) | NR / AAA AAA | 1.71 0.39 |
| 477877AD6 | John Deere Owner Trust 2014-B A3 1.07% Due 11/15/2018 | 864,481.92 | Various 1.08 % | 864,252.10 864,252.10 | 100.04 0.99 % | 864,846.73 411.11 | 0.91 % 594.63 | Aaa / NR AAA | 2.13 0.48 |
| 161571GY4 | Chase CHAIT Pool #2015-A5 1.36% Due 4/15/2020 | 1,240,000.00 | 04/30/2015 1.37 % | 1,239,781.51 1,239,781.51 | 100.39 1.10 % | 1,244,875.68 749.51 | 1.31 % 5,094.17 | NR / AAA AAA | 3.54 1.50 |
| Total ABS | | 3,958,883.31 | 1.06 % | 3,958,130.15 3,958,130.15 | 1.03 % | 3,963,230.67 1,823.87 | 4.17 % 5,100.52 | Aaa / AAA Aaa | 2.29 0.73 |

| | | | | | | | | | |
|---------------|---|--------------|----------------------|------------------------------|------------------|---------------------------|------------------------|------------------|--------------|
| 3 ENCY | | | | | | | | | |
| 33591CU4 | Tennessee Valley Authority Note 6.25% Due 12/15/2017 | 1,590,000.00 | Various 4.15 % | 1,827,006.80 1,827,006.80 | 106.46 0.87 % | 1,692,663.12 29,260.41 | 1.81 % (134,343.68) | NR / AA+ AAA | 1.21 1.16 |
| 31331YF21 | FFCB Note 4.25% Due 4/16/2018 | 650,000.00 | 07/15/2010 2.98 % | 706,634.50 706,634.50 | 105.19 0.86 % | 683,731.75 12,661.46 | 0.73 % (22,902.75) | Aaa / AA+ AAA | 1.54 1.48 |
| 3137EADG1 | FHLMC Note 1.75% Due 5/30/2019 | 1,900,000.00 | 04/27/2012 1.66 % | 1,911,149.20 1,911,149.20 | 102.09 0.95 % | 1,939,673.90 11,175.69 | 2.05 % 28,524.70 | Aaa / AA+ AAA | 2.66 2.59 |
| 3137EADK2 | FHLMC Note 1.25% Due 8/1/2019 | 2,000,000.00 | Various 1.49 % | 1,970,964.80 1,970,964.80 | 100.73 0.99 % | 2,014,516.00 4,166.66 | 2.12 % 43,551.20 | Aaa / AA+ AAA | 2.84 2.78 |
| 3133X8AS1 | FHLB Note 5.125% Due 8/15/2019 | 1,700,000.00 | 06/07/2011 3.02 % | 1,958,281.00 1,958,281.00 | 111.54 1.04 % | 1,896,261.60 11,132.64 | 2.01 % (62,019.40) | Aaa / AA+ AAA | 2.87 2.69 |
| 3137EADM8 | FHLMC Note 1.25% Due 10/2/2019 | 1,425,000.00 | Various 1.60 % | 1,396,312.75 1,396,312.75 | 100.71 1.01 % | 1,435,060.50 8,856.77 | 1.52 % 38,747.75 | Aaa / AA+ AAA | 3.01 2.93 |
| 3135G0ZY2 | FNMA Note 1.75% Due 11/26/2019 | 1,575,000.00 | 12/23/2014 1.83 % | 1,568,841.75 1,568,841.75 | 102.23 1.03 % | 1,610,176.05 9,570.31 | 1.70 % 41,334.30 | Aaa / AA+ AAA | 3.16 3.05 |
| 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 | 101.09 1.07 % | 1,592,093.48 9,023.44 | 1.69 % 88,110.23 | Aaa / AA+ AAA | 3.59 3.47 |
| 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 | 101.10 1.11 % | 1,177,828.98 6,341.48 | 1.25 % 29,267.13 | Aaa / AA+ AAA | 3.62 3.50 |
| 3135G0F73 | FNMA Note 1.5% Due 11/30/2020 | 1,900,000.00 | 10/28/2015 1.57 % | 1,893,464.00 1,893,464.00 | 101.35 1.17 % | 1,925,568.30 9,579.17 | 2.04 % 32,104.30 | Aaa / AA+ AAA | 4.17 4.01 |
| 3133XDVS7 | FHLB Note 5.25% Due 12/11/2020 | 1,825,000.00 | 07/07/2011 3.54 % | 2,073,346.00 2,073,346.00 | 116.39 1.23 % | 2,124,049.98 29,276.04 | 2.27 % 50,703.98 | Aaa / AA+ AAA | 4.20 3.78 |



| 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 |
|-------------------------------|--|----------------------|-----------------------------|--|----------------------|---|-------------------------------------|--------------------------------|----------------------------|
| AGENCY | | | | | | | | | |
| 3135G0H55 | FNMA Note 1.875% Due 12/28/2020 | 1,665,000.00 | 11/13/2015 1.88 % | 1,664,850.15 1,664,850.15 | 102.81 1.19 % | 1,711,749.87 8,064.84 | 1.81 % 46,899.72 | Aaa / AA+ AAA | 4.25 4.06 |
| 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 | 110.93 1.30 % | 2,351,701.16 10,496.94 | 2.49 % 230,089.96 | Aaa / AA+ AAA | 4.38 4.04 |
| 3130A7CV5 | FHLB Note 1.375% Due 2/18/2021 | 1,580,000.00 | 02/17/2016 1.46 % | 1,573,616.80 1,573,616.80 | 100.61 1.23 % | 1,589,590.60 2,594.93 | 1.68 % 15,973.80 | Aaa / AA+ AAA | 4.39 4.24 |
| 3135G0J20 | FNMA Note 1.375% Due 2/26/2021 | 1,800,000.00 | 04/21/2016 1.45 % | 1,793,466.00 1,793,466.00 | 100.66 1.22 % | 1,811,871.00 2,406.25 | 1.91 % 18,405.00 | Aaa / AA+ AAA | 4.41 4.26 |
| 3135G0K69 | FNMA Note 1.25% Due 5/6/2021 | 1,850,000.00 | 07/22/2016 1.27 % | 1,848,649.50 1,848,649.50 | 99.92 1.27 % | 1,848,501.50 8,671.88 | 1.95 % (148.00) | Aaa / AA+ AAA | 4.60 4.44 |
| 3133752P1 | FHLB Note 3.5% Due 7/29/2021 | 2,925,000.00 | 08/03/2011 3.19 % | 3,003,185.25 3,003,185.25 | 110.31 1.29 % | 3,226,514.85 17,631.25 | 3.41 % 223,329.60 | Aaa / AA+ AAA | 4.83 4.45 |
| 3137EAEC9 | FHLMC Note 1.125% Due 8/12/2021 | 1,900,000.00 | 08/16/2016 1.32 % | 1,881,855.00 1,881,855.00 | 99.10 1.32 % | 1,882,869.60 2,909.38 | 1.98 % 1,014.60 | Aaa / AA+ AAA | 4.87 4.71 |
| 3137EADB2 | FHLMC Note 2.375% Due 1/13/2022 | 2,000,000.00 | 01/27/2016 1.78 % | 2,066,660.00 2,066,660.00 | 105.30 1.33 % | 2,106,076.00 10,291.67 | 2.23 % 39,416.00 | Aaa / AA+ AAA | 5.29 4.95 |
| 3130A5P45 | FHLB Note 2.375% Due 6/10/2022 | 1,850,000.00 | 07/24/2015 2.31 % | 1,857,751.50 1,857,751.50 | 105.26 1.41 % | 1,947,260.05 13,547.40 | 2.06 % 89,508.55 | Aaa / AA+ AAA | 5.70 5.30 |
| 313591EN8 | 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 | 102.01 1.52 % | 2,637,023.13 6,193.23 | 2.78 % 86,262.33 | Aaa / AA+ AAA | 5.88 5.54 |
| 3135G0ZR7 | FNMA Note 2.625% Due 9/6/2024 | 1,400,000.00 | 10/29/2014 2.68 % | 1,393,896.00 1,393,896.00 | 107.05 1.67 % | 1,498,736.40 2,552.08 | 1.58 % 104,840.40 | Aaa / AA+ AAA | 7.94 7.17 |
| Total Agency | | 38,980,000.00 | 2.26 % | 39,714,848.10 39,714,848.10 | 1.21 % | 40,703,517.82 226,403.92 | 43.08 % 988,669.72 | Aaa / AA+ Aaa | 4.20 3.97 |
| CMO | | | | | | | | | |
| 3137AH6Q6 | FHLMC K704 A2 2.412% Due 8/25/2018 | 1,728,613.68 | 03/06/2014 1.68 % | 1,781,687.53 1,781,687.53 | 101.86 1.22 % | 1,760,772.81 694.90 | 1.85 % (20,914.72) | Aaa / NR AAA | 1.90 1.67 |
| Total CMO | | 1,728,613.68 | 1.68 % | 1,781,687.53 1,781,687.53 | 1.22 % | 1,760,772.81 694.90 | 1.85 % (20,914.72) | Aaa / NR Aaa | 1.90 1.67 |
| COMMERCIAL PAPER | | | | | | | | | |
| 06538BKS1 | Bank of Tokyo Mitsubishi NY Discount CP 0.74% Due 10/26/2016 | 1,890,000.00 | 06/27/2016 0.75 % | 1,885,337.99 1,889,028.75 | 99.95 0.75 % | 1,889,028.75 0.00 | 1.99 % 0.00 | P-1 / A-1 F-1 | 0.07 0.07 |
| Total Commercial Paper | | 1,890,000.00 | 0.75 % | 1,885,337.99 1,889,028.75 | 0.75 % | 1,889,028.75 0.00 | 1.99 % 0.00 | P-1 / A-1 F-1 | 0.07 0.07 |



| 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 |
|-----------------------------------|---|-------------------|-----------------------------|--|----------------------|--------------------------------------|------------------------------|---------------------------------|----------------------------|
| MONEY MARKET FUND FI | | | | | | | | | |
| 94975J466 | Wells Fargo Advantage Government MMF | 444,689.79 | Various 0.14 % | 444,689.79 444,689.79 | 1.00 0.14 % | 444,689.79 0.00 | 0.47 % 0.00 | Aaa / AAA AAA | 0.00 0.00 |
| Total Money Market Fund FI | | 444,689.79 | 0.14 % | 444,689.79 444,689.79 | 0.14 % | 444,689.79 0.00 | 0.47 % 0.00 | Aaa / AAA Aaa | 0.00 0.00 |
| NEGOTIABLE CD | | | | | | | | | |
| 06417GNP9 | Bank of Nova Scotia Yankee CD 1.26% Due 3/1/2017 | 925,000.00 | 08/29/2016 1.26 % | 924,999.80 924,999.80 | 100.00 1.26 % | 924,999.80 1,068.38 | 0.97 % 0.00 | P-1 / A-1 F-1+ | 0.42 0.41 |
| Total Negotiable CD | | 925,000.00 | 1.26 % | 924,999.80 924,999.80 | 1.26 % | 924,999.80 1,068.38 | 0.97 % 0.00 | P-1 / A-1 F-1+ | 0.42 0.41 |
| US CORPORATE | | | | | | | | | |
| 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 | 100.69 1.09 % | 1,731,855.96 16,922.89 | 1.84 % (47,019.64) | A1 / AA- AA- | 0.57 0.57 |
| 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 | 100.48 1.08 % | 115,553.38 690.00 | 0.12 % 652.28 | A3 / A- A- | 0.67 0.66 |
| -35- 764AA8 | 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 | 99.93 1.17 % | 534,610.52 1,903.18 | 0.56 % 1,401.77 | Aa2 / AA- NR | 1.18 1.08 |
| 458140AL4 | Intel Corp Note 1.35% Due 12/15/2017 | 1,200,000.00 | Various 1.30 % | 1,202,843.20 1,202,843.20 | 100.31 1.09 % | 1,203,746.40 4,770.01 | 1.27 % 903.20 | A1 / A+ A+ | 1.21 1.19 |
| 40428HPH9 | HSBC USA Inc Note 1.625% Due 1/16/2018 | 790,000.00 | 08/21/2015 1.75 % | 787,677.40 787,677.40 | 100.05 1.58 % | 790,432.13 2,674.48 | 0.83 % 2,754.73 | A2 / A AA- | 1.30 1.27 |
| 69371RM45 | Paccar Financial Corp Note 1.45% Due 3/9/2018 | 1,115,000.00 | 03/03/2015 1.48 % | 1,113,951.90 1,113,951.90 | 100.52 1.09 % | 1,120,803.58 988.01 | 1.18 % 6,851.68 | A1 / A+ NR | 1.44 1.42 |
| 808513AK1 | Charles Schwab Corp Callable Note Cont 2/10/2018 1.5% Due 3/10/2018 | 1,200,000.00 | 03/12/2015 1.50 % | 1,200,072.00 1,200,072.00 | 100.36 1.23 % | 1,204,369.20 1,050.00 | 1.27 % 4,297.20 | A2 / A A | 1.44 1.34 |
| 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 | 100.21 0.98 % | 841,802.64 4,462.50 | 0.89 % 2,575.44 | Aa2 / AA AA | 1.53 1.51 |
| 037833AJ9 | Apple Inc Note 1% Due 5/3/2018 | 1,250,000.00 | Various 1.33 % | 1,231,967.50 1,231,967.50 | 99.86 1.09 % | 1,248,257.50 5,138.89 | 1.32 % 16,290.00 | Aa1 / AA+ NR | 1.59 1.57 |
| 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 | 100.88 1.18 % | 1,008,813.00 4,629.06 | 1.07 % 8,343.00 | Aa2 / AA- NR | 1.73 1.62 |
| 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 | 101.79 1.23 % | 1,628,632.00 16,150.00 | 1.73 % 19,400.00 | A1 / A+ NR | 2.03 1.96 |



| 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 | | | | | | | | | |
| 91159HHE3 | US Bancorp Callable Note Cont 10/15/2018 1.95% Due 11/15/2018 | 1,210,000.00 | Various 1.83 % | 1,215,878.85 1,215,878.85 | 101.27 1.32 % | 1,225,370.64 8,913.67 | 1.30 % 9,491.79 | A1 / A+ AA | 2.13 1.98 |
| 24422ESF7 | John Deere Capital Corp Note 1.95% Due 12/13/2018 | 1,170,000.00 | Various 2.00 % | 1,167,143.90 1,167,143.90 | 101.69 1.17 % | 1,189,827.99 6,844.50 | 1.26 % 22,684.09 | A2 / A NR | 2.20 2.14 |
| 89236TBB0 | Toyota Motor Credit Corp Note 2.1% Due 1/17/2019 | 1,200,000.00 | 11/19/2014 2.00 % | 1,204,548.00 1,204,548.00 | 101.68 1.35 % | 1,220,169.60 5,180.00 | 1.29 % 15,621.60 | Aa3 / AA- A | 2.30 2.23 |
| 46625HJR2 | JP Morgan Chase Note 2.35% Due 1/28/2019 | 1,200,000.00 | 04/02/2014 2.32 % | 1,201,392.00 1,201,392.00 | 101.67 1.62 % | 1,219,983.60 4,935.00 | 1.29 % 18,591.60 | A3 / A- A+ | 2.33 2.25 |
| 17275RAR3 | Cisco Systems Note 2.125% Due 3/1/2019 | 1,200,000.00 | Various 2.02 % | 1,205,740.50 1,205,740.50 | 101.96 1.30 % | 1,223,473.20 2,125.00 | 1.29 % 17,732.70 | A1 / AA- NR | 2.42 2.35 |
| 06406HCW7 | Bank of New York Callable Note Cont 8/11/2019 2.3% Due 9/11/2019 | 1,200,000.00 | 11/19/2014 2.25 % | 1,202,712.00 1,202,712.00 | 102.37 1.45 % | 1,228,459.20 1,533.33 | 1.29 % 25,747.20 | A1 / A AA- | 2.95 2.77 |
| 713448CS5 | PepsiCo Inc Callable Note Cont 3/30/2020 1.85% Due 4/30/2020 | 970,000.00 | 04/27/2015 1.86 % | 969,447.10 969,447.10 | 101.53 1.40 % | 984,825.48 7,526.93 | 1.04 % 15,378.38 | A1 / A A | 3.58 3.36 |
| 717525AD5 | Qualcomm Inc Note 2.25% Due 5/20/2020 | 1,340,000.00 | 05/13/2015 2.25 % | 1,340,302.10 1,340,302.10 | 102.11 1.65 % | 1,368,235.14 10,971.26 | 1.45 % 27,933.04 | A1 / A+ NR | 3.64 3.46 |
| 71331GAV4 | Exxon Mobil Corp Callable Note Cont 2/1/2021 2.222% Due 3/1/2021 | 1,230,000.00 | 05/16/2016 1.84 % | 1,251,561.90 1,251,561.90 | 102.18 1.71 % | 1,256,850.90 2,277.55 | 1.33 % 5,289.00 | Aaa / AA+ NR | 4.42 4.19 |
| 084670BQ0 | Berkshire Hathaway Callable Note Cont 2/15/2021 2.2% Due 3/15/2021 | 1,045,000.00 | 03/08/2016 2.25 % | 1,042,784.60 1,042,784.60 | 102.86 1.52 % | 1,074,908.95 1,021.78 | 1.13 % 32,124.35 | Aa2 / AA A+ | 4.46 4.16 |
| 857477AV5 | State Street Bank Note 1.95% Due 5/19/2021 | 1,255,000.00 | 05/18/2016 2.02 % | 1,250,557.30 1,250,557.30 | 100.76 1.78 % | 1,264,580.67 8,973.25 | 1.34 % 14,023.37 | A1 / A AA- | 4.64 4.39 |
| 594918BP8 | Microsoft Callable Note Cont 7/8/21 1.55% Due 8/8/2021 | 870,000.00 | Various 1.57 % | 868,966.50 868,966.50 | 99.59 1.64 % | 866,444.31 1,985.30 | 0.91 % (2,522.19) | Aaa / AAA AA+ | 4.86 4.65 |
| 69371RN44 | Paccar Financial Corp Note 1.65% Due 8/11/2021 | 530,000.00 | 08/04/2016 1.68 % | 529,289.80 529,289.80 | 99.34 1.79 % | 526,491.40 1,214.58 | 0.56 % (2,798.40) | A1 / A+ NR | 4.87 4.64 |
| Total US Corporate | | 25,785,000.00 | 1.80 % | 25,862,751.20 | 1.35 % | 26,078,497.39 | 27.58 % | A1 / A+ AA- | 2.48 |
| US TREASURY | | | | | | | | | |
| 912828SX9 | US Treasury Note 1.125% Due 5/31/2019 | 400,000.00 | 01/30/2013 1.23 % | 397,485.98 397,485.98 | 100.74 0.84 % | 402,968.80 1,512.30 | 0.43 % 5,482.82 | Aaa / AA+ AAA | 2.67 2.61 |
| 912828TH3 | US Treasury Note 0.875% Due 7/31/2019 | 1,100,000.00 | 10/25/2012 1.21 % | 1,075,941.90 1,075,941.90 | 100.02 0.87 % | 1,100,257.40 1,621.60 | 1.16 % 24,315.50 | Aaa / AA+ AAA | 2.83 2.79 |
| 912828UB4 | US Treasury Note 1% Due 11/30/2019 | 1,475,000.00 | Various 1.90 % | 1,396,998.09 1,396,998.09 | 100.20 0.94 % | 1,477,938.20 4,956.96 | 1.56 % 80,940.11 | Aaa / AA+ AAA | 3.17 3.10 |



Holdings Report

As of 9/30/16

| 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 TREASURY | | | | | | | | | |
| 912828PX2 | 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 | 110.63 1.13 % | 1,576,461.83 6,597.40 | 1.67 % 70,798.91 | Aaa / AA+ AAA | 4.38 4.06 |
| 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 | 104.43 1.19 % | 1,723,090.05 4,478.09 | 1.82 % 85,136.19 | Aaa / AA+ AAA | 4.88 4.62 |
| 912828RR3 | US Treasury Note 2% Due 11/15/2021 | 2,000,000.00 | 01/18/2012 1.90 % | 2,017,664.26 2,017,664.26 | 103.90 1.21 % | 2,077,968.00 15,108.70 | 2.20 % 60,303.74 | Aaa / AA+ AAA | 5.13 4.84 |
| 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 | 103.94 1.24 % | 2,104,813.35 5,172.55 | 2.22 % 125,842.36 | Aaa / AA+ AAA | 5.38 5.09 |
| 912828SV3 | US Treasury Note 1.75% Due 5/15/2022 | 2,000,000.00 | 07/29/2013 2.41 % | 1,895,945.50 1,895,945.50 | 102.52 1.28 % | 2,050,390.00 13,220.11 | 2.17 % 154,444.50 | Aaa / AA+ AAA | 5.62 5.32 |
| 912828TJ9 | US Treasury Note 1.625% Due 8/15/2022 | 2,000,000.00 | Various 2.17 % | 1,910,562.70 1,910,562.70 | 101.80 1.30 % | 2,036,094.00 4,150.81 | 2.15 % 125,531.30 | Aaa / AA+ AAA | 5.88 5.58 |
| 912828TY6 | US Treasury Note 1.625% Due 11/15/2022 | 1,600,000.00 | 05/27/2014 2.37 % | 1,509,318.90 1,509,318.90 | 101.68 1.34 % | 1,626,812.80 9,820.65 | 1.72 % 117,493.90 | Aaa / AA+ AAA | 6.13 5.78 |
| 912828VB3 | US Treasury Note 1.75% Due 5/15/2023 | 1,800,000.00 | Various 2.37 % | 1,713,425.18 1,713,425.18 | 102.25 1.39 % | 1,840,429.80 11,898.10 | 1.95 % 127,004.62 | Aaa / AA+ AAA | 6.62 6.21 |
| 912828B66 | US Treasury Note 2.75% Due 2/15/2024 | 725,000.00 | 12/29/2015 2.17 % | 756,353.49 756,353.49 | 109.12 1.44 % | 791,099.70 2,546.37 | 0.84 % 34,746.21 | Aaa / AA+ AAA | 7.38 6.69 |
| -37- | | | | | | | | | |
| Total US Treasury | | 18,200,000.00 | 2.19 % | 17,796,283.77 | 1.21 % | 18,808,323.93 81,083.64 | 19.88 % 1,012,040.16 | Aaa / AA+ Aaa | 5.19 4.90 |
| <hr/> | | | | | | | | | |
| TOTAL PORTFOLIO | | 91,912,186.78 | 2.00 % | 92,368,728.33 92,372,419.09 | 1.23 % | 94,573,060.96 433,955.88 | 100.00 % 2,200,641.87 | Aa1 / AA Aaa | 3.66 3.41 |
| <hr/> | | | | | | | | | |
| TOTAL MARKET VALUE PLUS ACCRUED | | | | | | 95,007,016.84 | | | |



| 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 |
|--|--|---------------------|-----------------------------|--|----------------------|---|------------------------------------|--------------------------------|----------------------------|
| AGENCY | | | | | | | | | |
| 313378A43 | FHLB Note 1.375% Due 3/9/2018 | 530,000.00 | 04/13/2016 0.81 % | 535,602.10 535,602.10 | 100.82 0.80 % | 534,321.09 445.35 | 8.85 % (1,281.01) | Aaa / AA+ AAA | 1.44 1.43 |
| 313378J77 | FHLB Note 1.875% Due 3/13/2020 | 520,000.00 | 04/19/2016 1.20 % | 533,405.60 533,405.60 | 102.57 1.11 % | 533,375.44 487.50 | 8.84 % (30.16) | Aaa / AA+ NR | 3.45 3.34 |
| 3130A7CV5 | FHLB Note 1.375% Due 2/18/2021 | 535,000.00 | 04/12/2016 1.34 % | 535,963.00 535,963.00 | 100.61 1.23 % | 538,247.45 878.66 | 8.92 % 2,284.45 | Aaa / AA+ AAA | 4.39 4.24 |
| Total Agency | | 1,585,000.00 | 1.12 % | 1,604,970.70 1,604,970.70 | 1.05 % | 1,605,943.98 1,811.51 | 26.61 % 973.28 | Aaa / AA+ Aaa | 3.10 3.00 |
| CASH | | | | | | | | | |
| 90CASH\$00 | Cash Custodial Cash Account | 56,100.38 | Various 0.00 % | 56,100.38 56,100.38 | 1.00 0.00 % | 56,100.38 0.00 | 0.93 % 0.00 | NR / NR NR | 0.00 0.00 |
| Total Cash | | 56,100.38 | N/A | 56,100.38 56,100.38 | 0.00 % | 56,100.38 0.00 | 0.93 % 0.00 | NR / NR NR | 0.00 0.00 |
| US TREASURY | | | | | | | | | |
| 328UJ7 | US Treasury Note 0.875% Due 1/31/2018 | 475,000.00 | 04/12/2016 0.73 % | 476,189.09 476,189.09 | 100.21 0.72 % | 476,001.78 700.24 | 7.89 % (187.31) | Aaa / AA+ AAA | 1.34 1.32 |
| 912828VK3 | US Treasury Note 1.375% Due 6/30/2018 | 475,000.00 | 04/12/2016 0.77 % | 481,328.74 481,328.74 | 101.05 0.77 % | 479,972.78 1,650.56 | 7.97 % (1,355.96) | Aaa / AA+ AAA | 1.75 1.72 |
| 912828SX9 | US Treasury Note 1.125% Due 5/31/2019 | 475,000.00 | 04/12/2016 0.89 % | 478,471.32 478,471.32 | 100.74 0.84 % | 478,525.45 1,795.85 | 7.95 % 54.13 | Aaa / AA+ AAA | 2.67 2.61 |
| 912828TH3 | US Treasury Note 0.875% Due 7/31/2019 | 475,000.00 | 04/14/2016 0.98 % | 473,461.55 473,461.55 | 100.02 0.87 % | 475,111.15 700.24 | 7.87 % 1,649.60 | Aaa / AA+ AAA | 2.83 2.79 |
| 912828UQ1 | US Treasury Note 1.25% Due 2/29/2020 | 475,000.00 | 04/14/2016 1.10 % | 477,766.24 477,766.24 | 100.90 0.98 % | 479,285.93 508.46 | 7.94 % 1,519.69 | Aaa / AA+ AAA | 3.42 3.34 |
| 912828UV0 | US Treasury Note 1.125% Due 3/31/2020 | 475,000.00 | 04/14/2016 1.10 % | 475,502.57 475,502.57 | 100.48 0.98 % | 477,282.38 14.68 | 7.90 % 1,779.81 | Aaa / AA+ AAA | 3.50 3.43 |
| 912828WC0 | US Treasury Note 1.75% Due 10/31/2020 | 475,000.00 | 04/14/2016 1.21 % | 486,319.95 486,319.95 | 102.63 1.09 % | 487,487.28 3,478.60 | 8.13 % 1,167.33 | Aaa / AA+ AAA | 4.09 3.91 |
| 912828B90 | US Treasury Note 2% Due 2/28/2021 | 475,000.00 | 04/14/2016 1.26 % | 491,515.27 491,515.27 | 103.71 1.14 % | 492,645.30 813.54 | 8.17 % 1,130.03 | Aaa / AA+ AAA | 4.42 4.22 |
| 912828WN6 | US Treasury Note 2% Due 5/31/2021 | 500,000.00 | 07/11/2016 1.01 % | 523,439.18 523,439.18 | 103.80 1.16 % | 519,023.50 3,360.66 | 8.65 % (4,415.68) | Aaa / AA+ AAA | 4.67 4.43 |
| Total US Treasury | | 4,300,000.00 | 1.01 % | 4,363,993.91 4,363,993.91 | 0.95 % | 4,365,335.55 13,022.83 | 72.46 % 1,341.64 | Aaa / AA+ Aaa | 3.21 3.11 |
| TOTAL PORTFOLIO | | 5,941,100.38 | 1.03 % | 6,025,064.99 6,025,064.99 | 0.97 % | 6,027,379.91 14,834.34 | 100.00 % 2,314.92 | Aaa / AA+ Aaa | 3.15 3.05 |
| TOTAL MARKET VALUE PLUS ACCRUED | | | | | | 6,042,214.25 | | | |



| 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 |
|--|--|-------------------|-----------------------------|--|----------------------|------------------------------------|----------------------------------|--------------------------------|----------------------------|
| CASH | | | | | | | | | |
| 90CASH\$00 | Cash Custodial Cash Account | 103,171.70 | Various 0.00 % | 103,171.70 103,171.70 | 1.00 0.00 % | 103,171.70 0.00 | 27.28 % 0.00 | NR / NR NR | 0.00 0.00 |
| Total Cash | | 103,171.70 | N/A | 103,171.70 103,171.70 | 0.00 % | 103,171.70 0.00 | 27.28 % 0.00 | NR / NR NR | 0.00 0.00 |
| US TREASURY | | | | | | | | | |
| 912828TM2 | US Treasury Note 0.625% Due 8/31/2017 | 275,000.00 | 04/12/2016 0.69 % | 274,764.59 274,764.59 | 99.97 0.65 % | 274,924.93 147.19 | 72.72 % 160.34 | Aaa / AA+ AAA | 0.92 0.91 |
| Total US Treasury | | 275,000.00 | 0.69 % | 274,764.59 274,764.59 | 0.65 % | 274,924.93 147.19 | 72.72 % 160.34 | Aaa / AA+ Aaa | 0.92 0.91 |
| TOTAL PORTFOLIO | | 378,171.70 | 0.50 % | 377,936.29 377,936.29 | 0.48 % | 378,096.63 147.19 | 100.00 % 160.34 | Aaa / AA+ Aaa | 0.67 0.66 |
| TOTAL MARKET VALUE PLUS ACCRUED | | | | | | 378,243.82 | | | |



| 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 |
|-----------------------------|--|-------------------|-----------------------------|--|----------------------|--------------------------------------|-----------------------------------|--------------------------------|----------------------------|
| AGENCY | | | | | | | | | |
| 313378A43 | FHLB Note 1.375% Due 3/9/2018 | 95,000.00 | 04/13/2016 0.81 % | 96,004.15 96,004.15 | 100.82 0.80 % | 95,774.54 79.83 | 7.76 % (229.61) | Aaa / AA+ AAA | 1.44 1.43 |
| 3135G0YM9 | FNMA Note 1.875% Due 9/18/2018 | 60,000.00 | 04/12/2016 0.85 % | 61,472.40 61,472.40 | 102.04 0.83 % | 61,224.24 40.63 | 4.96 % (248.16) | Aaa / AA+ AAA | 1.97 1.93 |
| 3135G0ZA4 | FNMA Note 1.875% Due 2/19/2019 | 95,000.00 | 04/12/2016 0.92 % | 97,545.05 97,545.05 | 102.23 0.93 % | 97,122.49 207.81 | 7.88 % (422.56) | Aaa / AA+ AAA | 2.39 2.33 |
| 3137EADK2 | FHLMC Note 1.25% Due 8/1/2019 | 100,000.00 | 04/12/2016 1.01 % | 100,782.00 100,782.00 | 100.73 0.99 % | 100,725.80 208.33 | 8.18 % (56.20) | Aaa / AA+ AAA | 2.84 2.78 |
| 3135G0ZG1 | FNMA Note 1.75% Due 9/12/2019 | 95,000.00 | 04/12/2016 0.99 % | 97,408.25 97,408.25 | 102.16 1.00 % | 97,053.43 87.74 | 7.87 % (354.82) | Aaa / AA+ AAA | 2.95 2.87 |
| 3137EADM8 | FHLMC Note 1.25% Due 10/2/2019 | 100,000.00 | 04/11/2016 1.02 % | 100,791.00 100,791.00 | 100.71 1.01 % | 100,706.00 621.53 | 8.21 % (85.00) | Aaa / AA+ AAA | 3.01 2.93 |
| 313378J77 | FHLB Note 1.875% Due 3/13/2020 | 95,000.00 | 04/19/2016 1.20 % | 97,449.10 97,449.10 | 102.57 1.11 % | 97,443.59 89.06 | 7.90 % (5.51) | Aaa / AA+ NR | 3.45 3.34 |
| 3130A7CV5 | FHLB Note 1.375% Due 2/18/2021 | 95,000.00 | 04/12/2016 1.34 % | 95,171.00 95,171.00 | 100.61 1.23 % | 95,576.65 156.02 | 7.75 % 405.65 | Aaa / AA+ AAA | 4.39 4.24 |
| 40- Total Agency | | 735,000.00 | 1.02 % | 746,622.95 746,622.95 | 1.00 % | 745,626.74 1,490.95 | 60.52 % (996.21) | Aaa / AA+ Aaa | 2.84 2.77 |
| CASH | | | | | | | | | |
| 90CASH\$00 | Cash Custodial Cash Account | 13,427.95 | Various 0.00 % | 13,427.95 13,427.95 | 1.00 0.00 % | 13,427.95 0.00 | 1.09 % 0.00 | NR / NR NR | 0.00 0.00 |
| Total Cash | | 13,427.95 | N/A | 13,427.95 13,427.95 | 0.00 % | 13,427.95 0.00 | 1.09 % 0.00 | NR / NR NR | 0.00 0.00 |
| US TREASURY | | | | | | | | | |
| 912828SX9 | US Treasury Note 1.125% Due 5/31/2019 | 100,000.00 | 04/12/2016 0.89 % | 100,730.80 100,730.80 | 100.74 0.84 % | 100,742.20 378.07 | 8.19 % 11.40 | Aaa / AA+ AAA | 2.67 2.61 |
| 912828UQ1 | US Treasury Note 1.25% Due 2/29/2020 | 100,000.00 | 04/14/2016 1.10 % | 100,582.37 100,582.37 | 100.90 0.98 % | 100,902.30 107.04 | 8.18 % 319.93 | Aaa / AA+ AAA | 3.42 3.34 |
| 912828UV0 | US Treasury Note 1.125% Due 3/31/2020 | 100,000.00 | 04/14/2016 1.10 % | 100,105.80 100,105.80 | 100.48 0.98 % | 100,480.50 3.09 | 8.14 % 374.70 | Aaa / AA+ AAA | 3.50 3.43 |
| 912828WC0 | US Treasury Note 1.75% Due 10/31/2020 | 95,000.00 | 04/14/2016 1.21 % | 97,263.99 97,263.99 | 102.63 1.09 % | 97,497.46 695.72 | 7.95 % 233.47 | Aaa / AA+ AAA | 4.09 3.91 |



Holdings Report

As of 9/30/16

| 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 TREASURY | | | | | | | | | |
| 912828WN6 | US Treasury Note 2% Due 5/31/2021 | 70,000.00 | 07/11/2016 1.01 % | 73,281.48 73,281.48 | 103.80 1.16 % | 72,663.29 470.49 | 5.92 % (618.19) | Aaa / AA+ AAA | 4.67 4.43 |
| Total US Treasury | | 465,000.00 | 1.06 % | 471,964.44 471,964.44 | 1.00 % | 472,285.75 1,654.41 | 38.39 % 321.31 | Aaa / AA+ Aaa | 3.61 3.49 |
| TOTAL PORTFOLIO | | 1,213,427.95 | 1.03 % | 1,232,015.34 1,232,015.34 | 0.99 % | 1,231,340.44 3,145.36 | 100.00 % (674.90) | Aaa / AA+ Aaa | 3.11 3.02 |
| TOTAL MARKET VALUE PLUS ACCRUED | | | | | | 1,234,485.80 | | | |

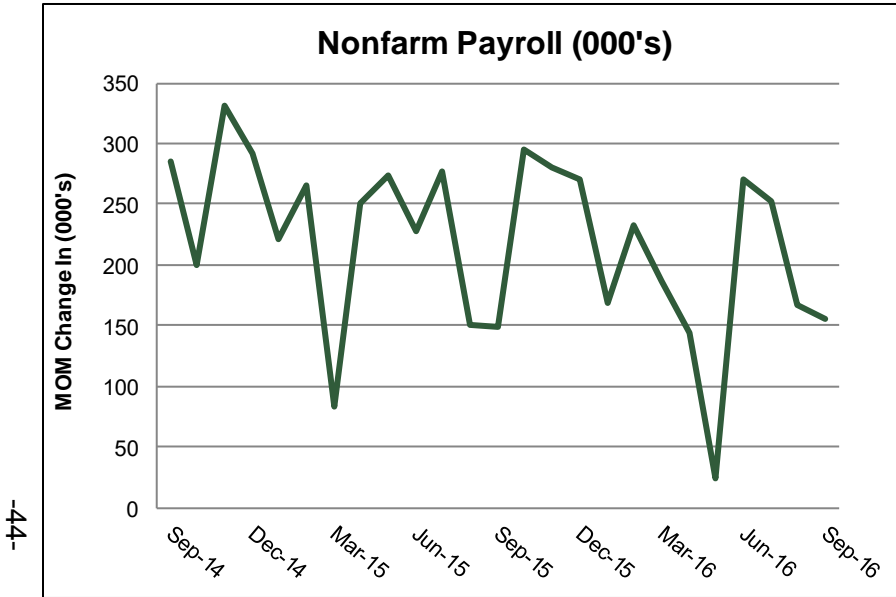
SECTION 4

Economic Update

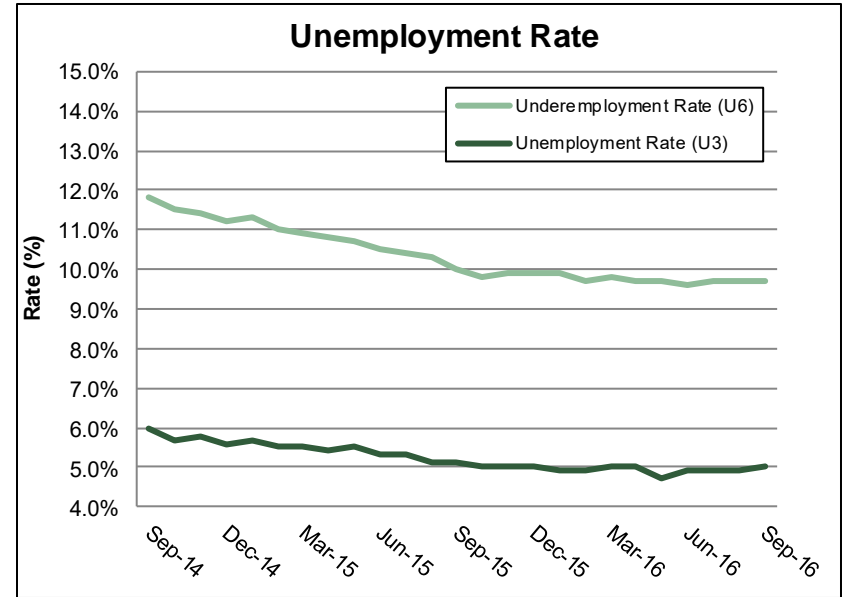




- The Federal Open Market Committee (FOMC) kept the fed funds rate unchanged at a range of 0.25%-0.50% in September. However, there were three dissenting votes (out of ten), as Esther George (Kansas City), Loretta Mester (Cleveland), and Eric Rosengren (Boston) preferred to raise the target range by a quarter percent. The Fed's overall assessment of the economy was little changed from July. In the policy statement, the Committee noted the labor market has continued to strengthen but inflation remains below target. In deciding whether or not to raise the fed funds target rate, the Committee said "the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives." In her press conference, Fed Chair Yellen remarked that the next meeting on November 1-2 is a "live" meeting but given its proximity to the US Presidential election on November 8, we think the Fed is likely to keep monetary policy on hold until December. If economic data remains modestly favorable over the next few months, we expect the Fed will hike the fed funds rate range by 25 basis points in December.
- The global economy continues to face headwinds, but domestic economic data points toward ongoing slow growth. The U.S. labor market remains healthy. The unemployment rate was 5.0% in September, and payrolls have increased by an average of 192,000 on a trailing 3-month moving average basis. Wage growth is inching higher. Consumer confidence remains strong. Housing trends remain favorable even though home price appreciation has softened. Oil prices have rebounded from earlier this year. The manufacturing sector, though still under pressure, has slightly improved. Second quarter 2016 GDP grew 1.4%, following growth of 0.8% in the first quarter. The consensus forecast calls for a pick-up in GDP growth in the second half of the year to 2.7% and 2.3% in the third and fourth quarters, respectively.
- In September, the 2-year Treasury yield decreased four basis points and the 10-year Treasury yield increased one basis point. Leading up to the FOMC meeting in September, the yield curve steepened slightly. After the FOMC meeting in September, yields modestly declined. The market-implied probability of a fed funds rate hike before year-end (reflected in fed funds futures prices) is now greater than 70%. According to the Fed's most recent projections, 14 out of 17 policymakers project at least one rate hike before year-end. The Fed's longer-run fed funds rate forecast is now 2.9%. The Fed's "dot plot" of fed funds rate projections has drifted lower over the last few years and we believe the projected terminal fed funds rate of 2.9% remains unrealistically high. We expect it will continue to move down closer to 2.0%. At least over the near-term, we believe multiple global and domestic factors will create an effective cap on rates across the yield curve.



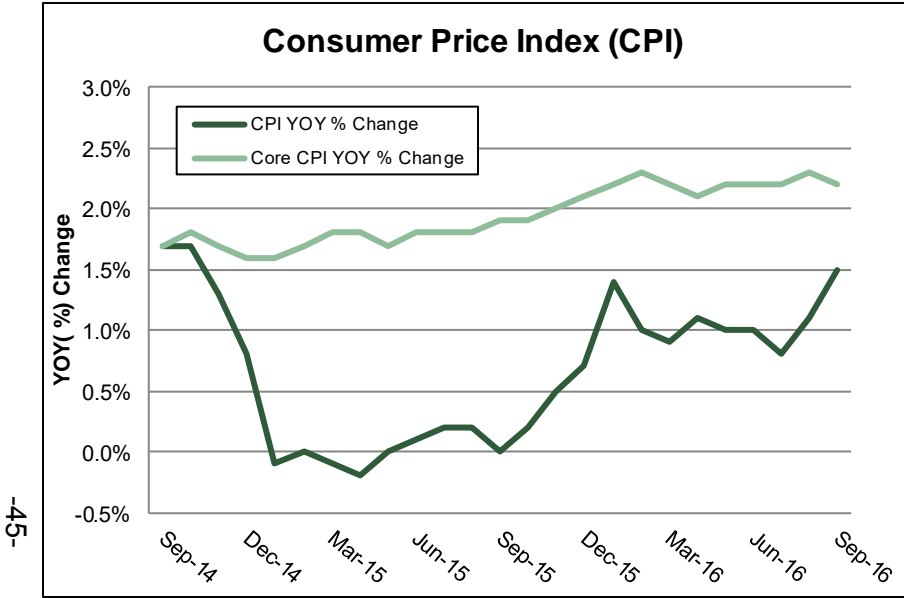
Source: US Department of Labor



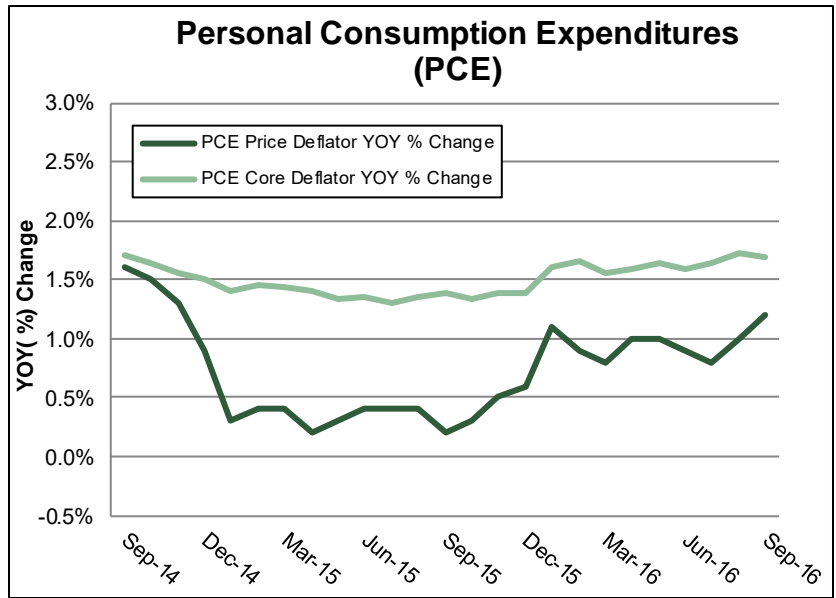
Source: US Department of Labor

Nonfarm payrolls were lower than expected in September, up 156,000 versus the consensus forecast of 172,000. July and August payrolls were revised down by a net total of 7,000. On a trailing 3-month and 6-month basis, payrolls increased by an average of 192,000 and 169,000 per month, respectively. The unemployment rate inched up in September to 5.0% from 4.9% in August, as the participation rate increased to 62.9% from 62.8%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, remained unchanged in September at 9.7%. Wages increased 0.2% in September, following a 0.1% increase in August. On a year-over-year basis, wages were up 2.6% in September, versus 2.4% in August.

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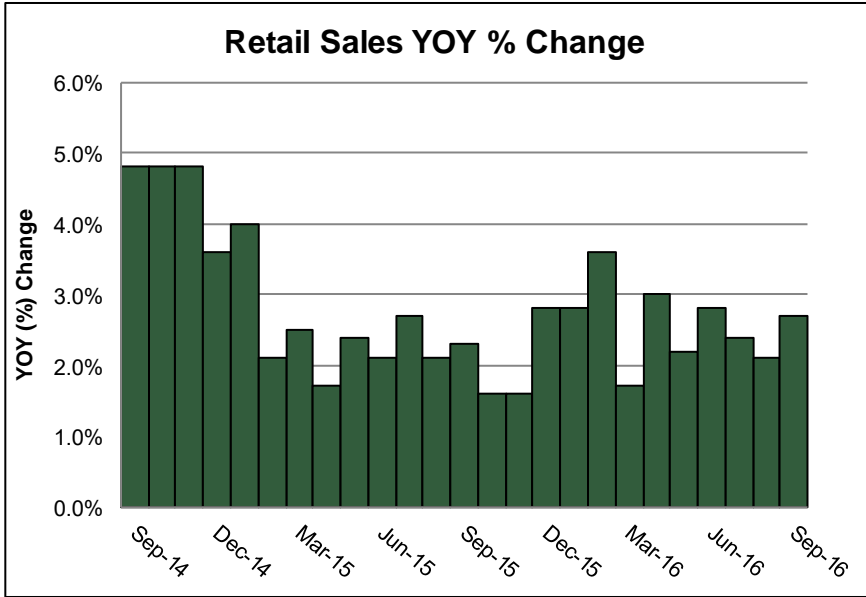
Source: US Department of Labor



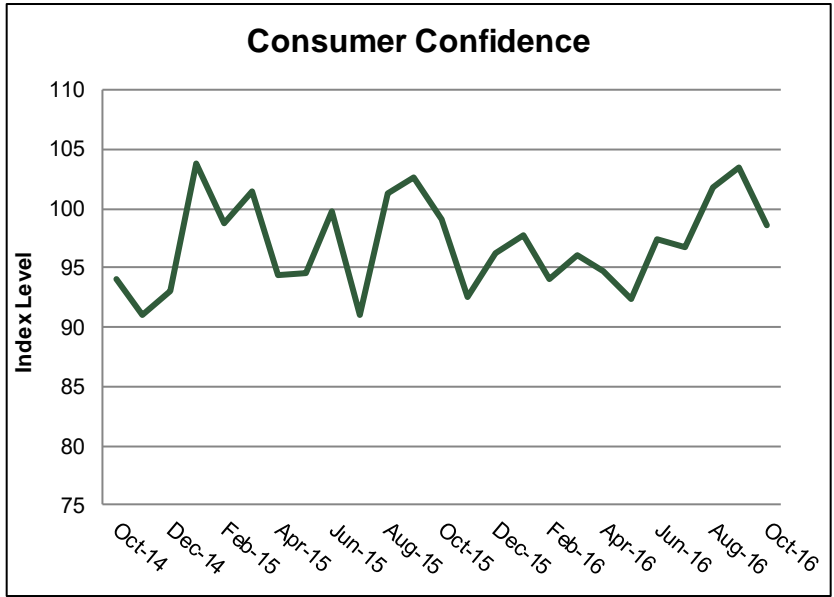
Source: US Department of Labor

The Consumer Price Index (CPI) was up 1.5% year-over-year in September, versus up 1.1% year-over-year in August. Core CPI (CPI less food and energy) was up 2.2% year-over-year in September, vs. 2.3% in August. The Personal Consumption Expenditures (PCE) index was up 1.2% year-over-year in September, versus 1.0% in August. Core PCE (excluding food and energy) was up 1.7% year-over-year in September vs. up 1.7% year-over-year in August. Although Core CPI is trending above 2.0%, the Fed's primary inflation gauge is PCE which remains below the Fed's 2.0% target.

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Source: US Department of Commerce



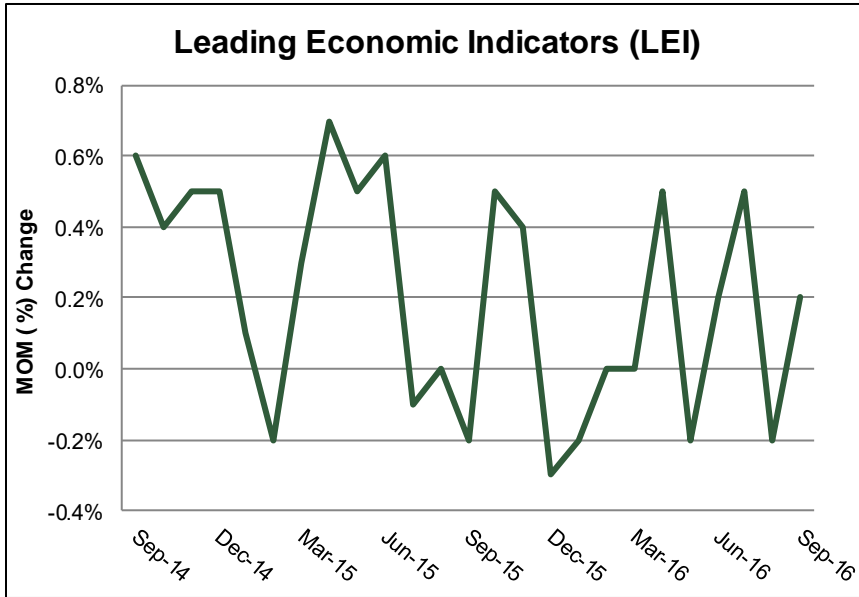
Source: Federal Reserve

On a year-over-year basis, total retail sales were solid, up 2.7% in September compared with a 2.1% increase in August. On a month-over-month basis, retail sales were up 0.6% in September, in line with expectations. Excluding autos and gas, retail sales rose 0.3% in the month. Meanwhile, consumer confidence softened modestly, to 98.6 in October versus 103.5 in September.

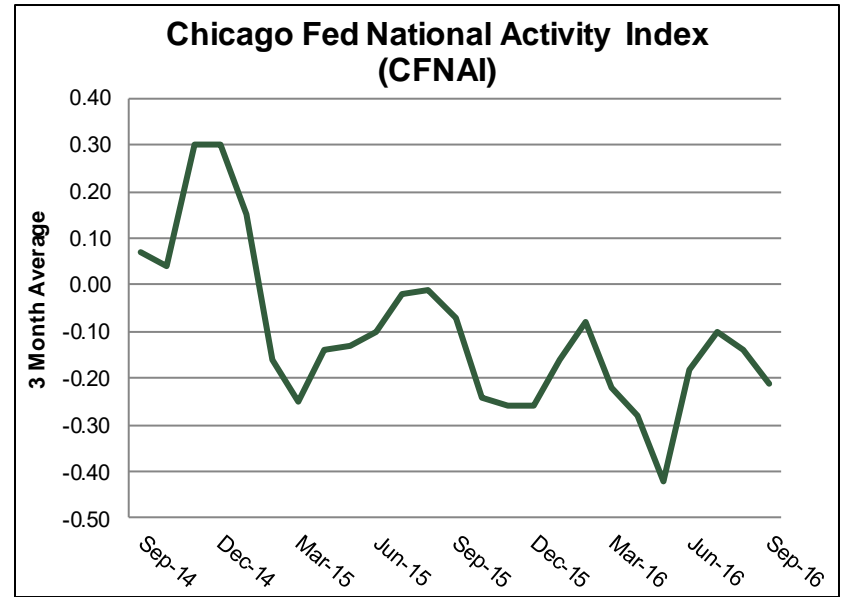


Economic Activity

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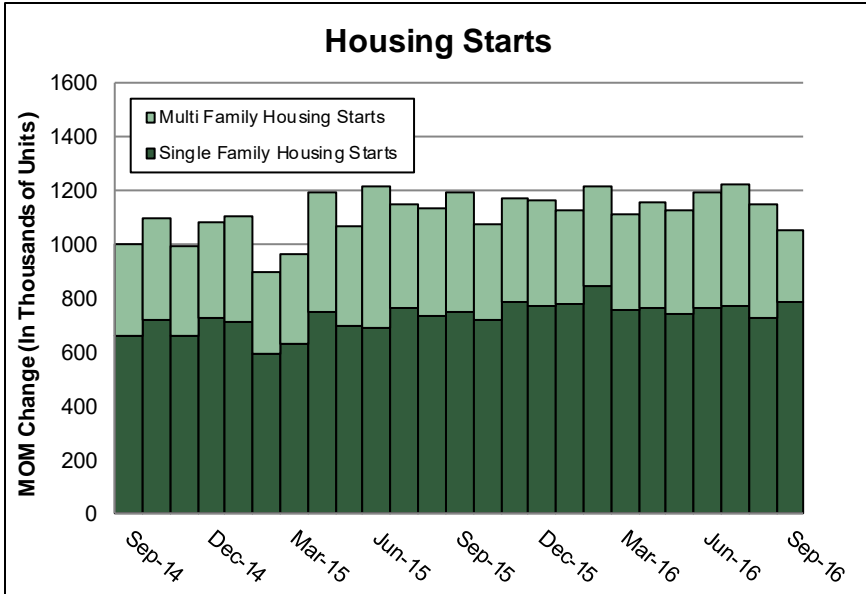
Source: The Conference Board



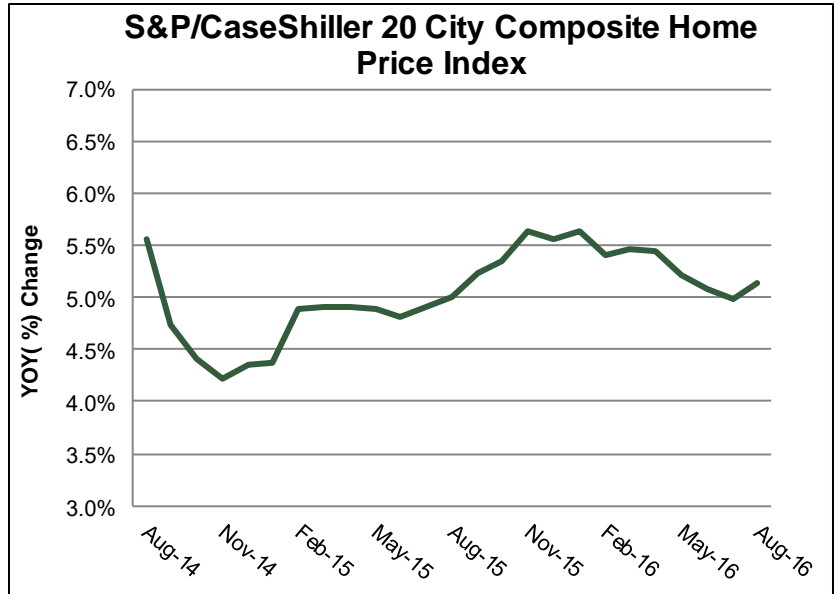
Source: Federal Reserve Bank of Chicago

The Index of Leading Economic Indicators (LEI) increased 0.2% in September, in line with expectations, pointing to slow economic growth ahead. Meanwhile, the Chicago Fed National Activity Index (CFNAI) declined to -0.21 in September on a 3-month moving average basis, from -0.07 in August. The CFNAI suggests that the pace of economic growth is below-trend.

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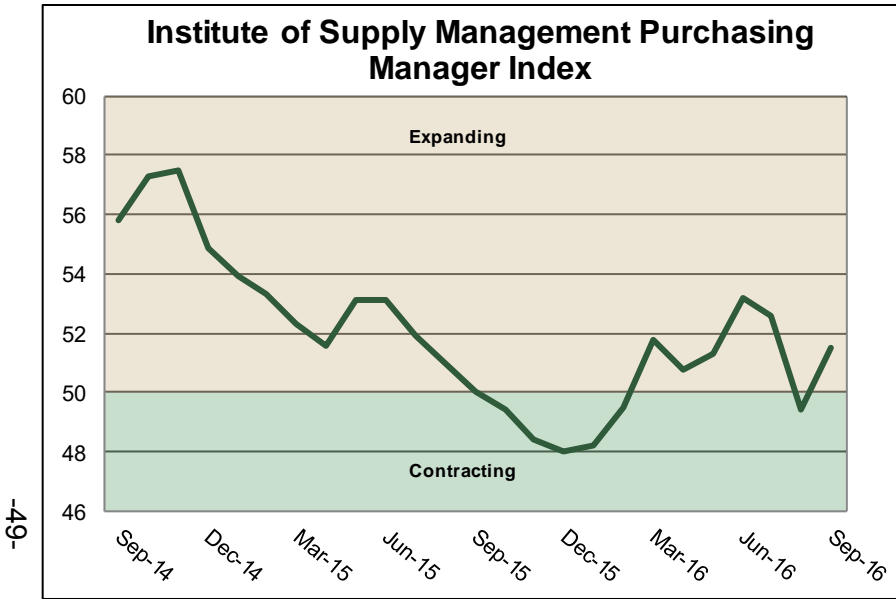


Source: US Census Bureau

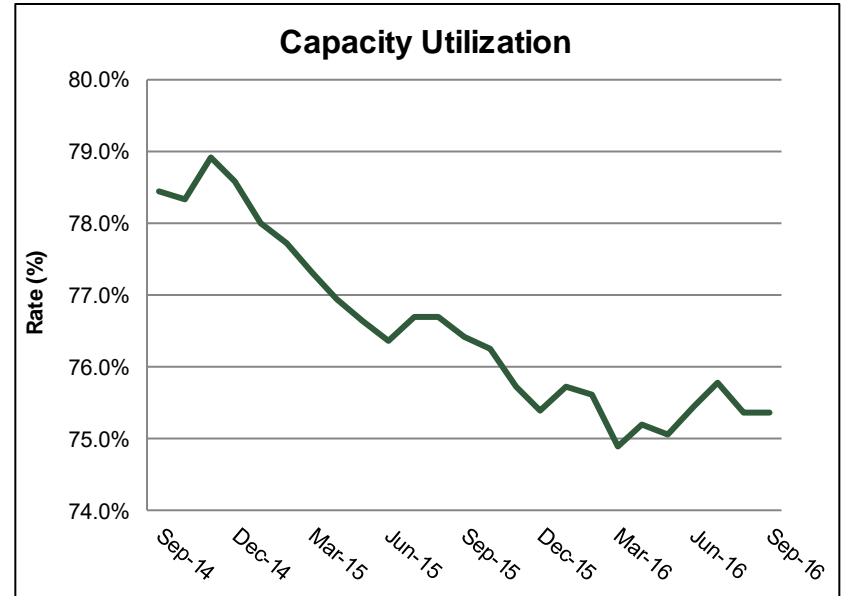


Source: S&P

Total housing starts fell 9.0% in September, following a decline of 5.6% in August. Single-family starts increased 8.1% in September but multi-family starts plunged 38.0%. Housing starts tend to be volatile on a month-to-month basis. Notably, both single- and multi-family permits were up in September. According to the Case-Shiller 20-City home price index, home prices were up just 5.1% year-over-year in August, vs. up 5.0% year-over-year in July.



Source: Institute for Supply Management



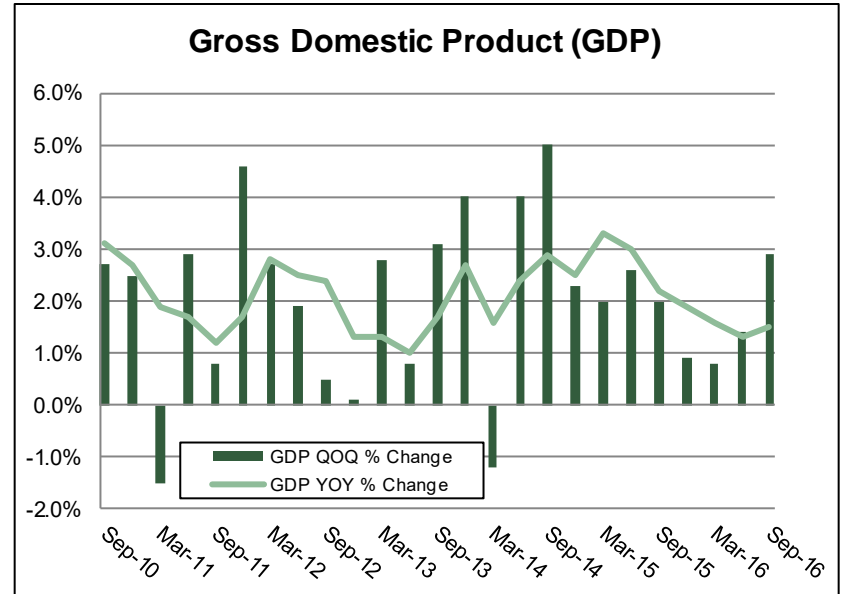
Source: Federal Reserve

The Institute for Supply Management (ISM) manufacturing index increased to 51.5 in September from 49.4 in August, suggesting that manufacturing activity is improving. New orders grew solidly in September. A reading above 50.0 suggests the manufacturing sector is expanding, and a reading above 43.1 is generally indicative of broad economic expansion, based on the historical relationship between the index and GDP growth. Meanwhile, capacity utilization, which is production divided by capacity, edged up to 75.4% in September from 75.3% in August. The capacity utilization rate remains below the long-run average of 80.0% (1972-2015), suggesting there is still excess capacity in the industrial sector.



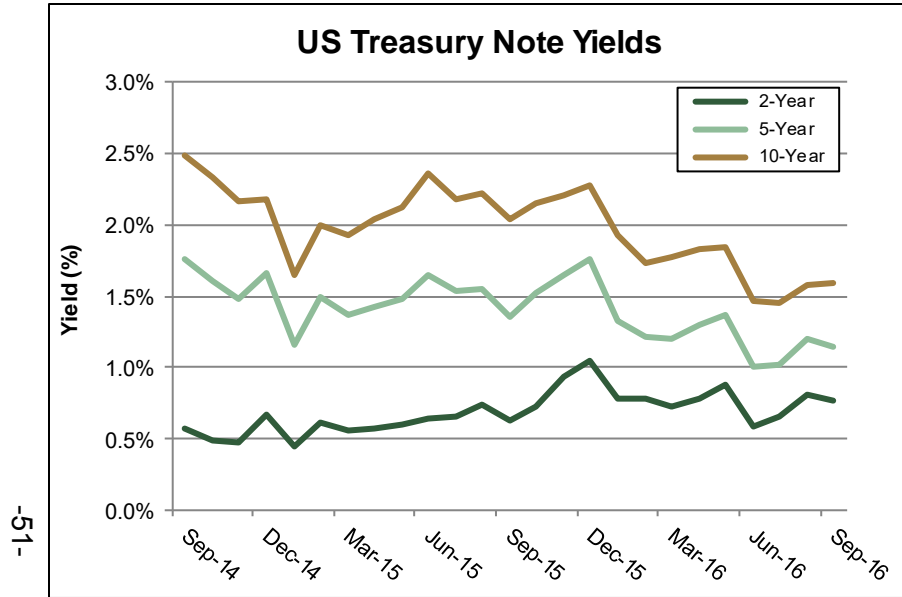
| Components of GDP | 12/15 | 3/16 | 6/16 | 9/16 |
|--|-------------|-------------|-------------|-------------|
| Personal Consumption Expenditures | 1.5% | 1.1% | 2.9% | 1.5% |
| Gross Private Domestic Investment | -0.4% | -0.6% | -1.3% | 0.5% |
| Net Exports and Imports | -0.5% | 0.0% | 0.2% | 0.8% |
| Federal Government Expenditures | 0.3% | -0.1% | 0.0% | 0.2% |
| State and Local (Consumption and Gross Investment) | -0.1% | 0.4% | -0.3% | -0.1% |
| Total | 0.9% | 0.9% | 0.8% | 2.9% |

Source: US Department of Commerce

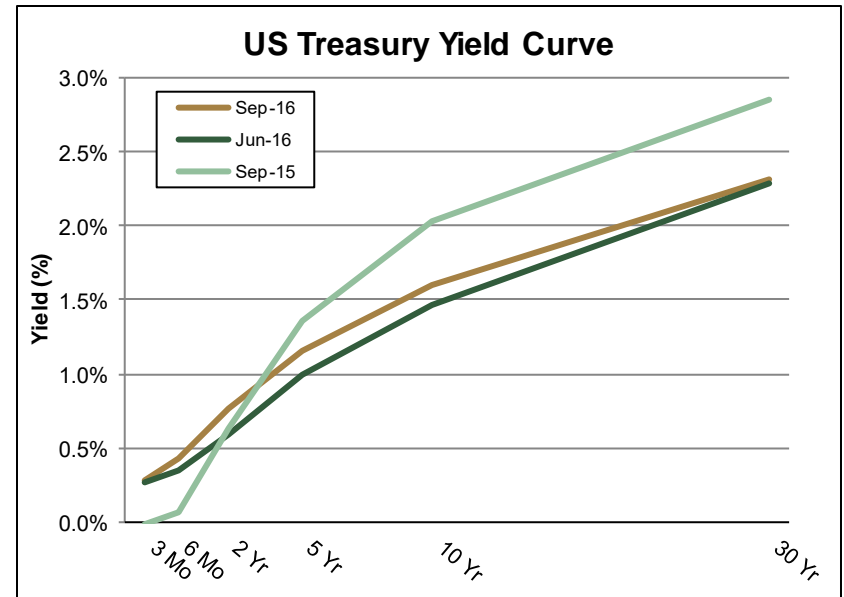


Source: US Department of Commerce

The third quarter real GDP (advance report) was released with an initial estimate of annualized growth of 2.9% versus 1.4% in the second quarter. Growth from Personal Consumption Expenditures remained strong at 1.5% although down from the second quarter. Market participants are forecasting fourth quarter growth of 2.3%.



Source: Bloomberg



Source: Bloomberg

Over the past three months, the yield curve shifted upward with the 2-year Treasury yield up 18 basis points and the 10-year Treasury yield up nearly 13 basis points. However, on a year-over-year basis the yield curve flattened with the 2-year Treasury yield up about 13 basis points and the 10-year Treasury yield down more than 44 basis points. Over the past year, financial market volatility has been elevated due to weak global economic growth, volatile commodity prices, political uncertainty, and divergent global central bank monetary policy.



moulton niguel water district

STAFF REPORT

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

FROM: Joone Lopez, General Manager
Paige Gulck, Board Secretary

SUBJECT: Adoption of Amended Conflict of Interest Code

DIVISION: District-wide

SUMMARY:

Issue: The biennial review of the District’s Conflict of Interest Code for the County Board of Supervisors is due.

Recommendation: It is recommended that the Board of Directors approve the resolution entitled, “Amending the Conflict of Interest Code Pursuant to the Political Reform Act of 1974.”

Fiscal Impact: None.

BACKGROUND:

The Political Reform Act of 1974, Government Code Section 81000 et seq. (the “Act”), requires all public agencies to adopt and maintain a Conflict of Interest Code. The Act further requires that agencies regularly review and update their Codes as necessary when directed by the code-reviewing body or when change is necessitated by altered circumstances (Sections 87306 and 87306.5). The Board of Supervisors is the District’s code-reviewing body and directed that the Code be reviewed as required under the Act. During this review, staff found that amendments to the Code are necessary.

Attached are the proposed amendments to the Code. The proposed revisions are to establish and recognize new positions that must be designated, to revise titles of existing positions, to delete titles of positions that have been abolished, to revise disclosure categories and assign disclosure requirements based on official duties, and formally adopt the standard Code format of the Fair Political Practices

#5.

Adoption of Amended Conflict of Interest Code

November 16, 2016

Page 2 of 2

Commission which incorporates Regulation 18730 as the provisions of the Code and sets forth the rules for filing and handling of disclosure statements.

Below is a summary of the proposed position changes:

Deleted (positions no longer in the organization chart)

- Assistant to the General Manager
- Safety & Risk Manager
- Water Use Efficiency Manager

Added (new positions added to the organization chart)

- Buyer
- Communications Coordinator
- Director of Planning
- Director of Regional & Legal Affairs
- Information Systems Officer
- Manager of Financial Planning
- Safety & Compliance Coordinator
- Water Efficiency Manager

Lastly, the revised policy individually lists out each supervisor and superintendent position that is necessary to include in the policy.

Attachments:

1. Resolution entitled, "Amending the Conflict of Interest Code Pursuant to the Political Reform Act of 1974."
2. Proposed Amended Conflict of Interest Code
3. Current Conflict of Interest Code

RESOLUTION NO. 16- _____

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE MOULTON NIGUEL WATER DISTRICT
TO AMEND THE CONFLICT OF INTEREST CODE PURSUANT TO THE
POLITICAL REFORM ACT OF 1974**

WHEREAS, the State of California enacted the Political Reform Act of 1974, Government Code section 81000 et seq. (the “Act”), which contains provisions relating to conflicts of interest which potentially affect all officers, employees and consultants of the Moulton Niguel Water District (the “District”) and requires all public agencies to adopt and promulgate a conflict of interest code; and

WHEREAS, the Board of Directors adopted a Conflict of Interest Code (the “Code”) which was amended on September 18, 2014, in compliance with the Act; and

WHEREAS, subsequent changed circumstances within the District have made it advisable and necessary pursuant to Sections 87306 and 87307 of the Act to amend and update the District’s Code; and

WHEREAS, the potential penalties for violation of the provisions of the Act are substantial and may include criminal and civil liability, as well as equitable relief which could result in the District being restrained or prevented from acting in cases where the provisions of the Act may have been violated; and

WHEREAS, notice of the time and place of a public meeting on, and of consideration by the Board of Directors of, the proposed amended Code was provided each affected designated employee and publicly posted for review; and

WHEREAS, a public meeting was held upon the proposed amended Code at a regular meeting of the Board of Directors on November 17, 2016, at which all present were given an opportunity to be heard on the proposed amended Code.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Moulton Niguel Water District that the Board of Directors does hereby adopt the proposed amended Conflict of Interest Code, a copy of which is attached hereto and shall be on file with the Board Secretary/Executive Assistant and available to the public for inspection and copying during regular business hours;

BE IT FURTHER RESOLVED that the said amended Code shall be submitted to the County of Orange Board of Supervisors for approval and said Code shall become effective immediately upon approval of the proposed amended Code.

#5.

APPROVED AND ADOPTED this 17th day of November, 2016.

President
MOULTON NIGUEL WATER DISTRICT

Secretary
MOULTON NIGUEL WATER DISTRICT

CONFLICT OF INTEREST CODE

OF THE

MOULTON NIGUEL

WATER DISTRICT

CONFLICT OF INTEREST CODE OF THE MOULTON NIGUEL WATER DISTRICT

(Adopted November 17, 2016)

The Political Reform Act (Gov. Code § 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. § 18730) that contains the terms of a standard conflict of interest code which can be incorporated by reference in an agency's code. After public notice and hearing Section 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This incorporation page, Regulation 18730, and the attached Appendix designating officials and employees and establishing disclosure categories, shall constitute the conflict of interest code of the **Moulton Niguel Water District (the "District")**.

All officials and designated positions required to submit a statement of economic interests shall file their statements with the **Board Secretary/Executive Assistant** as the District's Filing Officer. The **Board Secretary/Executive Assistant** shall make and retain a copy of all statements filed by the Board of Directors and General Manager and forward the originals of such statements to the Clerk of the Board of Supervisors of the County of Orange. The **Board Secretary/Executive Assistant** shall retain the original statements filed by all other officials and designated positions and will make all retained statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

APPENDIX
CONFLICT OF INTEREST CODE
OF THE
MOULTON NIGUEL WATER DISTRICT

(Adopted November 17, 2016)

PART “A”

All Officials who manage public investments, as defined by 2 Cal. Code of Regs. §18700.3, are NOT subject to the District’s Code but must file disclosure statements under Government Code Section 87200 et seq. [Regs. § 18730(b)(3)]

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

It has been determined that the positions listed below are Other City Officials who manage public investments¹. These positions are listed here for informational purposes only.

Member of the Board of Directors

General Manager

Assistant General Manager/Treasurer

Investment Consultants

¹ Individuals holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by § 87200.

DESIGNATED POSITIONS

GOVERNED BY THE CONFLICT OF INTEREST CODE

| Designated Positions' <u>Title or Function</u> | Disclosure Categories <u>Assigned</u> |
|---|--|
| Assistant Director of Engineering | 2, 3, 4, 6 |
| Assistant Director of Operations | 5 |
| Board Secretary/Executive Assistant | 5 |
| Buyer | 4 |
| Communications Coordinator | 5 |
| Contracts and Procurement Manager | 4 |
| Controller | 2, 4 |
| Cross Connection Supervisor | 2, 3, 5, 6 |
| Customer Account Supervisor | 5 |
| Director of Engineering and Operations | 2, 3, 4, 6 |
| Director of Human Resources | 5 |
| Director of Planning | 1, 2 |
| Director of Regional & Legal Affairs | 1, 2 |
| Electrical/Instrumentation Services Supervisor | 5 |
| Information Systems Officer | 5 |
| Information Technology Manager | 5 |
| Inspection Supervisor | 2, 3, 5 |
| Legal Counsel | 1, 2 |

| <u>Designated Positions'</u> <u>Title or Function</u> | <u>Disclosure Categories</u> <u>Assigned</u> |
|--|---|
| Manager of Financial Planning | 2, 3, 4 |
| Principal Engineer | 2, 3, 5 |
| Safety & Compliance Coordinator | 5, 7 |
| Station Maintenance Supervisor | 5 |
| Street Crew Supervisor | 5 |
| Superintendent, Customer Service | 5 |
| Superintendent, Engineering | 2, 3, 5 |
| Superintendent, Operations | 5 |
| Support Services Supervisor | 5 |
| Water Conservation Supervisor | 5 |
| Water Efficiency Manager | 2, 5, 8 |
| Consultants and New Positions ² | |

² Individuals serving as a consultant as defined in FPPC Reg 18700.3 or in a new position created since this Code was last approved that makes or participates in making decisions must file under the broadest disclosure set forth in this Code subject to the following limitation:

The General Manager may determine that, due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734.). The General Manger's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code Sec. 81008.)

PART "B"

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic interests that the designated position must disclose for each disclosure category to which he or she is assigned.³ "Investment" means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in, doing business in, planning to do business in, or have done business during the previous two years in the jurisdiction of the District.

Category 1: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments.

Category 2: All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the boundaries of the District.

Category 3: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the District.

Category 4: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the District.

Category 5: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the designated position's department, unit or division.

Category 6: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, subject to the regulatory, permit, or licensing authority of the designated employee's department, unit or division.

Category 7: All investments and business positions in business entities, and sources of income, including gifts, loans, and travel payments, if such entities or sources have filed claims against the District in the past 2 years, or have a claim pending before the District.

³ This Conflict of Interest Code does not require the reporting of gifts from outside this agency's jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position. (Reg. 18730.1)

Category 8: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, or income from a nonprofit or other organization, if the source is of the type to receive grants or other monies from or through the District or its subdivisions.

RESOLUTION NO. 14- 1A

RESOLUTION OF THE BOARD OF DIRECTORS OF MOULTON NIGUEL WATER DISTRICT ADOPTING A REVISED LIST OF DESIGNATED PERSONS AND UPDATED REPORTABLE INTERESTS FOR CONFLICT OF INTEREST CODE

WHEREAS, the Board of Directors of Moulton Niguel Water District ("MNWD" or "District") previously adopted MNWD's Conflict of Interest Code (MNWD Code) pursuant to the Political Reform Act, California Government Code Section 810000, *et seq.* ("Act") and Section 18730 of the regulations established by the Fair Political Practices Commission, California Administrative Code Title 2, Section 18109, *et seq.* ("FPPC Regulations"), which incorporated the standardized conflict of interest code set forth under the FPPC Regulations. Capitalized terms not otherwise defined in this Resolution shall have the meanings set forth in the Act and the FPPC Regulations;

WHEREAS, the Board of Directors last revised Appendix A-1 to the MNWD Code, entitled Designated Persons for Disclosure Purposes, by adoption of Resolution No. 12-22 on October 18, 2012, to reflect job title revisions and/or add staff positions to the list of Designated Persons; and

WHEREAS, pursuant to the Act's requirement for biennial review of local conflict codes, the Board of Directors has considered changes to the list of Designated Persons in Appendix A-1 to the MNWD Code to reflect the most current employee positions as well as to conform with District procurement policies, such appendix to be revised as set forth in Attachment 1 to this Resolution, and has considered updates to Appendix A-2, *Financial Interests That Must Be Reported - Designated Persons*, such appendix to be revised as set forth in Attachment 2 to this Resolution.

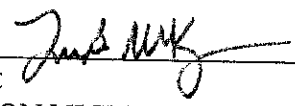
NOW, THEREFORE, the Board of Directors of the Moulton Niguel Water District does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:


Section 1. Appendix A-1 (*Designated Persons for Disclosure Purposes*) as set forth in Attachment 1 to this Resolution and by this reference incorporated herein, is approved by the Board of Directors, and is incorporated in the MNWD Code, and supersedes Appendix A-1 to the MNWD Code as that appendix is set forth in Resolution No. 12-22. Appendix A-2 (*Financial Interests That Must Be Reported - Designated Persons*) as set forth in Attachment 2 to this Resolution and by this reference incorporated herein, is approved by the Board of Directors, and is incorporated in the MNWD Code, and supersedes Appendix A-2 to the MNWD Code as that appendix is currently forth therein.

Section 2. Except for the revision to Appendix A-1 and Appendix A-2 of the MNWD Code set forth in Attachment 1 and Attachment 2 to this Resolution, all other terms set forth in the MNWD Code remain unchanged, and in full force and effect.

ADOPTED, SIGNED and APPROVED this 18th day of September, 2014.

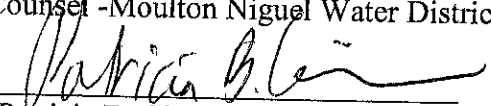
MOULTON NIGUEL WATER DISTRICT

President 
MOULTON NIGUEL WATER DISTRICT
and Board of Directors thereof

Secretary 
MOULTON NIGUEL WATER DISTRICT
and Board of Directors thereof

APPROVED AS TO FORM:

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

By 

Patricia B. Giannone

ATTACHMENT I**APPENDIX A-1**
DESIGNATED PERSONS FOR DISCLOSURE PURPOSES¹

| <u>Designated Position</u> | <u>Disclosure Categories</u> | <u>Schedules Associated</u> |
|---|----------------------------------|---------------------------------|
| Assistant Director of Engineering | 1,2,3 | All |
| Assistant Director of Operations | 1,2,3 | All |
| Assistant to the General Manager | 1,2,3 | All |
| Board Secretary | 1,2,3 | All |
| Contracts and Procurement Manager | 1,2,3 | All |
| Controller | 1,2,3 | All |
| Director of Engineering and Operations | 1,2,3 | All |
| Director of Human Resources | 1,2,3 | All |
| Information Technology Manager | 1,2,3 | All |
| Principal Engineer | 1,2,3 | All |
| Purchasing Agent | 1,2,3 | All |
| Safety and Risk Manager | 1,2,3 | All |
| Superintendent | 1,2,3 | All |
| Supervisor | 1,2,3 | All |
| Water Use Efficiency Manager | 1,2,3 | All |
| Legal Counsel | 1,2,3 | All |
| Consultant* | 4,5 | All |
| (excluding any consultant who is an official who manages public investments) | | |

*Consultants who are included in the list of designated persons as determined by the General Manager shall disclose pursuant to the disclosure categories in this Code, subject to the following limitation: The General Manager may determine in writing that a particular consultant, although a "designated person," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements described in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The General Manager's determination is a public record and shall be retained for public inspection in the same manner and location as this Code.

1 Officials Who Manage Public Investments

The Moulton Niguel Water District has determined the following positions listed below manage public investments and will file a **Form 700** Statement of Economic Interests (or such other FPPC designated form) in accordance with Government Code Section 87200 and FPPC Regulation 18720. This filing is in lieu of any filing of a **Form 700** Statement of Economic Interests as a designated person. Such officials shall report all the financial interests required by Form 700, and not those more limited interests listed on Appendix A-2 to this Code.

- a. Members of the Board of Directors
- b. General Manager
- c. Assistant General Manager
- d. Director of Finance/Treasurer; Acting Treasurer
- e. Finance Manager
- f. Consulting investment advisors/managers
- g. Consulting financial advisors/managers

ATTACHMENT 2

APPENDIX A-2

**FINANCIAL INTERESTS THAT MUST BE REPORTED -
DESIGNATED PERSONS**

Category 1:

Interests in real property located within the District other than a principal residence.

Category 2:

Investments or business positions in or income (including loans, gifts and travel payments) from business entities which manufacture, distribute, lease, retail, or sell materials, machinery, parts or equipment which are, or which have been or foreseeably could be, utilized or procured by the District, including but not limited to those set forth below:

Water quality equipment and supplies
Cathodic protection equipment and supplies
Landscape supplies
Pipes, valves, fittings, pumps, meters and similar items
Construction and maintenance equipment and supplies
Chemicals
Motor vehicles and specialty vehicles, parts and supplies
Petroleum products
Safety equipment and supplies
Office equipment and supplies
Computer hardware and software
Printing, reproduction or photographic equipment and supplies
Periodicals, books, newspapers
Educational equipment and supplies
Medical supplies and informational materials
Food supplies

Investments or business positions in business entities are reportable only to the extent that they do business with the District, or they have done business with the District during the two years prior to the time that a Reporting Statement is required to be filed by this Code, or it is reasonably foreseeable they could do business with the District. Income is not reportable where the income is received from a source which is not doing business with the District, or has not done business with the District during the two years prior to the time that a Reporting Statement is required to be filed under this Code, or it is not reasonably foreseeable a source could do business with the District.

Category 3:

Investments or business positions in or income (including loans, gifts, and travel payments) from business entities which contract or subcontract for, or consult in, the performance of work or services which are, or which have been or foreseeably could be, utilized or procured by the District, including, but not limited to, any of the following:

- Water quality testing
- Cathodic protection services
- Engineering, architectural and construction inspection services
- Construction and maintenance services
- Public utilities
- Security services
- Financial audit and accounting services
- Banking, savings and loan services
- Insurance services
- Communication services
- Employment and temporary help services
- Transportation and lodging services
- Food services

Investments or business positions in business entities are reportable only to the extent that they do business with the District, they have done business with the District during the two years prior to the time that a Reporting Statement is required to be filed by this Code, or it is reasonably foreseeable they could do business with the District. Income is not reportable where the income is received from a source which is not doing business with the District, or has not done business with the District during the two years prior to the time that a Reporting Statement is required to be filed under this Code, or it is not reasonably foreseeable a source could do business with the District.

Category 4:

Investments in or income (including loans, gifts and travel payments) from business entities which manufacture, distribute, lease, retail, or sell materials, machinery, parts or equipment which are recommended or suggested by you in your capacity as a consultant to the District, including, but not limited to, the items listed under Category 2.

Category 5:

Investments in or income (including loans, gifts and travel payments) from business entities which contract or subcontract for, or consult in, the performance of work or services which are recommended or suggested by you in your capacity as a consultant to the District, including, but not limited to, the items listed under Category 3.



moulton niguel water district

STAFF REPORT

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

FROM: Trevor Agrelius, Controller

SUBJECT: Draft Audit Reports for the Fiscal Year Ended June 30, 2016

DIVISION: District-wide

SUMMARY:

Issue: Review Draft of Audited Reports for the Fiscal Year Ended June 30, 2016.

Recommendation: Discussion item only.

Fiscal Impact: No fiscal impact to the District.

BACKGROUND:

Each year, the District undergoes an annual audit, in adherence to Section 26909 of the California Government Code. The audit is comprised of several components, and includes the following:

- Comprehensive Annual Financial Report (“CAFR”), including an opinion on the fair presentation of the financial statements
- Single Audit Report, including the report on internal control
- Audit communication letter
- Article XIII-B Appropriations Limit Calculation report. Each of these documents have been provided for review.

DISCUSSION:

The audit for the Fiscal Year Ended June 30, 2016, is near completion and the District is pleased to present the draft copies of the reports and letters for review. Vavrinek, Trine, Day & Co., LLP, have conducted the independent audit and will issue an unmodified opinion for the District’s financial statements for fiscal year ended June 30, 2016. The District will also receive an unmodified opinion on the Single Audit. A single

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Draft Audit Reports for the Fiscal Year Ended June 30, 2016

November 16, 2016

Page 2 of 2

audit is required when agencies spend more than \$750,000 on Federal grants in one fiscal year. For the year ended June 30, 2016, the District spent approximately \$1.6 million related to the WaterSMART Advanced Metering Infrastructure Pilot project and the Cal OES Plant 3A Effluent Transmission Main Relocation project. The single audit is not required every year, but when it is required, the single audit report also contains the letter on internal control. The letter on internal control noted no deficiencies, including no material weaknesses, significant deficiencies, or instances of non-compliance.

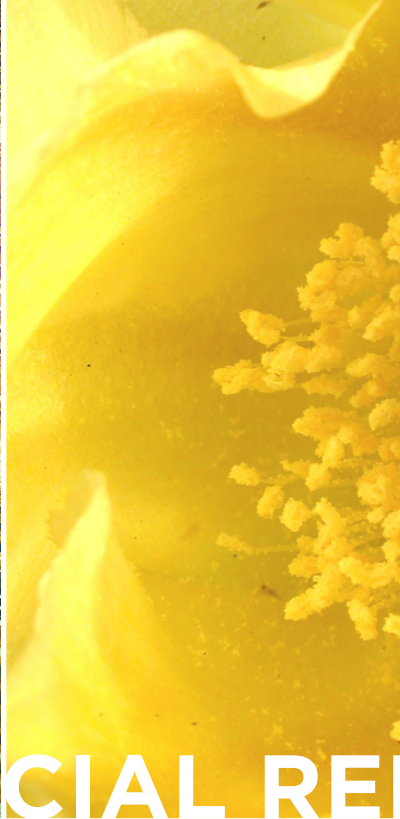
An unmodified opinion is the best opinion an agency can receive, and represents a judgment that the District's financial records and statements are fairly and appropriately presented in accordance with Generally Accepted Accounting Principles ("GAAP"). The letters won't be signed until the associated reports have been finalized. Once finalized, the District Comprehensive Annual Financial Report ("CAFR") will be posted on the District's website, accompanied by the Single Audit Report.

Attachments:

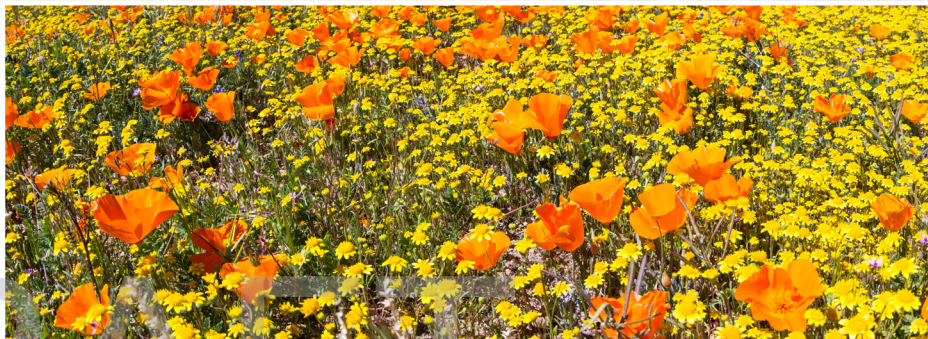
1. Draft CAFR for the Fiscal Year Ended June 30, 2016
2. Draft Single Audit Report for the Fiscal Year Ended June 30, 2016
3. Draft Audit Communication Letter for the audited period
4. Draft Article XIII-B Appropriations Limit Calculation Report for the Fiscal Year Ended June 30, 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



moulton niguel water district



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moulton niguel water district

**Moulton Niguel Water District
Laguna Niguel, California**

Comprehensive Annual Financial Report

Year Ended June 30, 2016

**Prepared By:
The Finance Department**

27500 La Paz Road
Laguna Niguel, CA 92677

www.mnwd.com

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moulton niguel water district

DRAFT

Moulton Niguel Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2016

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Moulton Niguel Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2016

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_____, 2016

Members of the Board of Directors

Moulton Niguel Water District

We are pleased to present the Moulton Niguel Water District’s (“District”) Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ending June 30, 2016. This report was prepared by District staff in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

The CAFR provides an assessment of the District’s financial condition, informs readers about District services, includes information about capital improvement projects, discusses current initiatives, and offers financial and demographic trend information. Management at the District is responsible for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. We believe the information and data, as presented, is accurate in all material respects, and it is presented in a manner that provides a fair representation of the financial position and operations of the District. We believe we have included all disclosures that are necessary to enhance your understanding of the financial condition of the District.

The District’s financial statements have been audited by Vavrinek, Trine, Day & Co., LLP, a firm of independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (“clean”) opinion that the District’s financial statements for the fiscal year ending June 30, 2016, were fairly presented in conformity with GAAP. The Independent Auditors’ Report is presented as the first component of the financial section of this report.

The Management Discussion & Analysis (“MD&A”) includes a narrative introduction, overview, and analysis to provide a better understanding of the accompanying financial statements. The MD&A immediately follows the Independent Auditors’ Report.

Profile of the District

Authority, Services, and Customers

The District was formed on November 16, 1960, under the provisions of the California Water District Law, Division 13, of the Water Code of the State of California, commencing with Section 34000. The District was formed for the purposes of providing a water supply to the communities within its service area. In 1963, the California Water District Act was amended, allowing California water districts to provide water and wastewater reclamation services. On July 1, 1964, the District began operation and management of wastewater services previously provided by Orange County Sanitation District No. 12.

The District is authorized to acquire, control, store, treat, reclaim, recapture, and salvage any water (including wastewater) for the beneficial use of the District and its customers. The District’s water and

BOARD OF DIRECTORS

Duane D. Cave
DIRECTOR

Scott Colton
VICE PRESIDENT

Richard Fiore
DIRECTOR

Donald Froelich
PRESIDENT

Gary R. Kurtz
DIRECTOR

Larry Lizotte
DIRECTOR

Brian S. Probolsky
VICE PRESIDENT



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wastewater customers include retail customers (e.g. residential and commercial) located in incorporated areas within the District's service area. The District is also authorized to levy and collect taxes; to revise and collect rates or other charges for the delivery of water and collection of wastewater, use of facilities or property, or provisions for service. The District may also issue bonds, borrow money, and incur indebtedness.

Governance

The District is governed by a seven-member Board of Directors ("Board"), who are publicly elected by registered voters within the District's service area for staggered four-year terms. Each Director represents a geographical division based upon comparable populations, which is determined by the District and approved by the Registrar of Voters.

Policy-making and legislative authority are vested with the Board. The Board has the authority to set rates and charges for water, recycled water, and wastewater services. The Board is responsible for, among other things, adopting resolutions, adopting the budget, appointing committees, and hiring the General Manager. The General Manager is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the District, and for hiring staff for the various divisions (e.g. Finance/Planning, Human Resources, and Engineering & Operations).

Service Area

The District's service area, located in South Orange County, California, encompasses approximately 37 square miles, serving over 170,000 in population within the cities of Laguna Niguel, Aliso Viejo, Laguna Hills, Mission Viejo, and Dana Point. The District distributes water to approximately 55,000 meters, 51,000 of which also receive wastewater service. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of Southern California, with temperatures mild and relatively uniform. The assessed net taxable valuation of the District has grown to \$32.8 billion as of June 30, 2016.

Water Supply and Services

The District imports all of its potable water from the Metropolitan Water District of Southern California ("MET") through its member agency, the Municipal Water District of Orange County ("MWDOC"), a wholesale importer of water from MET. The District is a customer agency of MWDOC and, as such, is entitled to receive water from available sources of MET. MET's sources of water primarily include water imported from the Colorado River and from the State Water Project. All of the District's potable water is treated at the Diemer Filtration Plant in Yorba Linda, California, and delivered through three major transmission facilities: the South County Pipeline ("SCP"), East Orange County Feeder #2 ("EOCF#2"), and the Allen-McColloch Pipeline ("AMP"). In the fall of 2016, the Baker Water Treatment Plant ("WTP") will provide approximately one-third of the treated potable water to the District. The Baker WTP will provide a secondary treatment plant that will treat imported MET water and improve local water reliability.

The District continues to exert significant efforts to reduce dependence on imported water supplies. Approximately 25% of the District's total water demand is met by recycled water. The District has implemented several water-use efficiency programs, most notably the Water Budget-Based Rate Structure, and extensive rebate programs for its customers. The District continues to evaluate various alternative local water supplies to identify additional opportunities to reduce dependence on imported water, as well as implement demand management strategies and outreach programs to reduce water usage.

The District operates and maintains over 700 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a total potable water storage capacity within the District of approximately 70 million gallons. The District owns capacity rights in several adjoining water agencies' reservoirs and pipelines, such as El Toro Water District R-6



reservoir, the Santa Margarita Water District Upper Chiquita Reservoir, the Joint Transmission Main (a joint powers agreement between the District and other water agencies), Eastern Transmission Main jointly owned by the District and the City of San Juan Capistrano, the South County Pipeline, which conveys water from the Allen McColloch Pipeline to several south county water agencies, and the Irvine Ranch Water District Interconnection jointly owned with Irvine Ranch Water District. The District also operates 30 pump stations to pump water from lower pressure zones to the higher pressure zones and 20 pressure reducing stations and flow control facilities to convey water from high to low zones. The District has adopted a policy to evaluate and develop reliability projects and demand management measures that will provide 31 days of average demand water supply to District customers. The District has achieved more than 75% of the stated target (24 days) with the implementation of the Baker WTP, and other water reliability projects and demand management programs, since 2008.

Wastewater Services

The District maintains approximately 540 miles of wastewater pipelines. The District's wastewater system has 19 lift stations that pump wastewater over the ridge lines to the various treatment plants for disposal or recycling. The District participates in the South Orange County Wastewater Authority ("SOCWA"), a joint powers agency comprised of ten governmental agencies, which owns and operates three regional treatment plants and two ocean outfalls. The District's cost to SOCWA for wastewater treatment and disposal is for operations and maintenance ("O&M") costs for SOCWA and a pro-rata share of the capital costs based on the type and location of each project. The District also utilizes a fourth wastewater treatment plant, Plant 3A, with the Santa Margarita Water District providing contract operations services for the treatment plant.

Recycled Water Supply and Services

The District promotes the use of recycled water to reduce dependence on imported water and maximize the reuse of available resources. The District encourages the utilization of recycled water for any approved purpose to the maximum extent possible under the laws of the State of California. The District has constructed approximately 150 miles of recycled water distribution pipelines with 5 pre-stressed concrete and 6 steel storage reservoirs to service the recycled water system. In addition, the District owns 1,000 acre-feet of capacity rights in the Upper Oso recycled water reservoir owned by the Santa Margarita Water District. The District operates 13 recycled-water pump stations. The District has 2 Advanced Wastewater Treatment ("AWT") facilities providing recycled water to landscaped areas in the District. The projected annual demand of the recycled water system will be approximately 8,000 acre feet per year over the next few years.

Factors Affecting Financial Conditions

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

The District serves affluent communities within South Orange County and unemployment rates have historically been lower than those of the region, state, and nation. There are four major land uses in the District: (1) residential (single-family and multiple-family); (2) commercial (retail and light industrial); (3) schools; and (4) recreation areas (parks, golf courses, etc.). Residential development is the predominant land use throughout the District. The highest concentration of commercial use is in the City of Mission Viejo, which includes the Shops at Mission Viejo, an affluent shopping mall, and in the City of Aliso Viejo, which includes the Pacific Park Business Center. The highest concentration of schools (students) is in the cities of Mission Viejo and Aliso Viejo, which includes Mission Viejo High School, Capistrano Valley High School, Saddleback Community College, Aliso-Niguel High School, and Soka University. The highest concentration of recreation areas is in Laguna Niguel and Aliso Viejo, where each has a golf course and



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numerous community parks. Future growth will primarily occur on a redevelopment basis of existing property and land. The Gateway Development in Laguna Niguel is the first significant redevelopment project in the District's service area. The Gateway Development is redeveloping areas that were predominantly commercial with mixed-use development of multi-family residential and retail sites.

California Drought

California continues to remain in the midst of a historic drought, with some of the warmest periods on record. These conditions caused the Governor to issue the first ever statewide mandatory reductions on April 1, 2015. As a result of those reductions, the District was required to reduce its water consumption during the majority of the 2016 fiscal year by 20% as compared to usage in 2013. The District adopted a Water Shortage Contingency Plan ("WSCP") to manage supply and demand as a response to the conditions of the drought and to address the mandates from the State Water Resources Control Board. The WSCP uses a five-stage, phased approach based on the availability of water supplies. Each stage requires heightened levels of water conservation. The District implemented Stage 1 and 2 of its WSCP during the fiscal year to promote efficient water use and re-evaluates implementation every 120 days while monitoring the drought conditions to ensure there is sufficient water for customer needs. With the implementation of the WSCP and through effective customer communication and outreach initiatives, the District and its customers were able to meet the mandatory reduction requirements. This past year, the District saw more customers use water efficiently and remain in their individual water budgets than in any previous year.

The most recent Executive Order was issued on May 9, 2016, and called for long-term improvements to local drought preparation across the state, and directed state agencies to develop proposed permanent water efficiency actions, due in January 2017. The SWRCB followed this Order by initiating a self-certification policy for supply reliability at the local agency level, which included permanent monthly water use reporting and bans on wasteful water practices. Agencies were required to report their individual conservation standard to the SWRCB by June 15, 2016. The District self-certified water supply figure was 0% based on the certification formula; however, the District has targeted a minimum conservation standard of 15%, citing the prevailing water supply conditions in the Colorado Basin and long-term trends of the diminished Sierra Nevada snowpack. As a result, the District has elected to remain in Stage 1 and 2 of the WSCP.

Budget Process

The Board adopts an operating and capital budget prior to each new fiscal year, commencing on July 1st. The development of the operating and the capital budgets are guided by the Ten-Year Cash Flow and the Ten-Year Capital Improvement Program. The operating and capital budgets serve as the foundation for the District's financial planning and control of District operations and enterprise functions. The District reports its water, wastewater, and recycled water services as a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board to provide a year-to-date comparison of the revenues and expenses against the adopted budget.

The District's annual budget process includes refining District policies that govern financial affairs, such as the Reserve Policy, the Investment Policy, and the Capital Financing Policy. In June 2016, the Board approved updates to the Reserve Policy, the Investment Policy, and the Capital Financing Policy. The main objective of the Reserve Policy is to set target levels for cash reserves to establish a nexus between current and anticipated future risks. The District's reserve categories are discussed in Note 14 of the Notes to Financial Statements. The Board receives monthly updates on the status of the established reserve targets. The Investment Policy is used to direct the purchasing of securities, while also maintaining the flexibility to fund necessary infrastructure improvements. The Capital Financing Policy is used to guide funding for infrastructure improvements, and includes use of reserves, debt issuances, refunding and other financing sources.



Long-term Financial Planning

The District uses various planning documents, i.e. Urban Water Management Plan (“UWMP”), Long Range Water Reliability Plan, and Long Range Financial Plan (“LRFP”) to forecast the District’s needs for water use and demand, capital improvement projects, water supply reliability projects, and financial resources. These financial models are significant assets to the District and have been built internally by District staff, meaning the models can be updated under a variety of different scenarios to anticipate and plan for changes to the economic environment, operational requirements, or capital investments.

The objective of the LRFP is to identify strategies and actions to ensure sufficient financial resources to enable the District to achieve its mission and to utilize those financial resources effectively. Additionally, the LRFP serves as key contextual information to aid in making near-term financial decisions. The LRFP incorporates the District’s reserve policies, debt policies, coverage ratios, water demand needs, water rates, capital improvement program, and operating budget to provide a financial forecast for the District. The District has historically maintained a strong financial position based upon conservative planning and budgeting, maintenance of adequate unrestricted cash balances, and maintaining the proper debt service coverage ratios.

The SWRCB has recognized the District’s specific rate design as a best practice amongst the 411 urban water utilities statewide. The rate design focuses on the cost of service for the efficient use of water as the primary basis for setting rates and identifying costs associated with conservation and water-use efficiency programs as the basis for conservation pricing. The rates are also structured to ensure that an appropriate level of fixed expenses are recovered with fixed revenue. A conservation based rate design has proven to be the most effective tool for the District in reducing water usage, while still providing the necessary revenues to recover the District’s expenses regardless of changing water demands. As a result, the District has managed to remain financially strong despite a 20% reduction in water use while continuing to maintain low water rates and smooth out potential future increases. The Board annually reviews the financial plan and projected rates through the ten-year cash flow model to ensure the District’s financial forecasts are consistent with District policy and objectives while providing a strong foundation.

Internal Controls

Management of the District has established a comprehensive internal control framework that is designed both to protect the District’s assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The Board and District staff continue to evaluate the District’s internal control framework to determine areas that can be improved, and implement and welcome feasible recommendations

Major Initiatives

The District had a productive year, but one of the most beneficial accomplishments the District achieved in 2016 was the Long Range Strategic Planning Session, which identified ten key priorities for the Board and District staff to focus efforts on. The identified goals were Financial Planning, Labor Relations, Operations Center Consolidation, Outreach and Customer Communication, Drought Response and Demand Management, Data and Document Management, Asset Management, Water Reliability, Wastewater Treatment, and Government Affairs.

The District also launched a major outreach campaign during the year in order to better educate customers and other regional and state neighbors about the drought, and measures that can be taken to achieve sustainability in the near term and future. The District developed a 10-week education campaign



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with the Orange County Register to demonstrate actions customers could implement to use water more efficiently. Additionally, the District encouraged customer participation and interactions through Homeowners Association Lunch and Learning events, the District Live Smart event, and participation in local community events. The District is updating its website to better serve our customers, and successfully created a YouTube channel utilized to post internally created instructional videos such as troubleshooting a sprinkler system and looking for leaks. The District has engaged in research studies with Stanford University and Facebook to understand the most effective tools for communicating with our customers and with the University of California Riverside to evaluate water conservation rebates in order to maximize customer participation and encourage conservation and efficient water use. These studies will help to ensure the District's programs achieve the maximum impact while remaining cost-effective. In response to the outreach efforts, District customers have replaced approximately 4 million square feet of turf since November 2011, with over 1 million being replaced during this fiscal year. District customers alone account for approximately 25% of all turf removed in the entire County of Orange. This significant response will provide a framework for sustained conservation in future years, and exhibits a supportive and educated attitude from District customers.

The District also facilitated the California Data Collaborative ("CaDC"), which was created to better educate and inform decision makers on water issues and policies. The CaDC has seen notable interest from surrounding agencies, as well as statewide and regional entities such as the Association of California Water Agencies ("ACWA"), SWRCB, and MET. As a result of the extreme drought conditions, the interest in the CaDC hasn't been limited to water agencies, with both the private sector and academic institutions providing support. Most notably, the CaDC also received national recognition at the White House Water Summit in March of 2016.

The District was awarded a grant from the United States Bureau of Reclamation through its WaterSmart program for an Advanced Meter Infrastructure pilot program to enhance available demand management programs and improve drought response, as well as provide better information to customers to increase awareness of water use. This program has allowed the District to install a fixed base meter on potable and recycled water irrigation customer meters, providing hourly water usage information through a customer portal. The pilot phase of this project is scheduled to be operational in early 2017, and will allow the District to evaluate the effectiveness of the program before investing in future phases.

Another major accomplishment was the in-house development of the UWMP 2015 Update. With a new approach to developing the UWMP, the District was able to effectively integrate critical water resources initiatives with demand management strategies and articulate the impacts to future water supply sources and demand needs. As part of the UWMP, the District identified expansion of its recycled water system as a critical component of its portfolio of demand management and supply development. The expansion will ensure long-term supply reliability for the District's service area. The District is evaluating alternative resources that can reduce imported water from MET, which would reduce dependence on the State Water Project and Colorado River Basin. The UWMP will serve as a guide in developing future water resource policies and support the District's involvement in various local water supply projects. These projects aim to provide supply and system reliability during droughts, natural disasters, or other supply reductions to include increased water use efficiency, expanded recycled water deliveries, indirect potable reuse, regional resource management strategies, and desalination. The District continues to investigate the economic and technical viability of these alternatives as a source of supply.

The District has identified recycled water as its highest priority alternative water supply source, and is developing a comprehensive Recycled Water Master Plan ("RWMP") to identify further opportunities to expand the system to new customers and the necessary infrastructure to support the expansion, as well as to encourage and open the door to regional cooperation and involvement. The RWMP includes model development, supply and storage assessments, and identification of new recycled water users, along with all associated capital needs.

The District has implemented an extensive Capital Improvement Program, which is primarily driven by the replacement and/or refurbishment of existing infrastructure. To support the Capital Improvement



Program, the District's Asset Management Program uses various business system tools, i.e. Geographic Information System (GIS) and Computerized Maintenance Management System (CMMS). The District is in the process of expanding and upgrading the Asset Management Program by selecting and implementing a new CMMS that will be integrated with all business system processes to optimize operations and maintenance practices. The integrated Asset Management Program will provide the tools and data necessary to better assess infrastructure needs, optimize operations, and support short and long-range Capital Improvement Program decisions. This approach to comprehensive asset management will ensure the District maximizes the investment in its assets.

The Operations Center Consolidation and Improvement (OCCI) project is a critical initiative to address the increasing challenges associated with our current operations and administration facilities, which are over 30 years old, including a lack of critical spaces to manage the District's day-to-day business. The new structures will allow the District staff to operate more efficiently and better serve the District's customers. The project will be constructed on an existing District site to simplify the transition to new facilities and reduce project costs. The District has initiated planning contracts to further design concepts, completed an environmental review, and obtained the necessary permits for a new administration building along with additional site elements, i.e. maintenance shops, warehouse upgrades, fleet maintenance building, and site improvements. The District expects to initiate design contracts during the upcoming fiscal year.

The District continues to collaborate and work with other south Orange County water providers, displaying effective drought response, demand management programs, planning capabilities, and forward-thinking policies. The recent challenges involving the drought, economy and regulations have provided further opportunities for the District to lead by example and have provided an avenue that the business practices and services can be recognized, as well as the great customers that we have the pleasure to serve.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Moulton Niguel Water District for its CAFR for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the 2016 CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

Joone Lopez
General Manager





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

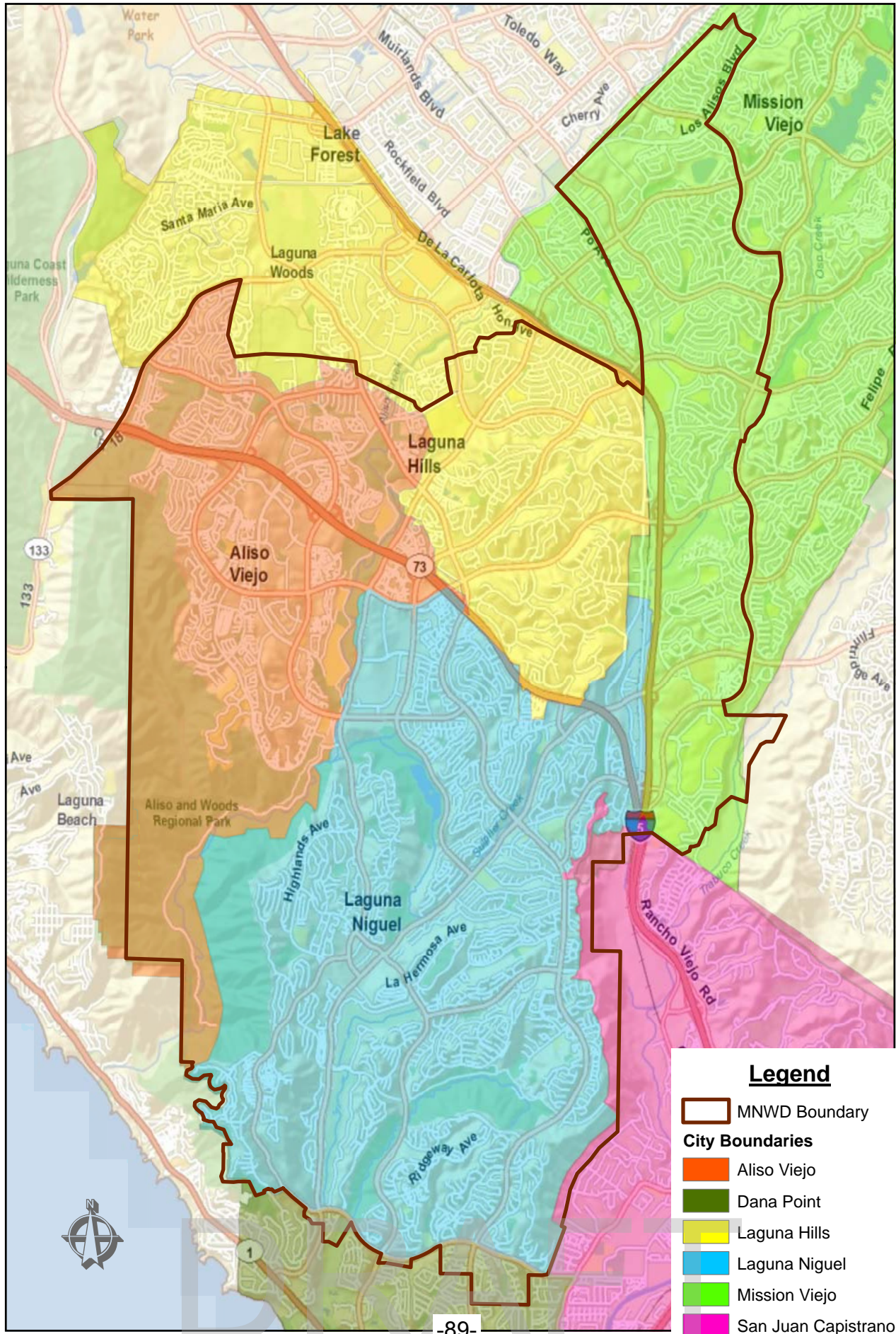
**Moulton Niguel Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

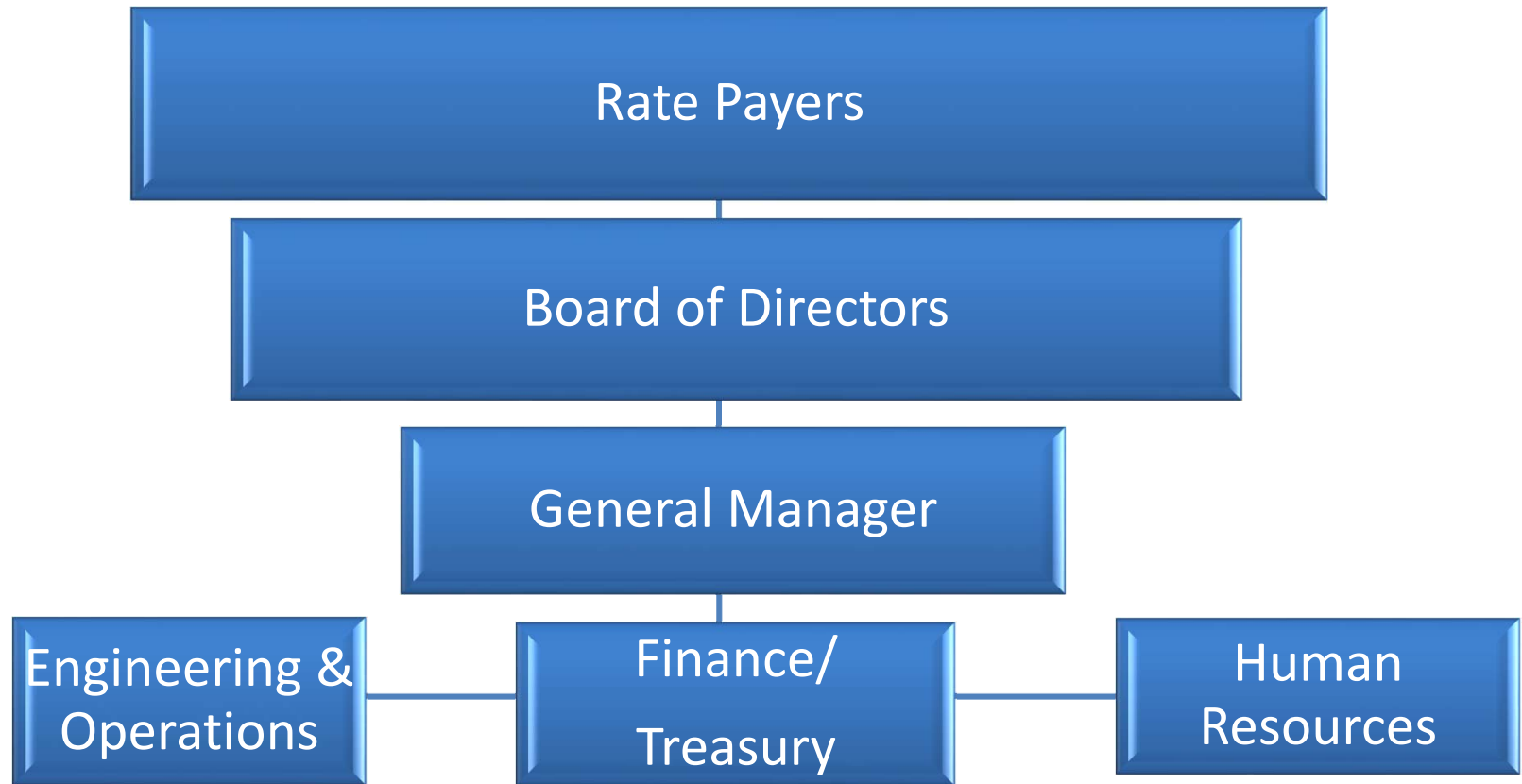
June 30, 2015

Executive Director/CEO

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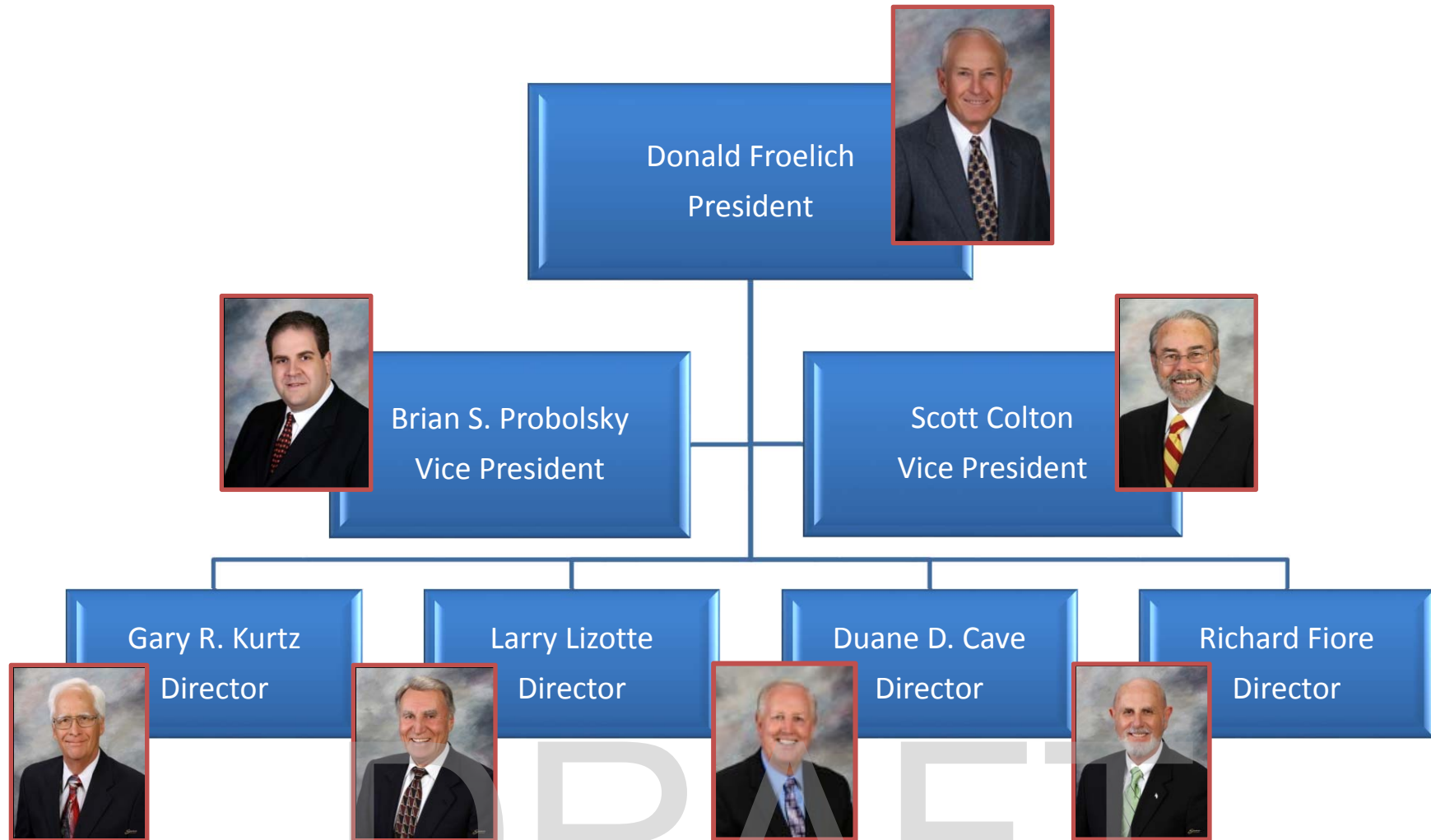
Moulton Niguel Water District Organization Chart



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Moulton Niguel Water District Board of Directors



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Moulton Niguel Water District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2016, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, schedule of funding progress on page 59, schedule of proportionate share of the net pension liability on page 60, and schedule of plan contributions on page 61 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedule of revenues, expenses, and other sources (uses) of funds, operations & maintenance (O&M) budget comparison report, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenses, and other sources (uses) of funds and operations & maintenance (O&M) budget comparison report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and other sources (uses) of funds, and operations & maintenance (O&M) budget comparison report are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

We did not previously audit the 2015 financial statements of the District. Those statements were audited by other auditors whose report has been furnished to us, and who expressed an unmodified opinion on the financial statements in their report dated December 3, 2015. The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2016, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

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Laguna Hills, California
_____, 2016

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**Moulton Niguel Water District
Management's Discussion & Analysis**

Year Ended June 30, 2016

Overview of the Financial Statements

The Moulton Niguel Water District ("District") financial statements are prepared in conformity with Generally Accepted Accounting Principles ("GAAP") and include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Readers should evaluate the financial statements with the accompanying Notes to Financial Statements. The Notes to Financial Statements are an integral part of the financial statements and provide useful explanations and detailed information on the financial statements. Management's Discussion and Analysis precedes the financial statements and its purpose is to provide an overall analysis of the District's financial position and results of operations.

Financial Highlights

The District receives its drinking water from the Metropolitan Water District of Southern California ("MET"), which serves as a wholesaler for the Municipal Water District of Orange County ("MWDOC"). MET imports its water from Northern California and the Colorado River. The State of California has endured severe drought conditions for several years and as a result, the District is currently under Stages I and II of its Water Shortage Contingency Plan ("WSCP"). The WSCP is a tool used to encourage efficient use of water, and to eliminate or discourage wasteful use of water.

In the fiscal year ended June 30, 2016, the District implemented three new accounting standards, GASB Statement No. 72, *"Fair Value Measurement and Application"*, GASB Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, and GASB Statement No. 82 *"Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73"*. The implementation of these standards resulted in changes to disclosures, which can be found in Note 1 and Note 2 in the Notes to Financial Statements, and in the Required Supplementary Information.

Other highlights for the year include:

- Total net income, including capital contributions, was \$6.4 million during the year, improving the District's financial position, and can be attributed to an increase in property tax revenues and intergovernmental revenues.
- The District invested \$32.3 million towards water and wastewater infrastructure during the year, resulting in total capital assets, net of accumulated depreciation, of \$391.0 million.
- Total long-term debt was \$99.5 million, a decrease of \$10.4 million since June 30, 2015, primarily due to scheduled principal payments.
- The District received \$2.4 million in grant funding that was used to fund several capital projects.

Required Financial Statements

The *Statement of Net Position* states the financial position of the District at June 30, 2016. This statement includes five components: District assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the remaining difference between those items being reported as net position. The assets and liabilities are listed in order of their liquidity. Therefore, assets readily convertible to cash, such as cash and investments, appear first.

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Moulton Niguel Water District Management's Discussion & Analysis (Continued)

Year Ended June 30, 2016

The *Statement of Revenues, Expenses, and Changes in Net Position* accounts for the annual results of operations. This statement shows the current year's revenues, expenses, capital contributions, and also calculates the overall change in net position. The sum of the beginning net position and the current year's change in net position equals the ending net position balance. The same ending net position balance appears on the *Statement of Net Position*. Over time, changes in net position serve as a key indicator of the District's financial health.

Both the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* are shown using the accrual basis of accounting. This means revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

By contrast, the *Statement of Cash Flows* presents information about changes in cash and cash equivalents during the year. The statement categorizes changes by operating activities, non-capital financing activities, capital and related financing activities, and investing activities. From this statement the reader can obtain information on the sources and uses of the District's cash.

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**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

District Financial Analysis

The analysis begins with the District's *Statement of Net Position* as presented below:

Statement of Net Position:

| Condensed Statement of Net Position (in thousands), June 30: | | | | |
|---|-------------------|-------------------|------------------|-------------------|
| | 2016 | 2015 | Dollar Change | Percent Change |
| Current and noncurrent assets | \$ 148,656 | \$ 166,632 | \$ (17,976) | -10.8% |
| Capital assets, net | 390,974 | 375,845 | 15,129 | 4.0% |
| Total Assets | 539,630 | 542,477 | (2,847) | -0.5% |
| Deferred outflows of resources ¹ | 2,357 | 2,921 | (564) | -19.3% |
| Total Deferred outflows of Resources | 2,357 | 2,921 | (564) | -19.3% |
| Total Assets and Deferred Outflows of Resources | 541,987 | 545,398 | (3,411) | -0.6% |
| Current liabilities | 21,563 | 19,942 | 1,621 | 8.1% |
| Long-term liabilities | 102,738 | 112,758 | (10,020) | -8.9% |
| Total liabilities | 124,301 | 132,700 | (8,399) | -6.3% |
| Deferred inflows of resources ¹ | 3,530 | 4,937 | (1,407) | -28.5% |
| Total Deferred Inflows of Resources | 3,530 | 4,937 | (1,407) | -28.5% |
| Net investment in capital assets | 292,404 | 267,393 | 25,011 | 9.4% |
| Restricted for capital projects | 2,633 | 1,508 | 1,125 | 74.6% |
| Unrestricted net position | 119,119 | 138,860 | (19,741) | -14.2% |
| Total Net Position | \$ 414,156 | \$ 407,761 | \$ 6,395 | 1.6% |

¹ The deferred outflows and deferred inflows of resources amounts can be volatile on an annual basis. This is because these amounts are affected by various actuarial assumptions, including pension plan investment earnings vs. projected, the change in the District's proportionate share of contributions, and changes in the District's proportionate share of the collective net pension liability of the CalPERS risk pool.

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**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

Revenues

| | Condensed Total Revenues (in thousands), Year Ended June 30: | | | |
|--|---|------------------|------------------|-------------------|
| | 2016 | 2015 | Dollar Change | Percent Change |
| Operating Revenues: | | | | |
| Water charges | \$ 29,812 | \$ 28,605 | \$ 1,207 | 4.2% |
| Recycled charges | 4,850 | 4,881 | (31) | -0.6% |
| Sanitation charges ¹ | 18,964 | 16,182 | 2,782 | 17.2% |
| Other | 416 | 330 | 86 | 26.1% |
| Total Operating Revenues | 54,042 | 49,998 | 4,044 | 8.1% |
| Non-operating Revenues: | | | | |
| Property taxes | 25,298 | 24,012 | 1,286 | 5.4% |
| GOB assessment | 5,306 | 4,935 | 371 | 7.5% |
| Investment income ² | 4,139 | 2,624 | 1,515 | 57.7% |
| Cellular lease income | 1,624 | 1,731 | (107) | -6.2% |
| Intergovernmental revenue ³ | 3,383 | 6,401 | (3,018) | -47.1% |
| Other ⁴ | - | 3,662 | (3,662) | -100.0% |
| Total Non-operating Revenues | 39,750 | 43,365 | (3,615) | -8.3% |
| Capital Contributions ⁵ | 1,361 | 845 | 516 | 61.1% |
| Total Revenues | \$ 95,153 | \$ 94,208 | \$ 945 | 1.0% |

The District finances operations through user charges, property tax receipts, and other income. Total revenue increased by \$0.9 million as compared to the prior year.

¹ The District adopted changes to the rate structure related to residential sanitation charges, moving from a more volumetric based charge to a fixed rate based charge that became effective on April 1, 2015. As part of that adoption, the District implemented an additional rate change that became effective on January 1, 2016.

² Investment income consists of \$1.7 million in unrealized gains as of June 30, 2016, compared to a \$0.2 million unrealized loss in the prior year. The District carries its investments at fair value on the statement of net position, and any change in value related to those securities is recognized as a gain or a loss.

³ The District received \$4.9 million in State funding in the prior year related to the Prop 50 grant for the IRWD Interconnection and Upper Chiquita Reservoir. In the current fiscal year, the District did receive \$2.4 million in grants, primarily related to the San Juan Creek Effluent Transmission Main ("ETM") project.

⁴ The District received a one-time \$3.5 million refund in the prior year related to MET meter inaccuracies at the South County Pump Station.

⁵ The increase in the capital contributions can be attributed to \$0.3 in reimbursements from Santa Margarita Water District related to the San Juan Creek ETM project. Santa Margarita Water District and the District have an agreement to share in the project costs that exceed grant funding.

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**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

Expenses

| | Condensed Total Expenses (in thousands), Year Ended June 30: | | | |
|--|---|------------------|------------------|-------------------|
| | 2016 | 2015 | Dollar Change | Percent Change |
| Operating Expenses: | | | | |
| Water purchases | \$ 23,730 | \$ 25,978 | \$ (2,248) | -8.7% |
| Meters | 723 | 662 | 61 | 9.2% |
| Utilities | 1,905 | 1,970 | (65) | -3.3% |
| Wastewater treatment & pumping ¹ | 13,883 | 12,116 | 1,767 | 14.6% |
| Water transmission & distribution ² | 1,341 | 959 | 382 | 39.8% |
| General, administrative & other ³ | 25,133 | 21,375 | 3,758 | 17.6% |
| Depreciation | 17,123 | 16,708 | 415 | 2.5% |
| Total Operating Expenses | 83,838 | 79,768 | 4,070 | 5.1% |
| Non-operating Expenses: | | | | |
| Interest on long-term debt | 4,911 | 6,161 | (1,250) | -20.3% |
| Other | 10 | - | 10 | - |
| Total Non-operating Expenses | 4,921 | 6,161 | (1,240) | -20.1% |
| Total Expenses | \$ 88,759 | \$ 85,929 | \$ 2,830 | 3.3% |

Total operating expenses increased by \$2.8 million.

¹ The District's portion for O&M charges at South Orange County Water District, a joint powers authority that the District participates in, increased by \$1.0 million as compared to the prior fiscal year.

² The increase in the water transmission and distribution expenses during the current year can be attributed to repairs and maintenance of facilities that are involved in distribution of water to District customers. These are repairs did not add substantial value or materially extend the useful life of the facilities and were not capitalized.

³ The District expanded its outreaching efforts this year as a result of the ongoing drought, and continued to offer rebates to customers. The District spent an additional \$3.1 million on rebates and other water efficiency and conservation programs, as compared to the prior year.

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**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

Changes in Net Position

| | Condensed Changes in Net Position (in thousands), Year Ended June 30: | | | |
|---|--|-------------------|--------------------|-------------------|
| | 2016 | 2015 | Dollar Change | Percent Change |
| Beginning Net Position | \$ 407,761 | \$ 418,279 | \$ (10,518) | -2.5% |
| Restatement due to change in accounting principle ¹ | - | (18,796) | 18,796 | -100.0% |
| Income (loss) before capital contributions | 5,034 | 7,433 | (2,399) | -32.3% |
| Donated facilities | - | 294 | (294) | -100.0% |
| Capacity fees ² | 1,046 | 551 | 495 | 89.8% |
| Other contributions | 315 | - | 315 | 0.0% |
| Change in Net Position | 6,395 | (10,518) | 16,913 | -160.8% |
| Ending Net Position | \$ 414,156 | \$ 407,761 | \$ 6,395 | 1.6% |

¹ The beginning net position in the prior year was restated by \$18.8 million to implement GASB 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". There was no such restatement required in the current year as the standard had already been implemented.

² The District received a larger quantity of capacity fees in the current year as a result of new developments that were completed during the year. This revenue depends on projects approved by cities within the District service area and will fluctuate on an annual basis.

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**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2016

Capital Assets

| | Condensed Capital Asset Summary (in thousands), Year Ended June 30: | | | |
|--|--|-------------------|------------------|-------------------|
| | 2016 | 2015 | Dollar Change | Percent Change |
| Net Depreciable Assets: | | | | |
| Water systems ¹ | \$ 271,113 | \$ 311,409 | \$ (40,296) | -12.9% |
| Capacity rights - infinite | 18,908 | 19,172 | (264) | -1.4% |
| Capacity rights - limited ¹ | 45,085 | 6,892 | 38,193 | 554.2% |
| Buildings | 2,408 | 2,690 | (282) | -10.5% |
| Equipment and automobiles ² | 7,233 | 2,948 | 4,285 | 145.4% |
| Total Net Depreciable Assets | 344,747 | 343,111 | 1,636 | 0.5% |
| Non-Depreciable Assets: | | | | |
| Land | 1,092 | 1,092 | - | 0.0% |
| Construction in Progress ³ | 45,135 | 31,642 | 13,493 | 42.6% |
| Total Non-Depreciable Assets | 46,227 | 32,734 | 13,493 | 41.2% |
| Capital Assets, Net | \$ 390,974 | \$ 375,845 | \$ 15,129 | 4.0% |

The District's net capital assets increased by \$15.1 million (net of \$17.1 million of depreciation) during the current fiscal year. See Note 5 in the Notes to Financial Statements for detail on capital asset activities.

¹ The District transferred \$38,470 of net capitalized water systems assets to capacity rights - limited, as those assets were remitted in relation to the District's capacity obligations in joint facilities. The transfer had no effect on the financial statements and was done to move the asset to the appropriate class.

² The District transferred the completed District software project from construction in progress to equipment and automobiles, totaling \$3.0 million during the fiscal year ended June 30, 2016.

³ The District adopts a Ten-Year Cash flow as part of the budget process each year, and \$46.8 million was budgeted for 67 capital projects for the current year. The construction in progress balance represents projects that have started but have yet to be placed into service. Many projects will include activity that span multiple fiscal years.

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Moulton Niguel Water District Management's Discussion & Analysis (Continued)

Year Ended June 30, 2016

Long-term Liabilities

| | Condensed Long-term Liabilities Summary (in thousands), Year Ended June 30: | | | |
|-------------------------------------|--|-------------------|--------------------|-------------------|
| | 2016 | 2015 | Dollar Change | Percent Change |
| Bonds Payable | \$ 24,891 | \$ 31,326 | \$ (6,435) | -20.5% |
| Certificates of Participation (COP) | 63,929 | 65,836 | (1,907) | -2.9% |
| Loans | 10,688 | 12,794 | (2,106) | -16.5% |
| Total Long-term Liabilities | \$ 99,508 | \$ 109,956 | \$ (10,448) | -9.5% |

The District's total long-term liabilities as of June 30, 2016, was comprised of \$99.5 million in Bonds, COPs, and loans. The District did not issue any new debt during the fiscal year or refund any prior issuances. Annual principal payments during the year were primarily responsible for the \$10.4 million reduction in the outstanding balance. See Note 6 in the Notes to Financial Statements for detail on long-term liabilities.

Contacting the District

This financial report is designed to provide the District's elected officials, customers, investors, employees, and creditors with an assessment of the District's financial condition and an accounting of the public's funds. An electronic copy of the CAFR can be found on the District's website, www.mnwd.com. If you have questions about this report or need additional financial information, please contact the Finance Department at Moulton Niguel Water District at (949) 831-2500.

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Moulton Niguel Water District

Statement of Net Position
June 30, 2016
(With Comparative Totals for June 30, 2015)

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------|-----------------------|
| Assets: | | |
| Current: | | |
| Cash and investments (Note 2) | \$ 21,149,580 | \$ 22,824,739 |
| Accounts receivable: | | |
| Water and sanitation charges | 4,023,360 | 3,392,611 |
| Taxes and acreage assessments | 255,190 | 300,842 |
| Other accounts receivable | 347,088 | 222,169 |
| Grants receivable | 1,771,918 | 405,068 |
| Interest receivable | 589,339 | 620,930 |
| AMP receivable (Note 3) | 656 | 1,302 |
| Inventory | 1,322,755 | 1,703,635 |
| Prepaid expenses | 566,095 | 480,124 |
| | <u>30,025,981</u> | <u>29,951,420</u> |
| Total Current Assets | | |
| Noncurrent: | | |
| Investments (Note 2) | 109,982,071 | 127,305,643 |
| Restricted cash and investments with fiscal agent (Note 2) | 8,086,043 | 8,777,679 |
| Retrofit loans receivable (Note 3) | 561,582 | 597,037 |
| Capital assets - net of accumulated depreciation (Note 5) | 344,747,326 | 343,111,410 |
| Capital assets not being depreciated (Note 5): | | |
| Land | 1,091,910 | 1,091,910 |
| Construction in progress | 45,135,106 | 31,642,242 |
| | <u>509,604,038</u> | <u>512,525,921</u> |
| Total Noncurrent Assets | | |
| Total Assets | <u>539,630,019</u> | <u>542,477,341</u> |
| Deferred Outflows of Resources: | | |
| Deferred charges on refundings (Note 6) | 937,158 | 1,488,900 |
| Deferred items related to pension (Note 8) | 1,419,676 | 1,431,577 |
| | <u>2,356,834</u> | <u>2,920,477</u> |
| Total Deferred Outflows of Resources | | |
| Total Assets and Deferred Outflows of Resources | <u>\$ 541,986,853</u> | <u>\$ 545,397,818</u> |

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Statement of Net Position
June 30, 2016
(With Comparative Totals for June 30, 2015)

| | <u>2016</u> | <u>2015</u> |
|---|------------------------------|------------------------------|
| Liabilities: | | |
| Current: | | |
| Accounts payable | \$ 9,107,383 | \$ 8,162,699 |
| Interest payable | 1,880,732 | 1,830,740 |
| Unearned revenue | 45,572 | - |
| Compensated absences (Note 6) | 618,807 | 373,162 |
| Current portion of long-term debt (Note 6): | | |
| Bonds payable | 6,060,000 | 5,685,000 |
| Certificates of participation | 1,855,000 | 1,780,000 |
| Loans payable | 1,994,998 | 2,110,606 |
| Total Current Liabilities | <u>21,562,492</u> | <u>19,942,207</u> |
| Long-Term Liabilities: | | |
| Compensated absences (Note 6) | 206,269 | 124,386 |
| Long-term debt (Note 6): | | |
| Bonds payable | 18,830,785 | 25,641,483 |
| Certificates of participation | 62,073,642 | 64,056,049 |
| Loans payable | 8,693,015 | 10,683,789 |
| Net pension liability (Note 8) | 12,934,337 | 12,251,838 |
| Total Long-Term Liabilities | <u>102,738,048</u> | <u>112,757,545</u> |
| Total Liabilities | <u>124,300,540</u> | <u>132,699,752</u> |
| Deferred Inflows of Resources: | | |
| Deferred items related to pension (Note 8) | 3,530,389 | 4,936,619 |
| Total Deferred Inflows of Resources | <u>3,530,389</u> | <u>4,936,619</u> |
| Net Position: | | |
| Net investment in capital assets | 292,404,060 | 267,393,560 |
| Restricted for capital projects (Note 14) | 2,632,947 | 1,508,109 |
| Unrestricted (Note 15) | 119,118,917 | 138,859,778 |
| Total Net Position | <u>414,155,924</u> | <u>407,761,447</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 541,986,853</u> | <u>\$ 545,397,818</u> |

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moulton niguel water district

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Moulton Niguel Water District
Statement of Revenues, Expenses,
and Changes in Net Position
Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

| | <u>2016</u> | <u>2015</u> |
|---|------------------------------|------------------------------|
| Operating Revenues: | | |
| Water charges | \$ 29,812,128 | \$ 28,604,894 |
| Recycled charges | 4,850,326 | 4,880,742 |
| Sanitation charges | 18,963,978 | 16,182,197 |
| Other | 415,565 | 329,755 |
| Total Operating Revenues | <u>54,041,997</u> | <u>49,997,588</u> |
| Operating Expenses: | | |
| Source of supply: | | |
| Water purchases | 23,729,595 | 25,978,276 |
| Meter purchases | 723,310 | 662,151 |
| Utilities | 1,904,437 | 1,969,712 |
| Pumping water | 3,177,393 | 2,596,544 |
| Wastewater treatment | 10,705,495 | 9,519,199 |
| Water transmission and distribution | 1,341,220 | 959,193 |
| Customer service | 3,047,070 | 2,839,137 |
| Water efficiency | 6,749,664 | 3,472,838 |
| General, administrative, and other | 14,947,755 | 14,702,063 |
| Post retirement medical benefits (OPEB) | 388,058 | 361,057 |
| Depreciation | 17,123,278 | 16,708,439 |
| Total Operating Expenses | <u>83,837,275</u> | <u>79,768,609</u> |
| Operating Income (Loss) | <u>(29,795,278)</u> | <u>(29,771,021)</u> |
| Non-Operating Revenues (Expenses): | | |
| Investment income (Note 2) | 4,063,731 | 2,573,621 |
| Investment income - restricted (Note 2) | 75,353 | 50,685 |
| Property tax revenue and acreage assessments | 25,298,065 | 24,011,516 |
| General obligation bond assessments | 5,306,117 | 4,934,793 |
| Interest on long-term debt | (4,910,737) | (6,160,882) |
| Intergovernmental revenue | 3,382,555 | 6,401,510 |
| Cellular lease and license income (Note 4) | 1,623,544 | 1,731,352 |
| Other non-operating revenues (expenses) | (9,718) | 3,661,818 |
| Total Non-Operating Revenues (Expenses) | <u>34,828,910</u> | <u>37,204,413</u> |
| Income (Loss) Before Capital Contributions | <u>5,033,632</u> | <u>7,433,392</u> |
| Capital Contributions: | | |
| Developer donated capital facilities | - | 294,000 |
| Capacity fees | 1,046,335 | 551,179 |
| Other contributions | 314,510 | - |
| Change in Net Position | <u>6,394,477</u> | <u>8,278,571</u> |
| Net Position: | | |
| Beginning of fiscal year, as originally reported | 407,761,447 | 418,278,862 |
| Restatements | - | (18,795,986) |
| Beginning of fiscal year, restated | <u>407,761,447</u> | <u>399,482,876</u> |
| End of Fiscal Year | <u>\$ 414,155,924</u> | <u>\$ 407,761,447</u> |

Moulton Niguel Water District

Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------------|-----------------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from customers | \$ 54,900,155 | \$ 57,563,965 |
| Cash paid to suppliers | (50,138,591) | (47,136,211) |
| Cash paid to employees | (15,534,122) | (16,092,918) |
| Net Cash Provided By (Used For) Operating Activities | <u>(10,772,558)</u> | <u>(5,665,164)</u> |
| Cash Flows from Non-Capital Financing Activities: | | |
| Cash received from property taxes | 25,343,717 | 24,065,800 |
| Net Cash Provided By (Used For) Non-Capital Financing Activities | <u>25,343,717</u> | <u>24,065,800</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (32,252,058) | (25,400,041) |
| Proceeds from capital debt | - | 14,481,517 |
| Cash received from general obligation bond assessments | 5,306,117 | 4,934,793 |
| Repayment of notes receivable | 36,101 | 98,397 |
| Capital contributions | 1,360,845 | 551,179 |
| Principal payments on long-term debt | (10,635,480) | (24,538,691) |
| Interest payments on long-term debt | (4,309,003) | (6,139,195) |
| Intergovernmental revenue | 2,061,277 | 5,996,442 |
| Net Cash Provided By (Used For) Capital and Related Financing Activities | <u>(38,432,201)</u> | <u>(30,015,599)</u> |
| Cash Flows from Investing Activities: | | |
| Investment earnings received | 4,170,675 | 2,935,640 |
| Proceeds from sales and maturities of investments | 86,033,928 | 33,321,926 |
| Purchases of investments | (68,710,356) | (48,638,010) |
| Net Cash Provided By (Used For) Investing Activities | <u>21,494,247</u> | <u>(12,380,444)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(2,366,795)</u> | <u>(23,995,407)</u> |
| Cash and Cash Equivalents, Beginning of Year | 31,602,418 | 55,597,825 |
| Cash and Cash Equivalents, End of Year | <u>\$ 29,235,623</u> | <u>\$ 31,602,418</u> |
| Reconciliation of Cash and Cash Equivalents | | |
| Cash and investments | \$ 21,149,580 | \$ 22,824,739 |
| Restricted cash and investments with fiscal agent | 8,086,043 | 8,777,679 |
| Total Cash and Cash Equivalents | <u>\$ 29,235,623</u> | <u>\$ 31,602,418</u> |

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Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for June 30, 2015)

| | 2016 | 2015 |
|--|--------------------------------------|-------------------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: | | |
| Operating income (loss) | <u>\$ (29,795,278)</u> | <u>\$ (29,771,021)</u> |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: | | |
| Depreciation | 17,123,278 | 16,708,439 |
| Other non-operating revenue | 1,613,826 | 5,393,170 |
| Contributions made after measurement date to net pension liability | (525,837) | (997,427) |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable, water and sanitation | (630,749) | 2,163,158 |
| (Increase) decrease in accounts receivable, other | (124,919) | 10,049 |
| (Increase) decrease in inventory | 380,880 | (191,886) |
| (Increase) decrease in prepaid expenses | (85,971) | (177,480) |
| Increase (decrease) in accounts payable | 944,684 | 1,230,205 |
| Increase (decrease) in compensated absences | <u>327,528</u> | <u>(32,371)</u> |
| Net Cash Provided By (Used For) Operating Activities | <u><u>\$ (10,772,558)</u></u> | <u><u>\$ (5,665,164)</u></u> |
| Non-cash Investing, Capital, and Financing Activities: | | |
| Unrealized gain (loss) on investments | \$ 1,740,527 | \$ (227,454) |
| Developer donated capital facilities | - | 294,000 |
| Amortization of deferred charges on refundings | 551,742 | (352,586) |
| Bad debt expense | (284,100) | (67,318) |
| Amortization of (premiums) discounts | (873,882) | (617,398) |
| Changes in net pension liability | (711,830) | (93,209) |

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moulton niguel water district

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Moulton Niguel Water District**Notes to Financial Statements
June 30, 2016****I. Significant Accounting Policies****Note 1: Organization and Summary of Significant Accounting Policies**

The accounting principles of the Moulton Niguel Water District (the "District") conform to generally accepted accounting principles ("GAAP") applicable to governmental-type organizations. The following is a summary of the District's significant accounting policies.

a. Description of the Reporting Entity

The District was established on November 16, 1960, under the provisions of the California Water District Law, Division 13 of the Water Code. The District provides water and collects, treats and recycles wastewater to the communities of Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo, and Dana Point. The District is governed by a seven-member Board of Directors.

For financial reporting purposes, the District includes all funds that are controlled by, or dependent on, the District's Board of Directors. Management has determined that the District is a single enterprise fund reporting unit for financial reporting purposes by applying the criteria set forth in the Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity. This criteria requires the reporting entity to have a separate elected governing body, that it be a legal separate entity, and fiscally independent.

b. Basis of Accounting

The District reports its activities as an enterprise fund. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. The District utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of the District consist of water, recycled water, and sanitation charges. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

c. MNWD Public Facilities Corporation

The MNWD Public Facilities Corporation (the "Corporation") was incorporated as a California Non-profit Public Facilities Corporation on October 12, 1993, and has received tax exempt status from the Internal Revenue Service and California Franchise Tax Board.

The Corporation was formed for the purpose of providing financing through the issuance of certificates of participation to construct District infrastructure necessary to provide water, wastewater, and recycled water services to existing and future customers with the District. Members of the Board of Directors of the District act as the Corporation's governing board and exert significant influence over its operations. Separate financial statements are prepared for the Corporation. To obtain complete financial information from the Corporation, please contact the District at 27500 La Paz Street, Laguna Niguel, CA, 92677, or via telephone at (949) 831-2500.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39 and GASB Statement 61. Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of its relationship with the District. In accordance with those Statements, a component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances:

- i. The component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit. Management of a primary government has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs, departments, or agencies.
- ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. Usually the services provided by a blended component unit are financing services provided solely to the primary government.

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Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

- iii. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. Repayment generally occurs through a continuing pledge and appropriation by the primary government to the component unit that, in turn, pledges those appropriation payments as the primary source of repayment for its debt.

Because the Corporation meets the requirements in circumstances i, ii, and iii, the Corporation has been reported as a blended component unit. In accordance with GASB Statement 61, condensed financial information is reported in Note 10.

d. Property Taxes

The District is authorized to levy taxes on all taxable property within its boundaries for the purposes of carrying on its operations and paying its obligations, subject to certain limitations in the Water Code, the Revenue and Taxation Code, and the California Constitution. A portion of the taxes are levied to meet the District's debt service requirements on its general obligation bonds.

Property taxes are levied annually by the District's Board of Directors as of July 1, using a lien date of March 1, and are payable by property owners in two equal installments, which are due by December 10 and April 10. The taxes levied are billed and collected by the County of Orange, and remitted to the District throughout the year.

e. Inventory and Prepaid Expenses

Inventory consists of meters, meter components and operating supplies. Inventory is valued at cost on a first-in, first-out method.

Certain payments to vendors, primarily related to services, reflect costs applicable to future accounting periods and are initially recorded as prepaid expenses and expensed through the lifetime of the agreement.

f. Capital Assets

Capital assets are valued at cost where historical records are available, and at an estimated historical cost where no historical records exist. Donated assets are valued at their acquisition value on the date received in accordance with GASB Statement 72, *Fair Value Measurement and Application*. The District capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are expensed.

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Moulton Niguel Water District**Notes to Financial Statements (Continued)****June 30, 2016****Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

| | |
|------------------------------|----------------|
| Water and wastewater systems | 10 to 75 years |
| Capacity rights – limited | 10 to 99 years |
| Capacity rights – infinite | 10 to 99 years |
| Buildings | 5 to 40 years |
| Automobiles and equipment | 3 to 10 years |

g. Compensated Absences

It is the District's policy to permit employees to accrue vacation leave up to 200% of their annual vacation accrual. Vacation accrual schedules vary depending on length of employment and begin on the date of employment. Once employees reach the maximum accrual limit, they cease to accrue vacation until vacation is reduced to an amount below the limit. Employees are eligible to be compensated in cash for up to a maximum of 120 hours of accrued vacation, upon meeting certain criteria. In addition, an employee is eligible to transfer up to 80 hours of accrued vacation into his/her deferred compensation plan, under certain conditions.

All regular full-time employees are eligible to accrue 96 hours of sick leave per year from the date of employment. Prior to December 31 of each year, employees who have accumulated more than 176 hours of sick leave are eligible to receive compensation equal to 75% of the hours over 176 hours.

Upon separation from employment, the District pays employees 100% of vacation leave accrued but not taken. In addition, employees who worked for the District for ten or more years, may receive a portion of up to 100% of sick leave accrued but not taken.

All accrued vacation and sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

h. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash, or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less. Investments held by fiscal agent (excluding money market funds) are classified as long-term assets regardless of the maturity date. These investments are typically held as a covenant for long-term debt service and, therefore, continually re-invested and held until the maturity of the debt service obligation.

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Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 1: Organization and Summary of Significant Accounting Policies (Continued)****i. Investments**

Investment income includes interest earnings, changes in fair value (unrealized gains or losses) and realized gains or losses upon the liquidation or sale of investments.

j. Fair Value Measurement

The District has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

k. Net Pension Liabilities

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the pension plan fiduciary net position and additions to/deductions from the pension plan fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

l. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

m. Net Position

Net position of the District is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets represent the capitalized cost of capital assets, net of depreciation and the related outstanding debt balances.

Restricted net position represent net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or imposed by law, through constitutional provisions or enabling legislation.

All net position not categorized as net investment in capital assets or restricted are included in unrestricted net position, including amounts reserved in accordance with designations by the Board of Directors included in Note 15.

n. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o. New GASB Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define which assets and liabilities should be measured at fair value, and determine the fair value information that should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-16 fiscal year. This pronouncement was implemented effective July 1, 2015.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. This pronouncement was implemented effective July 1, 2015.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The District elected to implement GASB Statement No. 82 for the 2015-2016 fiscal year to maintain consistency in the required supplementary information reported amounts.

II. Detailed Notes on all Activities**Note 2: Cash and Investments**

Cash and Investments are classified in the accompanying Statement of Net Position as follows at June 30, 2016:

| | |
|--|-----------------------|
| Statement of Net Position: | |
| Cash and Investments-Current | \$ 21,149,580 |
| Investments-Noncurrent | 109,982,071 |
| Cash and Investments with Fiscal Agent | <u>8,086,043</u> |
| Total Cash and Investments | <u>\$ 139,217,694</u> |

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#6.**Moulton Niguel Water District****Notes to Financial Statements (Continued)
June 30, 2016****Note 2: Cash and Investments (Continued)**

Cash and Investments held by the District at June 30, 2016, consisted of the following:

| | |
|--------------------------------------|------------------------------|
| Cash: | |
| Petty Cash on Hand | \$ 800 |
| Deposits with Financial Institutions | 254,204 |
| Total Cash | <u>255,004</u> |
| Investments: | |
| State Treasurer's Investment Pool | 20,907,555 |
| US Treasury Notes | 29,314,594 |
| Federal Agency Securities | 48,678,878 |
| Medium Term Notes | 28,021,901 |
| Asset Backed Securities | 9,173,281 |
| Commerical Paper | 1,885,521 |
| Money Market Funds | <u>980,960</u> |
| Total Investments | <u>138,962,690</u> |
| Total Cash and Investments | <u><u>\$ 139,217,694</u></u> |

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. The table below does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy:

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Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2016

Note 2: Cash and Investments (Continued)

| | *Maximum Maturity | *Maximum Percentage of Portfolio | *Maximum Investment in One Issuer |
|-------------------------------------|----------------------|--|---|
| Municipal Securities | 5 years | 30% | 5% |
| U.S. Treasury Obligations | 10 years** | None | None |
| Federal Agency Securities | 10 years** | None | 25% |
| Bankers Acceptances | 180 days | 40% | 5% |
| Commercial Paper | 270 days | 25% | 5% |
| Negotiable Certificates of Deposit | 5 years | 30% | 5% |
| Repurchase Agreements | 1 year | None | None |
| Medium-Term Notes | 5 years | 30% | 5% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Asset Backed Securities*** | 5 years | 20% | None |
| Local Agency Investment Fund (LAIF) | N/A | \$25M | None |
| Local Government Investment Pools | N/A | None | None |

*Based on state law requirements or investment policy requirements, whichever is more restrictive, except for maturities in excess of 5 years, as described below.

**5 years for the limited maturity fund, up to 10 years and a maximum of 40% exceeding 5 years for the operating reserve fund, as allowed by the investment policy.

***The District's investment policy currently does not allow for the purchase of new asset backed securities, but the policy does allow securities purchased prior to changes to the policy. These securities were previously authorized per the District policy and are authorized per the California Government Code. The District plans to align its policy to the California Government Code in the next fiscal year. During the fiscal year, the District's investment advisors purchased two new asset backed securities, totaling \$1,671,966. The District has sold these securities to ensure compliance with the investment policy, resulting in slight gains.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Allowed | Maximum Investment in One Issuer |
|----------------------------|---------------------|----------------------------------|--|
| U.S. Treasury Obligations | None | None | None |
| Federal Agency Securities | None | None | None |
| Bankers Acceptances | 360 days | None | None |
| Municipal Obligations | None | None | None |
| Money Market Mutual Funds | 120 days | None | None |
| Investment Agreements | None | None | None |

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 2: Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk attributable to changes in market interest rates that will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater sensitivity to fair value when market interest rates fluctuate. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

| Investment Type | Total | 12 Months or Less | 13 to 36 Months | 37 to 60 Months | More Than 60 Months |
|---------------------------|-----------------------|----------------------|----------------------|----------------------|------------------------|
| State Investment Pool | \$ 20,907,555 | \$ 20,907,555 | \$ - | \$ - | \$ - |
| US Treasury Notes | 24,019,685 | 1,802,346 | 3,136,237 | 4,712,268 | 14,368,834 |
| Federal Agency Securities | 46,255,456 | 6,872,460 | 5,928,670 | 21,974,303 | 11,480,023 |
| Medium Term Notes | 28,021,901 | 1,853,045 | 18,506,803 | 7,662,053 | - |
| Asset Backed Securities | 9,173,281 | - | 6,253,901 | 2,919,380 | - |
| Commercial Paper | 1,885,521 | 1,885,521 | - | - | - |
| Money Market Funds | 613,248 | 613,248 | - | - | - |
| Held by Fiscal Agent: | | | | | |
| US Treasury Notes | 5,294,909 | 275,319 | 2,292,160 | 2,727,430 | - |
| Federal Agency Securities | 2,423,422 | - | 851,755 | 1,571,667 | - |
| Money Market Funds | 367,712 | 367,712 | - | - | - |
| Total | <u>\$ 138,962,690</u> | <u>\$ 34,577,206</u> | <u>\$ 36,969,526</u> | <u>\$ 41,567,101</u> | <u>\$ 25,848,857</u> |

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following table shows the minimum rating required by (where applicable) the California Government Code, the District's investment policy or debt agreements, and the actual rating from Standard and Poor's as of year-end for each investment type:

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 2: Cash and Investments (Continued)

| Investment Type | Total | Minimum Legal Rating | Rating as of Year-End | | | |
|---------------------------|-----------------------|-------------------------|-----------------------|----------------------|----------------------|----------------------|
| | | | AAA | AA | A | Not Rated |
| State Investment Pool | \$ 20,907,555 | N/A | \$ - | \$ - | \$ - | \$ 20,907,555 |
| US Treasury Notes | 24,019,685 | N/A | 24,019,685 | - | - | - |
| Federal Agency Securities | 46,255,456 | N/A | 41,983,066 | 4,272,390 | - | - |
| Medium Term Notes | 28,021,901 | A | 1,268,191 | 6,352,788 | 20,400,922 | - |
| Asset Backed Securities* | 9,173,281 | AA | 9,173,281 | - | - | - |
| Commerical Paper | 1,885,521 | A | - | - | 1,885,521 | - |
| Money Market Funds | 613,248 | Highest rated | 613,248 | - | - | - |
| Held by Fiscal Agent: | | | | | | |
| US Treasury Notes | 5,294,909 | A | 5,294,909 | - | - | - |
| Federal Agency Securities | 2,423,422 | A | 2,423,422 | - | - | - |
| Money Market Funds | 367,712 | Highest rated | - | - | - | 367,712 |
| Total | \$ 138,962,690 | | \$ 84,775,802 | \$ 10,625,178 | \$ 22,286,443 | \$ 21,275,267 |

* Minimum legal rating according to California Government Code

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

| Investment Type | Year-end Balance |
|----------------------------------|------------------|
| Federal Home Loan Bank | \$ 14,951,133 |
| Federal Home Loan Mortgage Co. | 12,622,178 |
| Federal National Mortgage Assoc. | 11,692,486 |
| Tennessee Valley Authority | 7,356,554 |

Disclosures Relating to Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 2: Cash and Investments (Continued)

The District had the following recurring fair value measurements as of June 30, 2016:

| Investment Type | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Uncategorized |
|---------------------------|-----------------------|---|---|----------------------|
| State Investment Pool | \$ 20,907,555 | \$ - | \$ - | \$ 20,907,555 |
| US Treasury Notes | 24,019,685 | - | 24,019,685 | - |
| Federal Agency Securities | 46,255,456 | - | 46,255,456 | - |
| Medium Term Notes | 28,021,901 | - | 28,021,901 | - |
| Asset Backed Securities | 9,173,281 | - | 9,173,281 | - |
| Commerical Paper | 1,885,521 | - | 1,885,521 | - |
| Money Market Funds | 613,248 | 613,248 | - | - |
| Held by Fiscal Agent: | | | | |
| US Treasury Notes | 5,294,909 | - | 5,294,909 | - |
| Federal Agency Securities | 2,423,422 | - | 2,423,422 | - |
| Money Market Funds | 367,712 | - | 367,712 | - |
| Total | <u>\$ 138,962,690</u> | <u>\$ 613,248</u> | <u>\$ 117,441,887</u> | <u>\$ 20,907,555</u> |

Money market funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those money market funds. Corporate bonds and securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model and evaluated based on various market and industry inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The State Investment Pool is managed by the State Treasurer, and by law is regulated by the California Government Code.

Deposits and withdrawals in State Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the District's investments in LAIF at June 30, 2016, of \$20,907,555 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment, or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy limits custodial credit risk by requiring that financial institutions secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

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Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2016

Note 2: Cash and Investments (Continued)

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. For investments, the District's portfolio is held in safekeeping in the District's name by a third party bank trust department, acting as agent for the District, under the terms of a custody agreement. The District Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

State Treasurer's Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund ("LAIF") that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment Earnings

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments and as a result, realized gains and losses of the current period include unrealized amounts from prior periods. Investment earnings consist of the following for the year ended June 30, 2016:

| | | |
|------------------------|----|------------------|
| Interest income | \$ | 2,337,284 |
| Realized gain (loss) | | 61,273 |
| Unrealized gain (loss) | | <u>1,740,527</u> |
| Total | \$ | <u>4,139,084</u> |

Note 3: Other ReceivablesAllen-McColloch Pipeline ("AMP")

Before fiscal year 1995, the District was a part owner and participant in the 27-mile AMP used by the Municipal Water District of Orange County ("MWDOC") to deliver potable water to the participants. In fiscal year 1995, the participants sold the AMP to Metropolitan Water District of Southern California ("MET"). Under the Sale agreement the District will receive \$16,158,563 over 22 years. This represents an approximate 13.6% ownership of AMP. During the year, the District received \$646, leaving the year end AMP receivable of \$656. The Sale agreement also provides for the District to continue to have AMP flow capacity rights, but MWDOC has no obligation to deliver an actual quantity of water.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 3: Other Receivables (Continued)**Retrofit Loans

In November 1996, the Board adopted Resolution 96-26 which allowed for qualifying non-profit entities and public agency applicants to obtain a loan through the District to finance the cost for on-site recycled water retrofits of the applicant's irrigation system. The program offers incentive to customers who would otherwise have difficulties financing the cost of the recycled water retrofits. The District has 23 loans outstanding totaling \$561,582 which includes both principal and interest. The re-payment of the loan agreement is structured based on a volumetric consumption amount of recycled water at \$0.25 a billing unit per month. Since re-payment is based on usage, it is difficult to provide a structured repayment schedule. On average, the District receives approximately \$30,000 a year towards the principal and interest portion of the loan. The majority of the loans are re-paid within 11 years with the balance of the loans to be repaid within 30+ years from the date of the agreement.

Note 4: Operating Leases and Licenses

The District leases a portion of its facilities for cellular tower antenna sites. Lessees purchase and install the wireless equipment. These leases are non-cancelable for a period of 10 years, with one renewal period of 5 years. Inception dates range from 1996 to the present. The lease agreement allows for a 3% annual CPI increase to the lease payments. At the lease termination, lessees must remove all equipment and restore the site to its original state. Since the start of fiscal year 2015-2016, any new agreement or renewal is classified as a license. The combined cost of District facilities that are included as part of these agreements was \$36,355,063, with a carrying value at June 30, 2016, of \$19,531,462, and the difference of \$16,823,601 being accumulated depreciation. The total cellular lease and license revenue for the fiscal year was \$1,623,544. Future minimum lease payments are as follows:

| Fiscal Year Ended June 30 | Amount |
|------------------------------|----------------------|
| 2017 | \$ 1,569,878 |
| 2018 | 1,546,570 |
| 2019 | 1,476,486 |
| 2020 | 1,494,355 |
| 2021 | 1,521,016 |
| Thereafter | <u>8,020,467</u> |
| Total | <u>\$ 15,628,772</u> |

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

| Capital Assets | Balance at June 30, 2015 | Transfers | Additions | Deletions | Balance at June 30, 2016 |
|---------------------------------------|-----------------------------|-----------------|---------------|-------------|-----------------------------|
| Depreciable assets | | | | | |
| Water systems | \$ 596,724,235 | \$ (34,567,028) | \$ - | \$ (54,151) | \$ 562,103,056 |
| Capacity rights - Infinite | 19,972,448 | - | - | - | 19,972,448 |
| Capacity rights - Limited | 8,279,403 | 48,023,143 | - | - | 56,302,546 |
| Building | 5,755,374 | - | - | - | 5,755,374 |
| Automobiles and equipment | 12,615,726 | 4,259,654 | 1,046,587 | (203,838) | 17,718,129 |
| Total cost of depreciable assets | 643,347,186 | 17,715,769 | 1,046,587 | (257,989) | 661,851,553 |
| Less accumulated depreciation | | | | | |
| Water systems | (285,315,731) | 9,552,656 | (13,703,990) | 51,259 | (289,415,806) |
| Capacity rights - Infinite | (798,899) | - | (266,299) | - | (1,065,198) |
| Capacity rights - Limited | (1,387,890) | (9,552,656) | (1,850,015) | - | (12,790,561) |
| Buildings | (3,065,505) | - | (281,811) | - | (3,347,316) |
| Automobiles and equipment | (9,668,021) | - | (1,021,163) | 203,838 | (10,485,346) |
| Total accumulated depreciation | (300,236,046) | - | (17,123,278) | 255,097 | (317,104,227) |
| Net depreciable assets | 343,111,140 | 17,715,769 | (16,076,691) | (2,892) | 344,747,326 |
| Capital assets not depreciated | | | | | |
| Land | 1,091,910 | - | - | - | 1,091,910 |
| Construction in progress | 31,642,242 | (17,715,769) | 31,208,633 | - | 45,135,106 |
| Capital assets net | \$ 375,845,292 | \$ - | \$ 15,131,942 | \$ (2,892) | \$ 390,974,342 |

Depreciation expense for the year ended June 30, 2016, was \$17,123,278.

The District transferred \$38,470,487 of net capitalized assets from Water systems to Capacity rights – limited, related to capital payments made to South Orange County Wastewater Authority (“SOCWA”) and the Joint Regional Water Supply System (“JRWS”), which includes \$48,023,143 of original cost, less \$9,552,656 of accumulated depreciation. These amounts were remitted to the respective agencies to satisfy the District’s obligation related to capacity rights at joint facilities, and the transfer results in no effect on the financial statements.

The District incurred a total of \$5,648,881 in interest related to outstanding debt issuances disclosed in Note 6, and \$342,099 of that amount was capitalized and included as part of the historical cost of acquiring certain assets. The remaining interest of \$5,306,782 was charged to non-operating expenses.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 6: Long-Term Liabilities**

Long-Term liabilities for the year ended June 30, 2016, are as follows:

| | Balance at June 30, 2015 | Addition | Deletion | Ending June 30, 2016 | Due Within One Year |
|---------------------------------------|-----------------------------|---------------------|------------------------|-------------------------|------------------------|
| Bonds payable: | | | | | |
| 2014 GOB | \$ 15,850,000 | \$ - | \$ (5,685,000) | \$ 10,165,000 | \$ 6,060,000 |
| Add: Premium | 1,017,130 | - | (484,716) | 532,414 | - |
| 2015 Refunding | 12,265,000 | - | - | 12,265,000 | - |
| Add: Premium | 2,194,353 | - | (265,982) | 1,928,371 | - |
| Total Bonds | <u>31,326,483</u> | <u>-</u> | <u>(6,435,698)</u> | <u>24,890,785</u> | <u>6,060,000</u> |
| Certificates of Participation: | | | | | |
| 2009 COPs | 60,000,000 | - | - | 60,000,000 | - |
| 2010 COPs | 5,560,000 | - | (1,780,000) | 3,780,000 | 1,855,000 |
| Add: Premium | 276,049 | - | (127,407) | 148,642 | - |
| Total COPs | <u>65,836,049</u> | <u>-</u> | <u>(1,907,407)</u> | <u>63,928,642</u> | <u>1,855,000</u> |
| Loans Payable: | | | | | |
| CIEDB | 1,216,840 | - | (159,260) | 1,057,580 | 163,885 |
| Dept. of Water Resources | 152,020 | - | (152,020) | - | - |
| Less: Discount | (4,223) | 4,223 | - | - | - |
| State Revolving Fund | <u>11,429,758</u> | <u>-</u> | <u>(1,799,325)</u> | <u>9,630,433</u> | <u>1,831,113</u> |
| Total Loans | <u>12,794,395</u> | <u>4,223</u> | <u>(2,110,605)</u> | <u>10,688,013</u> | <u>1,994,998</u> |
| Compensated Absences: | | | | | |
| Vacation pay | 132,695 | 661,671 | (337,153) | 457,213 | 342,910 |
| Sick Pay | <u>364,853</u> | <u>385,149</u> | <u>(382,139)</u> | <u>367,863</u> | <u>275,897</u> |
| Total Compensated Absences | <u>497,548</u> | <u>1,046,820</u> | <u>(719,292)</u> | <u>825,076</u> | <u>618,807</u> |
| Total: | <u>\$ 110,454,475</u> | <u>\$ 1,051,043</u> | <u>\$ (11,173,002)</u> | <u>\$ 100,332,516</u> | <u>\$ 10,528,805</u> |

Bonds Payable2014 Consolidated Refunding (General Obligation) Bonds

On February 4, 2014, the District issued \$21,315,000 of 2014 Consolidated Refunding Bonds ("2014 Refunding Bonds") General Obligation Bonds. Proceeds from the issuance were used to refund the 2003 Consolidated Refunding Bonds and to pay costs of issuing the Bonds. The Bonds constitute the consolidated obligations of Improvement District Number 6 and Improvement District Number 7. A voter approved tax assessment is levied each year to pay the debt service on these bonds. The serial bonds accrue interest at rates between 3% and 5% and mature between September 1, 2014, and September 1, 2019. Interest is payable on September 1 and March 1 of each year. The remaining deferred charges related to this refunding at June 30, 2016, is \$106,214, and will be amortized over the life of the bonds.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 6: Long-Term Liabilities (Continued)

2015 Revenue Refunding Bond

On June 1, 2015, the District issued \$12,265,000 of 2015 Revenue Refunding Bonds (“2015 Revenue Bonds”). Proceeds from the issuance were used to refund the 2003 Refunding Certificates of Participation, fund a debt service reserve fund for the Bonds, and pay the costs of issuing the Bonds. Interest on the Bonds is payable on March 1 and September 1 of each year at 5% per annum. The Bonds mature starting September 1, 2018, and end on September 1, 2023. The Bonds are special obligations of the District and are payable exclusively from Tax Revenues and Net Revenues of the District, and from amounts on deposit in certain funds and accounts established under the Indenture. The remaining deferred charges related to this refunding at June 30, 2016, is \$708,797, and will be amortized over the life of the bonds. As of June 30, 2016, \$14,520,000 of the refunded 2003 Certificates were outstanding, and \$14,728,604 was held in escrow to fund the redemption.

As of June 30, 2016, the Reserve Requirement for the 2015 Revenue Refunding Bond was \$1,226,500 and the District had \$1,231,804 in the reserve account.

Certificates of Participation

2009 Certificates of Participation (COP)

In December 2009, the District issued \$60,000,000 of Certificates of Participation federally taxable “Build America Bonds” to construct projects that provide greater water supply reliability for the distribution of potable and recycled water. The District has adopted a resolution which states the intention to develop adequate capacity to sustain at least a 31-day average potable water supply outage, and be able to sustain a 7-day interruption in Metropolitan Water District (“MET”) deliveries. The serial certificates accrue interest at rates between 5.982% and 6.332%. Interest is payable on March 1 and September 1 of each year. The true interest cost (“TIC”) will range from 4.49% to the serial rates mentioned. The TIC reflects the interest cost net of the subsidy. Under Section 54AA(g)(2) of the Tax Code, the District is eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Certificates. The subsidy, when received, is recorded as intergovernmental revenue. Principal is repaid annually on September 1 from 2024 through 2039. The COPs were issued as a level debt service with the District’s other outstanding debt. Level debt service reduces large fluctuations in annual debt obligations by delaying the payment of the principal portion until other debt service principal portions are paid.

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Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 6: Long-Term Liabilities (Continued)**

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government pursued certain automatic reductions that took place starting March 1, 2013. This sequester reduction affected the Build America Bonds refundable credit payments under Internal Revenue Code section 6531. As determined by the Office of Management and Budget, payments to issuers of Build America Bonds are subject to a 6.8% reduction as of October 1, 2015, through September 30, 2016, resulting in a refundable credit equal to 32.62%

As of June 30, 2016, the Reserve Requirement for the 2009 COPs was \$6,000,000. At June 30, 2016, the District had \$6,033,813 in the reserve account.

2010 Refunding Certificates of Participation (COP)

On November 1, 2010, the Corporation sold \$8,965,000 of the 2010 Refunding Certificates of Participation ("2010 Refunding COPs") to refund the remaining portion of the 1993 COPs, to refinance the 1993 Installment Payments and 1993 Certificates; to fund a debt service reserve fund for the Certificates; and pay certain costs of executing and delivering the COPs. The interest for the 2010 Refunding COPs will be calculated from November 1, 2010, at rates from 2%-4% payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2011, and end on the date of maturity or prepayment, whichever is earlier. The remaining deferred charges related to this refunding at June 30, 2016, is \$122,147, and will be amortized over the life of the certificates.

As of June 30, 2016, the Reserve Requirement for the 2010 Refunding COPs was \$378,000. At June 30, 2016, the District had \$555,767 in the reserve account.

Loans Payable**California Infrastructure and Economic Development Bank (CIEDB)**

The District obtained two loans from the California Infrastructure and Economic Development Bank to finance the construction of certain capital projects related to water and wastewater infrastructure. The loan obtained for the construction of water infrastructure in the amount of \$1,700,000 accrues interest at 2.73%. The loan was obtained for the on-site sodium hypochlorite generation-reservoir management system; phase II - installation of ClorTec chlorination tank recirculation systems, which include on-site sodium hypochlorite generation and ammonia injection units on 16 reservoirs at 14 sites in the District service area. The loan obtained for the construction of wastewater infrastructure in the amount of \$1,111,340 accrues interest at 3.17%. Both loans are due March 1, 2022. Principal is repaid annually on March 1, and interest payments are due semi-annually on March 1 and September 1.

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Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 6: Long-Term Liabilities (Continued)**Department of Water Resources Loan (DWR)

The District obtained a loan for \$4,821,611, due October 1, 2015, from the Department of Water Resources to fund projects for a multi-zone recycled water distribution system for non-potable uses (i.e. irrigation of parks, golf course greenbelts, etc.) pursuant to Chapter 4.7 of Part 6 of Division 6 of the California Water Code. The project will replace existing potable water with reclaimed water that meets Title 22, Division 4, of Article 4 of the California Code of Regulation requirements for water quality. The loan accrues interest at a rate of 2.5%. Principal and interest payments of \$153,927 are due semi-annually on April 1 and October 1. As of June 30, 2016, the loan was paid in full.

State Revolving Fund Loans (SRF)

The District obtained three State Revolving Fund loans totaling \$36,053,400 with the State Water Resources Control Board. They were used to finance the Phase III Revised Expansion Project, consisting of expanding the District's reclamation system to serve an additional 500 irrigated landscape sites with 4,502 acre-feet per year of reclaimed water and Phase 4 Expansion of the Reclaimed Water Distribution System. The loans accrue interest at rates ranging from 1.727% to 1.811%. Principal and interest payments are due annually through September 3, 2022.

Compensated Absences

All accrued vacation and sick leave pay is recorded as an expense and a liability at the time the benefit is earned. As of June 30, 2016, the District's compensated absences liability was \$825,076.

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#6.**Moulton Niguel Water District****Notes to Financial Statements (Continued)
June 30, 2016****Note 6: Long-Term Liabilities (Continued)*****Remaining Amortization on Long-Term Liabilities***

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2016, are as follows:

| | Bonds Payable | |
|-----------|-------------------------------|----------------------|
| June 30 | Principal | Interest |
| 2017 | \$ 6,060,000 | \$ 919,150 |
| 2018 | 1,275,000 | 757,750 |
| 2019 | 3,170,000 | 653,000 |
| 2020 | 3,360,000 | 501,000 |
| 2021 | 1,990,000 | 378,500 |
| 2022-2026 | 6,575,000 | 503,875 |
| Total | <u>\$ 22,430,000</u> | <u>\$ 3,713,275</u> |
| | Certificates of Participation | |
| June 30 | Principal | Interest |
| 2017 | \$ 1,855,000 | \$ 4,213,076 |
| 2018 | 1,925,000 | 4,137,476 |
| 2019 | - | 4,098,976 |
| 2020 | - | 4,098,976 |
| 2021 | - | 4,098,976 |
| 2022-2026 | 5,395,000 | 20,172,541 |
| 2027-2031 | 15,690,000 | 16,340,466 |
| 2032-2036 | 19,650,000 | 10,262,280 |
| 2037-2041 | 19,265,000 | 2,761,688 |
| Total | <u>\$ 63,780,000</u> | <u>\$ 70,184,455</u> |
| | Loans Payable | |
| June 30 | Principal | Interest |
| 2017 | \$ 1,994,998 | \$ 200,784 |
| 2018 | 2,032,109 | 163,673 |
| 2019 | 1,572,589 | 125,851 |
| 2020 | 1,283,260 | 95,960 |
| 2021 | 1,307,912 | 71,307 |
| 2022-2026 | 2,497,145 | 66,668 |
| Total | <u>\$ 10,688,013</u> | <u>\$ 724,243</u> |

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 7: Rate Covenants**

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2016:

Debt Service Coverage

| | |
|--|--------------------------|
| Operating Revenues: | |
| Water sales and service charges | \$ 34,662,454 |
| Wastewater service charges | 18,963,978 |
| Meter sales & other | 415,565 |
| Total Operating Revenues | <u>54,041,997</u> |
| Non-Operating Revenues: | |
| Capacity fees | 1,046,335 |
| Cellular lease income | 1,623,544 |
| Investment income | 4,139,084 |
| Intergovernmental revenue | 3,382,555 |
| Other contributions | 314,510 |
| Other income (expense) | (9,718) |
| Total Non-Operating Revenues | <u>10,496,310</u> |
| Total Revenues | <u>64,538,307</u> (A) |
| Operations & Maintenance Expenses: | |
| Source of supply | 26,357,342 |
| Pumping water | 3,177,393 |
| Wastewater treatment | 10,705,495 |
| Water transmission & distribution | 1,341,220 |
| Customer service | 3,047,070 |
| Water efficiency | 6,749,664 |
| General, administrative & other | 15,335,813 |
| Total operations & Maintenance Expenses | <u>66,713,997</u> (B) |
| Net Revenues | (2,175,690) (A-B) |
| Property Tax Revenues | <u>25,298,065</u> |
| Sum of Net & Tax Revenues | <u>\$ 23,122,375</u> (C) |
| Debt Service On Parity Obligations | |
| 2009 COP | \$ 4,098,976 |
| 2010 Refunding COP | 1,966,800 |
| Governmental loans | 2,349,709 |
| 2015 Refunding Revenue Bonds | 444,606 |
| Total Existing Parity Obligations | <u>\$ 8,860,091</u> (D) |

Calculated Debt Service Coverage Percentage

261% (C/D)

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 8: Pension Plans**Defined Benefit Plan***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Denied Benefit Pension Plan ("Plan"), a cost-sharing, multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The CalPERS Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employers miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Fund C ("PERF C"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. The District's Board of Directors has authority over the District's participation in CalPERS, plan amendments and the choice of plan options within CalPERS. The CalPERS annual financial report may be obtained from their website at www.calpers.ca.gov or from their executive Office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law ("PERL"). Each plan has a 3% annual cost-of-living allowance increase benefit.

The District has three different tiers that employees participate in: First Tier Miscellaneous Plan (employed prior to July 28, 2009), Second Tier Miscellaneous Plan (employed on or after July 28, 2009, but before January 1, 2013), and PEPRA Miscellaneous Plan (employed on or after January 1, 2013). The District's current plans are referred to as the 2% @ 55, which is closed to new CalPERS members as of January 1, 2013, and 2% @ 62 defined benefit plans, where a qualified employee may receive an annual retirement benefit equal to 2% of his/her final year compensation times the number of years of service at age 55 or 62, depending on which tier the employee participates. First and Second Tier plans have a highest 12 consecutive months' compensation period and the PEPRA plan has a highest 36 consecutive months' compensation period.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 8: Pension Plans (Continued)

| | Miscellaneous cost-sharing plans | | |
|---|---|---|---|
| | Tier 1 | Tier 2 | PEPRA |
| | | July 28, 2009 but | |
| Hire date | Prior to July 28, 2009 | prior to January 1, 2013 | January 1, 2013 and after |
| Benefit formula | 2% @ 55 | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | minimum 50 yrs | minimum 50 yrs | minimum 52 yrs |
| Monthly benefits, as a % of eligible compensation | 1.426% - 2.418%, 50 yrs - 63+ yrs, respectively | 1.426% - 2.418%, 50 yrs - 63+ yrs, respectively | 1.000% - 2.500%, 52 yrs - 67+ yrs, respectively |
| Required employee contribution rates | 7.000% | 7.000% | 6.500% |
| Required employer contribution rates | 10.386% | 9.454% | 6.724% |

Contribution Description

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary, and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, contributions to the plan were \$1,351,327, which includes \$525,753 excess contributions.

Pension Liabilities, Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the collective net pension liability as \$12,934,337.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 8: Pension Plans (Continued)**

The District's net pension liability for each plan was measured as the proportionate share of the collective cost-sharing plan. The District's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard actuarial update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the actuarially determined projected contributions of all participating employers. The District's proportion of the collective net pension liability as of June 30, 2014 and 2015, was as follows:

| | <u>Pension Plans</u> |
|------------------------------|----------------------|
| Proportion - June 30, 2014 | 0.1969% |
| Proportion - June 30, 2015 | 0.1884% |
| Change - Increase (Decrease) | (0.0085%) |

Recognition of Gains and Losses

Under GASB Statement 68, gains and losses related to changes in total pension liability are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions, and are to be recognized in future pension expense.

For the year ended June 30, 2016, the District recognized pension expense of \$639,498. At June 30, 2016, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Change in assumptions | \$ - | \$ (646,642) |
| Difference between expected and actual experience | 68,349 | - |
| Changes in proportion and difference between District's contributions and proportionate share of contributions: | | |
| 2014 | - | (187,363) |
| 2015 | - | (2,372,215) |
| Net difference between projected and actual earnings on pension plan investments | - | (324,169) |
| Contribution subsequent to measurement date | 1,351,327 | - |
| Total | \$ 1,419,676 | \$ (3,530,389) |

\$1,351,327 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 8: Pension Plans (Continued)**

Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| June 30: | Deferred Outflows/(Inflows) of Resources | |
|-----------------|---|--------------------|
| 2017 | \$ | (1,238,886) |
| 2018 | | (1,218,068) |
| 2019 | | (924,044) |
| 2020 | | (81,042) |
| Total | \$ | <u>(3,462,040)</u> |

The amortization period differs depending on the source of the deferred inflow or outflow of resources. The difference between projected and actual earnings is amortized straight-line over 5 years. All other deferred amounts are amortized straight-line over the expected average remaining service life ("EARSL") of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The EARSL is calculated by dividing the total future service years of active employees by the total number of plan participants in PERF C. Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund. As of the June 30, 2015, measurement period, the EARSL was 3.8 years.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2014 valuation was rolled forward to determine the June 30, 2015, measurement date total pension liability, based on the following actuarial methods and assumptions:

| Actuarial Cost Method | Entry Age Normal Cost Method |
|-----------------------------------|---|
| Actuarial Assumptions | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.65% Net of Pension Plan Investment Expenses, includes Inflation |
| Mortality Rate Table ¹ | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.75% thereafter |

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS website.

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Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 8: Pension Plans (Continued)**

All other actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

GASB Statement 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense, in accordance with GASB Statement 68.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund ("PERF"). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected PERF cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the PERF asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 8: Pension Plans (Continued)**

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above, and rounded down to the nearest one-quarter of one percent.

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

| Asset Class | Current Target Allocation | Real Return Years 1 - 10¹ | Real Return Years 11+² |
|-------------------------------|----------------------------------|---|--|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |

¹ An expected inflation of 2.5% was used for this period.

² An expected inflation of 3.0% was used for this period.

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

The following table presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

| District's proportionate share of the Net Pension Liability: | Discount Rate - 1% 6.65% | Current Discount 7.65% | Discount Rate +1% 8.65% |
|---|-------------------------------------|-----------------------------------|------------------------------------|
| | \$ 21,119,333 | \$ 12,934,337 | \$ 6,203,068 |

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial reports. See the CalPERS website for additional information.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 8: Pension Plans (Continued)**Defined Contribution Plan

The District sponsors the Moulton Niguel Water District 401(a) Plan and Trust ("401(a) Plan"), a single employer defined contribution pension plan. The District's Board of Directors established the 401(a) Plan and is authorized to amend the 401(a) Plan and to name its trustees. All employees participating in the Deferred Compensation Plan and all members of executive management are eligible to participate in the 401(a) Plan. Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employees' salary to the 401(a) Plan if the employee elects to participate in the District's 457 Deferred Compensation Plan. Employer contributions were \$161,217 and recognized as pension expense for the year ended June 30, 2016. All contributions are fully vested. The trustee maintains individual accounts for each participant. Each participant provides direction for investment of their account balance. Contributions, plus investment returns, are distributed to participants after separation from employment.

Note 9: Other Post-Employment Benefits (OPEB)

To mitigate the costs of increasing healthcare, the District has imposed a two-tier structure for its employees. Employees hired prior to July 1, 2008, retiring from the District at age 55 with ten years of service to the District, receive post-retirement health benefits for themselves and their dependents. Employees hired subsequent to July 1, 2008, retiring from the District at age 60 with fifteen years of continuous employment, receive post-retirement health benefits for themselves and their dependents.

Under the authority of the District's Board of Directors, post-retirement health benefits are provided to eligible employees. These benefits may be amended at the discretion of the Board of Directors. The District participates in the CalPERS California Employers' Retiree Benefit Trust ("CERBT") fund, – an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit ("OPEB") costs. The CERBT fund is a Section 115 Trust – set up as a single employer defined benefit OPEB plan for the purpose of receiving employer contributions that will prefund health and OPEB costs for retirees and their beneficiaries.

Eligibility and Benefits: Generally the District provides retiree health coverage to former full-time employees and Board Members ("OPEB Participants") and their dependents when retirement is from the District in good standing. OPEB Participants receive this benefit on or after age 55 with 10 years of service if hired before July 1, 2008, or elected before January 1, 1995. OPEB Participants receive this benefit on or after age 60 with 15 years of service if hired after July 1, 2008. After age 65, the District provides \$235 per month, cash allotment, towards a Medicare supplement policy to the retiree or former Board Member. Dependent coverage ceases when the retiree or former Board member reaches age 65.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 9: Other Post-Employment Benefits (OPEB) (Continued)

Membership of the plan as of the most recent valuation report consisted of the following at June 30, 2016:

| | |
|---|-------------------|
| Active plan members | 116 |
| Retired (age 55-65) HMO/PPO Participants & Dependents | 21 |
| Retired (age 65+) Medicare Participants (No Dependents) | <u>17</u> |
| Total | <u><u>154</u></u> |

District's Funding Policy: The contribution requirements of the District, OPEB Participants, employees, and Board Members are established and may be amended by the District Board of Directors. On October 16, 2008, the Board of Directors amended its policy to fund the Annual Required Contribution ("ARC") for these benefits, rather than its previous practice of funding on a pay-as-you-go basis. This change serves to decrease the District's Unfunded Actuarial Accrued Liability over time. For the fiscal year ending 2016, the required contribution rates for the District was 5.9% of covered payroll (.6494% per member), and the District contributed a total of \$417,834, which includes premiums and the implicit rate subsidy. The District provides health retirement benefits to OPEB Participants, which are equal to the value of the health benefit provided to active employees, until the retiree is eligible for Medicare. OPEB Participants electing coverage through the Health Maintenance Organization ("HMO") contributed approximately 4%, or \$4,329 toward the cost of coverage and participants electing coverage through the Preferred Provider Organization ("PPO") contributed approximately 18%, or \$14,996 toward the cost of the coverage during the fiscal year. CalPERS publishes separate audited financial statements for CERBT. The report is available online at www.calpers.ca.gov or by contacting CalPERS at 1-888-CalPERS.

Annual OPEB Cost and Net OPEB Obligation: The District has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined to comply with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over not more than thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for these benefits:

| | | |
|--|----|------------------|
| Annual Required Contribution (ARC) | \$ | 417,834 |
| Contribution made (including premium paid) | | <u>(417,834)</u> |
| Change in net OPEB obligation | | - |
| Net OPEB obligation, beginning of year | | <u>-</u> |
| Net OPEB obligation, end of year | \$ | <u><u>-</u></u> |

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016

Note 9: Other Post-Employment Benefits (OPEB) (Continued)

As of June 30, 2016, the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>% of Annual OPEB Costs Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|----------------------------|
| 6/30/2014 | \$ 621,148 | 100% | \$ - |
| 6/30/2015 | 402,959 | 100% | - |
| 6/30/2016 | 417,834 | 100% | - |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The schedule of funding progress included as required supplementary information immediately following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits. Actuarial methods and assumptions are as of the last actuarial valuation date. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and OPEB Participants) and include the type of benefits provided at the time of each valuation, and the historical pattern of sharing of benefit costs between the District and OPEB Participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal Cost Method actuarial cost method is used for determining the benefit obligations. The actuarial assumptions included a 5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate between 5% and 7.5%, as well as an inflation rate of 2.8%. The UAAL is being amortized over an initial 30 years using the level-percentage-of-pay method on a closed-basis. The remaining amortization period is assumed to be 14 years as of June 30, 2015. It is assumed the District's payroll will increase 3% per year. 75% percent of future retirees are assumed to have a spouse. The valuation as of June 30, 2015, was done using the eligibility criteria at that time. In the future, this will serve to decrease the Actuarial Accrued Liability of the plan. Plan assets are as reported by CERBT using the market value of trust investments.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2016

Note 9: Other Post-Employment Benefits (OPEB) (Continued)

As of June 30, 2015, the most recent actuarial valuation date, the plan was 50.8% funded. The actuarial accrued liability for benefits was \$5,584,821, and the actuarial value of assets was \$2,964,517, resulting in an unfunded liability (UAAL) of \$2,877,304. The covered payroll (annual payroll of active employees covered by the plan) was \$8,727,000, and the ratio of the UAAL to the covered payroll was 33.0%.

Note 10: Blended Component Unit

The Corporation has been included as part of the District financial statements as a blended component unit. In accordance with GASB 61, the following summarized information as of June 30, 2016, for the Corporation is required:

Corporation Condensed Statement of Net Position at June 30, 2016:

| | |
|------------------------------------|----------------------|
| Assets: | |
| Current (due from the District) | \$ 3,271,725 |
| Noncurrent (due to the District) | 62,073,642 |
| Total Assets: | <u>65,345,367</u> |
| Liabilities: | |
| Current | 3,271,725 |
| Long-term | 62,073,642 |
| Total Liabilities | <u>65,345,367</u> |
| Net Position: | |
| Total Net Position | <u>-</u> |
| Total Liabilities and Net Position | <u>\$ 65,345,367</u> |

Corporation Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2016:

| | |
|---------------------------------|---------------------|
| Nonoperating revenues | <u>\$ 3,995,523</u> |
| Nonoperating expenses | <u>3,995,523</u> |
| Change in net position | <u>-</u> |
| Net Position, beginning of year | <u>-</u> |
| Net Position, end of year | <u>\$ -</u> |

Corporation Condensed Statement of Cash Flows for the Year Ended June 30, 2016:

| | |
|--|------------------|
| Net Cash Provided by (Used for): | |
| Operating activities | \$ - |
| Capital and related financing activities | (5,879,197) |
| Investing activities | <u>5,879,197</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>-</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>-</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ -</u> |

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Moulton Niguel Water District**Notes to Financial Statements (Continued)**
June 30, 2016**Note 11: Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA JPIA"), which offers risk management and self-insurance and insured programs. The program provides workers' compensation, property, and employment liability and general liability coverage for the District. The membership includes 363 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the ACWA JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the ACWA JPIA, including selection of management and approval of the operating budget.

The District maintains \$60,000,000 in comprehensive general liability insurance, auto liability, and public official's error & omissions. The property damage insurance program provided for up to \$150 million in coverage on structures and contents with a \$25,000 deductible per loss, and underground storage tank coverage of \$1,000,000. The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. The District's statutory workers' compensation level of coverage and Employer's Liability coverage of \$2,000,000 for bodily injury by each accident and \$2,000,000 for bodily injury per occurrence from the ACWA JPIA Pool. If the District's deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place. The District promotes safety in the workplace through an extensive safety program. As a result of the program, the District has received retrospective refunds from the ACWA JPIA Rate Stabilization Fund. The District also maintains a self-insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000. See Note 14 on the District's reserve funds for additional information. Settlements have not exceeded insured limits in the past three fiscal years.

To obtain complete financial information contact ACWA JPIA at P.O. Box 619082, Roseville, CA, 95661, or via telephone at (800) 231-5742. Information may be available at www.acwajpia.com.

The District also holds additional insurance policies amounting to a \$2,000,000 commercial blanket bond for employee dishonesty, forgery and alteration and computer fraud, and a \$30,000 bond for Notary Errors and Omissions that covers four notaries.

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Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2016**Note 12: Commitments and Contingencies**

The following material commitments related to Capital Improvement Projects existed at June 30, 2016:

| Project Name | Total Project Budget | Cumulative Expenses as of June 30, 2016 | Remaining Budget | Outstanding Commitments |
|--|-------------------------|---|---------------------|----------------------------|
| San Juan Creek 30 Effluent TM | \$ 4,226,054 | \$ 2,618,504 | \$ 1,607,550 | \$ 1,320,000 |
| Replace Digital Lines with Wireless Network | 2,020,630 | 1,571,845 | 448,785 | 350,000 |
| FY 2015-16 Valve Replacement | 1,470,000 | 38,047 | 1,431,953 | 1,062,191 |
| Pradera 850 Zone Loop | 812,000 | 59,848 | 752,152 | 658,118 |

Note 13: Joint Powers Authorities and Joint VenturesSouth Orange County Wastewater Authority (a California Joint Powers Authority)

The District is one of ten member agencies that participate in SOCWA. SOCWA treats, beneficially reuses, and disposes of wastewater in South Orange County. SOCWA operates three wastewater treatment plants ("WWTP") and two ocean outfalls in the region. SOCWA has ten member agencies, including three cities and seven water districts. A Board of Directors consisting of representatives from member agencies governs SOCWA. The Board of Directors governs the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has Project Committees that member agencies participate in financially at various levels, depending on their capacity rights. Each WWTP is a project, as well as various other physical facilities, such as outfall pipelines. The District's overall participation level is the highest of the member agencies, approximating 46% of SOCWA. The District deposits money with SOCWA to cover its share of operation and capital in the project committees the District participates. At fiscal year-end SOCWA analyzes its actual costs and refunds or collects additional money from its members as appropriate. Construction deposits made to SOCWA for capital projects are recorded as capital assets. The District remitted \$17,948,563 related to SOCWA for the year ended June 30, 2016, consisting of \$9,942,336 for capital projects and \$8,006,227 for operations and maintenance ("O&M").

To obtain complete financial information from SOCWA please contact SOCWA's Controller at 34156 Del Obispo Street, Dana Point, CA, 92629, or via telephone at (949) 234-5421.

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Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 13: Joint Powers Authorities and Joint Ventures (Continued)**Joint Regional Water Supply System (Formed Using a Trust Agreement)

The District is one of nine members who participate in the Joint Regional Water Supply System ("JRWSS"). JRWSS owns and operates several pipelines, including the Joint Transmission Main that serves the District. The pipelines deliver drinking water to the nine member agencies. South Coast Water District ("SCWD") serves as Trustee of JRWSS. As Trustee, SCWD maintains the infrastructure, collects money to cover expenses from the member agencies and keeps records for JRWSS. The District deposits money with JRWSS to cover its share of operation and capital costs. At fiscal year-end, JRWSS analyzes its actual costs and refunds or collects additional money from its members as appropriate. The District remitted \$642,972 related to JRWSS for the year ended June 30, 2016, consisting of \$188,477 for capital projects and \$454,495 for O&M.

To obtain complete financial information from JRWSS, contact SCWD at P.O. Box 30205, Laguna Niguel, CA, 92607, or via telephone at (949) 499-4555.

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the San Juan Basin Authority ("SJBA") a joint powers authority formed to secure and develop water rights for its member agencies. It currently has permits for using the San Juan Groundwater Basin ("Basin") is best classified as an underground stream. It holds a capacity of 40,000 acre-feet, with about half as usable storage, where storm flows are recharged and withdrawn by various production wells. The state has granted SJBA water rights to divert water from the Basin for beneficial purposes. The objective of the District's membership is to diversify and increase its water sources in the future.

SJBA's membership includes the District along with Santa Margarita Water District, City of San Juan Capistrano and South Coast Water District. A Board of Directors consisting of representatives from member agencies governs SJBA. The Board of Directors oversees contracts and approves the annual budget. SJBA has Project Committees that member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects. Surplus balances at fiscal year-end are refunded to member agencies or added to their reserves as determined by the Board of Directors. The District remitted \$218,160 related to SJBA for the year ended June 30, 2016, consisting entirely of O&M.

To obtain complete financial information from SJBA contact Santa Margarita Water District at 26111 Antonio Parkway, Las Flores, CA, 92688, or via telephone at (949) 459-6400.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2016

Note 13: Joint Powers Authorities and Joint Ventures (Continued)Santiago Aqueduct Commission (a California Joint Powers Authority)

The District is a member of the Santiago Aqueduct Commission ("SAC") with five other member agencies. SAC operates and maintains the Baker Pipeline. The District has 13 cubic feet per second (cfs) of capacity rights in the Baker Pipeline and is responsible for costs to operate and maintain the Baker Pipeline. Irvine Ranch Water District maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC. The District remitted \$21,030 related to SAC for the year ended June 30, 2016, consisting entirely of O&M.

To obtain complete financial information on the SAC, contact Irvine Ranch Water District at 15600 Sand Canyon Avenue, Irvine, CA, 92618, or via telephone at (949) 453-5300.

The relationships between the District and the joint powers authorities are such that SOCWA, ACWA/JPIA, JRWSS, SJBA, and SAC are not component units of the District for financial reporting purposes.

Note 14: Restricted Net Position

At year-end the District held \$2,632,947 in unspent capacity fee revenue. By State law the capacity fees must be spent on capital projects. All interest earned in these funds are added to the total restricted fund balance.

Note 15: Unrestricted Net Position

A portion of the District's unrestricted net position has been designated by the Board of Directors for specific purposes. The detail of unrestricted net position at year-end is as follows:

| | |
|--|-----------------------|
| Unrestricted net position: | |
| Designated for rate stabilization | \$ 13,657,484 |
| Designated for replacement and refurbishment | 9,729,765 |
| Designated for self-insurance reserves | 254,759 |
| Designated for planning and construction | 28,491,469 |
| Designated for water efficiency | 5,158,320 |
| Designated for emergency reserves | 35,510,000 |
| Designated for operating reserves | 15,820,000 |
| Unrestricted, undesignated | <u>10,497,120</u> |
| Total unrestricted net position | <u>\$ 119,118,917</u> |

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Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 15: Unrestricted Net Position (Continued)**Rate Stabilization

The Rate Stabilization reserves were established to provide funds to be used specifically for stabilizing potential fluctuation in District water and wastewater service rates that may result from losses or reductions of ad valorem property tax revenues.

Replacement & Refurbishment

The Replacement & Refurbishment fund ("R&R") was established to fund ongoing costs related to the replacement and refurbishment of existing assets in conjunction with the District's Capital Improvement Plan. Funding for the R&R fund will be provided from new debt issuances or fund transfers as part of the District annual budget process.

Self-Insurance

The District maintains a Self-Insurance reserve to provide funding for property and liability insurance deductibles, losses exceeding insurance limits, and unemployment benefit payments.

Planning and Construction Reserves

Planning and Construction reserves were established to provide funding for the development of new capital facilities that do not result in new water or recycled water supplies as identified in the District Capital Improvement Plan. Funding for the Planning and Construction reserve will be provided from debt issuances or fund transfers as part of the District annual budget process.

Water Efficiency Fund

The Water Efficiency Fund was established for certain Water-Base-Budget Rate Structure ("WBBRS") revenues. The District's intent is to use the revenues for purposes generally related to water efficiency, conservation goals and policies, and water reliability projects as specifically directed by the Board under budgetary and other approval programs from time to time.

Emergency Reserve

The Emergency Reserve was created to provide funds to enable the District to quickly repair critical assets in the event of a natural disaster or facility failure. The target balance of the Emergency Reserve is equal to 2% of the replacement costs of the District's assets as outlined in current guidelines from the Federal Management Agency (FEMA).

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Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2016****Note 15: Unrestricted Net Position (Continued)**General Operating Reserve

The District will maintain a General Operating Reserve in order to provide sufficient liquidity for funding the day-to-day operating expenses and District cash flow needs during normal operations due to standard delays between the receipt of revenues and the payment of expenses. The target balance in the General Operating Reserve will equal three months of operating expenses, consistent with best practices in the industry for agencies with monthly rate revenue.

Note 16: Subsequent Event

In December 2009, the District became part of a joint effort among south county water agencies to construct, operate, and maintain water facilities to treat untreated water supplied through the Baker Pipeline. On October 25, 2016, the Baker Water Treatment Plant ("WTP") was completed and placed into operation. The Baker WTP is a joint facility owned by Irvine Ranch Water District that will provide approximately one-third of the treated potable water to the District, and will serve to increase water supply reliability by providing an alternative source of treated water to the District.

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#6.

**Moulton Niguel Water District
Other Post Employment Benefits
Schedule of Funding Progress
Year Ended June 30, 2016**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entity Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll |
|--------------------------------|-------------------------------------|---|---------------------------------|-----------------------|------------------------|---|
| 06/30/11 | \$ 1,131,224 | \$ 6,857,673 | \$ 5,726,449 | 16.50% | \$ 6,819,000 | 83.98% |
| 06/30/13 | 2,115,096 | 5,539,489 | 3,424,393 | 38.18% | 6,730,000 | 50.88% |
| 06/30/15 | 2,964,517 | 5,841,821 | 2,877,304 | 50.75% | 8,727,000 | 32.97% |

Notes to Schedule:

This information is intended to help users assess the District's OPEB plan status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

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Moulton Niguel Water District
Miscellaneous Plan - Cost Sharing Multiple Employer Benefit Plan
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2016

Last Ten Fiscal Years ¹

| | <u>2015</u> | <u>2016</u> |
|--|---------------|---------------|
| Proportion of the Net Pension Liability | | |
| All Plans | 0.19721% | 0.18844% |
| Proportionate Share of the Net pension Liability | | |
| All Plans | \$ 12,251,838 | \$ 12,934,337 |
| Covered Payroll ² | | |
| All Plans | \$ 7,060,907 | \$ 7,735,097 |
| Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | | |
| All Plans | 174% | 167% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability ³ | 79.82% | 78.40% |

Notes to Schedule:

Benefit Changes:
None.

Changes of Assumptions:

Discount rate changed from 7.5% at the June 30, 2014, measurement date, to 7.65% at the June 30, 2015, measurement date.

¹ Historical information is required only for measurement to which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown. Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

In accordance with GASB Statement No. 82, we have restated the schedule to show covered payroll based ² on pensionable earnings received by CalPERS.

³ Plan represents the total CalPERS risk pool.

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#6.

**Moulton Niguel Water District
Miscellaneous Plan - Cost Sharing Multiple Employer Benefit Plan
Schedule of Plan Contributions
As of June 30, 2016**

Last Ten Fiscal Years ¹

| | <u>2015</u> | <u>2016</u> |
|---|--------------|---------------------|
| All Plans | | |
| Actuarially Determined Contribution | \$ 997,427 | \$ 825,574 |
| Contribution in Relation to the Actuarially Determined Contribution | (997,427) | (1,351,327) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ (525,753)</u> |
| | | |
| Covered Payroll ² | \$ 7,735,097 | \$ 8,936,374 |
| Contributions as a Percentage of Covered Payroll | 12.89% | 9.24% |

¹ Historical information is required only for measurement to which GASB 68 is applicable. Fiscal year 2015 was the first year of implementation, therefore only two years are shown. Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

In accordance with GASB Statement No. 82, we have restated the schedule to show covered payroll based ² on pensionable earnings received by CalPERS.

Notes to Schedule:

Valuation Date: June 30, 2014

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Single and Agent Employers | Entry age normal |
| Amortization Method | Straight-line |
| Remaining Amortization Period | 3.8 Years |
| Assets Valuation Method | Building Block Method |
| Inflation | 2.75% |
| Salary Increases | 3.3% to 14.2% depending on Age, Service, and type of employment 7.65% net of pension plan investment expense, including inflation |
| Investment Rate of Return | |
| Retirement Age | 55 to 62 years |
| Mortality | Derived using CalPERS Membership Data for all funds |

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moulton niguel water district

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Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds
Year Ended June 30, 2016

The schedule below is the District's Adopted Budget Summary in the areas of revenues, expenses, debt service, capital improvement projects, and other sources and uses of District funds. It compares the District's projected figures to the actual amounts and is designed to monitor performance during the year and assist in future budget preparations.

| | 2015-16 Final Budget* | 2015-16 Actual* | Variance with Budget Over (Under) | % Variance with Budget Over (Under) |
|---|----------------------------------|----------------------------|--|--|
| Revenues | | | | |
| Potable Water Sales | \$ 25,449,137 | \$ 25,277,296 | \$ (171,841) | -0.68% |
| Wastewater Sales | 18,053,647 | 18,963,978 | 910,331 | 5.04% |
| Recycled Water Sales | 5,249,795 | 4,850,326 | (399,469) | -7.61% |
| WBBRS Efficiency Funds ¹ | 3,398,873 | 4,534,832 | 1,135,959 | 33.42% |
| Ad Valorem Property Tax | 26,501,190 | 25,298,065 | (1,203,125) | -4.54% |
| General Obligation Bond Assessment ² | 4,368,197 | 5,306,117 | 937,920 | 21.47% |
| Investment Income ³ | 2,027,705 | 4,139,084 | 2,111,379 | 104.13% |
| Other Income ⁴ | 342,860 | 1,766,692 | 1,423,832 | 415.28% |
| Cellular Lease Income | 1,660,096 | 1,623,544 | (36,552) | -2.20% |
| Intergovernmental Revenue ⁵ | - | 3,382,555 | 3,382,555 | - |
| Total Revenues | \$ 87,051,500 | \$ 95,142,489 | \$ 8,090,989 | |
| Expenses, Debt Obligations, and Capital Improvement Projects | | | | |
| Operations and Maintenance | 70,174,294 | 66,713,997 | (3,460,297) | -4.93% |
| Capital Outlay | 1,075,652 | 1,046,587 | (29,065) | -2.70% |
| General Obligation Bonds Debt Service | 6,240,500 | 6,240,500 | - | 0.00% |
| Other Debt Service | 8,929,991 | 9,145,135 | 215,144 | 2.41% |
| Depreciation ⁵ | - | 17,123,278 | 17,123,278 | - |
| Replacement and Refurbishment Projects ⁶ | 11,467,886 | 5,406,682 | (6,061,204) | -52.85% |
| Wastewater Treatment & JRWSS Capital Projects ⁶ | 15,137,939 | 11,123,678 | (4,014,261) | -26.52% |
| Water Supply Reliability Projects ⁶ | 10,636,193 | 13,179,094 | 2,542,901 | 23.91% |
| Planning and Construction Projects ⁶ | 9,572,481 | 1,499,033 | (8,073,448) | -84.34% |
| Total Expenses, Debt Obligations, and Capital Improvement Projects | \$ 133,234,936 | \$ 131,477,984 | \$ (1,756,952) | |
| Net Income (Deficit) | \$ (46,183,436) | \$ (36,335,495) | \$ 9,847,941 | |

*The variance between budgetary basis net income and financial statement net income is due to the inclusion of Debt Service and capital activity as expenses on the budgetary basis.

¹ The District implemented Stage II of its Water Shortage Contingency Plan on June 1, 2015, which still remains in effect.

² The General Obligation Rates are impacted by the County assessed value for homes in Improvement District Nos. 6 and 7. The assessed values were higher than anticipated.

³ Investment income was impacted by a gain of \$1.7 million due to the GASB standard of recording investments at market value.

⁴ The District received \$1.4 million for connection fees and contributed capital related to joint projects with neighboring agencies. To remain conservative, those items were not included in the budget.

⁵ Intergovernmental revenue and depreciation are not included as part of the budget. Intergovernmental revenue varies on an annual basis based on the amount of grants the District receives, and depreciation is not an activity involving cash.

⁶ The adopted budget included 67 projects for the fiscal year. At the end of fiscal year 2015-16, 31 projects were closed out and 36 projects will be carried forward into fiscal year 2016-17.

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Operations & Maintenance (O&M) Budget Comparison Report
Year Ended June 30, 2016

The Operations and Maintenance (O&M) Budget Comparison Report was designed to compare the expenses of the District to the budget and/or the adjusted budget figures used by the District to monitor performance during the year. The Notes to the O&M Budget Comparison Report provides explanations for noteworthy items in this report.

| | <u>Adopted Budget</u> | <u>Final Budget</u> | <u>Actual Expense</u> | <u>Remaining Budget</u> |
|--|-----------------------|----------------------|-----------------------|-------------------------|
| General Fund | | | | |
| Salaries | \$ 10,307,516 | \$ 10,307,516 | \$ 9,978,255 | \$ 329,261 |
| Retirement Program ¹ | 1,706,709 | 1,706,709 | 893,722 | 812,987 |
| Educational Courses | 44,270 | 44,270 | 25,975 | 18,295 |
| Travel and Meetings | 238,644 | 238,644 | 192,368 | 46,276 |
| Recruitment and Employee Relations | 15,000 | 15,000 | 19,753 | (4,753) |
| General Services | 458,095 | 458,095 | 355,609 | 102,486 |
| Annual Audit | 48,080 | 48,080 | 61,139 | (13,059) |
| Member Agencies O&M ² | 1,542,495 | 1,542,495 | 1,193,413 | 349,083 |
| Dues and Memberships | 96,510 | 96,510 | 109,033 | (12,523) |
| Consulting Services | 2,248,900 | 2,248,900 | 1,865,061 | 383,839 |
| Equipment Rental | 65,000 | 65,000 | 58,111 | 6,889 |
| District Fuel ³ | 340,000 | 340,000 | 200,596 | 139,404 |
| Insurance - District | 561,275 | 561,275 | 378,516 | 182,759 |
| Insurance - Personnel | 438,275 | 438,275 | 365,547 | 72,728 |
| Insurance - Benefits | 2,587,061 | 2,587,061 | 2,469,634 | 117,428 |
| Legal Services | 250,000 | 250,000 | 254,079 | (4,079) |
| District Office Supplies | 475,400 | 475,400 | 443,370 | 32,029 |
| District Operating Supplies | 392,967 | 392,967 | 389,549 | 3,418 |
| Repairs and Maintenance - Equipment | 738,469 | 738,469 | 672,764 | 65,705 |
| Repairs and Maintenance - Facilities | 4,135,970 | 4,135,970 | 3,539,854 | 596,116 |
| Safety Program and Compliance Requirements | 309,450 | 309,450 | 332,064 | (22,614) |
| Wastewater Treatment | 9,204,735 | 9,204,735 | 9,504,261 | (299,526) |
| Special Outside Assessments | 225,000 | 225,000 | 188,136 | 36,864 |
| Utilities | 2,258,900 | 2,258,900 | 2,104,023 | 154,877 |
| Water Purchases | 23,697,842 | 23,697,842 | 23,729,595 | (31,753) |
| Meter/Vault Purchases | 906,000 | 906,000 | 723,310 | 182,690 |
| Miscellaneous Operating Expenses | - | - | 20,573 | (20,573) |
| WBBRS Fund | | | | |
| Labor | 668,156 | 668,156 | 788,784 | (120,628) |
| Educational Courses | 500 | 500 | 1,224 | (724) |
| Travel and Meetings | 14,700 | 14,700 | 14,725 | (25) |
| General Services | 5,000 | 5,000 | - | 5,000 |
| Dues and Memberships | 500 | 500 | - | 500 |
| Consulting Services | 850,000 | 850,000 | 762,023 | 87,977 |
| Legal Services | - | - | 17,314 | (17,314) |
| Conservation Supplies | 92,810 | 489,751 | 324,126 | 165,625 |
| Repairs and Maintenance - Equipment | 3,500 | 3,500 | 226 | 3,274 |
| Water Efficiency | 3,129,624 | 4,849,624 | 4,737,268 | 112,356 |
| Total O&M | \$ 68,057,354 | \$ 70,174,294 | \$ 66,713,997 | \$ 3,460,297 |

¹ Balance includes adjustments related to GASB 68 which decreased pension expense by \$1.5 million.

² The Budget included anticipated O&M costs related to the joint Baker Water Treatment Plant, however the project was not completed during fiscal year 2015-16.

³ Fuel costs were impacted by the economy and remained significantly lower the entirety of the fiscal year.

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Moulton Niguel Water District

Statistical Section Overview

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The Statistical Section provides historical information on the District’s economic condition. All of the information presented in the statistical section is organized around five specific objectives:

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Capital Asset Statistics – Last Ten Fiscal Years 91

#6.**Moulton Niguel Water District****Net Position by Component
Last Ten Fiscal Years**

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Assets: | | | | | |
| Current & other assets | \$ 135,253,605 | \$ 141,180,151 | \$ 126,077,279 | \$ 182,990,924 | \$ 174,874,392 |
| Capital assets | 361,206,238 | 361,582,353 | 368,009,569 | 371,543,848 | 373,881,504 |
| Total Assets | 496,459,843 | 502,762,504 | 494,086,848 | 554,534,772 | 548,755,896 |
| Deferred Outflows of Resources: ¹ | | | | | |
| | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | 496,459,843 | 502,762,504 | 494,086,848 | 554,534,772 | 548,755,896 |
| Liabilities: | | | | | |
| Current and other liabilities | 15,838,853 | 15,849,444 | 17,165,769 | 20,038,911 | 18,166,398 |
| Long-term liabilities | 117,038,604 | 111,527,615 | 94,335,405 | 145,122,499 | 136,276,375 |
| Total Liabilities | 132,877,457 | 127,377,059 | 111,501,174 | 165,161,410 | 154,442,773 |
| Deferred Inflows of Resources: ¹ | | | | | |
| | - | - | - | - | - |
| Net Position: | | | | | |
| Net investment in capital assets | 245,841,042 | 253,165,739 | 270,849,808 | 268,089,986 | 267,962,257 |
| Restricted for capital projects | 3,928,653 | 4,143,149 | 98,855 | 119,402 | 312,742 |
| Unrestricted | 113,812,691 | 118,076,557 | 111,637,011 | 121,163,974 | 126,038,124 |
| Total Net Position ² | \$ 363,582,386 | \$ 375,385,445 | \$ 382,585,674 | \$ 389,373,362 | \$ 394,313,123 |

¹ GASB 65 modified the presentation of the statement of net position. Deferred inflows of resources and deferred outflows of resources are reported prospectively from 2013.

² Beginning net position was restated for FY 2007, FY 2008, FY 2013 and FY 2015.

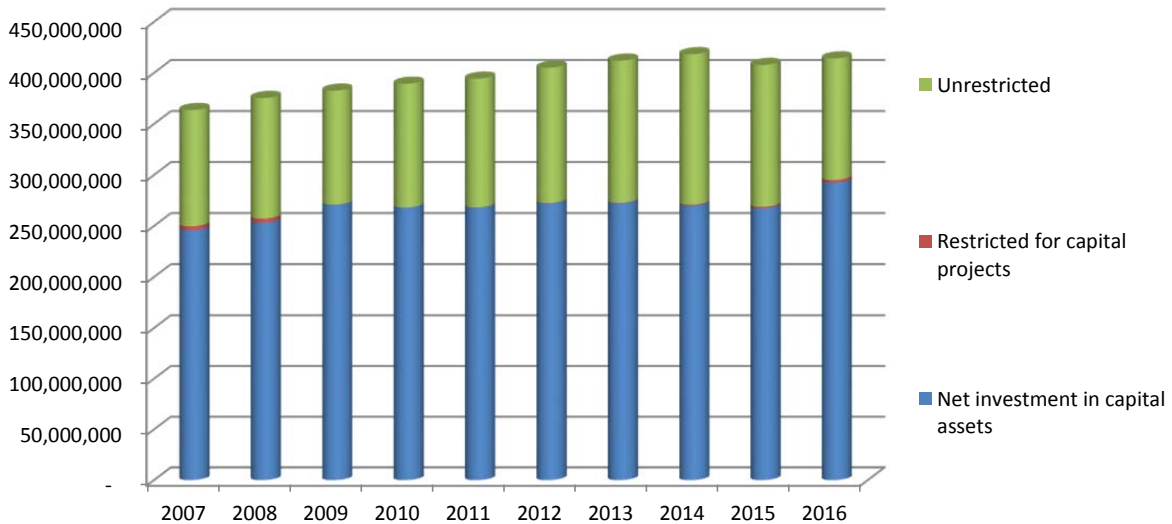
Source: Moulton Niguel Water District Audited Financial Statements.

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Moulton Niguel Water District

Net Position by Component
Last Ten Fiscal Years

| 2012 | 2013 | 2014 | 2015 | 2016 | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| | | | | | Assets: |
| \$ 178,970,721 | \$ 180,037,968 | \$ 179,892,333 | \$ 166,631,779 | \$ 148,655,677 | Current & other assets |
| 373,802,210 | 371,840,527 | 366,859,960 | 375,845,562 | 390,974,342 | Capital assets |
| 552,772,931 | 551,878,495 | 546,752,293 | 542,477,341 | 539,630,019 | Total Assets |
| - | 1,318,562 | 1,136,314 | 2,920,477 | 2,356,834 | Deferred Outflows of Resources: ¹ |
| 552,772,931 | 553,197,057 | 547,888,607 | 545,397,818 | 541,986,853 | Total Assets and Deferred Outflows of |
| | | | | | Liabilities: |
| 20,048,452 | 21,174,407 | 19,459,691 | 19,942,207 | 21,768,761 | Current and other liabilities |
| 127,632,200 | 120,022,562 | 110,150,054 | 112,757,545 | 102,531,779 | Long-term liabilities |
| 147,680,652 | 141,196,969 | 129,609,745 | 132,699,752 | 124,300,540 | |
| - | - | - | 4,936,619 | 3,530,389 | Deferred Inflows of Resources: ¹ |
| | | | | | Net Position: |
| 272,169,901 | 272,287,164 | 269,994,246 | 267,393,560 | 292,404,060 | Restricted for capital projects |
| 326,175 | 424,363 | 931,603 | 1,508,109 | 2,632,947 | Unrestricted |
| 132,596,203 | 139,288,561 | 147,353,013 | 138,859,778 | 119,118,917 | |
| \$ 405,092,279 | \$ 412,000,088 | \$ 418,278,862 | \$ 407,761,447 | \$ 414,155,924 | Total Net Position ² |



Moulton Niguel Water District

Changes in Net Position
Last Ten Fiscal Years

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Revenue: | | | | | |
| Water charges | \$ 21,366,541 | \$ 20,642,013 | \$ 19,860,752 | \$ 20,578,666 | \$ 22,520,064 |
| Recycled water charges | 4,464,604 | 4,201,937 | 3,968,090 | 4,446,515 | 4,340,197 |
| Sanitation charges | 11,515,601 | 11,425,324 | 11,261,857 | 12,542,595 | 14,448,835 |
| Other | 604,746 | 337,489 | 323,684 | 572,611 | 444,346 |
| Total Operating Revenue | 37,951,492 | 36,606,763 | 35,414,383 | 38,140,387 | 41,753,442 |
| Operating Expenses: | | | | | |
| Source of supply ¹ | 20,230,917 | 18,944,598 | 20,972,373 | 22,505,838 | 22,088,538 |
| Pumping water | 393,556 | 390,681 | 360,363 | 349,221 | 419,633 |
| Sewage treatment | 7,367,708 | 8,179,717 | 8,962,772 | 9,093,471 | 8,588,172 |
| Water transmission and distribution | 2,707,991 | 2,958,395 | 3,277,410 | 4,267,727 | 3,752,224 |
| Customer service | 285,213 | 335,049 | 351,151 | 332,685 | 311,483 |
| Water efficiency | - | - | - | - | - |
| General, administrative and other | 10,838,062 | 11,407,703 | 13,069,750 | 12,788,639 | 13,130,167 |
| Post retirement medical benefits (OPEB) | - | - | - | - | - |
| Depreciation | 13,602,765 | 13,783,963 | 14,097,033 | 14,572,711 | 15,162,538 |
| Total Operating Expenses | 55,426,212 | 56,000,106 | 61,090,852 | 63,910,292 | 63,452,755 |
| Operating Income (Loss) | (17,474,720) | (19,393,343) | (25,676,469) | (25,769,905) | (21,699,313) |
| Non-Operating Revenues (Expenses): | | | | | |
| Interest income ² | 6,589,646 | 9,477,382 | 7,118,974 | 6,846,996 | 4,009,900 |
| Property tax revenue & GOB assessments | 26,370,628 | 26,755,228 | 28,320,274 | 27,407,480 | 27,250,759 |
| Interest on long-term debt | (5,474,668) | (5,340,125) | (5,097,414) | (6,766,600) | (7,897,888) |
| Intergovernmental Revenue | - | - | - | - | - |
| Cellular lease income | 1,115,941 | 1,203,720 | 1,349,901 | 1,491,862 | 1,498,290 |
| Other non-operating revenues (expenses) | (80,023) | 19,422 | 54,270 | 1,438,137 | 1,480,660 |
| Total Non-operating Revenues (Expenses) | 28,521,524 | 32,115,627 | 31,746,005 | 30,417,875 | 26,341,721 |
| Income (Loss) before Capital Contributions | 11,046,804 | 12,722,284 | 6,069,536 | 4,647,970 | 4,642,408 |
| Capital Contributions: | | | | | |
| Grant funding | - | 144,899 | 930,379 | 54,212 | 20,530 |
| Developer donated capital facilities | 876,334 | 970,889 | 156,511 | 2,069,786 | 94,332 |
| Connection fees | 932,325 | 13,169 | 43,800 | 15,723 | 182,491 |
| Other contributions | - | - | - | - | - |
| Change in Net Position | 12,855,463 | 13,851,241 | 7,200,226 | 6,787,691 | 4,939,761 |
| Net Position - Beginning of Year³ | 350,726,923 | 361,534,204 | 375,385,445 | 382,585,671 | 389,373,362 |
| Net Position - End of Year | \$ 363,582,386 | \$ 375,385,445 | \$ 382,585,671 | \$ 389,373,362 | \$ 394,313,123 |

¹ Source of Supply includes: water purchases, meter purchases and utilities.² Interest income is combined with unrealized gain/loss on investments.
For FY 2013, the unrealized loss on investments exceeded investment income.³ Beginning Net Position was restated for FY 2007, 2008, 2013 and 2015.

Source: Moulton Niguel Water District Audited Financial Statements.

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**Changes in Net Position
Last Ten Fiscal Years**

| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---|
| \$ 28,866,153 | \$ 30,633,036 | \$ 30,503,803 | \$ 28,604,894 | \$ 29,812,128 | Operating Revenue: |
| 4,530,175 | 4,612,874 | 17,135,446 | 4,880,742 | 4,850,326 | Water charges |
| 16,826,066 | 16,941,327 | 5,005,391 | 16,182,197 | 18,963,978 | Recycled water charges |
| 429,064 | 1,035,873 | 562,871 | 329,755 | 415,565 | Sanitation charges |
| | | | | | Other |
| 50,651,458 | 53,223,110 | 53,207,511 | 49,997,588 | 54,041,997 | Total Operating Revenue |
| | | | | | Operating Expenses: |
| 24,415,284 | 28,049,259 | 29,770,326 | 28,610,139 | 26,357,342 | Source of supply ¹ |
| 1,593,316 | 2,135,266 | 2,100,550 | 2,596,544 | 3,177,393 | Pumping water |
| 8,665,958 | 9,841,299 | 9,647,000 | 9,519,199 | 10,705,495 | Sewage treatment |
| 1,020,852 | 2,299,355 | 2,138,767 | 959,193 | 1,341,220 | Water transmission and distribution |
| 1,202,302 | 2,711,672 | 2,750,999 | 2,839,137 | 3,047,070 | Customer service |
| - | 1,446,759 | 1,448,498 | 3,472,838 | 6,749,664 | Water efficiency |
| 16,481,929 | 10,652,698 | 11,236,876 | 14,702,063 | 14,947,755 | General, administrative and other |
| - | - | 591,372 | 361,057 | 388,058 | Post retirement medical benefits (OPEB) |
| 15,566,287 | 13,472,995 | 16,554,024 | 16,708,439 | 17,123,278 | Depreciation |
| 68,945,928 | 70,609,303 | 76,238,412 | 79,768,609 | 83,837,275 | Total Operating Expenses |
| (18,294,470) | (17,386,193) | (23,030,901) | (29,771,021) | (29,795,278) | Operating Income (Loss) |
| | | | | | Non-Operating Revenues (Expenses): |
| 6,271,001 | (533,131) | 2,931,831 | 2,624,306 | 4,139,084 | Interest income ² |
| 27,221,147 | 28,528,175 | 29,083,747 | 28,946,309 | 30,604,182 | Property tax revenue & GOB assessments |
| (7,608,336) | (5,850,174) | (6,781,711) | (6,160,882) | (4,910,737) | Interest on long-term debt |
| - | - | - | 6,401,510 | 3,382,555 | Intergovernmental Revenue |
| 1,562,383 | 1,642,410 | 1,694,478 | 1,731,352 | 1,623,544 | Cellular lease income |
| 1,557,431 | 1,522,360 | 1,361,984 | 3,661,818 | (9,718) | Other non-operating revenues (expenses) |
| 29,003,626 | 25,309,640 | 28,290,329 | 37,204,413 | 34,828,910 | Total Non-operating Revenues (Expenses) |
| 10,709,156 | 7,923,447 | 5,259,428 | 7,433,392 | 5,033,632 | Income (Loss) before Capital Contributions |
| | | | | | Capital Contributions: |
| - | - | - | - | - | Grant funding |
| 70,000 | 60,000 | 495,000 | 294,000 | - | Developer donated capital facilities |
| - | 83,038 | 489,346 | 551,179 | 1,046,335 | Connection fees |
| - | - | 35,000 | - | 314,510 | Other contributions |
| 10,779,156 | 8,066,485 | 6,278,774 | 8,278,571 | 6,394,477 | Change in Net Position |
| 394,313,123 | 403,933,603 | 412,000,088 | 399,482,876 | 407,761,447 | Net Position - Beginning of Year³ |
| \$ 405,092,279 | \$ 412,000,088 | \$ 418,278,862 | \$ 407,761,447 | \$ 414,155,924 | Net Position - End of Year |

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#6.**Moulton Niguel Water District****Water and Wastewater Sold by Type of Customer
Last Ten Fiscal Years**

| Water & Wastewater Sales | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Residential | \$ 21,202,036 | \$ 20,536,190 | \$ 19,960,314 | \$ 21,661,402 | \$ 24,489,400 |
| Commercial | 3,559,177 | 3,598,135 | 3,484,263 | 3,691,101 | 4,131,299 |
| Multi-Family Commercial | 4,193,311 | 4,157,669 | 4,082,323 | 4,615,167 | 5,293,520 |
| Irrigation ¹ | 3,870,441 | 3,725,795 | 3,551,458 | 3,118,258 | 3,013,689 |
| Recycled Water ¹ | 4,464,604 | 4,201,937 | 3,968,090 | 4,446,515 | 4,340,197 |
| Hydrant ¹ | 57,177 | 49,548 | 44,251 | 35,333 | 40,992 |
| Total Water & Wastewater Sales | \$ 37,346,746 | \$ 36,269,274 | \$ 35,090,699 | \$ 37,567,776 | \$ 41,309,097 |

| Metered Accounts | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Residential | 46,170 | 46,367 | 46,479 | 46,649 | 46,840 |
| Commercial | 4,732 | 4,793 | 4,804 | 4,824 | 4,839 |
| Irrigation | 1,376 | 1,380 | 1,414 | 1,395 | 1,387 |
| Recycled Water | 1,196 | 1,206 | 1,218 | 1,244 | 1,262 |
| Hydrant | 40 | 42 | 37 | 32 | 34 |
| Total Metered Accounts | 53,514 | 53,788 | 53,952 | 54,144 | 54,362 |

¹ Irrigation, Hydrant, and Recycled Water sales do not include wastewater sales.

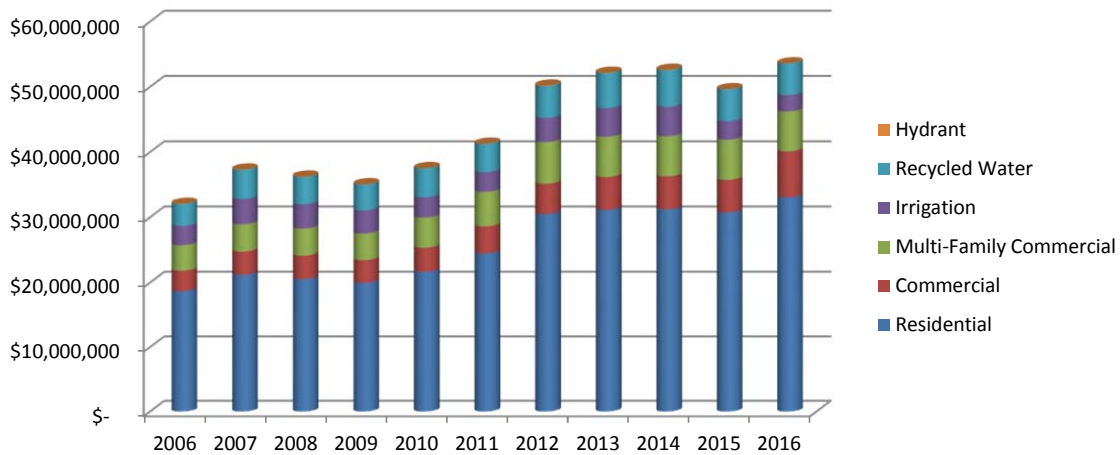
Source: Moulton Niguel Water District Billing Department.

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**Water and Wastewater Sold by Type of Customer
Last Ten Fiscal Years**

| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | Water & Wastewater Sales |
|----------------------|----------------------|----------------------|----------------------|----------------------|---|
| \$ 30,493,294 | \$ 31,138,646 | \$ 31,233,677 | \$ 30,767,071 | \$ 33,081,103 | Residential |
| 4,672,173 | 5,049,139 | 5,043,859 | 4,983,870 | 7,029,909 | Commercial |
| 6,373,846 | 6,171,180 | 6,165,998 | 6,154,836 | 6,126,794 | Multi-Family Commercial |
| 3,705,286 | 4,392,099 | 4,499,879 | 2,842,933 | 2,516,562 | Irrigation ¹ |
| 4,894,136 | 5,369,133 | 5,633,000 | 4,880,742 | 4,850,326 | Recycled Water ¹ |
| 83,659 | 65,027 | 68,229 | 38,381 | 21,738 | Hydrant ¹ |
| \$ 50,222,394 | \$ 52,185,224 | \$ 52,644,642 | \$ 49,667,833 | \$ 53,626,432 | Total Water & Wastewater Sales |

| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | Metered Accounts |
|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| 46,996 | 47,197 | 47,305 | 47,339 | 47,339 | Residential |
| 4,841 | 4,901 | 4,898 | 4,977 | 4,977 | Commercial |
| 1,395 | 1,369 | 1,367 | 1,368 | 1,368 | Irrigation |
| 1,265 | 1,292 | 1,299 | 1,315 | 1,315 | Recycled Water |
| 36 | 33 | 30 | 34 | 34 | Hydrant |
| 54,533 | 54,792 | 54,899 | 55,033 | 55,033 | Total Metered Accounts |



#6.**Moulton Niguel Water District****Annual Domestic Consumption in Acre Feet (AF)
Last Ten Fiscal Years**

| Fiscal Year | Usage (AF) | Purchase Price ¹ | Average cost per AF | Metered Accounts | Average AF per Metered Account | Average Cost per Metered Account |
|-------------|------------|-----------------------------|---------------------|------------------|--------------------------------|----------------------------------|
| 2007 | 36,679 | 15,949,424 | 435 | 53,514 | 0.69 | 300 |
| 2008 | 35,083 | 16,975,357 | 484 | 53,788 | 0.65 | 315 |
| 2009 | 33,744 | 18,933,932 | 561 | 53,952 | 0.63 | 353 |
| 2010 | 29,635 | 20,131,901 | 679 | 54,144 | 0.55 | 373 |
| 2011 | 27,360 | 19,908,518 | 728 | 54,362 | 0.50 | 364 |
| 2012 | 27,610 | 21,625,497 | 783 | 54,533 | 0.51 | 399 |
| 2013 | 29,704 | 24,434,327 | 823 | 54,792 | 0.54 | 444 |
| 2014 | 31,010 | 25,689,087 | 828 | 55,033 | 0.56 | 464 |
| 2015 | 27,285 | 24,257,752 | 889 | 55,033 | 0.50 | 445 |
| 2016 | | | | | | |

¹ Purchase price does not include any charges for services.

Source: Moulton Niguel Water District Accounting Department.

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**Water Rates
Last Ten Fiscal Years**

| Residential & Multi-Family Potable Water Rate by Fiscal Year | | | | | | |
|--|-----------------------|------------------|------------------|-----------------------|------------------|---------|
| Consumption Tiers | 2006-2009 (Note 1) | 2010 (Note 1) | 2011 (Note 1) | 2012-2014 (Note 2) | 2015 (Note 3) | 2016 |
| Tier 1 | \$ 0.86 | \$ 1.00 | \$ 1.16 | \$ 1.38 | \$ 1.41 | \$ 1.49 |
| Tier 2 | 0.96 | 1.12 | 1.30 | 1.54 | 1.61 | 1.70 |
| Tier 3 | 1.16 | 1.35 | 1.57 | 2.75 | 2.49 | 2.62 |
| Tier 4 | 1.36 | 1.58 | 1.84 | 5.51 | 4.25 | 4.38 |
| Tier 5 | 1.46 | 1.70 | 1.97 | 11.02 | 9.04 | 9.17 |

| Commercial & Irrigation Potable Water Rate by Fiscal Year ⁴ | | | | | | |
|--|-----------------------|---------|---------|-----------------------|------------------|------|
| Consumption Tiers | 2006-2009 (Note 1) | 2010 | 2011 | 2012-2014 (Note 3) | 2015 (Note 3) | 2016 |
| Former Irr. Uniform Rate | \$ 1.46 | \$ 1.70 | \$ 1.97 | \$ 2.29 | \$ - | \$ - |
| Former Comm. Tier 1 | 0.86 | 1.00 | 1.16 | 1.38 | - | - |
| Tier 1 | 0.96 | 1.12 | 1.30 | 1.54 | 1.61 | 1.70 |
| Tier 2 | 1.16 | 1.35 | 1.57 | 2.75 | 2.49 | 2.62 |
| Tier 3 | 1.36 | 1.58 | 1.84 | 5.51 | 4.25 | 4.38 |
| Tier 4 | 1.46 | 1.70 | 1.97 | 11.02 | 9.04 | 9.17 |

| Fire Protection Water Rates by Fiscal Year | | | | | | |
|--|-----------|---------|---------|-----------|--------|--------|
| Consumption Tiers | 2006-2009 | 2010 | 2011 | 2012-2014 | 2015 | 2016 |
| All B.U.'s | \$ 1.46 | \$ 1.70 | \$ 1.97 | \$ 2.29 | \$ - | \$ - |
| 5/8" | - | - | - | - | 3.58 | 3.78 |
| 3/4" | - | - | - | - | 3.58 | 3.78 |
| 1" | - | - | - | - | 3.58 | 3.78 |
| 1.5" | - | - | - | - | 11.94 | 12.61 |
| 2" | - | - | - | - | 19.11 | 20.18 |
| 2.5" | - | - | - | - | 30.45 | 32.16 |
| 3" | - | - | - | - | 41.80 | 44.14 |
| 4" | - | - | - | - | 71.65 | 75.66 |
| 6" | - | - | - | - | 149.27 | 157.63 |
| 8" | - | - | - | - | 214.95 | 226.99 |
| 10" | - | - | - | - | 346.31 | 365.70 |

¹ Prior to 2011, water usage was billed according to an inclining tier based rate structure. The first 10 BU were considered Tier 1 usage, while 11-20 B.U., 21-30 B.U., and 31-50 B.U. were considered Tiers 2, 3, and 4, respectively. Any usage above 50 B.U. was considered Tier 5.

² A Water Budget Based Rate Structure was implemented July 2011. Tiers 1 and 2 of budgets are based on the number of persons in the household; amount of irrigated acreage; evapotranspiration rate; and the number of days in the billing cycle. Tiers 3, 4 and 5 apply to usage that exceeds budget.

³ A revised Water Budget Based Rate Structure was implemented April 2015. Indoor allowance was lowered to 60 R-GPCD and the Outdoor Allowance was lowered to reflect a plant factor of 0.7.

| Meter Size | Monthly Basic Service Charge for Potable Water ⁴ | | | | | | | |
|------------|---|---------|---------|---------|---------|----------|----------|----------|
| | Uniform Charge | | | | | | | |
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 5/8" | \$ 6.60 | \$ 6.60 | \$ 6.60 | \$ 7.67 | \$ 8.91 | \$ 10.36 | \$ 10.36 | \$ 10.36 |
| 3/4" | 6.60 | 6.60 | 6.60 | 7.67 | 8.91 | 10.36 | 10.36 | 10.36 |
| 1" | 6.60 | 6.60 | 6.60 | 7.67 | 8.91 | 10.36 | 10.36 | 10.36 |
| 1.5" | 11.60 | 11.60 | 11.60 | 13.48 | 15.66 | 34.53 | 34.53 | 34.53 |
| 2" | 19.60 | 19.60 | 19.60 | 22.78 | 26.46 | 55.25 | 55.25 | 55.25 |
| 3" | 26.60 | 26.60 | 26.60 | 30.91 | 35.92 | 120.87 | 120.87 | 120.87 |
| 4" | 36.60 | 36.60 | 36.60 | 42.53 | 49.42 | 207.20 | 207.20 | 207.20 |
| 6" | 56.60 | 56.60 | 56.60 | 65.77 | 76.42 | 431.67 | 431.67 | 431.67 |
| 8" | 76.60 | 76.60 | 76.60 | 89.01 | 103.43 | 621.60 | 621.60 | 621.60 |
| 10 | 56.60 | 56.60 | 56.60 | 65.77 | 76.42 | 431.67 | 431.67 | 431.67 |

| Meter Size | Monthly Basic Service Charge for Potable Water ⁴ | | | | | | | | | |
|------------|---|-------------|------------|------------|-----------------|-------------|-------------|------------|------------|-----------------|
| | 2015 | | | | | 2016 | | | | |
| | Residential | Multifamily | Commercial | Irrigation | Fire Protection | Residential | Multifamily | Commercial | Irrigation | Fire Protection |
| 5/8" | \$ 10.79 | \$ 6.64 | \$ 5.93 | \$ 16.88 | \$ 3.58 | \$ 11.39 | \$ 7.01 | \$ 6.26 | \$ 17.83 | \$ 3.78 |
| 3/4" | 10.79 | 6.64 | 5.93 | 16.88 | 3.58 | 11.39 | 7.01 | 6.26 | 17.83 | 3.78 |
| 1" | 10.79 | 6.64 | 5.93 | 16.88 | 3.58 | 11.39 | 7.01 | 6.26 | 17.83 | 3.78 |
| 1.5" | 35.97 | 22.13 | 19.77 | 56.27 | 11.94 | 37.98 | 23.37 | 20.88 | 59.42 | 12.61 |
| 2" | 57.55 | 35.41 | 31.63 | 90.03 | 19.11 | 60.77 | 37.39 | 33.40 | 95.07 | 20.18 |
| 3" | 125.89 | 77.47 | 69.19 | 196.94 | 41.80 | 132.94 | 81.81 | 73.06 | 207.97 | 44.14 |
| 4" | 215.80 | 132.80 | 118.60 | 337.60 | 71.65 | 227.88 | 140.24 | 125.24 | 356.51 | 75.66 |
| 6" | 449.94 | 276.89 | 247.28 | 703.90 | 149.27 | 475.14 | 292.40 | 261.13 | 743.32 | 157.63 |
| 8" | 647.40 | 398.40 | 355.80 | 1,012.80 | 214.95 | 683.65 | 420.71 | 375.72 | 1,069.52 | 226.99 |
| 10 | 1,043.39 | 642.09 | 573.43 | 1,632.30 | 346.31 | 1,101.82 | 678.05 | 605.54 | 1,723.71 | 365.70 |

⁴ Prior to the April 2015 rate change all potable water meters were charged the same meter size based charge. Monthly service charges are now determined by both customer class and meter size.

Note: 1 Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons

Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

Principal Water Customers
Current Fiscal Year and Nine Years AgoFiscal Year 2016

| <u>Customer</u> | <u>Type of Property</u> | Total Water Sales ¹ | Percentage of Total Water Sales |
|---|--------------------------|-----------------------------------|---------------------------------------|
| Moritz Associates LLC | Multi Family Residential | \$ 218,152 | 0.76% |
| City of Mission Viejo | Parks, Slopes, Medians | 205,686 | 0.72% |
| Barcelona LLC | Multi Family Residential | 195,094 | 0.68% |
| City of Laguna Niguel | Parks, Slopes, Medians | 156,267 | 0.55% |
| Hidden Hills Apts | Multi Family Residential | 144,914 | 0.51% |
| Aliso Meadows Condo Assoc | Multi Family Residential | 140,998 | 0.49% |
| Monarch Coast Apt Homes | Multi Family Residential | 125,485 | 0.44% |
| Laguna Gardens Apartments | Multi Family Residential | 121,830 | 0.43% |
| Aliso Creek - Sares | Multi Family Residential | 116,428 | 0.41% |
| BRE Properties | Multi Family Residential | <u>116,044</u> | <u>0.41%</u> |
| | | \$ 1,540,898 | 5.40% |
| Total Water Sales for FY 2015-16 | | \$ 28,604,894 | |

Fiscal Year 2007

| <u>Customer</u> | <u>Type of Property</u> | Total Water Sales ¹ | Percentage of Total Water Sales |
|--|--------------------------|-----------------------------------|---------------------------------------|
| Moritz Associates LLC | Multi Family Residential | \$ 48,069 | 0.22% |
| City of Mission Viejo | Parks, Slopes, Medians | 47,413 | 0.22% |
| Aliso Meadows Condo Association | Multi Family Residential | 44,586 | 0.21% |
| Barcelona LLC | Multi Family Residential | 42,437 | 0.20% |
| Shea Properties | Multi Family Residential | 37,600 | 0.18% |
| Mission Hospital Regional Medical Center | Medical Facility | 37,260 | 0.17% |
| City of Laguna Niguel | Parks, Slopes, Medians | 35,566 | 0.17% |
| Hidden Hills Apartments | Multi Family Residential | 34,653 | 0.16% |
| Aliso Creek Sares | Multi Family Residential | 34,309 | 0.16% |
| The Promenade Apartments | Multi Family Residential | <u>33,088</u> | <u>0.15%</u> |
| | | \$ 394,982 | 1.84% |
| Total Water Sales for FY 2006-07 | | \$ 21,366,541 | |

¹Total water sales includes only potable water sales.

Source: Moulton Niguel Water District Billing Department.

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**Wastewater Rates
Last Ten Fiscal Years**

| RESIDENTIAL WASTEWATER RATES | | | | | | | | | | |
|------------------------------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2011 | 2013 | 2014 | 2015 | 2016 |
| Basic Service Charges | \$ 7.10 | \$ 7.10 | \$ 7.10 | \$ 8.25 | \$ 9.59 | \$ 11.14 | \$ 11.14 | \$ 11.14 | \$ 22.68 | \$ 24.83 |
| Volumetric Charge | | | | | | | | | | |
| 1-25 B.U. | 0.56 | 0.56 | 0.56 | 0.65 | 0.76 | 0.88 | 0.88 | 0.88 | - | - |
| 26+ B.U. | | | | | | | | | | |
| Maximum per month | 21.10 | 21.10 | 21.10 | 24.50 | 28.59 | 33.14 | 33.14 | 33.14 | - | - |

| COMMERCIAL AND MULTI-FAMILY WASTEWATER RATES | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Basic Service Charge | \$ 14.20 | \$ 14.20 | \$ 14.20 | \$ 16.50 | \$ 19.18 | \$ 22.28 | \$ 22.28 | \$ 22.28 |
| Volumetric Charge - All B.U.'s | | | | | | | | |
| Class 1 | 0.56 | 0.56 | 0.56 | 0.65 | 0.76 | 0.88 | 0.88 | 0.88 |
| Class 2 | 0.76 | 0.76 | 0.76 | 0.88 | 1.03 | 1.19 | 1.19 | 1.19 |
| Class 3 | 0.96 | 0.96 | 0.96 | 1.12 | 1.30 | 1.51 | 1.51 | 1.51 |
| Class 4 | 1.16 | 1.16 | 1.16 | 1.35 | 1.57 | 1.82 | 1.82 | 1.82 |

| COMMERCIAL AND MULTI-FAMILY WASTEWATER RATES | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2015 | | | | | 2016 | | | | |
| | MFR | Comm 1 | Comm 2 | Comm 3 | Comm 4 | MFR | Comm 1 | Comm 2 | Comm 3 | Comm 4 |
| Basic Service Charge | \$ 22.28 | \$ - | \$ - | \$ - | \$ - | \$ 22.28 | \$ - | \$ - | \$ - | \$ - |
| Volumetric Charge - All B.U.'s | | | | | | | | | | |
| Class 1 | - | - | - | - | - | - | - | - | - | - |
| Class 2 | - | - | - | - | - | - | - | - | - | - |
| Class 3 | - | - | - | - | - | - | - | - | - | - |
| Class 4 | - | - | - | - | - | - | - | - | - | - |
| Meter Size | | | | | | | | | | |
| 5/8" | 24.72 | 17.87 | 38.07 | 78.32 | 84.49 | 27.07 | 19.56 | 41.69 | 85.76 | 92.52 |
| 3/4" | 24.72 | 17.87 | 38.07 | 78.32 | 84.49 | 27.07 | 19.56 | 41.69 | 85.76 | 92.52 |
| 1" | 24.72 | 17.87 | 38.07 | 78.32 | 84.49 | 27.07 | 19.56 | 41.69 | 85.76 | 92.52 |
| 1.5" | 75.90 | 53.05 | 120.39 | 254.54 | 275.11 | 83.11 | 58.09 | 131.83 | 278.72 | 301.25 |
| 2" | 119.77 | 83.22 | 190.96 | 405.60 | 438.53 | 131.15 | 91.12 | 209.10 | 444.14 | 480.19 |
| 2.5" | 119.77 | 83.22 | 190.96 | 405.60 | 438.53 | 131.15 | 91.12 | 209.10 | 444.14 | 480.19 |
| 3" | 258.72 | 178.75 | 414.46 | 884.04 | 956.06 | 283.30 | 195.73 | 453.84 | 968.02 | 1,046.88 |
| 4" | 441.52 | 304.43 | 708.50 | 1,513.46 | 1,636.92 | 483.47 | 333.35 | 775.81 | 1,657.24 | 1,792.43 |
| 6" | 916.83 | 631.22 | 1,473.04 | 3,150.05 | 3,407.27 | 1,003.93 | 691.18 | 1,612.98 | 3,449.31 | 3,730.96 |
| 8" | 1,319.01 | 907.72 | 2,119.93 | 4,534.81 | 4,905.21 | 1,444.31 | 993.95 | 2,321.33 | 4,965.62 | 5,371.20 |
| 10" | 2,123.37 | 1,460.74 | 3,413.76 | 7,304.41 | 7,901.16 | 2,325.09 | 1,599.51 | 3,738.07 | 7,998.33 | 8,651.77 |

Wastewater Classes:

Class 1 : Typical users include residential, banks, car washes, churches, department and retail stores, laundromats, professional offices, schools and colleges.

Class 2: Typical users includes beauty and barber shops, hospitals and convalescent facilities, commercial laundry, repair shops, service stations and veterinary hospitals.

Class 3: Typical users include hotels with dining facilities, markets with garbage disposals, mortuaries and fast-food restaurants.

Class 4: Typical users include restaurants, auto steam cleaning facilities and bakeries. Classifications are subject to change upon inspection by the District in order to comply with the intent of MNWD's rules and regulations and regulatory mandates.

Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

Principal Wastewater Customers
Current Fiscal Year and Nine Years AgoFiscal Year 2016

| <u>Customer</u> | <u>Type of Property</u> | Total Wastewater Sales | Percentage of Total Wastewater Sales |
|-----------------------------|--------------------------|------------------------------|---|
| Moritz Associates LLC | Multi-family Residential | \$ 191,332 | 1.18% |
| Barcelona LLC | Multi-family Residential | 152,073 | 0.94% |
| Aliso Creek - Sares | Multi-family Residential | 115,858 | 0.72% |
| Shea Properties/City Lights | Multi-family Residential | 111,350 | 0.69% |
| Alize at Aliso Viejo | Multi-family Residential | 109,060 | 0.67% |
| Laguna Gardens Apartments | Multi Family Residential | 108,207 | 0.67% |
| Heather Ridge Condo Assn | Multi Family Residential | 99,586 | 0.62% |
| Monarch Coast Apt Homes | Multi Family Residential | 97,336 | 0.60% |
| Seabrook Apts | Multi Family Residential | 95,866 | 0.59% |
| ERP Operating LP LN | Multi Family Residential | <u>92,562</u> | <u>0.57%</u> |
| | | \$ 1,173,230 | 7.25% |

Total Wastewater Sales for FY 2015-16 \$ 16,182,197

Fiscal Year 2007

| <u>Customer</u> | <u>Type of Property</u> | Total Wastewater Sales | Percentage of Total Wastewater Sales |
|---------------------------------|--------------------------|------------------------------|---|
| Shea Properties | Multi Family Residential | \$ 47,061 | 0.41% |
| Moritz Associates LLC | Multi Family Residential | 41,352 | 0.36% |
| Barcelona LLC | Multi Family Residential | 36,653 | 0.32% |
| Aliso Creek Sares | Multi Family Residential | 33,053 | 0.29% |
| The Promenade Apartments | Multi Family Residential | 26,947 | 0.23% |
| ERP Operating LP LN | Multi-Family Residential | 23,909 | 0.21% |
| Quail Creek - LA Paz HOA | Multi-Family Residential | 23,882 | 0.21% |
| Pointe Niguel 505 | Multi-Family Residential | 22,679 | 0.20% |
| Aliso Meadows Condo Association | Multi Family Residential | 22,628 | 0.20% |
| Hidden Hills Apartments | Multi Family Residential | <u>22,097</u> | <u>0.19%</u> |
| | | \$ 300,261 | 2.62% |

Total Wastewater Sales for FY 2006-07 \$ 11,515,601

Source: Moulton Niguel Water District Billing Department.

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Recycled Water Rates
Last Ten Fiscal Years

| Recycled Water Rates by Fiscal Year | | | | | | | | |
|-------------------------------------|-----------|---------|---------|---------------|---------------|---------------|------------------|------|
| Consumption Tiers (Note 1) | 2006-2009 | 2010 | 2011 | 2012 (Note 2) | 2013 (Note 2) | 2014 (Note 2) | 2015 (Notes 2&3) | 2016 |
| All B.U.'s | \$ 1.17 | \$ 1.36 | \$ 1.58 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1 - 50 B.U. | - | - | - | - | - | - | - | - |
| 51+ B.U. | - | - | - | - | - | - | - | - |
| Tier 1 | - | - | - | 1.23 | 1.23 | 1.23 | 1.17 | 1.24 |
| Tier 2 | - | - | - | 1.23 | 1.23 | 1.23 | 1.66 | 1.74 |
| Tier 3 | - | - | - | 2.20 | 2.20 | 2.20 | 3.42 | 3.50 |
| Tier 4 | - | - | - | 4.41 | 4.41 | 4.41 | 8.21 | 8.29 |
| Tier 5 | - | - | - | 8.81 | 8.81 | 8.81 | - | - |

¹ Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons

² A Water Budget Based Rate Structure was implemented July 2011. Tiers 1 and 2 apply to usage within budget, while Tiers 3, 4 and 5 apply to usage in excess of budget.

³ A revised Water Budget Based Rate Structure was implemented April 2015. Outdoor Allowance was lowered to reflect a plant factor of 0.7.

| Recycled Water Basic Service Charge | | | | | | | | |
|-------------------------------------|-----------|---------|---------|----------|----------|----------|----------|----------|
| Meter Size | 2006-2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| 5/8" | \$ 6.60 | \$ 7.67 | \$ 8.91 | \$ 10.36 | \$ 10.36 | \$ 10.36 | \$ 16.88 | \$ 17.83 |
| 3/4" | 6.60 | 7.67 | 8.91 | 10.36 | 10.36 | 10.36 | 16.88 | 17.83 |
| 1" | 6.60 | 7.67 | 8.91 | 10.36 | 10.36 | 10.36 | 16.88 | 17.83 |
| 1.5" | 11.60 | 13.48 | 15.66 | 34.53 | 34.53 | 34.53 | 56.27 | 59.42 |
| 2" | 19.60 | 22.78 | 26.47 | 55.25 | 55.25 | 55.25 | 90.03 | 95.07 |
| 3" | 26.60 | 30.91 | 35.92 | 120.87 | 120.87 | 120.87 | 196.94 | 207.97 |
| 4" | 36.60 | 42.53 | 49.42 | 207.20 | 207.20 | 207.20 | 337.60 | 356.51 |
| 6" | 56.60 | 65.77 | 76.42 | 431.37 | 431.37 | 431.37 | 703.90 | 743.32 |
| 8" | 76.60 | 89.01 | 103.43 | 621.60 | 621.60 | 621.60 | 1,012.80 | 1,069.52 |
| 10" | 96.60 | 112.25 | 130.43 | 1,001.47 | 1,001.47 | 1,001.47 | 1,632.30 | 1,723.71 |

Source: Moulton Niguel Water District Billing Department.

#6.**Mouton Niguel Water District****Principal Recycled Water Customers
Current Fiscal Year and Nine Years Ago****Fiscal Year 2016**

| <u>Customer</u> | <u>Type of Property</u> | <u>Total Recycled Water Sales</u> | <u>Percentage of Total Sales</u> |
|----------------------------|-------------------------|---------------------------------------|--------------------------------------|
| Aliso Viejo Comm Assn | Parks, Slopes, Medians | \$ 1,203,503 | 24.66% |
| Aliso Viejo Country Club | Golf Course | 351,436 | 7.20% |
| City of Llaguna Niguel | Parks, Slopes, Medians | 336,289 | 6.89% |
| City of Mission Viejo | Parks, Slopes, Medians | 328,578 | 6.73% |
| Mission Viejo Country Club | Golf Course | 280,088 | 5.74% |
| El Niguel Country Club | Golf Course | 250,917 | 5.14% |
| Marina Hills PCA | Golf Course | 222,922 | 4.57% |
| Arroyo Trabuco Golf Club | Golf Course | 190,968 | 3.91% |
| City of Laguna Hills | Parks, Slopes, Medians | 188,127 | 3.85% |
| Caltrans District 12 | Slopes, Medians | <u>157,443</u> | <u>3.23%</u> |
| | | \$ 3,510,271 | 71.92% |

Total Recycled Water Sales for Fiscal Year 2015-16 \$ 4,880,742**Fiscal Year 2007**

| <u>Customer</u> | <u>Type of Property</u> | <u>Total Recycled Water Sales</u> | <u>Percentage of Total Sales</u> |
|-----------------------------------|-------------------------|---------------------------------------|--------------------------------------|
| Aliso Viejo Community Association | Parks, Slopes, Medians | \$ 416,002 | 9.32% |
| El Niguel Country Club | Golf Course | 148,745 | 3.33% |
| Marina Hills PCA | Golf Course | 114,199 | 2.56% |
| City of Mission Viejo | Parks, Slopes, Medians | 105,429 | 2.36% |
| Soka University of America | Private University | 103,173 | 2.31% |
| Caltrans District 12 | Slopes, Medians | 65,678 | 1.47% |
| El Niguel Heights Community Assn. | Landscape | 56,660 | 1.27% |
| City of Laguna Niguel | Parks, Slopes, Medians | 54,941 | 1.23% |
| City of Laguna Hills | Parks, Slopes, Medians | 53,224 | 1.19% |
| Beacon Hill Planned Community | Parks, Slopes, Medians | <u>52,411</u> | <u>1.17%</u> |
| | | \$ 1,170,462 | 26.21% |

Total Recycled Water Sales for Fiscal Year 2006-07 \$ 4,464,604

Source: Moulton Niguel Water District Billing Department.

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**Property Tax Levies and Collections
Last Ten Fiscal Years**

| Levy Year | Total Tax Levy | Collected within the Levy Year | | Collections from Prior Years | Total Collections to Date | |
|-----------|----------------|--------------------------------|--------------------|------------------------------|---------------------------|--------------------|
| | | Amount ¹ | Percentage of Levy | | Amount | Percentage of Levy |
| 2007 | \$ 21,254,653 | \$ 20,560,187 | 96.73% | \$ 425,393 | \$ 20,985,580 | 98.73% |
| 2008 | 22,283,832 | 21,583,776 | 96.86% | 587,508 | 22,171,284 | 99.49% |
| 2009 | 22,245,697 | 21,285,866 | 95.69% | 721,593 | 22,007,459 | 98.93% |
| 2010 | 21,679,649 | 20,656,502 | 95.28% | 968,078 | 21,624,580 | 99.75% |
| 2011 | 21,638,200 | 20,835,460 | 96.29% | 511,337 | 21,346,797 | 98.65% |
| 2012 | 22,143,993 | 20,666,470 | 93.33% | 475,230 | 21,141,700 | 95.47% |
| 2013 | 22,511,515 | 21,304,598 | 94.64% | 555,032 | 21,859,630 | 97.10% |
| 2014 | 22,890,247 | 22,311,794 | 97.47% | 211,474 | 22,523,268 | 98.40% |
| 2015 | 24,520,773 | 23,957,232 | 97.70% | 54,284 | 24,011,516 | 97.92% |
| 2016 | 25,996,107 | 25,252,413 | 97.14% | 45,652 | 25,298,065 | 97.31% |

¹ Property Tax revenue is the District's second major revenue source.

² Collections from prior years does not include penalty revenue.

Source: Moulton Niguel Water District Finance Department and Orange County Auditor-Controller's office.

Moulton Niguel Water District

Assessed Valuations and Largest Local Secured Taxpayers
Current Fiscal Year and Nine Years Ago

| <u>Land Use</u> | <u>Assessed Values by Land Use</u> | |
|-----------------|------------------------------------|--------------------------|
| | <u>FY 2016</u> | <u>FY 2007</u> |
| | <u>Secured Assessed Value</u> | |
| Residential | \$ 16,223,170,917 | \$ 10,583,018,637 |
| Commercial | 1,628,380,344 | 1,390,568,672 |
| Industrial | 381,274,206 | 254,501,705 |
| Vacant/Other | 17,945,916 | 503,361,979 |
| Total | <u>\$ 18,250,771,383</u> | <u>\$ 12,731,450,993</u> |

Principal Local Secured Taxpayers

For Fiscal Year 2016

| <u>Rank</u> | <u>Property Owner</u> | <u>Primary Land Use</u> | <u>Assessed Valuation</u> | <u>% of Total</u> |
|-------------|------------------------------|-------------------------|---------------------------|-------------------|
| 1 | BRE-FMCA LLC | Apartments | \$ 73,642,556 | 0.40% |
| 2 | Moritz Associates LLC | Apartments | 45,501,015 | 0.25% |
| 3 | Innovation Institute LLC | Commercial | 41,100,000 | 0.23% |
| 4 | Barcelona LLC | Apartments | 39,317,650 | 0.22% |
| 5 | Sequoia Equities-Alicante | Apartments | 36,073,834 | 0.20% |
| 6 | Vista Real Apartments MV LLC | Apartments | 35,410,488 | 0.19% |
| 7 | Vista Bella Apartments AV | Apartments | 34,801,337 | 0.19% |
| 8 | Sequoia Equities-Alize | Apartments | 33,653,193 | 0.18% |
| 9 | Shops at Mission Viejo LLC | Commercial | 33,155,899 | 0.18% |
| 10 | Costco Wholesale Corp. | Commercial | 30,526,728 | 0.17% |
| | | | <u>\$ 403,182,700</u> | 2.21% |

Fiscal Year 2015-16 Total Local Secured Valuation: \$ 18,250,771,383

Principal Local Secured Taxpayers

For Fiscal Year 2007

| <u>Rank</u> | <u>Property Owner</u> | <u>Primary Land Use</u> | <u>Assessed Valuation</u> | <u>% of Total</u> |
|-------------|-----------------------------------|-------------------------|---------------------------|-------------------|
| 1 | Mission Viejo Associates | Residential | \$ 157,087,919 | 1.23% |
| 2 | City Lights - Aliso Viejo LLC | Apartments | 95,553,556 | 0.75% |
| 3 | Moritz Associates LLC | Apartments | 94,843,408 | 0.74% |
| 4 | Northwestern Mutual Life Ins. Co. | Apartments | 85,135,994 | 0.67% |
| 5 | Barcelona, LLC | Apartments | 81,759,049 | 0.64% |
| 6 | OTR | Commercial | 81,445,653 | 0.64% |
| 7 | Wilmington Co. | Commercial | 70,222,025 | 0.55% |
| 8 | Monarch Bay Two | Apartments | 67,009,095 | 0.53% |
| 9 | Sequoia Equities - Alicante | Apartments | 66,901,141 | 0.53% |
| 10 | BRE Properties Inc. | Apartments | 64,605,584 | 0.51% |
| | | | <u>\$ 864,563,424</u> | 6.79% |

Fiscal Year 2006-07 Local Secured Assessed Valuation: \$ 12,731,450,993

**Outstanding Debt by Type and Debt per Customer
Last Ten Fiscal Years**

| Fiscal Year | General Obligation Bonds ¹ | Certificates of Participation ¹ | Loans Payable | Operating Lease | Total Debt | Total | | Est. District Population | Debt per Capita |
|-------------|---------------------------------------|--|---------------|-----------------|----------------|-------------------------|----------------------------|--------------------------|-----------------|
| | | | | | | Total Customer Accounts | Debt per Customer Accounts | | |
| 2007 | \$ 53,080,000 | \$ 32,718,416 | \$ 45,691,949 | \$ 5,596,000 | \$ 137,086,365 | 53,514 | \$ 2,562 | 166,168 | \$ 825 |
| 2008 | 49,565,000 | 31,433,831 | 42,865,904 | 5,149,000 | 129,013,735 | 53,788 | 2,399 | 166,677 | 774 |
| 2009 | 45,765,000 | 24,096,239 | 30,174,053 | 4,667,000 | 104,702,292 | 53,952 | 1,941 | 166,964 | 627 |
| 2010 | 41,740,000 | 88,672,820 | 23,489,486 | - | 153,902,306 | 54,144 | 2,842 | 167,408 | 919 |
| 2011 | 37,400,000 | 87,590,679 | 21,432,781 | - | 146,423,460 | 54,362 | 2,693 | 164,450 | 890 |
| 2012 | 32,755,000 | 85,873,271 | 19,336,551 | - | 137,964,822 | 54,533 | 2,530 | 165,272 | 835 |
| 2013 | 27,775,000 | 84,065,864 | 17,160,816 | - | 129,001,680 | 54,792 | 2,354 | 168,174 | 767 |
| 2014 | 22,816,846 | 82,198,457 | 14,998,798 | - | 120,014,101 | 54,899 | 2,186 | 169,212 | 709 |
| 2015 | 31,326,483 | 65,836,049 | 12,794,395 | - | 109,956,927 | 55,033 | 1,998 | 170,326 | 646 |
| 2016 | 24,890,785 | 63,928,642 | 10,688,013 | - | 99,507,440 | 55,033 | 1,808 | 170,326 | 584 |

¹ 2015 Revenue Refunding Bonds refunded the 2003 Certificates of Participation, and are listed under the Certificates of Participation column by California Municipal Statistics, Inc.

Source: Moulton Niguel Water District Finance Department.
California Municipal Statistics, Inc.

#6.**Moulton Niguel Water District****Ratio of Net Direct General Obligation Debt
Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Total General Obligation Bonds Outstanding</u> ¹ | <u>Net Direct General Obligation Debt</u> | <u>Assessed Value</u> ² | <u>Percent of General Obligation Debt to Assessed Value</u> | <u>Population</u> ³ | <u>Net General Obligation Debt per Capita</u> |
|--------------------|--|---|------------------------------------|---|--------------------------------|---|
| 2007 | \$ 53,080,000 | \$ 5,737,513 | \$ 6,256,186,514 | 0.09% | 52,936 | \$ 108 |
| 2008 | 49,565,000 | 5,855,913 | 6,746,635,752 | 0.09% | 53,223 | 110 |
| 2009 | 45,765,000 | 5,982,738 | 6,734,350,793 | 0.09% | 53,437 | 112 |
| 2010 | 41,740,000 | 6,022,175 | 6,193,574,675 | 0.10% | 56,919 | 106 |
| 2011 | 37,400,000 | 6,159,813 | 6,062,288,925 | 0.10% | 58,503 | 105 |
| 2012 | 32,755,000 | 6,263,016 | 6,051,286,544 | 0.10% | 56,114 | 112 |
| 2013 | 27,775,000 | 6,416,000 | 6,093,356,189 | 0.11% | 56,675 | 113 |
| 2014 | 22,816,846 | 6,466,700 | 6,300,950,763 | 0.10% | 57,236 | 113 |
| 2015 | 16,867,130 | 6,227,747 | 5,749,154,516 | 0.11% | 57,613 | 108 |
| 2016 | 10,697,414 | 6,240,500 | 6,159,717,218 | 0.10% | 57,613 | 108 |

¹ The repayment of the General Obligation Bonds debt is a voter approved property tax assessment to the property owners residing in the service areas in which the debt applies.

² Assessed valuations are only property related to the General Obligation Bond debt (GOB).

³ The District population is estimated by the California State University at Fullerton Center for Demographic Research (CDR).

Source: Orange County Auditor-Controller, CDR and Moulton Niguel Water District Accounting Department

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**Direct and Overlapping Debt
Current Fiscal Year**

2015-16 Assessed Valuations: \$17,048,211,000 (Land only)

Direct & Overlapping Tax and Assessment Debt: (Based on all property assessed valuation of \$32,790,354,178)

| | Total Debt | | District's Share |
|--|------------------|---------------------------|-----------------------|
| | 06/30/2016 | % Applicable ¹ | of Debt 06/30/2016 |
| Metropolitan Water District | \$ 92,865,000 | 1.338% | \$ 1,242,534 |
| Capistrano Unified School District School Facilities Improvement Distri | 29,882,520 | 31.589% | 9,439,589 |
| Laguna Beach Unified School District | 26,090,000 | 1.878% | 489,970 |
| Saddleback Valley Unified School District | 117,270,000 | 22.318% | 26,172,319 |
| City of San Juan Capistrano | 27,965,000 | 0.063% | 17,618 |
| Moulton-Niguel Water District, I.D. No. 6 | 4,880,000 | 100.000% | 4,880,000 |
| Moulton-Niguel Water District, I.D. No. 7 | 5,285,000 | 100.000% | 5,285,000 |
| South Coast Water District | 810,000 | 6.209% | 50,293 |
| City of Aliso Viejo Community Facilities District No. 2005-01 | 31,615,000 | 100.000% | 31,615,000 |
| City of Mission Viejo Community Facilities District No. 92-1 | 690,000 | 100.000% | 690,000 |
| Capistrano Unified School District Community Facilities District No. 87- | 26,020,000 | 75.287% | 19,589,677 |
| <i>Total Direct & Overlapping Tax and Assessment Debt</i> | | | <u>\$ 99,472,000</u> |

Direct & Overlapping General Fund Debt:

| | | | |
|---|-------------------|-------------------|--------------------------|
| Orange County General Fund Obligations | \$ 124,614,000 | 6.571% | \$ 8,188,386 |
| Orange County Pension Obligation Bonds | 353,417,858 | 657.100% | 23,223,087 |
| Orange County Board of Education Certificates of Participation | 14,840,000 | 657.100% | 975,136 |
| Capistrano Unified School District Certificates of Participation | 15,320,000 | 3201.400% | 4,904,545 |
| City of Laguna Hills Certificates of Participation | 10,035,000 | 7027.700% | 7,052,297 |
| City of Mission Viejo Certificates of Participation | 13,805,000 | 3484.400% | 4,810,214 |
| City of San Juan Capistrano Judgment Obligations | 1,685,000 | 6.300% | 1,062 |
| Municipal Water District of Orange County Water Facilities Corporatio | 2,770,000 | 784.200% | 217,223 |
| Moulton-Niguel Water District General Fund Obligations² | 76,045,000 | 10000.000% | <u>76,045,000</u> |
| <i>Total Gross Direct & Overlapping General Fund Debt</i> | | | 125,416,950 |
| Less: MWDOC Water Facilities Corporation (100% supported obligations) | | | 217,223 |
| <i>Total Net Direct & Overlapping General Fund Debt</i> | | | <u>\$ 125,199,727</u> |

| | | | |
|---|---------------|---------|----------------------|
| OVERLAPPING TAX INCREMENT DEBT (Successor Agency): | \$ 26,947,326 | 94.157% | \$ 25,372,794 |
| TOTAL DIRECT DEBT | | | \$ 86,210,000 |
| TOTAL GROSS OVERLAPPING DEBT | | | 164,051,744 |
| TOTAL NET OVERLAPPING DEBT | | | 163,834,521 |
| Gross Combined Total Debt ³ | | | \$ 250,261,744 |
| Net Combined Total Debt | | | 250,044,521 |

Ratios to Land Only Assessed Valuation:

| | |
|--|-------|
| Direct Debt (\$15,850,000) ⁴ | 0.06% |
| Total Direct and Overlapping Tax and Assessment Debt | 0.54% |

Ratios to All Property Assessed Valuation:

| | |
|----------------------------------|-------|
| Total Direct Debt (\$86,210,000) | 0.26% |
| Gross Combined Total Debt | 0.76% |
| Net Combined Total Debt | 0.76% |

Ratios to All Property Redevelopment Successor Agency Incremental Valuation (\$801,235,054):

| | |
|--------------------------------------|-------|
| Total Overlapping Tax Increment Debt | 3.17% |
|--------------------------------------|-------|

¹ The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the water district divided by the overlapping district's total taxable assessed value.

² Excludes accreted value.

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

⁴ Moulton Niguel Improvement Districts.

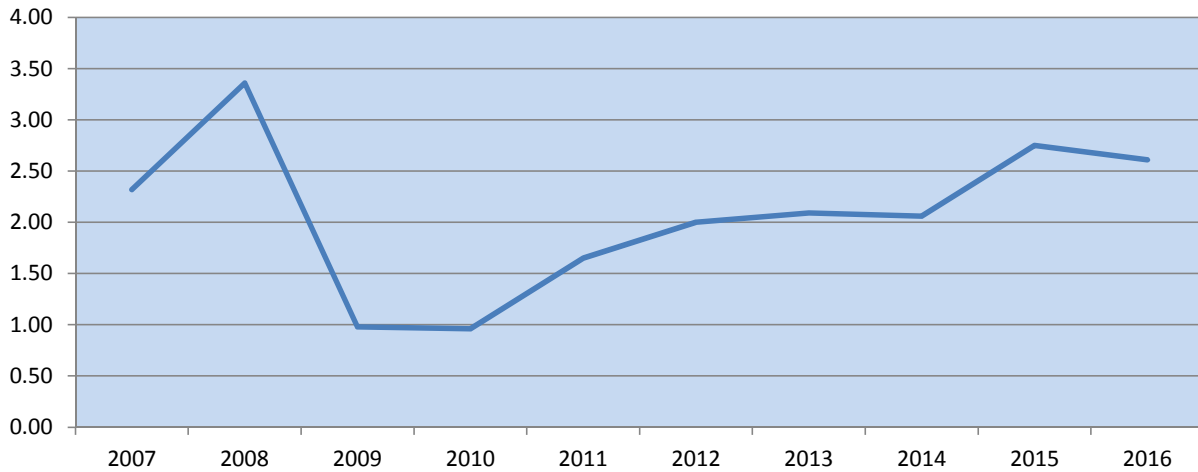
#6.**Moulton Niguel Water District****Pledged Revenue Coverage
Last Ten Fiscal Years**

| Fiscal Year | Total Revenues ¹ | Operating Expenses ² | Net Available Revenues | Annual Debt Service ³ | | | Coverage Ratio |
|----------------|--------------------------------|------------------------------------|---------------------------|----------------------------------|--------------|---------------|-------------------|
| | | | | Principal | Interest | Total | |
| 2007 | \$ 65,783,315 | \$ 42,216,143 | \$ 23,567,172 | \$ 7,491,753 | \$ 2,667,114 | \$ 10,158,867 | 2.32 |
| 2008 | 65,783,315 | 42,216,143 | 23,567,172 | 4,331,069 | 2,675,483 | 7,006,552 | 3.36 |
| 2009 | 63,008,926 | 46,993,818 | 16,015,108 | 14,261,828 | 2,163,186 | 16,425,014 | 0.98 |
| 2010 | 67,240,733 | 55,611,741 | 11,628,992 | 8,309,566 | 3,787,050 | 12,096,616 | 0.96 |
| 2011 | 71,267,139 | 55,783,588 | 15,483,551 | 3,681,716 | 5,701,425 | 9,383,141 | 1.65 |
| 2012 | 72,127,432 | 53,336,041 | 18,791,391 | 3,686,551 | 5,727,264 | 9,413,815 | 2.00 |
| 2013 | 76,664,834 | 57,089,327 | 19,575,507 | 3,572,972 | 5,790,836 | 9,363,808 | 2.09 |
| 2014 | 78,969,108 | 59,633,768 | 19,335,340 | 3,918,909 | 5,475,003 | 9,393,912 | 2.06 |
| 2015 | 88,604,859 | 63,060,170 | 25,544,689 | 3,821,389 | 5,478,923 | 9,300,312 | 2.75 |
| 2016 | 89,836,372 | 66,713,997 | 23,122,375 | 3,766,711 | 5,093,380 | 8,860,091 | 2.61 |

¹ Total Revenues include all operating revenues, interest income and other non-operating revenues, but excludes general obligation bond assessment revenues used to repay the general obligation bond debt.

² Operating expenses exclude depreciation and amortization expense.

³ Principal and Interest amounts do not include debt obligations related to general obligation bonds.



Source: Moulton Niguel Water District Finance Department.

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Demographic and Economic Statistics
Last Ten Fiscal Years

| Moulton Niguel Water District | |
|-------------------------------|-------------------------------|
| Fiscal Year | Estimated District Population |
| 2006 | 165,918 |
| 2007 | 166,168 |
| 2008 | 166,677 |
| 2009 | 166,964 |
| 2010 | 167,408 |
| 2011 | 164,450 |
| 2012 | 168,402 |
| 2013 | 168,174 |
| 2014 | 169,212 |
| 2015 | 170,326 |

| City of Laguna Niguel ¹ | | | | |
|------------------------------------|------------|-------------------|-------------------|--|
| Fiscal Year | Population | Per Capita Income | Unemployment Rate | |
| 2006 | 65,800 | \$ 46,283 | 2.90% | |
| 2007 | 65,959 | 49,815 | 2.60% | |
| 2008 | 66,058 | 52,162 | 3.00% | |
| 2009 | 66,522 | 52,705 | 4.10% | |
| 2010 | 67,117 | 51,005 | 7.00% | |
| 2011 | 67,666 | 47,820 | 7.50% | |
| 2012 | 63,691 | 49,804 | 6.80% | |
| 2013 | 64,065 | 50,518 | 4.40% | |
| 2014 | 64,460 | 50,889 | 3.90% | |
| 2015 | 64,449 | 49,888 | 5.00% | |

Source: CSUF Center for Demographic Research. ¹ The District serves 100% of the City of Laguna Niguel which represents approximately 38% of the total District population.

Source: City of Laguna Niguel Finance Department

| City of Aliso Viejo ² | | | | | |
|----------------------------------|------------|-----------------------|-------------------|-------------------|--|
| Fiscal Year | Population | Total Personal Income | Per Capita Income | Unemployment Rate | |
| 2006 | 44,854 | \$ 1,755,584,996 | \$ 39,079 | 1.90% | |
| 2007 | 44,924 | 1,791,256,601 | 39,773 | 1.80% | |
| 2008 | 45,037 | 1,857,154,707 | 41,043 | 2.00% | |
| 2009 | 45,249 | 2,052,308,775 | 44,925 | 2.70% | |
| 2010 | 45,683 | 1,977,868,828 | 43,342 | 4.80% | |
| 2011 | 45,634 | 2,059,354,026 | 43,062 | 4.90% | |
| 2012 | 47,823 | 2,002,825,000 | 40,884 | 4.60% | |
| 2013 | 48,988 | 2,100,001,788 | 42,444 | 3.00% | |
| 2014 | 49,951 | 2,100,839,000 | 42,058 | 2.60% | |
| 2015 | 49,939 | 2,181,535,000 | 43,684 | 3.50% | |

² The District serves approximately 98% of the City of Aliso Viejo which represents approximately 29% of the total District population.

Source: City of Aliso Viejo Finance Department

Note: The District boundaries encompass five cities: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo. Aliso Viejo, Laguna Hills, Laguna Niguel, and Mission Viejo represent approximately 99% of the total District population.

#6.**Moulton Niguel Water District****Demographic and Economic Statistics
Last Ten Fiscal Years**

| Moulton Niguel Water District | |
|--------------------------------------|--------------------------------------|
| Fiscal Year | Estimated District Population |
| 2006 | 165,918 |
| 2007 | 166,168 |
| 2008 | 166,677 |
| 2009 | 166,964 |
| 2010 | 167,408 |
| 2011 | 164,450 |
| 2012 | 168,402 |
| 2013 | 168,174 |
| 2014 | 169,212 |
| 2015 | 170,326 |
| 2016 | 170,326 |

| City of Laguna Hills ³ | | | | |
|--|-------------------|---|--------------------------|--------------------------|
| Calendar Year | Population | Total Personal Income (in thousands) | Per Capita Income | Unemployment Rate |
| 2006 | 33,101 | \$ 1,321,554 | \$ 39,938 | 3.10% |
| 2007 | 33,129 | 1,384,623 | 41,813 | 2.90% |
| 2008 | 33,143 | 1,425,961 | 43,058 | 2.90% |
| 2009 | 33,421 | 1,441,089 | 43,346 | 4.00% |
| 2010 | 33,280 | 1,417,282 | 42,444 | 7.00% |
| 2011 | 33,593 | 1,500,666 | 44,672 | 8.00% |
| 2012 | 30,341 | 1,445,996 | 47,227 | 6.60% |
| 2013 | 30,410 | 1,363,858 | 44,421 | 4.80% |
| 2014 | 30,857 | 1,320,001 | 42,778 | 4.20% |
| 2015 | 30,848 | 1,336,181 | 43,315 | 5.00% |
| 2016 | | | | |

Source: CSUF Center for Demographic Research.

³ The City of Laguna Hills represents approximately 0% of the total District population.
Source: City of Laguna Hills Finance Department.

| City of Mission Viejo ⁴ | | | | |
|---|-------------------|---|--------------------------|--------------------------|
| Fiscal Year | Population | Total Personal Income (in thousands) | Per Capita Income | Unemployment Rate |
| 2006 | 98,165 | \$ 150,500,000 | \$ 56,114 | 2.6% |
| 2007 | 98,030 | 153,300,000 | 55,172 | 2.8% |
| 2008 | 99,781 | 155,000,000 | 53,552 | 3.8% |
| 2009 | 100,122 | 148,300,000 | 51,374 | 6.8% |
| 2010 | 93,297 | 153,300,000 | 52,124 | 6.9% |
| 2011 | 93,483 | 154,100,000 | 50,440 | 6.7% |
| 2012 | 94,196 | 161,700,000 | 52,342 | 5.7% |
| 2013 | 94,824 | 165,300,000 | 53,032 | 4.7% |
| 2014 | 95,334 | 172,400,000 | 54,839 | 3.9% |
| 2015 | 96,652 | 185,400,000 | 58,512 | 4.2% |

⁴ The City of Mission Viejo represents approximately 57% of the total District population.
Source: City of Mission Viejo Finance Department

Note: The District boundaries encompass five cities: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo. Aliso Viejo, Laguna Hills, Laguna Niguel and Mission Viejo represent 99% of District population.

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Demographic and Economic Statistics
Last Ten Fiscal Years

| Moulton Niguel Water District | |
|-------------------------------|-------------------------------|
| Fiscal Year | Estimated District Population |
| 2006 | 165,918 |
| 2007 | 166,168 |
| 2008 | 166,677 |
| 2009 | 166,964 |
| 2010 | 167,408 |
| 2011 | 164,450 |
| 2012 | 168,402 |
| 2013 | 168,174 |
| 2014 | 169,212 |
| 2015 | 170,326 |

Source: CSUF Center for Demographic Research.

| City of Dana Point ⁵ | | | | |
|---------------------------------|------------|--------------------------------------|-------------------|-------------------|
| Fiscal Year | Population | Total Personal Income (in thousands) | Per Capita Income | Unemployment Rate |
| 2006 | 36,854 | \$ 1,675,000 | \$ 45,450 | 2.40% |
| 2007 | 36,884 | 1,736,000 | 47,066 | 2.80% |
| 2008 | 36,441 | 1,858,000 | 50,987 | 3.80% |
| 2009 | 35,822 | 1,681,000 | 46,926 | 6.40% |
| 2010 | 35,561 | 1,706,000 | 47,974 | 6.90% |
| 2011 | 35,109 | 1,816,000 | 51,725 | 6.30% |
| 2012 | 33,054 | 1,663,000 | 50,312 | n/a |
| 2013 | 33,398 | 1,723,000 | 51,590 | 5.90% |
| 2014 | 33,625 | 1,699,000 | 50,528 | 5.50% |
| 2015 | 33,710 | 1,649,000 | 48,917 | 5.20% |

⁵ The City of Dana Point represents approximately 20% of the total District population.
Source: City of Dana Point Finance Department.

#6.**Moulton Niguel Water District****Principal Employers
Current Fiscal Year and Nine Years Ago**FY 2016^{1,2}

| <u>Rank</u> | <u>Employer</u> | <u>Operating City</u> | <u>Number of Employees</u> | <u>Percent of Each City's Employment</u> |
|-------------|---|-----------------------|----------------------------|--|
| 1 | Mission Hospital Regional Medical Center | City of Mission Viejo | 2,443 | 4.83% |
| 2 | Saddleback College | City of Mission Viejo | 1,748 | 3.45% |
| 3 | Saddleback Valley Unified School District | City of Mission Viejo | 1,208 | 2.39% |
| 4 | Saddleback Memorial Hospital | City of Laguna Hills | 1,020 | 5.86% |
| 5 | Ritz-Carlton-Laguna Niguel | City of Dana Point | 970 | 5.52% |
| 6 | Pacific Life Insurance | City of Aliso Viejo | 879 | 4.75% |
| 7 | St Regis Monarch Beach | City of Dana Point | 800 | 4.55% |
| 8 | Fluor Corporation | City of Aliso Viejo | 800 | 4.33% |
| 9 | Capistrano Unified School District | City of Mission Viejo | 695 | 1.37% |
| 10 | Capistrano Unified School District | City of Aliso Viejo | 603 | 3.26% |

FY 2007^{1,2}

| <u>Rank</u> | <u>Employer</u> | <u>Operating City</u> | <u>Number of Employees</u> | <u>Percent of Each City's Employment</u> |
|-------------|---|-----------------------|----------------------------|--|
| 1 | Saddleback College | City of Mission Viejo | 2,130 | 3.94% |
| 2 | Mission Hospital Regional Medical Center | City of Mission Viejo | 1,349 | 2.50% |
| 3 | Costco Wholesale Corporation | City of Laguna Niguel | 1,136 | 7.17% |
| 4 | Unisys Corporation | City of Mission Viejo | 1,000 | 1.85% |
| 5 | Saddleback Valley Unified School District | City of Mission Viejo | 640 | 1.19% |
| 6 | Quest Software Inc. | City of Aliso Viejo | 600 | 4.05% |
| 7 | Fluor Daniel Construction Co. | City of Aliso Viejo | 500 | 3.38% |
| 8 | Wal-Mart Stores, Inc. | City of Laguna Niguel | 500 | 3.15% |
| 9 | Macy's Department Stores | City of Mission Viejo | 475 | 0.88% |
| 10 | Capistrano Unified School District | City of Laguna Niguel | 400 | 2.52% |

¹ Principal Employers represents blended data from the four cities the District serves: Aliso Viejo, Laguna Hills Laguna Niguel and Mission Viejo.

² The District used data from the FYE 2007 - 2015 CAFRs for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo,

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**Full Time Employees by Function
Last Ten Fiscal Years**

| Function | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Office of the General Manager | 3 | 3 | 3 | 3 | 3 | 2 | 3 | 6 | 6 | 7 |
| Human Resources | - | - | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Administration | 2 | 2 | - | - | - | - | - | - | - | - |
| Customer Service | - | - | 2 | 2 | 2 | 2 | 3 | 2 | 1 | 1 |
| Utility Billing | 5 | 5 | 6 | 6 | 7 | 7 | 7 | 6 | 6 | 6 |
| Customer Service - Field | 19 | 19 | 17 | 19 | 17 | 18 | 19 | 16 | 16 | 16 |
| Customer Service - Office | 6 | 6 | 5 | 6 | 6 | 7 | 5 | 6 | 6 | 6 |
| Engineering - Field | 10 | 10 | 10 | 11 | 9 | 8 | 9 | 12 | 11 | 12 |
| Engineering - Office | 3 | 3 | 3 | 3 | 7 | 9 | 14 | 11 | 9 | 8 |
| Purchasing | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 3 |
| Information Technology | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 |
| Financial Services | 2 | 2 | 2 | 2 | 3 | 2 | 2 | 2 | 3 | 3 |
| Accounting | 5 | 5 | 5 | 5 | 5 | 7 | 7 | 7 | 6 | 6 |
| Operations Administration | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 4 | 6 | 8 |
| Operations - Plant | 18 | 18 | 18 | 14 | 9 | 10 | 11 | 17 | 18 | 19 |
| Operations - Field | 17 | 17 | 17 | 17 | 24 | 22 | 20 | 18 | 19 | 22 |
| Water Use Efficiency | - | - | - | - | - | - | - | - | 3 | 6 |
| Total | 100 | 100 | 99 | 100 | 104 | 107 | 113 | 115 | 118 | 129 |

Source: Moulton Niguel Water District Human Resources Department.

Moulton Niguel Water District

Operating Indicators
Last Ten Fiscal Years

| FISCAL YEAR | SERVICE CONNECTIONS | NET INCREASE PIPELINE (MILES) | MONTH OF PEAK CONSUMPTION | PEAK MONTHLY CONSUMPTION (M.G.D.) | AVERAGE DAILY CONSUMPTION (M.G.D.) | AVG. DAILY SEWAGE (M.G.D.) | AVG. DAILY POTABLE IMPORT (M.G.D.) | TAKEOUTS |
|-------------|---------------------|-------------------------------|---------------------------|-----------------------------------|-------------------------------------|----------------------------|------------------------------------|----------|
| 2006 | 53,343 | < 1,400 | August | 39.42 | 29.71 | 13.6 | 29.71 | 14 |
| 2007 | 53,520 | < 1,400 | July | 41.56 | 32.20 | 13.6 | 32.20 | 14 |
| 2008 | 53,804 | < 1,400 | July | 41.21 | 30.69 | 14.6 | 30.69 | 14 |
| 2009 | 53,938 | < 1,400 | August | 39.30 | 29.24 | 14.6 | 29.24 | 14 |
| 2010 | 54,174 | <1,400 | August | 34.20 | 26.15 | 14.6 | 26.15 | 14 |
| 2011 | 54,374 | <1,400 | August | 31.30 | 24.16 | 12.5 | 24.16 | 13 |
| 2012 | 54,597 | <1,400 | August | 34.31 | 24.43 | 13.4 | 20.54 | 13 |
| 2013 | 54,790 | <1,400 | August | 43.50 | 25.10 | 13.6 | 25.19 | 13 |
| 2014 | 54,899 | <1,400 | July | 35.30 | 25.58 | 11.9 | 25.6 | 13 |
| 2015 | 55,559 | <1,400 | August | 39.94 | 29.10 | 11.2 | 24.03 | |

| FISCAL YEAR | PUMP STATIONS ¹ | | | RESERVOIRS ¹ | | NO. OF FIRE HYDRANTS | TREATMENT PLANTS ¹ | MILES OF WATER | MILES OF WASTEWATER | MILES OF RECYCLED |
|-------------|----------------------------|---------|------|-------------------------|---------|----------------------|-------------------------------|----------------|---------------------|-------------------|
| | RECYCLED | POTABLE | LIFT | RECYCLED | POTABLE | | | | | |
| 2006 | 12 | 30 | 19 | 12 | 28 | 7,150 | 4 | 700 | 530 | 140 |
| 2007 | 12 | 30 | 19 | 12 | 28 | 7,150 | 4 | 700 | 530 | 140 |
| 2008 | 12 | 30 | 19 | 12 | 28 | 7,170 | 4 | 700 | 530 | 140 |
| 2009 | 12 | 30 | 19 | 12 | 28 | 7,200 | 4 | 700 | 530 | 140 |
| 2010 | 12 | 30 | 19 | 12 | 28 | 7,250 | 4 | 700 | 530 | 144 |
| 2011 | 12 | 30 | 19 | 13 | 28 | 7,256 | 4 | 700 | 537 | 148 |
| 2012 | 12 | 30 | 19 | 13 | 28 | 7,258 | 4 | 700 | 537 | 148 |
| 2013 | 12 | 30 | 19 | 13 | 28 | 7,211 | 4 | 700 | 537 | 148 |
| 2014 | 12 | 30 | 19 | 13 | 28 | 7,141 | 4 | 700 | 537 | 148 |
| 2015 | 10 | 25 | 18 | 11 | 28 | 7,112 | 4 | 663 | 504 | 140 |

Note: MGD = Millions of Gallons per Day.

¹ The District wholly owns or has capacity rights in its pump stations, reservoirs, and treatment plants.

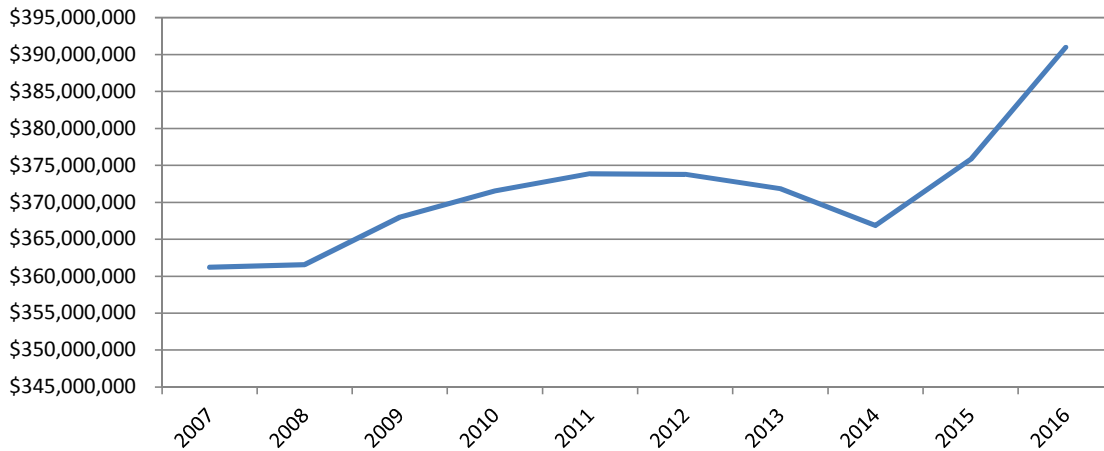
Source: Moulton Niguel Water District Operations and Billing Department.

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**Capital Asset Statistics
Last Ten Fiscal Years**

| Fiscal Year | Water Systems | Capacity Rights | Buildings | Automobiles & Equipment | Land | Construction in Progress | Capital Assets, Net of Depreciation |
|-------------|----------------|-----------------|--------------|-------------------------|--------------|--------------------------|-------------------------------------|
| 2007 | \$ 343,948,637 | \$ - | \$ 3,617,740 | \$ 3,878,408 | \$ 1,091,910 | \$ 8,669,543 | \$ 361,206,238 |
| 2008 | 341,989,768 | - | 3,455,277 | 3,622,842 | 1,091,910 | 11,422,556 | 361,582,353 |
| 2009 | 343,943,064 | - | 3,365,172 | 4,145,584 | 1,091,910 | 15,463,838 | 368,009,568 |
| 2010 | 341,293,660 | 8,551,999 | 3,538,659 | 3,484,082 | 1,091,910 | 13,583,539 | 371,543,849 |
| 2011 | 335,560,748 | 7,995,119 | 3,401,805 | 3,448,555 | 1,091,910 | 22,383,367 | 373,881,504 |
| 2012 | 329,278,513 | 27,691,901 | 3,217,693 | 2,949,815 | 1,091,910 | 9,572,378 | 373,802,210 |
| 2013 | 330,699,738 | 27,149,621 | 3,119,398 | 2,722,514 | 1,091,910 | 7,057,346 | 371,840,527 |
| 2014 | 319,084,402 | 26,607,341 | 2,864,432 | 2,426,058 | 1,091,910 | 14,785,817 | 366,859,960 |
| 2015 | 311,408,504 | 26,065,062 | 2,689,869 | 2,947,705 | 1,091,910 | 31,642,242 | 375,845,292 |
| 2016 | 271,113,215 | 63,993,270 | 2,408,058 | 7,232,783 | 1,091,910 | 45,135,106 | 390,974,342 |

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department

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**MOULTON NIGUEL WATER DISTRICT
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

MOULTON NIGUEL WATER DISTRICT
FOR THE YEAR ENDED JUNE 30, 2016

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

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Moulton Niguel Water District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated _____, 2016. Our report included an emphasis of matter regarding the District's adoption of Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 2015.

Internal Control over Financial Reporting

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

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

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

#6.

Compliance and Other Matters

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

Purpose of this Report

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

Laguna Hills, California
_____, 2016

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Report on Compliance for Each Major Federal Program

We have audited the Moulton Niguel Water District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated _____, 2016, which contained an unmodified opinion on those financial statements. Our report included an emphasis of matter regarding the District's adoption of Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 2015. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Laguna Hills, California
_____, 2016

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#6.

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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| <u>Federal grantor / pass-through grantor / program title</u> | <u>Federal CFDA Number</u> | <u>Program / Project Identification Number</u> | <u>Federal Expenditures</u> | <u>Amount Provided to Subrecipients</u> |
|--|------------------------------------|--|---------------------------------|---|
| <u>U.S. Department of the Interior - Bureau of Reclamation</u> | | | | |
| Direct Assistance: | | | | |
| Water SMART (Sustaining and Managing America's Resources for Tomorrow) | 15.507 | R15AP00128 | <u>\$ 297,365</u> | <u>\$ -</u> |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Passed through the State of California-Governor's Office of Emergency Services: | | | | |
| Hazard Mitigation Grant | 97.039 | FEMA-1968-DR-CA | <u>1,336,577</u> | <u>-</u> |
| Total Federal Awards | | | <u><u>\$ 1,633,942</u></u> | <u><u>\$ -</u></u> |

See accompanying notes to Schedule of Expenditures of Federal Awards

**MOULTON NIGUEL WATER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the Moulton Niguel Water District (District). The District’s reporting entity is defined in Note 1 of the District’s financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using an accrual basis of accounting, which is described in Note 1 of the District’s Financial Statements. The District has elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance, when applicable.

C. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

#6.

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

| | |
|---|----------------------|
| Type of auditors' report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material Weaknesses identified? | <u>No</u> |
| Significant Deficiencies identified? | <u>None reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|---|----------------------|
| Internal control over major federal programs: | |
| Material Weaknesses identified? | <u>No</u> |
| Significant Deficiencies identified? | <u>None reported</u> |
| Type of auditors' report issued on compliance for major federal programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a)? | <u>No</u> |
| Identification of major federal programs: | |

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| <u>97.039</u> | <u>Hazard Mitigation Grant</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u>No</u> |

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

II. FINANCIAL STATEMENT FINDINGS

None Reported.

DRAFT COPY 11/03/16

#6.

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

DRAFT COPY 11/03/16

**MOULTON NIGUEL WATER DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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None reported.

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Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have audited the financial statements of the Moulton Niguel Water District (District) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 24, 2016, as well as at our meeting with members of the Ad Hoc Committee on August 16, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the:

- Fair value measurements for investments are based on observable market inputs and information from the District's safekeeping custodian bank,
- Amounts related to depreciation expense are based on estimated useful lives of capital assets,
- Amounts related to the net pension liability, deferred outflows of resources and deferred inflows of resources, pension expense, and the related disclosures, are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop these estimates in determining that they appeared reasonable in relation to the financial statements taken as a whole.

#6.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 2 to the financial statements disclose authorized investments, interest rate and credit risks, and fair value measurements. Additionally, it was noted that while Asset Backed Securities, which are authorized by *Government Code Section 53600*, are not specifically authorized by the District's investment policy adopted September 2015, two such securities were purchased and part of the District's investments as of June 30, 2016, totaling \$1,671,966.

Note 8 to the financial statements disclose the District's cost-sharing employer pension plan's net pension liability, and related deferred outflows and inflows of resources, and pension expense. The valuation of the net pension liability and related deferred outflows and inflows are sensitive to the underlying actuarial assumptions used, including but not limited to, the investment rate of return and discount rates. As disclosed in Note 8, a 1% increase or decrease in the discount rate has a material effect on the District's net pension liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Adjustments identified as part of the audit and corrected by management include:

- Capital payments to SOCWA and JRWSS were reclassified from Water Systems to Capacity Rights. The Water Systems and Capacity Rights classifications both comprise the District's capital assets however, the reclassification was made to better present the payments as intangible assets, and not physical assets, owned by the District. The amount of the reclassification was \$38.4 million, net of accumulated amortization of \$9.5 million.
- The beginning balance of Deferred Inflows of Resources related to pensions was reduced by \$192 thousand to account for the amortization of the difference between the actual contributions and proportionate share of contributions. The corresponding offset was to Pension expense.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of plan contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of revenues, expenses, and other sources (uses) of funds, operations & maintenance (O&M) budget comparison report, and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Laguna Hills, California
_____, 2016

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MOULTON NIGUEL WATER DISTRICT

Independent Accountants' Report on Applying
Agreed-Upon Procedures Related to the
Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2016

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES
RELATED TO THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION**

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have performed the procedures enumerated below to the Appropriations Limit Calculation of the Moulton Niguel Water District (District) for the fiscal year ended June 30, 2016. These procedures, which were agreed to by the District, were performed solely to assist the District in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The District's management is responsible for the Appropriations Limit calculation. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained completed worksheets setting forth the calculations necessary to establish the District's appropriation limit and compared the 2015-2016 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Board of Directors.

Findings: No exceptions were noted as a result of our procedures.

2. We added last year's limit to the total adjustments and compared the resulting amount to this year's limit.

Findings: No exceptions were noted as a result of our procedures.

3. We compared the current year information to the worksheets described in No. 1 above.

Findings: No exceptions were noted as result of our procedures.

4. We compared the prior year appropriations limit used in the worksheets to the prior year appropriations limit adopted by the District's Board of Directors for the prior year.

Findings: The limit adopted by the District's Board of Directors in the prior year was \$6,764,550, however the prior year limit used in the worksheets was \$6,763,210, resulting in a difference of \$1,340. The District amended the calculation of the prior year limit to correct for an error in the prior year calculation, based on recommendations from the previous agreed-upon procedures report, dated September 9, 2015.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Appropriations Limit worksheets. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

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

Laguna Hills, California
October 31, 2016

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results
November 16, 2016

Unaudited results of operations for the three months ended September 30, 2016, are summarized below.

Total operating revenues were \$17.2 million through September 2016, which is tracking at 30% of the budget. Total operating expenses were \$16.1 million through the month of September, which amounted to 23% of the approved budget. Total Net Income for the three months ended is at (\$2.5) million. The negative balance is due to cash flow differences, primarily related to the timing of property tax receipts, which are typically received in December and April of each fiscal year.

Water efficiency revenues were \$2.6 million through September 30, 2016, up from \$0.9 million at this time last year, and 79% of the FY 16-17 projected revenue. The District does not budget for penalty revenues, which accounts for \$1.8 million of the \$2.6 million total. Studies have shown that a conservation based rate design structure has proven to be the most effective tool an agency can use to reduce water usage. The District remains in Stage 2 of the Water Shortage Contingency Plan in light of the ongoing drought. Further review is warranted as the State Water Resources Control Board finalizes the long-term efficiency framework.

The District currently has \$5.1 million available in the Water Efficiency Fund for new projects, rebate applications or additional programs. The remaining fund balance takes into account \$2.2 million in efficiency commitments already approved.

The District's debt (Bonds, COPs, and Loans) have decreased by \$9.0 million as the result of principal payments made during the month of September. To pay these obligations, the District utilized a portion of its investments, which have decreased by \$13.9 million since June 30, 2016. Total investments are \$96.0 million as of the end of September. District staff works closely with Chandler Asset Management to forecast cash flow needs related to debt and capital spending.

Chandler also manages the Districts reserve funds, and \$179,342 was released from the reserve fund to pay future debt service obligations related to the 2010 COPs. The 2010 reserve requirement is calculated based on the outstanding principal of the COP, so as the District makes its scheduled principal payments, the amount required to be deposited in reserve decreases as well.

The Net Position schedule shows the District balances segregated by purpose. The Board has established a target reserve level of \$64.8 million, based on the adopted FY 16-17 budget and reserve policy. The reserve levels will be lower than the defined targets until December when the District receives the first receipt of property tax revenues from the County. There are also other designated capital funds for the FY 16-17 capital program as well as other designated funds that include the WBRS fund, unspent capacity fees, and the net investment in capital assets.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Three Months Ended September 30, 2016

| | Description | Fiscal Year to Date Actuals | Prior Fiscal Year to Date Actuals | Current Year Approved Budget | Current Year Budget Balance | % of Actuals to Budget |
|--|---|--------------------------------|--------------------------------------|------------------------------------|--------------------------------|---------------------------|
| ALL FUNDS | | | | | | |
| Operating Revenues | | | | | | |
| | Water Sales | \$ 7,655,924 | 6,733,548 | \$ 28,338,290 | \$ 20,682,366 | 27% |
| | Recycled Water Sales | 1,898,997 | 1,638,538 | 5,489,814 | 3,590,817 | 35% |
| | Sewer Sales | 4,921,968 | 4,577,686 | 18,911,865 | 13,989,897 | 26% |
| | Water Efficiency | 2,618,394 | 852,317 | 3,303,844 | 685,450 | 79% |
| | Other Operating Income | 129,805 | 577,804 | 491,585 | 361,780 | 26% |
| A | Total Operating Revenue | 17,225,088 | 14,379,894 | 56,535,398 | 39,310,310 | 30% |
| Operating Expenses | | | | | | |
| | Salaries | 2,849,574 | 2,566,153 | 11,950,943 | 9,101,369 | 24% |
| | PERs Employer Contributions | 379,979 | 242,423 | 1,564,665 | 1,184,686 | 24% |
| | Defined Contribution 401A | 41,869 | 41,428 | 281,004 | 239,135 | 15% |
| | Educational Courses | 4,075 | 5,371 | 54,080 | 50,005 | 8% |
| | Travel & Meetings | 51,539 | 43,278 | 278,020 | 226,481 | 19% |
| | Recruitment & Employee Relations | 8,370 | 6,351 | 78,397 | 70,027 | 11% |
| | General Services | 49,607 | 52,799 | 394,750 | 345,143 | 13% |
| | Annual Audit | 163 | 14,102 | 53,000 | 52,837 | 0% |
| | Member Agencies O&M | 175,854 | 180,691 | 692,228 | 516,374 | 25% |
| | Dues & Memberships | 22,100 | 19,901 | 101,745 | 79,645 | 22% |
| | Consulting Services | 421,985 | 231,249 | 2,615,400 | 2,193,415 | 16% |
| | Equipment Rental | 3,400 | 15,701 | 69,000 | 65,600 | 5% |
| | District Fuel | 47,739 | 52,958 | 340,000 | 292,261 | 14% |
| | Insurance - District | 88,738 | 119,256 | 443,170 | 354,432 | 20% |
| | Insurance - Personnel | 75,760 | 88,064 | 480,546 | 404,786 | 16% |
| | Insurance - Benefits | 648,110 | 575,444 | 3,106,144 | 2,458,034 | 21% |
| | Legal Services - Personnel | 9,550 | - | 50,000 | 40,450 | 19% |
| | Legal Services - General ¹ | 24,267 | 35,226 | 430,000 | 405,733 | 6% |
| | District Office Supplies | 89,414 | 193,009 | 853,750 | 764,336 | 10% |
| | District Operating Supplies | 94,373 | 86,470 | 390,450 | 296,077 | 24% |
| | Repairs & Maintenance - Equipment | 193,916 | 143,728 | 628,769 | 434,853 | 31% |
| | Repairs & Maintenance - Facilities | 613,252 | 462,746 | 3,447,205 | 2,833,953 | 18% |
| | Safety Program & Compliance Requirements | 51,026 | 37,529 | 191,650 | 140,625 | 27% |
| | SOCWA | 1,733,389 | 2,030,286 | 9,480,876 | 7,747,487 | 18% |
| | Special Outside Assessments | 25,186 | 23,141 | 240,000 | 214,814 | 10% |
| | Utilities | 567,736 | 482,755 | 2,373,260 | 1,805,524 | 24% |
| | Water Purchases | 7,452,140 | 6,627,260 | 25,826,808 | 18,374,668 | 29% |
| | Meter / Vault Purchases | 1,775 | 83,643 | 615,000 | 613,225 | 0% |
| | Water Efficiency | 43,712 | 391,462 | 2,898,457 | 2,854,745 | 2% |
| | Other Operating Expenses ² | 345,410 | 8,104 | - | (345,410) | n/a |
| B | Total Operating Expenses | 16,114,007 | 14,860,532 | 69,929,317 | 54,160,720 | 23% |
| A-B | Operating Income (Loss) | 1,111,081 | (480,638) | (13,393,919) | (14,850,410) | -8% |
| Non-Operating Revenues (Expenses) | | | | | | |
| | Property Tax Revenue | 662,545 | 617,495 | 27,069,573 | 26,407,028 | 2% |
| | Investment Income ³ | (106,477) | 1,262,045 | 2,348,860 | 2,455,337 | -5% |
| | Property Lease Income | 441,245 | 291,046 | 1,569,878 | 1,128,633 | 28% |
| | Interest Expense | (1,365,485) | (1,443,542) | (5,466,157) | (4,100,672) | 25% |
| | Misc. Non-Operating Income | 1,156,150 | 782,972 | 3,718,464 | 2,562,314 | 31% |
| | Capacity fees | - | 242,800 | 468,818 | 468,818 | 0% |
| C | Total Non-Operating Revenue (Expenses) | 787,978 | 1,752,817 | 29,240,618 | 28,452,640 | 3% |
| A-B+C | Change in All Funds | \$ 1,899,059 | \$ 1,272,179 | \$ 15,846,699 | \$ 13,602,230 | |
| Other Non Cash Expenses | | | | | | |
| | Depreciation | 4,379,909 | 4,244,302 | - | (4,379,909) | n/a |
| D | Total Change in Net Position | (2,480,850) | (2,972,123) | 15,846,699 | 17,982,139 | |

Note: Totals may not sum due to rounding.

1. Detail of Legal Services - General can be found on the next page.
2. The District performed an inventory inspection and removed over \$200k as obsolete in July.
3. Investment income is comprised of realized income of \$153,281 and unrealized income of (\$259,758).

#7.b.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Three Months Ended September 30, 2016
Legal Services - General

| Firm | General | Water Use Efficiency | Capital ⁵ | Total |
|-------------------------|-------------------|----------------------|----------------------|-------------------|
| Best Best & Krieger LLP | 22,332 | 1,935 | 26 | 24,292 |
| Budget Amount | 420,000 | 10,000 | - | 430,000 |
| Budget Balance | \$ 397,668 | \$ 8,066 | \$ (26) | \$ 405,708 |

Note: Totals may not sum due to rounding.

5. Capital legal services represent legal services rendered during construction and are capitalized by the District as part of the project. Each project budgets for legal expenses separately and are not included as part of this schedule.

Moulton Niguel Water District
General Fund - Budget Comparison Report
Three Months Ended September 30, 2016

| | Description | Approved Budget | Fiscal Year to Date Actuals | Budget Balance | % of Actuals to Budget |
|--|---|----------------------|-----------------------------|----------------------|------------------------|
| GENERAL FUND | | | | | |
| Operating Revenues | | | | | |
| | Water Sales | \$ 28,338,290 | \$ 7,655,924 | \$ 20,682,366 | 27% |
| | Recycled Water Sales | 5,489,814 | 1,898,997 | 3,590,817 | 35% |
| | Sewer Sales | 18,911,865 | 4,921,968 | 13,989,897 | 26% |
| | Other Operating Income | 491,585 | 129,805 | 361,780 | 26% |
| A | Total Operating Revenue | 53,231,554 | 14,606,694 | 38,624,860 | 27% |
| Operating Expenses | | | | | |
| | Salaries | 11,181,396 | 2,659,555 | 8,521,841 | 24% |
| | PERs Employer Contributions | 1,480,783 | 358,558 | 1,122,225 | 24% |
| | Defined Contribution 401A | 267,655 | 39,096 | 228,559 | 15% |
| | Educational Courses | 51,580 | 3,710 | 47,870 | 7% |
| | Travel & Meetings | 253,320 | 50,069 | 203,251 | 20% |
| | Recruitment & Employee Relations | 78,397 | 8,370 | 70,027 | 11% |
| | General Services | 394,750 | 49,607 | 345,143 | 13% |
| | Annual Audit | 53,000 | 163 | 52,837 | 0% |
| | Member Agencies O&M | 692,228 | 175,854 | 516,374 | 25% |
| | Dues & Memberships | 101,245 | 22,100 | 79,145 | 22% |
| | Election Expenses | 83,000 | - | 83,000 | 0% |
| | Consulting Services | 1,315,400 | 296,848 | 1,018,552 | 23% |
| | Equipment Rental | 69,000 | 3,400 | 65,600 | 5% |
| | District Fuel | 340,000 | 47,739 | 292,261 | 14% |
| | Insurance - District | 443,170 | 88,738 | 354,432 | 20% |
| | Insurance - Personnel | 460,266 | 71,955 | 388,311 | 16% |
| | Insurance - Benefits | 2,924,922 | 606,222 | 2,318,700 | 21% |
| | Legal Services - Personnel | 50,000 | 9,550 | 40,450 | 19% |
| | Legal Services - General | 420,000 | 22,332 | 397,668 | 5% |
| | District Office Supplies | 473,250 | 75,853 | 397,397 | 16% |
| | District Operating Supplies | 390,450 | 94,373 | 296,077 | 24% |
| | Repairs & Maintenance - Equipment | 626,269 | 193,694 | 432,575 | 31% |
| | Repairs & Maintenance - Facilities | 3,447,205 | 613,252 | 2,833,953 | 18% |
| | Safety Program & Compliance Requirements | 191,650 | 49,649 | 142,001 | 26% |
| | SOCWA | 9,480,876 | 1,733,389 | 7,747,487 | 18% |
| | Special Outside Assessments | 240,000 | 25,186 | 214,814 | 10% |
| | Utilities | 2,373,260 | 567,736 | 1,805,524 | 24% |
| | Water Purchases | 25,826,808 | 7,452,140 | 18,374,668 | 29% |
| | Meter / Vault Purchases | 615,000 | 1,775 | 613,225 | 0% |
| | Other Operating Expenses ¹ | - | 345,410 | (345,410) | n/a |
| B | Total Operating Expenses | 64,324,880 | 15,320,913 | 49,003,967 | 24% |
| A-B | Operating Income (Loss) | (11,093,326) | (714,219) | (10,379,107) | 6% |
| Non-Operating Revenues (Expenses) | | | | | |
| | Property Tax Revenue | 27,069,573 | 662,545 | 26,407,028 | 2% |
| | Investment Income | 2,242,424 | (59,850) | 2,302,274 | -3% |
| | Property Lease Income | 1,569,878 | 441,245 | 1,128,633 | 28% |
| | Misc. Non-Operating Income (Expense) | 3,718,464 | 15,400 | 3,703,064 | 0% |
| C | Total Non-Operating Revenue (Expenses) | 34,600,339 | 1,059,340 | 33,540,999 | 3% |
| A-B+C | Change in General Fund | \$ 23,507,013 | \$ 345,121 | \$ 23,161,892 | 7% |
| Other Non Cash Expenses | | | | | |
| | Depreciation | - | 4,379,909 | (4,379,909) | n/a |
| D | Total Change in Net Position | \$ 23,507,013 | \$ (4,034,788) | \$ 18,781,983 | \$ 4,379,909 |

Note: Totals may not sum due to rounding.

¹ The District has been reviewing the items in the Warehouse and removing obsolete items from the inventory totals.

#7.b.

**Moulton Niguel Water District
Water Efficiency Fund - Budget Comparison Report
Three Months Ended September 30, 2016**

| Description | Approved Budget | Fiscal Year to Date Actuals | Budget Balance | % of Actuals to Budget |
|--|--------------------|-----------------------------|--------------------|------------------------|
| WATER EFFICIENCY FUND | | | | |
| <u>Projected Operating Revenue</u> | | | | |
| Water Efficiency | 3,303,844 | 2,618,394 | 685,450 | 79% |
| Projected Total Operating Revenue | 3,303,844 | 2,618,394 | 685,450 | 79% |
| <u>Projected Operating Expenses</u> | | | | |
| Labor | 1,068,280 | 259,905 | 808,375 | 24% |
| Educational Courses | 2,500 | 365 | 2,135 | 15% |
| Travel & Meetings | 24,700 | 1,470 | 23,230 | 6% |
| Dues & Memberships | 500 | - | 500 | 0% |
| Consulting Services | 1,300,000 | 125,137 | 1,174,863 | 10% |
| Legal Services | 10,000 | 1,935 | 8,066 | 19% |
| Conservation supplies | 380,500 | 13,783 | 366,717 | 4% |
| Repairs and Maintenance - Equipment | 2,500 | - | 2,500 | 0% |
| Water Efficiency | 2,898,457 | 43,934 | 2,854,523 | 2% |
| Projected Total Operating Expenses | 5,687,437 | 446,529 | 5,240,908 | 8% |
| Projected Operating Income (Loss) | (2,383,593) | 2,171,865 | (4,555,458) | -91% |
| <u>Projected Non-Operating Revenue</u> | | | | |
| Investment Income | 106,436 | (21,202) | 127,638 | -20% |
| Projected Total Non-Operating Revenue | 106,436 | (21,202) | 127,638 | -20% |
| Projected Change in Water Efficiency Fund | (2,277,157) | 2,150,663 | (4,427,820) | |

Note: Totals may not sum due to rounding.

Water Efficiency Available Net Position¹

| Description | Approved Budget | Fiscal Year to Date Actuals | Budget Balance |
|--|------------------|-----------------------------|----------------|
| Fund Net Position, Beginning of Year | 5,158,320 | 5,158,320 | 5,158,320 |
| Projected Change in Water Efficiency Fund | (2,277,157) | 2,150,663 | (4,427,820) |
| Fund Net Position, September 30, 2016 | 2,881,163 | 7,308,983 | 730,500 |

1. In addition to realized expenditures, there is approximately \$2,179,991 in project commitments, reducing the available WBBRS reserve balance to \$5,128,992.

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION

| | <u>(Unaudited)</u> <u>September 30, 2016</u> | <u>(Unaudited)</u> <u>June 30, 2016</u> |
|--|---|--|
| CURRENT ASSETS: | | |
| Cash and investments | \$ 18,109,960 | \$ 21,149,580 |
| Restricted cash and investments with fiscal agent | 7,816,325 | 8,086,043 |
| Accounts receivables: | | |
| Water and sanitation charges | 4,680,485 | 4,023,360 |
| Taxes and acreage assessments | - | 255,190 |
| Grant Reimbursements | 395,863 | 1,771,918 |
| Other accounts receivable | 97,326 | 347,088 |
| Interest receivable | 496,821 | 589,339 |
| AMP receivable | - | 656 |
| Inventory | 1,011,126 | 1,322,755 |
| Prepaid expenses | 1,397,737 | 566,095 |
| | <u>34,005,643</u> | <u>38,112,024</u> |
| TOTAL CURRENT ASSETS | | |
| NONCURRENT ASSETS: | | |
| Investments | 96,045,781 | 109,982,071 |
| Retrofit loans receivable | 551,448 | 561,582 |
| Capital assets, net of accumulated depreciation | 340,952,357 | 344,747,326 |
| Capital assets not being depreciated: | | |
| Land | 1,091,910 | 1,091,910 |
| Construction in progress | 50,651,503 | 45,135,106 |
| | <u>489,292,999</u> | <u>501,517,995</u> |
| TOTAL NONCURRENT ASSETS | | |
| | <u>523,298,642</u> | <u>539,630,019</u> |
| TOTAL ASSETS | | |
| DEFERRED OUTFLOW OF RESOURCES: | | |
| Deferred Charges on Refunding | 822,211 | 937,158 |
| Deferred Items related to Pension | 1,419,676 | 1,419,676 |
| | <u>2,241,887</u> | <u>2,356,834</u> |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | | |
| TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES \$ | <u><u>525,540,529</u></u> | <u><u>\$ 541,986,853</u></u> |

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION

| | <u>(Unaudited)</u> <u>September 30, 2016</u> | <u>(Unaudited)</u> <u>June 30, 2016</u> |
|--|---|--|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 5,657,117 | \$ 9,107,383 |
| Interest payable | 444,719 | 1,880,732 |
| Unearned Revenue | - | 45,572 |
| Compensated absences | 730,697 | 618,807 |
| Current portion of long-term debt: | | |
| Bonds payable | 1,275,000 | 6,060,000 |
| Loans Payable | 2,013,466 | 1,994,998 |
| Certificates of participation | 1,925,000 | 1,855,000 |
| | <hr/> | <hr/> |
| TOTAL CURRENT LIABILITIES | 12,045,998 | 21,562,492 |
| | <hr/> | <hr/> |
| LONG-TERM LIABILITIES | | |
| Compensated absences | 243,566 | 206,269 |
| Long-term debt: | | |
| Bonds payable | 15,095,000 | 16,370,000 |
| Loans payable | 7,626,264 | 8,693,015 |
| Certificates of participation | 60,000,000 | 61,925,000 |
| Net Pension Liability | 12,934,337 | 12,934,337 |
| | <hr/> | <hr/> |
| TOTAL LONG-TERM LIABILITIES | 95,899,167 | 100,128,621 |
| | <hr/> | <hr/> |
| Bond Discount/Premium | 2,389,900 | 2,609,427 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | 110,335,065 | 124,300,540 |
| | <hr/> | <hr/> |
| DEFERRED INFLOW OF RESOURCES: | | |
| Deferred Items related to Pension | 3,530,389 | 3,530,389 |
| | <hr/> | <hr/> |
| TOTAL DEFERRED INFLOW OF RESOURCES | 3,530,389 | 3,530,389 |
| | <hr/> | <hr/> |
| NET POSITION: | | |
| Net investment in capital assets | 303,193,351 | 292,404,060 |
| Restricted for capital projects | 21,479 | 2,632,947 |
| Unrestricted | 108,460,245 | 119,118,917 |
| | <hr/> | <hr/> |
| TOTAL NET POSITION | 411,675,075 | 414,155,924 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION | \$ 525,540,529 | \$ 541,986,853 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note: Totals may not sum due to rounding.

**MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
As of September 30, 2016**

| | Reserve Requirement | (Unaudited) Balance 9/30/2016 | Over (Under) Requirement | (Unaudited) Balance 6/30/2016 |
|--|------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| <u>Restricted Cash and Investments:</u> | | | | |
| 2009 COPS Trust Reserve | \$ 6,000,000 | \$ 6,027,379 | \$ 27,379 | \$ 6,033,813 |
| 2009 COPS Installment | - | 39 | 39 | 39 |
| 2010 Installment Payment | - | 179,342 | 179,342 | 264,609 |
| 2010 COPS Trust Reserves | 378,000 | 378,097 | 97 | 555,767 |
| 2014 Consolidated Ref Bonds | - | 120 | 120 | 4 |
| 2015 Refunding Bonds | - | 6 | 6 | 8 |
| 2015 Refunding Reserve | 1,226,500 | 1,231,341 | 4,841 | 1,231,804 |
| Total Restricted Trust Accounts | \$ 7,604,500 | \$ 7,816,325 | \$ 211,825 | \$ 8,086,043 |

Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
NET POSITION
As of September 30, 2016

| Reserve Policy | Target | (Unaudited) | | (Unaudited) |
|---|-------------------|-----------------------|-----------------------|-----------------------|
| | | Balance 9/30/2016 | Net Change | Balance 6/30/2016 |
| Adopted Reserve Targets | | | | |
| Designated for Self Insurance Reserve | \$ 250,000 | 254,598 | \$ (161) | \$ 254,759 |
| Designated for Rate Stabilization | 13,250,000 | 13,648,866 | (8,618) | 13,657,484 |
| Designated for Emergency Reserves | 35,510,000 | 35,510,000 | - | 35,510,000 |
| Designated for Operating Reserves | 15,820,000 | 11,677,096 | (14,640,024) | 26,317,120 |
| Total Adopted Reserve Targets | 64,830,000 | 61,090,561 | (14,648,802) | 75,739,363 |
| Designated for FY 16-17 Capital Projects | | | | |
| Designated for Replacement and Refurbishment | n/a | 25,106,931 | 15,377,166 | 9,729,765 |
| Designated for Water Supply Reliability | n/a | 5,396,259 | 5,396,259 | - |
| Designated for Planning and Construction | n/a | 9,557,512 | (18,933,957) | 28,491,469 |
| Total Designated for FY 16-17 Capital Projects | | 40,060,702 | 1,839,468 | 38,221,234 |
| Other amounts | | | | |
| Designated for Water Efficiency (WBBRS) ² | n/a | 7,308,983 | 2,150,663 | 5,158,320 |
| Restricted for Capital Facilities (Projects) | n/a | 21,479 | (2,611,468) | 2,632,947 |
| Net Investment in Capital Assets ⁵ | n/a | 303,193,351 | 10,789,291 | 292,404,060 |
| Total Other amounts | | 310,523,813 | 10,328,486 | 300,195,327 |
| Total Net Position | | \$ 411,675,075 | \$ (2,480,849) | \$ 414,155,924 |

Note: Totals may not sum due to rounding.

1. Board designated balances represent available cash in that fund.
2. In addition to realized expenditures, there is approximately \$2,179,991 in project commitments, reducing the available WBBRS reserve balance to \$5,128,992.
3. Unrestricted, undesignated balance include the General Operating Reserve and other general District accrued cash flows. This amount includes the remaining total cash balance of \$17,203,774.
4. All funds in excess of reserve policy targets will be used to fund capital projects and operations.
5. Net Investment in Capital Assets calculated as follows:

| | |
|---|-----------------------|
| Total capital assets | \$ 392,695,770 |
| Less capital related debt | (90,324,630) |
| Add deferred charges related to debt | 822,211 |
| Total Net Investment in Capital Assets | \$ 303,193,351 |

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

Summary of Disbursements in October 2016:

| | | |
|--|-----------|----------------------|
| General Fund Disbursements | | 7,504,179 |
| <u>Restricted Fund Disbursements:</u> | | |
| Self Insurance Fund | 77 | |
| Water Efficiency Fund | 293,368 | |
| Replacement & Refurbishment Fund | 1,890,828 | |
| Water Supply Reliability Fund | 1,659 | |
| Planning & Construction Fund | 163,656 | |
| 1998 SRF LOAN | 816,563 | 3,166,151 |
| Total Disbursements for all Funds | | \$ 10,670,329 |

Detail of Major Expenditures in October 2016:

| | | |
|---|-----------|------------------|
| 1. South Orange County Wastewater Authority (SOCWA) | | |
| FY 16/17 Q2 O&M Budget Deposits | 2,085,311 | |
| FY 16/17 Q2 Capital Project Billings | 1,696,148 | 3,781,459 |
| <hr/> | | |
| 2. Municipal Water District of Orange County (MWDOC) | | |
| August Water Purchases 2538 AF | 2,390,796 | |
| August Readiness to Serve | 134,906 | |
| August Turf, Nozzles, and Smart Timer Rebates | 84,426 | |
| August Capacity Charge | 38,599 | |
| July & August SoCal WaterSmart Residential Rebates | 17,600 | |
| August SCP Operation Surcharge | 13,936 | |
| July Reclaimed Rebate 337 AF | (51,898) | 2,628,365 |
| <hr/> | | |
| 3. Santa Margarita Water District (SMWD) | | |
| FY 15/16 Q4 Plant 3A O&M Charges | | 351,922 |
| <hr/> | | |
| 4. Quinn Company | | |
| New Backhoe Loader | | 132,742 |
| <hr/> | | |
| 5. South Coast Water District (SCWD)/Joint Regional Water Supply System (JRWSS) | | |
| FY 16/17 Q2 O&M Charges | 112,509 | |
| FY 16/17 Capital Project Costs | 3,583 | 116,092 |
| <hr/> | | |
| 6. Spiess Construction Company, Inc. | | |
| C# 2015017, C# 2015018, and PW & RW Reservoirs, progress payment #3 | | 104,495 |

