

**MEETING OF THE  
BOARD OF DIRECTORS OF THE  
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**  
Jointly with the  
**ADMINISTRATION & FINANCE COMMITTEE**  
November 9, 2016, 8:30 a.m.  
MWDOC Conference Room 101

**Committee:**

Director J. Thomas, Chairman  
Director J. Finnegan  
Director B. Barbre

Staff: R. Hunter, K. Seckel, C. Harris,  
K. Davanaugh, H. Chumpitazi

Ex Officio Member: W. Osborne

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MWDOC Committee meetings are noticed and held as joint meetings of the Committee and the entire Board of Directors and all members of the Board of Directors may attend and participate in the discussion. Each Committee has designated Committee members, and other members of the Board are designated alternate committee members. If less than a quorum of the full Board is in attendance, the Board meeting will be adjourned for lack of a quorum and the meeting will proceed as a meeting of the Committee with those Committee members and alternate members in attendance acting as the Committee.

**PUBLIC COMMENTS** - Public comments on agenda items and items under the jurisdiction of the Committee should be made at this time.

**ITEMS RECEIVED TOO LATE TO BE AGENDIZED** - Determine there is a need to take immediate action on item(s) and that the need for action came to the attention of the District subsequent to the posting of the Agenda. (Requires a unanimous vote of the Committee)

**ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING --**

Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's Internet Web site, accessible at <http://www.mwdoc.com>.

**PROPOSED BOARD CONSENT CALENDAR ITEMS**

1. TREASURER'S REPORT
  - a. Revenue/Cash Receipt Report – October 2016
  - b. Disbursement Approval Report for the month of November 2016
  - c. Disbursement Ratification Report for the month of October 2016
  - d. GM Approved Disbursement Report for the month of October 2016
  - e. Water Use Efficiency Projects Cash Flow – October 31, 2016
  - f. Consolidated Summary of Cash and Investment – September 2016
  - g. OPEB Trust Fund monthly statement

2. FINANCIAL REPORT
  - a. Combined Financial Statements and Budget Comparative for the Period ending September 30, 2016
  - b. Quarterly Budget Review
  - c. Audit Report FY 2015/16

### **ACTION ITEMS**

3. ADOPT RESOLUTION AMENDING DISTRICT PENSION PLAN TO ALLOW CONTRIBUTIONS TO GENERAL MANAGER'S 401 ACCOUNT

**INFORMATION ITEMS** – (THE FOLLOWING ITEMS ARE FOR INFORMATIONAL PURPOSES ONLY – BACKGROUND INFORMATION IS INCLUDED IN THE PACKET. DISCUSSION IS NOT NECESSARY UNLESS REQUESTED BY A DIRECTOR.)

4. DEPARTMENT ACTIVITIES REPORTS
  - a. Administration
  - b. Finance and Information Technology
5. MONTHLY WATER USAGE DATA, TIER 2 PROJECTION, AND WATER SUPPLY INFORMATION

### **OTHER ITEMS**

6. REVIEW ISSUES REGARDING DISTRICT ORGANIZATION, PERSONNEL MATTERS, EMPLOYEE BENEFITS FINANCE AND INSURANCE

### **ADJOURNMENT**

**NOTE:** At the discretion of the Committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated, and may be subject to action by the Committee. On those items designated for Board action, the Committee reviews the items and makes a recommendation for final action to the full Board of Directors; final action will be taken by the Board of Directors. Agendas for Committee and Board meetings may be obtained from the District Secretary. Members of the public are advised that the Board consideration process includes consideration of each agenda item by one or more Committees indicated on the Board Action Sheet. Attendance at Committee meetings and the Board meeting considering an item consequently is advised.

Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Maribeth Goldsby, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at P.O. Box 20895, Fountain Valley, CA 92728. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.

**Municipal Water District of Orange County**  
**REVENUE / CASH RECEIPT REPORT**  
**October 2016**

**WATER REVENUES**

<b>Date</b>	<b>From</b>	<b>Description</b>	<b>Amount</b>
10/03/16	City of La Palma	August 2016 Water deliveries	99,070.73
10/04/16	City of San Juan Capistrano	August 2016 Water deliveries	619,000.75
10/06/16	City of La Habra	August 2016 Water deliveries	13,655.27
10/07/16	City of Huntington Beach	August 2016 Water deliveries	1,099,371.91
10/07/16	City of San Clemente	August 2016 Water deliveries	769,673.56
10/07/16	City of Garden Grove	August 2016 Water deliveries	1,080,056.39
10/11/16	City of Seal Beach	August 2016 Water deliveries	269,049.74
10/11/16	South Coast Water District	August 2016 Water deliveries	524,076.03
10/11/16	El Toro Water District	August 2016 Water deliveries	737,793.18
10/11/16	City of Buena Park	August 2016 Water deliveries	466,053.03
10/12/16	Laguna Beach County Water District	August 2016 Water deliveries	361,470.38
10/12/16	City of Westminster	August 2016 Water deliveries	369,264.02
10/13/16	East Orange County Water District	August 2016 Water deliveries	313,125.77
10/13/16	City of Orange	August 2016 Water deliveries	616,857.51
10/15/16	Santa Margarita Water District	August 2016 Water deliveries	2,751,053.32
10/15/16	Orange County Water District	August 2016 Water deliveries	3,530,325.83
10/15/16	City of Newport Beach	August 2016 Water deliveries	143,128.22
10/15/16	Irvine Ranch Water District	August 2016 Water deliveries	855,283.17
10/15/16	Santiago Aqueduct Commission	August 2016 Water deliveries	423,640.80
10/15/16	Moulton Niguel Water District	August 2016 Water deliveries	2,526,338.65
10/15/16	Yorba Linda Water District	August 2016 Water deliveries	659,611.92
10/15/16	Golden State Water Company	August 2016 Water deliveries	485,202.90
10/27/16	City of Fountain Valley	September 2016 Water deliveries	11,404.26
10/27/16	City of Garden Grove	September 2016 Water deliveries	752,985.41
10/27/16	Serrano Water District	September 2016 Water deliveries	82,907.00
10/28/16	Trabuco Canyon Water District	September 2016 Water deliveries	13,929.69
10/28/16	City of San Clemente	September 2016 Water deliveries	690,985.33
10/28/16	City of Brea	September 2016 Water deliveries	206,673.75
10/31/16	City of La Habra	September 2016 Water deliveries	7,899.61
10/31/16	City of San Juan Capistrano	September 2016 Water deliveries	686,140.87
10/31/16	City of Seal Beach	September 2016 Water deliveries	259,886.20

TOTAL REVENUES \$ 21,425,915.20

**Municipal Water District of Orange County**  
**REVENUE / CASH RECEIPT REPORT**  
**October 2016**

**MISCELLANEOUS REVENUES**

Date	From	Description	Amount
10/04/16	Darcy Burke	October 2016 COBRA Health insurance	1,293.82
10/27/16	Stan Sprague	October 2016 Retiree Health insurance	211.14
10/06/16	Laura Loewen	Movie tickets	17.00
10/19/16	Kathryn Davanaugh	Movie tickets	17.00
10/20/16	Melissa Baum-Haley	Movie tickets	34.00
10/27/16	2 Checks	Movie tickets	170.00
10/15/16	Irvine Ranch Water District	ISDOC Registration deposited in error	37.00
10/31/16	Metropolitan Water District	Reimbursement for inspection trip meals	250.00
10/20/16	Metropolitan Water District	Oct 2015-Mar 2016 FAFP Slant Wells	24,748.36
10/11/16	Charlie Burk	Turf Removal refund	884.00
10/21/16	2 Checks	August 2016 Smartimer rebate program	327.95
10/31/16	Santa Margarita Water District	August 2016 Smartimer rebate program	1,717.96
10/11/16	El Toro Water District	August 2016 Turf Removal rebate program	2,552.00
10/17/16	City of San Juan Capistrano	August 2016 Turf Removal rebate program	402.70
10/21/16	City of Buena Park	August 2016 Turf Removal rebate program	222.00
10/27/16	City of Garden Grove	August 2016 Turf Removal rebate program	666.00
10/27/16	Irvine Ranch Water District	August 2016 Turf Removal rebate program	51,099.34
10/28/16	Laguna Beach County Water District	August 2016 Turf Removal rebate program	396.00
10/19/16	City of Orange	August 2016 Smartimer and Turf Removal rebate program	291.00
10/17/16	Moulton Niguel Water District	August 2016 Smartimer and Turf Removal rebate program	84,426.49
10/04/16	Irvine Ranch Water District	July 2016 So Cal Watersmart Commercial rebate program	212,190.00
10/03/16	Golden State Water Company	July 2016 So Cal Watersmart Residential rebate program	50.00
10/19/16	Santa Margarita Water District	July 2016 So Cal Watersmart Residential rebate program	4,535.00
10/04/16	Irvine Ranch Water District	Jul-Aug 2016 So Cal Watersmart Residential rebate program	46,201.00
10/11/16	Moulton Niguel Water District	Jul-Aug 2016 So Cal Watersmart Residential rebate program	17,600.00
10/15/16	Trabuco Canyon Water District	August 2016 So Cal Watersmart Residential rebate program	100.00
10/19/16	Santa Margarita Water District	August 2016 So Cal Watersmart Residential rebate program	1,810.00
10/31/16	Bureau of Reclamation	Oct 2015-Sep 2016 CA Friendly Technical Design Assistance	907.94
10/31/16	Bureau of Reclamation	Apr-Sep 2016 Comprehensive Landscape WUE program	28,103.89
10/31/16	Bureau of Reclamation	Apr-Sep 2016 Spray to Drip Conversion Pilot Project	7,736.53
10/11/16	County of Orange	Oct 2013-Dec 2014 South OC Water Smart Landscape	25,297.04
10/11/16	South Coast Water District	FY 16-17 Choice Programs Billing Invoice	30,848.84
10/12/16	City of Westminster	FY 16-17 Choice Programs Billing Invoice	19,431.91
10/15/16	El Toro Water District	FY 16-17 Choice Programs Billing Invoice	51,975.80
10/15/16	Trabuco Canyon Water District	FY 16-17 Choice Programs Billing Invoice	9,073.46
10/17/16	East Orange County Water District	FY 16-17 Choice Programs Billing Invoice	11,715.14
10/17/16	Golden State Water Company	FY 16-17 Choice Programs Billing Invoice	57,929.50
10/19/16	Santa Margarita Water District	FY 16-17 Choice Programs Billing Invoice	110,787.39
10/19/16	Serrano Water District	FY 16-17 Choice Programs Billing Invoice	9,255.93
10/21/16	City of Brea	FY 16-17 Choice Programs Billing Invoice	24,860.70
10/21/16	City of Orange	FY 16-17 Choice Programs Billing Invoice	36,446.02
10/24/16	City of Santa Ana	FY 16-17 Choice Programs Billing Invoice	5,204.85
10/27/16	City of Garden Grove	FY 16-17 Choice Programs Billing Invoice	38,408.37
10/28/16	City of Huntington Beach	FY 16-17 Choice Programs Billing Invoice	64,145.66
10/28/16	City of La Habra	FY 16-17 Choice Programs Billing Invoice	13,141.47
10/28/16	Yorba Linda Water District	FY 16-17 Choice Programs Billing Invoice	28,999.25

TOTAL MISCELLANEOUS REVENUES \$ 1,026,519.45

TOTAL REVENUES \$ 22,452,434.65

  
 Robert J. Hunter, General Manager

  
 Hilary Chumpitazi, Treasurer

**Municipal Water District of Orange County  
Disbursement Approval Report  
For the month of November 2016**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
<b>Core Expenditures:</b>		
	<b>Richard Ackerman</b>	
1120	October 2016 Consulting for legal & regulatory matters	1,375.00
	*** Total ***	1,375.00
	<b>ACWA</b>	
919-2017	2017 Annual membership renewal	17,484.00
	*** Total ***	17,484.00
	<b>ALTA FoodCraft</b>	
516101007	10/10/16 Coffee & tea supplies	296.73
	*** Total ***	296.73
	<b>American Water Works Assoc.</b>	
7001251786	2017 Annual membership renewal	1,589.00
	*** Total ***	1,589.00
	<b>Association of Metropolitan Water Agencies</b>	
2017MEMBERSHIP	2017 Annual membership renewal	17,645.00
	*** Total ***	17,645.00
	<b>Best Best and Krieger LLP</b>	
55401-SEP16	September 2016 Legal services	14,033.19
781913	August 2016 State legislative advocacy services	8,613.77
	*** Total ***	22,646.96
	<b>Bryton Printing Inc.</b>	
13041	Bill inserts for 12 agencies to promote Water Use Efficiency programs	1,831.25
	*** Total ***	1,831.25
	<b>CDW Government</b>	
FQT4869	2 Hard drives for Storage Area Network device	1,668.64
	*** Total ***	1,668.64
	<b>Hunter T. Cook</b>	
AUG-OCT2016	August-October 2016 Coastal retiree health insurance	1,505.52
	*** Total ***	1,505.52
	<b>Dissinger Associates</b>	
AP-MWD09/30/16	September 2016 Pension plan distribution processing fee	50.00
	*** Total ***	50.00
	<b>Eagle Communications</b>	
715580	Re-locate WEROC radios during office refurbishment	395.93
	*** Total ***	395.93

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Disbursement Approval Report  
For the month of November 2016**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	<b><i>ECS Imaging, Inc.</i></b>	
11803	Laserfiche Avante software upgrade and training for records management	7,610.00
	*** Total ***	7,610.00
	<b><i>Floor Technology Group</i></b>	
13572	Carpet installation for offices 105 & 107	2,589.03
	*** Total ***	2,589.03
	<b><i>Gladwell Governmental Services, Inc.</i></b>	
3553	October 2016 Records management services	1,500.00
	*** Total ***	1,500.00
	<b><i>GovConnection, Inc.</i></b>	
54213471	Windows Server license upgrades for Backup and Abra servers	1,326.08
	*** Total ***	1,326.08
	<b><i>Great Wolf Lodge</i></b>	
110116	12/16/16 Groups & Meetings Holiday event registration for T. Baca, I. Flores, L. Loewen, B. Roberto and J. Volzke	275.00
	*** Total ***	275.00
	<b><i>Immersiv Media, Inc.</i></b>	
020(MWDOC2016)	October-December 2016 MWDOC website hosting & maintenance	525.00
	*** Total ***	525.00
	<b><i>James C. Barker, P.C.</i></b>	
105-1016	October 2016 Federal legislative advocacy services	8,000.00
	*** Total ***	8,000.00
	<b><i>Karen's Detail Custom Frames</i></b>	
2852	2 Custom framed resolutions	226.80
	*** Total ***	226.80
	<b><i>Lewis Consulting Group, LLC</i></b>	
2016-157	October 2016 Consulting services	3,875.00
	*** Total ***	3,875.00
	<b><i>Edword G. Means III</i></b>	
MWDOC-1042	October 2016 Support for MET issues & guidance to Engineering staff	1,261.88
	*** Total ***	1,261.88
	<b><i>Mission RCD</i></b>	
2107	September 2016 Turf Removal program surveys and audits	4,702.75
	*** Total ***	4,702.75

**Municipal Water District of Orange County  
Disbursement Approval Report  
For the month of November 2016**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	<b><i>Norco Delivery Services</i></b>	
706846	10/14/16 Delivery charges for Board packets	142.19
	*** Total ***	142.19
	<b><i>Office Solutions</i></b>	
I-01048852	10/24/16 Office supplies	287.66
I-01049395	10/25/16 Office supplies	28.34
I-01052402	1 Double lateral file with 4 drawers for H. De La Torre's office	1,002.78
I-01052476	10/31/16 Office supplies	98.56
I-01053751	11/2/16 Office supplies	155.26
	*** Total ***	1,572.60
	<b><i>Orange County Business Council</i></b>	
0008181-IN	2016 Annual membership renewal	5,000.00
	*** Total ***	5,000.00
	<b><i>Orange County Fast Print, Inc.</i></b>	
53657	Business cards for I. Flores	59.00
	*** Total ***	59.00
	<b><i>Orange County Water District</i></b>	
16769	September 2016 Postage, shared office & maintenance expense	8,251.06
16825	October 2016 50% share of WACO expense	226.72
	*** Total ***	8,477.78
	<b><i>Patricio Kennedy Inc.</i></b>	
21044	November 2016 Plant maintenance	214.00
	*** Total ***	214.00
	<b><i>Prowest Building Services, Inc.</i></b>	
16-247	Services to paint offices 105 & 107	5,435.00
	*** Total ***	5,435.00
	<b><i>San Juan Basin Authority</i></b>	
139835-6	April-October 2016 MET Foundational Actions Funding for Groundwater & Desal Optimization	59,045.34
	*** Total ***	59,045.34
	<b><i>South Coast Water District</i></b>	
139834-10	April-October 2016 MET Foundational Actions Funding for Slant Well Seawater Desal project	50,113.47
	*** Total ***	50,113.47

**Municipal Water District of Orange County  
Disbursement Approval Report  
For the month of November 2016**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	<b><i>SPS Data Communications</i></b>	
00101613	1 Additional data jack installed in new WEROC office	296.50
	*** Total ***	296.50
	<b><i>Vavrinek, Trine, Day &amp; Co., LLP</i></b>	
0128389-IN	September 2016 Services for FY 15-16 audit	6,400.00
	*** Total ***	6,400.00
	<b><i>White Nelson Diehl Evans LLC</i></b>	
2016 TAX SEMINAR	2016 Government Tax seminar registration for H. Chumpitazi and Lina Gunawan	575.00
	*** Total ***	575.00
	<b><i>Z Cater</i></b>	
50089	11/2/16 Brunch for Director Hinman retirement event	785.74
	*** Total ***	785.74
	<b><i>Total Core Expenditures</i></b>	<hr/> 236,496.19

***Choice Expenditures:***

	<b><i>Laguna Beach County Water District</i></b>	
CRM15571	FY 16-17 Choice Programs refund	1,190.59
	*** Total ***	1,190.59
	<b><i>Orange County Water District</i></b>	
16769	September 2016 Postage for rebate programs	50.89
	*** Total ***	50.89
	<b><i>Top Hat Productions</i></b>	
92117	10/6/16 Lunch for Water Use Efficiency workgroup meeting	467.91
92151	10/18/16 Lunch for Water Loss Control workgroup meeting	338.85
92208	11/1/16 Lunch for Water Loss Control workgroup meeting	243.00
92224	11/3/16 Lunch for Water Use Efficiency workgroup meeting	403.38
	*** Total ***	1,453.14
	<b><i>Total Choice Expenditures</i></b>	<hr/> 2,694.62

***Other Funds Expenditures:***

	<b><i>Best Best and Krieger LLP</i></b>	
55401-SEP16	September 2016 AMP legal services	362.60
	*** Total ***	362.60



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<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	<b><i>Bryton Printing Inc.</i></b>	
13041	Bill inserts for 12 agencies to promote Water Use Efficiency programs - Grant reimbursable portion	2,500.00
	*** Total ***	2,500.00
	<b><i>Cloris Strategy Inc.</i></b>	
10160100-02	WEROC EOC site facility assessment	7,365.36
	*** Total ***	7,365.36
	<b><i>El Toro Water District</i></b>	
PC-00576	Reimburse for 2 uncashed HET rebate checks	100.00
	*** Total ***	100.00
	<b><i>Golden State Water Company</i></b>	
PC-000577	Reimburse for 4 uncashed HET rebate checks	100.00
	*** Total ***	100.00
	<b><i>Mission RCD</i></b>	
2109	September 2016 Field verifications for rebate programs	7,568.90
2109A	September 2016 Services to perform Turf Removal inspections	1,201.88
	*** Total ***	8,770.78
	<b><i>Widgix LLC (SurveyGizmo)</i></b>	
708266	Annual subscription for SurveyGizmo online application and database tool	675.00
	*** Total ***	675.00
	<b><i>Water Systems Optimization, Inc.</i></b>	
1079	September 2016 Water Loss Control program	22,730.50
	*** Total ***	22,730.50
	<b><i>Total Other Funds Expenditures</i></b>	<hr/> 42,604.24
	<b><i>Total Expenditures</i></b>	<hr/> <hr/> 281,795.05

**Municipal Water District of Orange County  
Disbursement Ratification Report  
For the month of October 2016**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
<b>Core Disbursements:</b>				
<b>136083</b>	<b>10/6/16</b>	<b>TIMEWA 5210-OCT16</b>	<b>Time Warner Cable</b> October 2016 Telephone and internet expense ***Total ***	 1,280.57 1,280.57
<b>136084</b>	<b>10/6/16</b>	<b>VERIZO 9772549024</b>	<b>Verizon Wireless</b> September 2016 4G Mobile broadband unlimited service ***Total ***	 76.02 76.02
<b>136088</b>	<b>10/7/16</b>	<b>KANZLE 060216</b>	<b>Andrew Kanzler</b> April-June 2016 Business expense (re-issue) ***Total ***	 170.47 170.47
<b>136095</b>	<b>10/14/16</b>	<b>DAVANK 100616</b>	<b>Kathryn Davanough</b> October 2016 Business expense ***Total ***	 100.00 100.00
<b>136097</b>	<b>10/14/16</b>	<b>IRONMO NBA9547</b>	<b>Iron Mountain</b> October 2016 Storage/retrieval of archived documents ***Total ***	 460.68 460.68
<b>136098</b>	<b>10/14/16</b>	<b>FLORES 093016</b>	<b>Ivan Flores</b> September 2016 Business expense ***Total ***	 46.44 46.44
<b>136104</b>	<b>10/14/16</b>	<b>TIMEWA 3564-OCT16</b>	<b>Time Warner Cable</b> October 2016 Telephone expense for 4 analog fax lines ***Total ***	 143.32 143.32
<b>136107</b>	<b>10/14/16</b>	<b>VANDYK 092416</b>	<b>Corinne Van Dyke</b> September 2016 Business expense ***Total ***	 163.84 163.84
<b>136108</b>	<b>10/14/16</b>	<b>VOLZKE 100316</b>	<b>Jonathan Volzke</b> September-October 2016 Business expense ***Total ***	 120.96 120.96
<b>ACH002186</b>	<b>10/14/16</b>	<b>ACKEEX 093016</b>	<b>Linda Ackerman</b> September 2016 Business expense ***Total ***	 60.48 60.48
<b>ACH002191</b>	<b>10/14/16</b>	<b>BARBRE 093016</b>	<b>Brett Barbre</b> September 2016 Business expense ***Total ***	 191.16 191.16

**Municipal Water District of Orange County  
Disbursement Ratification Report  
For the month of October 2016**

<b>Check #</b>	<b>Date</b>	<b>Vendor # Invoice/CM #</b>	<b>Name / Description</b>	<b>Net Amount</b>
<b>ACH002192</b>	<b>10/14/16</b>	<b>BERGJO</b>	<b>Joseph Berg</b>	
		093016	September 2016 Business expense	139.93
			***Total ***	139.93
<b>ACH002197</b>	<b>10/14/16</b>	<b>CHUMPI</b>	<b>Hilary Chumpitazi</b>	
		093016	September 2016 Business expense	15.12
			***Total ***	15.12
<b>ACH002198</b>	<b>10/14/16</b>	<b>DELATO</b>	<b>Harvey De La Torre</b>	
		091916	September 2016 Business expense	23.50
			***Total ***	23.50
<b>ACH002199</b>	<b>10/14/16</b>	<b>DICKEX</b>	<b>Larry Dick</b>	
		093016	September 2016 Business expense	160.92
			***Total ***	160.92
<b>ACH002200</b>	<b>10/14/16</b>	<b>FINNEG</b>	<b>Joan Finnegan</b>	
		093016	September 2016 Business expense	84.80
			***Total ***	84.80
<b>ACH002205</b>	<b>10/14/16</b>	<b>HINMAN</b>	<b>Susan Hinman</b>	
		093016	September 2016 Business expense	317.56
			***Total ***	317.56
<b>ACH002208</b>	<b>10/14/16</b>	<b>LOEWEN</b>	<b>Laura Loewen</b>	
		093016	September 2016 Business expense	194.24
			***Total ***	194.24
<b>ACH002216</b>	<b>10/14/16</b>	<b>ROBERT</b>	<b>Bryce Roberto</b>	
		093016	September 2016 Business expense	126.84
			***Total ***	126.84
<b>ACH002217</b>	<b>10/14/16</b>	<b>THOMAS</b>	<b>Jeffery Thomas</b>	
		093016	September 2016 Business expense	167.44
			***Total ***	167.44
<b>136169</b>	<b>10/31/16</b>	<b>USBANK</b>	<b>U.S. Bank</b>	
		4140/5443-SEP16	08/23/16-09/22/16 Cal Card charges	15,813.92
			***Total ***	15,813.92
			(See attached sheet for details)	
		<b>BACATI</b>	<b>Tiffany Baca</b>	
<b>ACH002221</b>	<b>10/31/16</b>	101316	October 2016 Business expense - Inspection trip meals reimbursed by MET	250.00
<b>ACH002222</b>	<b>10/31/16</b>	101516	September-October 2016 Business expense	361.08
			***Total ***	611.08

**Municipal Water District of Orange County  
Disbursement Ratification Report  
For the month of October 2016**

<b>Check #</b>	<b>Date</b>	<b>Vendor # Invoice/CM #</b>	<b>Name / Description</b>	<b>Net Amount</b>
<b>ACH002223</b>	<b>10/31/16</b>	<b>BAUMHA 101516</b>	<b>Melissa Baum-Haley</b> August-October 2016 Business expense ***Total ***	 326.78 326.78
<b>ACH002226</b>	<b>10/31/16</b>	<b>DOUGLA 093016</b>	<b>Ryan Douglass</b> September 2016 Business expense ***Total ***	 18.36 18.36
<b>Total Core Disbursements</b>				<b>20,814.43</b>

**Choice Disbursements:**

<b>136166</b>	<b>10/31/16</b>	<b>SDGE 7768-OCT16</b>	<b>San Diego Gas and Electric</b> 9/19/16-10/19/16 Electric service for Doheny Ocean Desal project ***Total ***	 165.06 165.06
<b>Total Choice Disbursements</b>				<b>165.06</b>

**Other Funds Disbursements:**

<b>136084</b>	<b>10/6/16</b>	<b>VERIZO 9772549024</b>	<b>Verizon Wireless</b> September 2016 4G Mobile broadband unlimited service ***Total ***	 38.01 38.01
<b>136089</b>	<b>10/7/16</b>	<b>TURFRP TR6-MNT-7500-26341</b>	<b>Turf Removal Program</b> B. Bengali (re-issue)	 2,723.00
<b>136090</b>	<b>10/7/16</b>	<b>TR7-MNT-23514-1</b>	Riviera at Bear Brand (Laguna Niguel) (re-issue) ***Total ***	 5,500.00 8,223.00
<b>136093</b>	<b>10/14/16</b>	<b>ATTUVEOC 8599-OCT16</b>	<b>AT&amp;T</b> October 2016 U-verse internet service for WEROC N. EOC ***Total ***	 55.00 55.00
<b>136106</b>	<b>10/14/16</b>	<b>TURFRP TR7-SJC-11281-31742</b>	<b>Turf Removal Program</b> J. Wede (re-issue)	 1,400.00
<b>136109</b>	<b>10/14/16</b>	<b>TR7-R-IRWD-4233-4157</b>	T. DeStasio	1,648.33
<b>136110</b>	<b>10/14/16</b>	<b>TR8-R-MNT-6297-6225</b>	L. Gordon	4,364.50
<b>136111</b>	<b>10/14/16</b>	<b>TR7-R-SOCO-4761-4680</b>	D. Alderman	2,896.00
<b>136112</b>	<b>10/14/16</b>	<b>TR7-R-WEST-4468-4391</b>	H. Nguyen	1,994.00
<b>136113</b>	<b>10/14/16</b>	<b>TR8-R-IRWD-6253-6182</b>	E. Laugle	2,932.00
<b>136114</b>	<b>10/14/16</b>	<b>TR8-R-IRWD-5196-5125</b>	M. Pourkhaatoun	4,172.00

**Municipal Water District of Orange County  
Disbursement Ratification Report  
For the month of October 2016**

<b>Check #</b>	<b>Date</b>	<b>Vendor # Invoice/CM #</b>	<b>Name / Description</b>	<b>Net Amount</b>
136115	10/14/16	TR7-R-HB-3157-4325	C. Sitko-Bellile	3,531.09
136116	10/14/16	TR8-R-MNT-7321-7272	G. Macha	5,789.00
136117	10/14/16	TR9-R-MNT-7458-7418	S. Blume	2,100.00
136118	10/14/16	TR7-R-GG-4446-4368	S. Nguyen	5,994.00
136119	10/14/16	TR7-MNT-24937-24902	J. Bailey	3,208.00
136120	10/14/16	TR8-MNT-24960-26376	J. Van Wyk	3,074.50
136121	10/14/16	TR7-R-IRWD-4823-4742	L. Coleman	1,176.00
136122	10/14/16	TR7-R-MNT-4392-4314	S. Hopp	3,118.50
136123	10/14/16	TR7-R-FV-4431-4353	B. Ballou	836.00
136124	10/14/16	TR7-R-BREA-4541-4461	J. Mammen	3,000.00
136125	10/14/16	TR7-R-SM-4420-4338	N. Adly	1,876.00
136126	10/14/16	TR7-MNT-24909-14	C. Berlin	628.00
136127	10/14/16	TR7-R-IRWD-4198-4128	J. Silsby	1,310.00
136128	10/14/16	TR7-R-SM-4703-4619	I. Chavez	974.00
136129	10/14/16	TR7-R-MNT-4697-4613	Y. Lu	3,810.00
136130	10/14/16	TR8-R-MNT-4898-4822	S. Bortz	1,144.00
136131	10/14/16	TR7-R-IRWD-4726-4645	E. Javier	994.00
136132	10/14/16	TR7-R-WEST-4727-4646	Q. Nguyen	3,804.00
136133	10/14/16	TR7-C-ETWD-4589-4508	Grace Community Church (Lake Forest)	23,019.00
136134	10/14/16	TR7-R-SM-4786-4705	B. George	5,012.00
136135	10/14/16	TR7-R-BP-4747-4664	V. Chang	1,222.00
136136	10/14/16	TR8-R-MNT-7283-7211	A. Baniassad	11,870.50
136137	10/14/16	TR7-R-MNT-4796-4715	L. Anguiano	856.00
136138	10/14/16	TR8-R-MNT-4938-4864	R. Venanzi	4,095.00
136139	10/14/16	TR8-R-MNT-5165-5094	J. Mathews	2,901.42
136140	10/14/16	TR8-R-IRWD-4916-4839	Y. Yamasaki	5,370.00
136141	10/14/16	TR8-R-MNT-4982-4910	E. Johnson	1,011.00
136142	10/14/16	TR8-R-MNT-5041-4967	M. Velligan	6,563.00
136143	10/14/16	TR8-R-MNT-5255-5186	D. Ito	2,030.50
136144	10/14/16	TR8-R-MNT-6283-6208	C. La Chapelle	1,446.00
136145	10/14/16	TR8-R-IRWD-6290-6219	M. Crow	1,692.00
136146	10/14/16	TR7-MESA-10628-1107	T. Lamb	4,672.00
136147	10/14/16	TR8-R-MNT-5198-5127	A. Schuurs	1,200.00
136148	10/14/16	TR8-R-MNT-5191-5121	P. Del Pizzo	3,090.00
136149	10/14/16	TR8-R-MNT-6256-6185	D. Averyt	3,696.00
136150	10/14/16	TR8-R-IRWD-6286-6213	Y. Yamauchi	898.00
136151	10/14/16	TR8-R-MNT-6304-6230	S. Roberts	2,181.00
136152	10/14/16	TR9-R-MNT-7642-7604	J. Long	560.00
136153	10/14/16	TR8-R-MNT-4981-4909-ADJ	E. Besner	1,012.50
136154	10/14/16	TR5W-SC-6003A/B	J. Ray	4,246.00
			***Total ***	154,417.84
ACH002192	10/14/16	BERGJO 093016	Joseph Berg September 2016 Business expense	4.50
			***Total ***	4.50

**Municipal Water District of Orange County  
Disbursement Ratification Report  
For the month of October 2016**

<b>Check #</b>	<b>Date</b>	<b>Vendor # Invoice/CM #</b>	<b>Name / Description</b>	<b>Net Amount</b>
<b>ACH002209</b>	<b>10/14/16</b>	<b>MESAWA 8973</b>	<b>Mesa Water</b> August 2016 Credit for Local Resources program ***Total ***	 82,896.57 82,896.57
<b>136157</b>	<b>10/26/16</b>	<b>TURFRP TR6-MNT-6157-29642</b>	<b>Turf Removal Program</b> Foothill Townhomes Community Assoc. (Laguna Niguel) (re-issue) ***Total ***	 102,596.50  102,596.50
<b>136160</b>	<b>10/31/16</b>	<b>CATALI 0013338</b>	<b>Catalina Island Conservancy</b> October 2016 WEROC radio repeater site lease ***Total ***	 1,636.47 1,636.47
<b>136169</b>	<b>10/31/16</b>	<b>USBANK 4140-SEP16</b>	<b>U.S. Bank</b> 8/23/16-9/22/16 Cal Card charges ***Total *** (See attached sheet for details)	 700.20 700.20
		<b>TURFRP</b>	<b>Turf Removal Program</b>	
<b>136170</b>	<b>10/31/16</b>	<b>TR9-R-MNT-7382-7338</b>	<b>J. Southworth</b>	<b>480.00</b>
<b>136171</b>	<b>10/31/16</b>	<b>TR7-R-MNT-4659-4576</b>	<b>K. Wolfson</b>	<b>1,876.00</b>
<b>136172</b>	<b>10/31/16</b>	<b>TR7-GG-24811-10181</b>	<b>D. Lastra</b>	<b>1,926.00</b>
<b>136173</b>	<b>10/31/16</b>	<b>TR7-R-WEST-4445-4367</b>	<b>M. Nguyen</b>	<b>3,106.00</b>
<b>136174</b>	<b>10/31/16</b>	<b>TR7-R-BREA-4338-4262</b>	<b>D. Banken</b>	<b>2,600.00</b>
<b>136175</b>	<b>10/31/16</b>	<b>TR7-MNT-24883-27681</b>	<b>D. Pagels</b>	<b>1,242.54</b>
<b>136176</b>	<b>10/31/16</b>	<b>TR7-R-GG-4794-4713</b>	<b>W. Tran</b>	<b>2,852.47</b>
<b>136177</b>	<b>10/31/16</b>	<b>TR7-R-O-4842-4763</b>	<b>C. Jackson</b>	<b>1,442.00</b>
<b>136178</b>	<b>10/31/16</b>	<b>TR8-R-MNT-4940-4866</b>	<b>X. Liu</b>	<b>2,714.00</b>
<b>136179</b>	<b>10/31/16</b>	<b>TR8-R-IRWD-6291-6220</b>	<b>W. Ignash</b>	<b>2,984.98</b>
<b>136180</b>	<b>10/31/16</b>	<b>TR8-R-IRWD-5131-5063</b>	<b>K. Kotnik</b>	<b>410.00</b>
<b>136181</b>	<b>10/31/16</b>	<b>TR9-R-MNT-7651-7612</b>	<b>A. Afshar</b>	<b>3,010.00</b>
<b>136182</b>	<b>10/31/16</b>	<b>TR8-R-MNT-7317-7257</b>	<b>K. Tanski</b>	<b>1,575.00</b>
<b>136183</b>	<b>10/31/16</b>	<b>TR9-R-MNT-7392-7347</b>	<b>W. James</b> ***Total ***	<b>618.00</b> 26,836.99
<b>ACH002229</b>	<b>10/31/16</b>	<b>HUBBAR 093016</b>	<b>Kelly Hubbard</b> September 2016 Business expense ***Total ***	 206.88 206.88
<b>ACH002236</b>	<b>10/31/16</b>	<b>SANTAM AUG2016</b>	<b>Santa Margarita Water District</b> August 2016 SCP Operation Surcharge ***Total ***	 33,255.15 33,255.15

**Municipal Water District of Orange County  
Disbursement Ratification Report  
For the month of October 2016**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
WIRE-161031	9/30/16	METWAT 8792	Metropolitan Water District August 2016 Water deliveries	18,646,791.52
			***Total***	18,646,791.52
			<b>Total Other Funds Disbursements</b>	<b>19,057,658.63</b>
			<b>Total Disbursements</b>	<b>19,078,638.12</b>

Robert J. Hunter, General Manager

Hilary Chumpitazi, Treasurer

**Cal Card Statement Detail**  
**Statement Date: September 22, 2016**  
**Payment Date: October 31, 2016**

<b>Date</b>	<b>Description</b>	<b>Amount</b>
<b><u>K. Seckel Card</u></b>		
08/22/16	Lunch for MET Directors' meeting	195.96
08/23/16	UPS delivery charges for Board packets on Aug. 12, 2016	46.76
08/23/16	Computer supplies	208.50
08/23/16	2 Toner cartridges	177.02
08/24/16	4 Dell Inspiron touchscreen laptops (Costco refund for price reduction)	(432.00)
08/24/16	Upgrade Sage Human Resources software	2,430.00
08/25/16	Suspenders and cooling bandanas for Ricki Raindrop costume	29.29
08/27/16	Urban Water Institute conference in San Diego, CA from Aug. 24-26, 2016 - Accommodations for Director Osborne	565.62
08/29/16	1 Year renewal for Creative Cloud Team software for graphic design	2,999.40
08/31/16	Southern California Water Committee Annual meeting in Santa Ana, CA on Oct. 27, 2016 - Registration for H. Baez	200.00
08/31/16	Southern California Water Committee Annual meeting in Santa Ana, CA on Oct. 27, 2016 - Registration for Director Tamaribuchi	200.00
08/31/16	Legislative activities in Washington, DC from Nov. 16-18, 2016 - Airfare for H. Baez	1,089.95
09/01/16	Sympathy flowers	74.50
09/01/16	Association of Metropolitan Water Agencies Executive Management conference in Scottsdale, AZ from Oct. 16-18, 2016 - Registration for R. Hunter	795.00
09/01/16	Association of Metropolitan Water Agencies Executive Management conference in Scottsdale, AZ from Oct. 16-18, 2016 - Airfare for R. Hunter	323.96
09/07/16	Water Smart Innovations conference in Las Vegas, NV from Oct. 5-7, 2016 - Registration for J. Berg	395.00
09/07/16	American Water Works Association California-Nevada Section conference in San Diego, CA from Oct. 24-27, 2016 - Registration for J. Berg	495.00
09/07/16	Lunch for MET Directors' meeting	180.80
09/07/16	California Special Districts Association conference in San Diego, CA from Oct. 10-13, 2016 - Registration for H. Baez	580.00
09/07/16	ACWA Region 10 program in Vista, CA on Oct. 28, 2016 - Registration for H. Baez	50.00
09/07/16	Water Smart Innovations conference in Las Vegas, NV from Oct. 5-7, 2016 - Accommodations for J. Berg	268.80
09/09/16	2 Flash drives	20.50
09/08/16	Water Smart Innovations conference in Las Vegas, NV from Oct. 5-7, 2016 - Airfare for J. Berg	260.96
09/12/16	San Gabriel Valley Water Forum in Pomona, CA on Sep. 20, 2016 - Registration for J. Volzke, I. Flores & L. Loewen	225.00



**Cal Card Statement Detail**  
**Statement Date: September 22, 2016**  
**Payment Date: October 31, 2016**

<b>Date</b>	<b>Description</b>	<b>Amount</b>
09/12/16	UPS delivery charges for Board packets on Jul. 29, 2016	17.76
09/12/16	Brown and Caldwell employment ad for Director of Public Affairs position	200.00
09/13/16	YourMembership employment ad for Director of Public Affairs position	350.00
09/13/16	International Association of Emergency Managers Annual conference in Savannah, GA from Oct. 14-19, 2016 - Airfare for K. Hubbard	700.20
09/14/16	American Water Works Association employment ad for Director of Public Affairs position	249.00
09/14/16	ACWA Fall conference in Anaheim, CA from Nov. 29-Dec. 2, 2016 - Registration for H. Baez	695.00
09/15/16	2 Cisco telephones	453.90
09/16/16	9 Water conservation pledge signs for community events	194.40
09/16/16	Food for Staff development meeting	29.98
09/16/16	Facebook posts for Coastal Cleanup Day event	25.00
09/19/16	UPS delivery charges for Board packets on Sep. 9 & 14, 2016	101.34
09/19/16	Colorado River Water Users Association Annual conference in Las Vegas, NV from Dec. 14-16, 2016 - Registration and membership for H. De La Torre	505.00
09/19/16	Legislative activities in Washington, DC from Jan. 11-13, 2017 - Airfare change for Director Barbre	181.01 <sup>1</sup>
09/19/16	Colorado River Water Users Association Annual conference in Las Vegas, NV from Dec. 14-16, 2016 - Accommodations for H. De La Torre	405.44
09/20/16	6 Slimline power failure lites	50.40
09/21/16	Federal Express delivery charge to J. Byrne	16.43
09/21/16	Computer supplies	26.98
<b>Total</b>		<b><u>15,581.86</u></b>

<sup>1</sup> Director Barbre to reimburse MWDOC for \$181.01

**Cal Card Statement Detail**  
**Statement Date: September 22, 2016**  
**Payment Date: October 31, 2016**

<b>Date</b>	<b>Description</b>	<b>Amount</b>
<b><u>R. Hunter Card</u></b>		
07/22/16-08/22/16	Meals for R. Hunter's meetings	266.88
08/26/16	Urban Water Institute conference in San Diego, CA from Aug. 24-25, 2016 - Accommodations and meal for R. Hunter	258.46
09/12/16	Environmental Inspection trip in Sacramento, CA from Sep. 12-14, 2016 - Meals for guests	360.92
09/14/16	Environmental Inspection trip in Sacramento, CA from Sep. 12-14, 2016 - Parking for R. Hunter	46.00
<b>Total</b>		<b><u>932.26</u></b>

**Municipal Water District of Orange County**  
**GM Approved Disbursement Report <sup>(1)</sup>**  
**For the month of October 2016**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
<b>Core Disbursements:</b>				
136082	10/6/16	DRAPER 092916DEP	<b>Drapery Works</b> Deposit for new roller shades for refurbishment of offices 105 & 107 ***Total ***	500.00  500.00
ACH002230	10/31/16	ISDOC 092916-IRWD	<b>Independent Special Dist of OC</b> Reimburse for IRWD check for ISDOC Lunch registration, check deposited by MWDOC ***Total ***	37.00  37.00
<b>Total Core Disbursements</b>				<u>537.00</u>
<b>Choice Disbursements:</b>				
ACH002225	10/31/16	DISCOV DSOC/IV/000416	<b>Discovery Science Center</b> FY 16-17 Retainer for School program ***Total ***	75,000.00  75,000.00
<b>Total Choice Disbursements</b>				<u>75,000.00</u>
<b>Other Funds Disbursements:</b>				
<b>Total Other Funds Disbursements</b>				<u>-</u>
<b>Total Disbursements</b>				<u><u>75,537.00</u></u>

  
 Robert J. Hunter, General Manager

  
 Hilary Chumpitazi, Treasurer

(1) For disbursements that did not make the cut-off of previous month's Disbursement Approval report.  
 Disbursements are approved by GM for payment and need A & F Committee ratification.

## Cash Flow as of 10/31/16

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# Municipal Water District of Orange County Consolidated Summary of Cash and Investment September 30, 2016

*Street Address:*  
18700 Ward Street  
Fountain Valley, California 92708

*Mailing Address:*  
P.O. Box 20895  
Fountain Valley, CA 92728-0895

(714) 963-3058  
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Wayne S. Osborne  
*President*

Brett R. Barbre  
*Vice President*

Larry D. Dick  
*Director*

Joan C. Finnegan  
*Director*

Susan Hinman  
*Director*

Sat Tamaribuchi  
*Director*

Jeffery M. Thomas  
*Director*

Robert J. Hunter  
*General Manager*

## MEMBER AGENCIES

City of Brea  
City of Buena Park  
East Orange County Water District  
El Toro Water District  
Emerald Bay Service District  
City of Fountain Valley  
City of Garden Grove  
Golden State Water Co.  
City of Huntington Beach  
Irvine Ranch Water District  
Laguna Beach County Water District  
City of La Habra  
City of La Palma  
Mesa Water District  
Moulton Niguel Water District  
City of Newport Beach  
City of Orange  
Orange County Water District  
City of San Clemente  
City of San Juan Capistrano  
Santa Margarita Water District  
City of Seal Beach  
Serrano Water District  
South Coast Water District  
Trabuco Canyon Water District  
City of Tustin  
City of Westminster  
Yorba Linda Water District

District investments and cash balances are held in various funds designated for certain purposes as follows:

Fund	Book Value	% of Portfolio
<b>Designated Reserves</b>		
General Operations	\$2,494,603	15.19%
Grant & Project Cash Flow	1,480,000	9.01%
Election Expense	215,463	1.31%
Building Repair	500,407	3.05%
<b>Total Designated Reserves</b>	<b>4,690,473</b>	<b>28.56%</b>
General Fund	7,504,034	45.69%
Water Fund	4,157,973	25.32%
Conservation Fund	(388,614)	(2.37%)
Desalination Feasibility Study Fund	222,385	1.35%
WEROC Fund	230,082	1.40%
Trustee Activities	8,660	0.05%
<b>Total</b>	<b>\$16,424,993</b>	<b>100.00%</b>

The funds are invested as follows:

Term of Investment	% of Portfolio	Book Value	Market Value
Cash	0.84%	\$138,743	\$138,743
<b>Short-term investment</b>			
• LAIF	0.96%	\$157,777	\$157,777
• OCIP	79.30%	13,025,554	13,025,554
<b>Long-term investment</b>			
• Corporate Bond	4.58%	752,919	761,475
• Certificates of Deposit	14.32%	2,350,000	2,383,122
<b>Total</b>	<b>100.00%</b>	<b>\$16,424,993</b>	<b>\$16,466,671</b>

The average number of days to maturity/call as of September 30, 2016 equaled 155 and the average yield to maturity is 0.965%. During the month, the District's average daily balance was \$26,499,439.17. Funds were invested in Federal Agency Issues, Certificates of Deposit, Negotiable CD's, Miscellaneous Securities, the Local Agency Investment Funds (LAIF) and the Orange County Investment Pool (OCIP) during the month of September 2016.

The \$41,678 difference between the book value and the market value on September 30, 2016 represents the exchange difference if all investments had been liquidated on that date. Since it is the District's practice to "buy and hold" investments until maturity, the market values are a point of reference, not an indication of actual loss or gain. There are no current plans or cash flow requirements identified in the near future that would require the sale of these securities prior to maturity.

Robert J. Hunter  
*General Manager*

Hilary Chumpitazi  
*Treasurer*



# MUNICIPAL WATER DISTRICT OF ORANGE COUNTY



## Portfolio Management - Portfolio Summary September 30, 2016

9/30/2016	Par Value	Market Value	Book Value	% of Portfolio	Days to Mat/Call	YTM @ Cost
Negotiable Certificate Of Deposit	2,350,000.00	2,383,121.50	2,350,000.00	14.43	652	1.697
Corporate Bond	750,000.00	761,475.00	752,918.31	4.61	1,296	2.238
Local Agency Investment Funds	157,777.38	157,777.38	157,777.38	0.97	1	0.634
Orange County Investment Pool	13,025,553.80	13,025,553.80	13,025,553.80	79.99	1	0.763
<b>Total Investments</b>	<b>16,283,331.18</b>	<b>16,327,927.68</b>	<b>16,286,249.49</b>	<b>100.00</b>	<b>155</b>	<b>0.965</b>
<b>Cash</b>						
Cash	138,743.07	138,743.07	138,743.07		1	0.00
<b>Total Cash and Investments</b>	<b>16,422,074.25</b>	<b>16,466,670.75</b>	<b>16,424,992.56</b>		<b>155</b>	<b>0.965</b>

Total Earnings	Month Ending August	Fiscal Year to Date
Current Year	18,806.97	51,381.23
Average Daily Balance	26,499,439.17	
Effective Rate of Return	0.965%	

We certify that this report reflects the cash and investments of the Municipal Water District of Orange County and is in conformity with the Government Code requirements and the District Investment Policy and Guidelines in effect at the time of investment. The Investment Program herein shown provides sufficient cash flow liquidity to meet the next six month's estimated expenditure. The source for the market values are from Union Bank.

  
Robert J. Hunter, General Manager

Date

11-1-16

  
Hilary Chumplitazi, Treasurer

Date

11/1/2016

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**  
**Portfolio Management**  
**Long-Term Portfolio Details - Investments**  
**September 30, 2016**

Issuer	CUSIP/Ticker	Settlement Date	Par Value	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Call/Maturity	Maturity Date
<b>Negotiable Certificate Of Deposit</b>									
Ally Bank	02006LFV0	7/23/2014	250,000.00	250,945.00	250,000.00	1.150	1.150	297	7/24/2017
American Express Bank	02587CEA4	7/29/2015	250,000.00	252,072.50	250,000.00	1.450	1.450	486	1/29/2018
Barclays Bank	06740KJP3	9/24/2015	250,000.00	256,790.00	250,000.00	1.900	1.900	1,088	9/23/2019
Capital One Bank	140420TY6	8/5/2015	250,000.00	253,045.00	250,000.00	1.700	1.700	675	8/6/2018
Capital One Natl Assn	14042E6C9	9/2/2015	250,000.00	257,062.50	250,000.00	1.950	1.950	1,068	9/3/2019
Discover Bank	2546712Y5	7/23/2014	250,000.00	252,885.00	250,000.00	1.600	1.600	661	7/23/2018
Goldman Sachs Bank	38143A4T9	1/23/2013	100,000.00	100,164.00	100,000.00	1.050	1.050	115	1/23/2017
Goldman Sachs Bank	36163FJC8	7/25/2014	250,000.00	250,945.00	250,000.00	1.200	1.200	298	7/25/2017
HSBC Bank	40434AK65	1/21/2016	250,000.00	252,537.50	250,000.00	1.550	2.534	476	1/21/2021
Synchrony Bank	87164XBY1	7/25/2014	250,000.00	256,875.00	250,000.00	2.050	2.050	1,033	7/30/2019
<b>Sub Total</b>			<b>2,350,000.00</b>	<b>2,383,121.50</b>	<b>2,350,000.00</b>	<b>1.593</b>	<b>1.697</b>	<b>652</b>	
<b>Corporate Bond</b>									
JP Morgan Chase	46625HKA7	11/2/2015	500,000.00	506,570.00	501,540.93	2.250	2.152	1,179	1/23/2020
Wells Fargo	94974BGR5	1/13/2016	250,000.00	254,905.00	251,377.38	2.550	2.409	1,529	12/7/2020
<b>Sub Total</b>			<b>750,000.00</b>	<b>761,475.00</b>	<b>752,918.31</b>	<b>2.350</b>	<b>2.238</b>	<b>1,296</b>	
<b>Total Investments</b>			<b>3,100,000.00</b>	<b>3,144,596.50</b>	<b>3,102,918.31</b>	<b>1.776</b>	<b>1.828</b>	<b>808</b>	

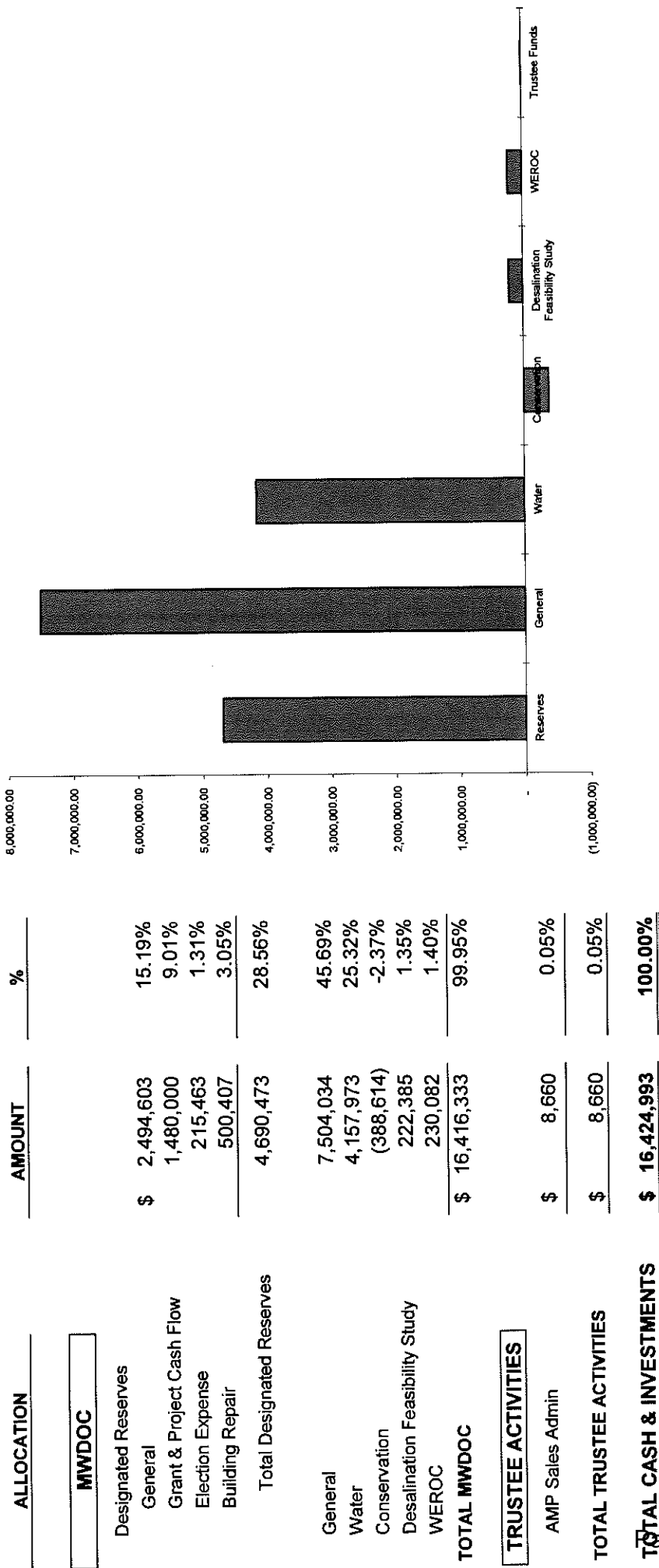
		Month Ending September	Fiscal Year To Date
<b>Total Earnings</b>			
Current Year	4,430.56		13,639.31

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**  
**Portfolio Management**  
**Short-Term Portfolio Details - Cash and Investments**  
**September 30, 2016**

Investments	CUSIP/Ticker	Settlement Date	Par Value	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Call/Maturity	Maturity Date
<b>Local Agency Investment Funds</b>									
LAIF LGIP	LAIF	6/30/2010	157,777.38	157,777.38	157,777.38	0.634	0.634	1	N/A
<b>Sub Total</b>			<b>157,777.38</b>	<b>157,777.38</b>	<b>157,777.38</b>	<b>0.634</b>	<b>0.634</b>	<b>1</b>	
<b>Orange County Investment Pool</b>									
County of Orange LGIP	OCIP	6/29/2005	13,025,553.80	13,025,553.80	13,025,553.80	0.763	0.763	1	N/A
<b>Sub Total</b>			<b>13,025,553.80</b>	<b>13,025,553.80</b>	<b>13,025,553.80</b>	<b>0.763</b>	<b>0.763</b>	<b>1</b>	
<b>Total Investments</b>			<b>13,183,331.18</b>	<b>13,183,331.18</b>	<b>13,183,331.18</b>	<b>0.761</b>	<b>0.761</b>		
<b>Cash</b>									
Bank of America Cash	CASH0547	7/1/2011	138,243.07	138,243.07	138,243.07	0.000	0.000	1	N/A
Petty Cash Cash	CASH	7/1/2011	500.00	500.00	500.00	0.000	0.000	1	N/A
<b>Total Cash</b>			<b>138,743.07</b>	<b>138,743.07</b>	<b>138,743.07</b>	<b>0.000</b>	<b>0.000</b>	<b>1</b>	
<b>Total Cash and Investments</b>			<b>13,322,074.25</b>	<b>13,322,074.25</b>	<b>13,322,074.25</b>	<b>0.761</b>	<b>0.761</b>	<b>1</b>	
<b>Total Earnings</b>									
Current Year		Month Ending September	14,376.41	Fiscal Year To Date	37,741.92				



# Municipal Water District of Orange County Cash and Investments at September 30, 2016



**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**  
**COMBINED FINANCIAL STATEMENTS**  
**AND**  
**BUDGET COMPARATIVE**  
**JULY 1, 2016 THRU SEPTEMBER 30, 2016**

**Municipal Water District of Orange County  
Combined Balance Sheet  
As of September 30, 2016**

<b><u>ASSETS</u></b>	<b>Amount</b>
Cash in Bank	138,743.07
Investments	16,286,249.49
Accounts Receivable	38,719,180.31
Accounts Receivable - Other	99,170.36
Accrued Interest Receivable	25,282.59
Prepays/Deposits	561,485.16
Leasehold Improvements	3,415,059.92
Furniture, Fixtures & Equipment	447,719.37
Less: Accum Depreciation	(2,655,662.85)
Net OPEB Asset	<u>117,085.00</u>
<b>TOTAL ASSETS</b>	<b><u>\$57,154,312.42</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>	
<b>Liabilities</b>	
Accounts Payable	35,889,625.94
Accounts Payable - Other	622.71
Accrued Salaries and Benefits Payable	336,356.46
OCWD CUP Balance Payable	3,117,524.80
Other Liabilities	802,820.44
Unearned Revenue	<u>2,076,778.49</u>
Total Liabilities	<u>42,223,728.84</u>
 <b>Fund Balances</b>	
Restricted Fund Balances	
Water Fund - T2C	<u>964,353.72</u>
Total Restricted Fund Balances	<u>964,353.72</u>
Unrestricted Fund Balances	
Designated Reserves	
General Operations	2,611,687.51
Grant & Project Cash Flow	1,480,000.00
Election Expense	215,463.03
Building Repair	<u>500,407.45</u>
Total Designated Reserves	<u>4,807,557.99</u>
GENERAL FUND	
WEROC	<u>101,241.62</u>
Total Unrestricted Fund Balances	<u>7,712,473.22</u>
Excess Revenue over Expenditures	
Operating Fund	6,312,992.44
Other Funds	<u>(59,235.80)</u>
Total Fund Balance	<u>14,930,583.58</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$57,154,312.42</u></b>

**Municipal Water District of Orange County**  
**Revenues and Expenditures Budget Comparative Report**  
**General Fund**  
**From July thru September 2016**

	Month to Date	Year to Date	Annual Budget	% Used	Encumbrance	Budget Remaining
<b><u>REVENUES</u></b>						
Retail Connection Charge	0.00	6,786,864.75	6,786,865.00	100.00%	0.00	0.25
Ground Water Customer Charge	0.00	392,666.00	392,666.00	100.00%	0.00	0.00
Water rate revenues	0.00	7,179,530.75	7,179,531.00	100.00%	0.00	0.25
Interest Revenue	19,610.48	54,510.79	123,000.00	44.32%	0.00	68,489.21
Subtotal	19,610.48	7,234,041.54	7,302,531.00	99.06%	0.00	68,489.46
Choice Programs	1,217,338.08	1,217,338.08	1,494,789.00	81.44%	0.00	277,450.92
Choice Prior Year Carry Over	0.00	0.00	44,416.00	0.00%	0.00	44,416.00
Miscellaneous Income	549.71	600.45	3,000.00	20.02%	0.00	2,399.55
School Contracts	0.00	0.00	70,000.00	0.00%	0.00	70,000.00
Transfer-In From Reserve	0.00	0.00	535,873.00	0.00%	0.00	535,873.00
Subtotal	1,217,887.79	1,217,938.53	2,148,078.00	56.70%	0.00	930,139.47
<b>TOTAL REVENUES</b>	<b>1,237,498.27</b>	<b>8,451,980.07</b>	<b>9,450,609.00</b>	<b>89.43%</b>	<b>0.00</b>	<b>998,628.93</b>

**Municipal Water District of Orange County**  
**Revenues and Expenditures Budget Comparative Report**  
**General Fund**  
**From July thru September 2016**

	Month to Date	Year to Date	Annual Budget	% Used	Encumbrance	Budget Remaining
<b><u>EXPENSES</u></b>						
Salaries & Wages	248,056.23	753,157.21	3,444,620.00	21.86%	0.00	2,691,462.79
Salaries & Wages - Grant Recovery	(7,299.50)	(7,299.50)	(31,600.00)	23.10%	0.00	(24,300.50)
Salaries & Wages - Recovery	(2,402.40)	(5,678.40)	0.00	0.00%	0.00	5,678.40
Directors' Compensation	17,240.32	52,259.72	231,937.00	22.53%	0.00	179,677.28
MWD Representation	10,236.44	29,901.18	132,535.00	22.56%	0.00	102,633.82
Employee Benefits	80,067.79	214,341.71	968,160.00	22.14%	0.00	753,818.29
OPEB Annual Contribution	400,000.00	400,000.00	105,249.00	380.05%	0.00	(294,751.00)
Employee Benefits - Grant Recovery	(1,951.84)	(1,951.84)	0.00	0.00%	0.00	1,951.84
Employee Benefits - Recovery	(457.60)	(1,081.60)	0.00	0.00%	0.00	1,081.60
Director's Benefits	5,280.19	15,655.16	66,297.00	23.61%	0.00	50,641.84
Health Ins \$'s for Retirees	2,042.03	7,683.03	50,326.00	15.27%	0.00	42,642.97
Training Expense	0.00	960.00	12,000.00	8.00%	0.00	11,040.00
Tuition Reimbursement	0.00	0.00	5,000.00	0.00%	0.00	5,000.00
Personnel Expenses	750,811.66	1,457,946.67	4,984,524.00	29.25%	0.00	3,526,577.33
Engineering Expense	1,009.72	35,464.33	405,000.00	8.76%	125,435.23	244,100.44
Legal Expense	16,828.19	43,288.04	320,000.00	13.53%	276,711.96	0.00
Audit Expense	0.00	7,000.00	24,000.00	29.17%	11,437.00	5,563.00
Professional Services	40,711.95	119,004.44	1,496,997.00	7.95%	564,916.51	813,076.05
Professional Fees	58,549.86	204,756.81	2,245,997.00	9.12%	978,500.70	1,062,739.49
Conference-Staff	3,910.00	5,277.10	22,125.00	23.85%	0.00	16,847.90
Conference-Directors	285.00	1,385.00	10,725.00	12.91%	0.00	9,340.00
Travel & Accom.-Staff	3,124.78	6,464.79	71,130.00	9.09%	0.00	64,665.21
Travel & Accom.-Directors	641.71	1,692.17	38,250.00	4.42%	0.00	36,557.83
Travel & Conference	7,961.49	14,819.06	142,230.00	10.42%	0.00	127,410.94
Membership/Sponsorship	30.00	63,486.78	134,458.00	47.22%	0.00	70,971.22
CDR Support	0.00	9,992.88	39,972.00	25.00%	29,978.62	0.50
Dues & Memberships	30.00	73,479.66	174,430.00	42.13%	29,978.62	70,971.72
Business Expense	305.10	1,116.91	6,000.00	18.62%	0.00	4,883.09
Maintenance Office	7,300.83	20,196.44	123,185.00	16.40%	100,343.56	2,645.00
Building Repair & Maintenance	884.29	2,291.95	11,000.00	20.84%	5,708.05	3,000.00
Storage Rental & Equipment Lease	372.62	1,117.33	7,000.00	15.96%	4,882.67	1,000.00
Office Supplies	2,153.59	5,692.11	38,280.00	14.87%	2,563.41	30,024.48
Postage/Mail Delivery	654.85	2,152.04	11,400.00	18.88%	3,961.62	5,286.34
Subscriptions & Books	0.00	95.47	2,000.00	4.77%	0.00	1,904.53
Reproduction Expense	441.08	1,870.74	36,225.00	5.16%	8,259.79	26,094.47
Maintenance-Computers	347.63	531.21	10,000.00	5.31%	1,709.42	7,759.37
Software Purchase	5,429.40	17,805.20	31,300.00	56.89%	1,987.82	11,506.98
Software Support	1,274.78	16,942.42	46,000.00	36.83%	7,610.00	21,447.58
Computers and Equipment	982.82	14,161.84	32,500.00	43.57%	0.00	18,338.16
Automotive Expense	1,317.20	3,761.07	13,828.00	27.20%	0.00	10,066.93
Toll Road Charges	50.34	93.08	1,100.00	8.46%	0.00	1,006.92
Insurance Expense	8,479.29	27,846.15	90,000.00	30.94%	0.00	62,153.85
Utilities - Telephone	1,621.35	4,864.74	19,200.00	25.34%	0.00	14,335.26
Bank Fees	1,102.73	3,184.25	10,500.00	30.33%	0.00	7,315.75
Miscellaneous Expense	4,381.33	15,103.23	114,020.00	13.25%	0.00	98,916.77
MWDOC's Contrb. To WEROC	12,532.50	37,597.50	150,390.00	25.00%	0.00	112,792.50
Depreciation Expense	607.57	1,822.70	0.00	0.00%	0.00	(1,822.70)
Other Expenses	50,239.30	178,246.38	753,928.00	23.64%	137,026.34	438,655.28
Election Expense	0.00	0.00	592,000.00	0.00%	0.00	592,000.00
MWDOC's Building Expense	500.00	186,940.00	495,000.00	37.77%	13,129.14	294,930.86
Capital Acquisition	11,069.57	22,799.05	62,500.00	36.48%	0.00	39,700.95
<b>TOTAL EXPENSES</b>	<b>879,161.88</b>	<b>2,138,987.63</b>	<b>9,450,609.00</b>	<b>22.63%</b>	<b>1,158,634.80</b>	<b>6,152,986.57</b>
<b>NET INCOME (LOSS)</b>	<b>358,336.39</b>	<b>6,312,992.44</b>	<b>0.00</b>			

**Municipal Water District of Orange County**  
**Revenues and Expenditures Budget Comparative Report**  
**Water Fund**  
**From July thru September 2016**

	<b>Month to Date</b>	<b>Year to Date</b>	<b>Annual Budget</b>	<b>% Used</b>	<b>Budget Remaining</b>
<b><u>WATER REVENUES</u></b>					
Water Sales	15,524,722.90	50,976,547.90	121,881,702.00	41.82%	70,905,154.10
Readiness to Serve Charge	1,055,607.64	3,166,822.92	12,674,093.00	24.99%	9,507,270.08
Capacity Charge CCF	402,482.50	1,207,447.50	4,829,790.00	25.00%	3,622,342.50
SCP Surcharge	28,297.89	96,297.81	365,000.00	26.38%	268,702.19
Interest	661.92	1,942.09	4,800.00	40.46%	2,857.91
<b>TOTAL WATER REVENUES</b>	<b>17,011,772.85</b>	<b>55,449,058.22</b>	<b>139,755,385.00</b>	<b>39.68%</b>	<b>84,306,326.78</b>
<b><u>WATER PURCHASES</u></b>					
Water Sales	15,524,722.90	50,976,547.90	121,881,702.00	41.82%	70,905,154.10
Readiness to Serve Charge	1,055,607.64	3,166,822.92	12,674,093.00	24.99%	9,507,270.08
Capacity Charge CCF	402,482.50	1,207,447.50	4,829,790.00	25.00%	3,622,342.50
SCP Surcharge	28,297.89	96,297.81	365,000.00	26.38%	268,702.19
<b>TOTAL WATER PURCHASES</b>	<b>17,011,110.93</b>	<b>55,447,116.13</b>	<b>139,750,585.00</b>	<b>39.68%</b>	<b>84,303,468.87</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>661.92</b>	<b>1,942.09</b>	<b>4,800.00</b>		

**Municipal Water District of Orange County**  
**WUE Revenues and Expenditures (Actuals vs Budget)**  
**From July thru September 2016**

	Year to Date Actual	Annual Budget	% Used
<b>Landscape Performance Certification</b>			
Revenues	79.52	118,900.00	0.07%
Expenses	0.00	118,900.00	0.00%
Excess of Revenues over Expenditures	79.52	0.00	
<b>Industrial Water Use Reduction</b>			
Revenues	0.00	91,236.00	0.00%
Expenses	95,010.00	91,236.00	104.14%
Excess of Revenues over Expenditures	(95,010.00)	0.00	
<b>Spray To Drip Conversion</b>			
Revenues	675.00	468,552.34	0.14%
Expenses	681.52	468,552.34	0.15%
Excess of Revenues over Expenditures	(6.52)	0.00	
<b>Water Smart Landscape for Public Property</b>			
Revenues	0.00	168,588.80	0.00%
Expenses	0.00	168,588.80	0.00%
Excess of Revenues over Expenditures	0.00	0.00	
<b>Member Agency Administered Passthru</b>			
Revenues	0.00	150,000.00	0.00%
Expenses	0.00	150,000.00	0.00%
Excess of Revenues over Expenditures	0.00	0.00	
<b>ULFT Rebate Program</b>			
Revenues	22,800.20	205,000.00	11.12%
Expenses	22,800.20	205,000.00	11.12%
Excess of Revenues over Expenditures	0.00	0.00	
<b>HECW Rebate Program</b>			
Revenues	84,034.22	432,000.00	19.45%
Expenses	84,040.43	432,000.00	19.45%
Excess of Revenues over Expenditures	(6.21)	0.00	
<b>CII Rebate Program</b>			
Revenues	212,190.00	325,000.00	65.29%
Expenses	249,790.00	325,000.00	76.86%
Excess of Revenues over Expenditures	(37,600.00)	0.00	
<b>Large Landscape Survey</b>			
Revenues	301.89	30,000.00	1.01%
Expenses	0.00	30,000.00	0.00%
Excess of Revenues over Expenditures	301.89	0.00	

**Municipal Water District of Orange County**  
**WUE & Other Funds Revenues and Expenditures (Actuals vs Budget)**  
**From July thru September 2016**

	Year to Date Actual	Annual Budget	% Used
<b>Indoor-Outdoor Survey</b>			
Revenues	0.00	3,500.00	0.00%
Expenses	10.19	3,500.00	0.29%
Excess of Revenues over Expenditures	(10.19)	0.00	
<b>Turf Removal Program</b>			
Revenues	470,826.56	1,750,000.00	26.90%
Expenses	495,360.75	1,750,000.00	28.31%
Excess of Revenues over Expenditures	(24,534.19)	0.00	
<b>Comprehensive Landscape (CLWUE)</b>			
Revenues	101,842.27	399,751.00	25.48%
Expenses	66,084.32	399,751.00	16.53%
Excess of Revenues over Expenditures	35,757.95	0.00	
<b>CII, Large Landscape, Performance (OWOW)</b>			
Revenues	0.00	121,210.00	0.00%
Expenses	22,348.77	121,210.00	18.44%
Excess of Revenues over Expenditures	(22,348.77)	0.00	
<b>WUE Projects</b>			
Revenues	892,749.66	4,263,738.14	20.94%
Expenses	1,036,126.18	4,263,738.14	24.30%
Excess of Revenues over Expenditures	(143,376.52)	0.00	
<b>WEROC</b>			
Revenues	187,987.50	300,780.00	62.50%
Expenses	77,432.09	293,780.00	26.36%
Excess of Revenues over Expenditures	110,555.41	7,000.00	





## Memorandum

**DATE:** November 09, 2016

**TO:** Administrative & Finance Committee  
(Directors Thomas, Finnegan, Barbre)

**FROM:** Robert Hunter

**SUBJECT:** Quarter ending September 2016 Financials Actual versus Budget

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The following reports are attached:

- Revenues and Expenditures Actual versus Budget for the General Fund
- Revenues and Expenditures Actual versus Budget Detailed Comparative Report for the General Fund
- Revenues and Expenditures Actual versus Budget for Water Funds
- Revenues and Expenditures Actual versus Budget for Other Funds
- Revenues and Expenditures Actual versus Budget for the Water Use Efficiency Projects

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
Revenues and Expenditures Actual versus Budget Summary Report  
Fiscal Year to Date ending September 2016 (Unaudited)  
( \$000 Omitted )  
General Fund and Reserve Fund

GENERAL FUND

	<u>YTD Actual</u>	<u>Annual Budget</u>	<u>% Used</u>
<u>REVENUES</u>			
Water Rate revenues:			
Retail connection fees	6,787	6,787	100.0%
Subtotal	6,787	6,787	100.0%
Other Revenues:			
Interest income <sup>(1)</sup>	55	123	44.3%
Choice Programs <sup>(2)</sup>	1,217	1,539	79.1%
School Contracts <sup>(3)</sup>	0	70	0.0%
Other income	1	3	20.0%
Transfer in from Reserve <sup>(4)</sup>	0	536	0.0%
Subtotal	1,272	2,271	56.0%
<b>TOTAL REVENUES</b>	<b>8,059</b>	<b>9,058</b>	<b>89.0%</b>
<u>EXPENSES</u>			
Personal Expenses (incl. Dir.)	1,458	4,985	29.2%
Professional services	126	1,521	8.3%
Outside engineering	35	405	8.8%
Legal expense	43	320	13.5%
Travel & Conference	15	142	10.4%
Dues and memberships <sup>(5)</sup>	73	174	42.1%
General & Admin expense	178	1,346	13.2%
Building Repair & Maintenance	187	495	37.8%
Capital acquisition (not including building repairs)	23	63	36.5%
<b>TOTAL EXPENSES</b>	<b>2,139</b>	<b>9,451</b>	<b>22.6%</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>5,920</b>		

RESERVE FUND

Beginning Balance	3,483
Nov 2015 - excess from FY 14-15 General Fund	1,207
Net OPEB Asset	117
<b>TOTAL RESERVE FUND</b>	<b>4,807</b>

(1) Interest Income is higher in the beginning of the year due to receiving our budget upfront.

(2) Choice programs were billed in September. One more program to bill.

(3) School program begins in October.

(4) Transfer in from Reserves is for the Board of Directors election expense.

(5) Dues and memberships are primarily paid in the beginning of the year.

Municipal Water District of Orange County  
Revenues and Expenditures Actual vs Budget Line Item Report  
Fiscal Year to Date ending September 2016 (Unaudited)  
General Fund

	YTD ACTUAL	ANNUAL BUDGET	% Used
REVENUES			
Retail Connection Charge	6,786,865	6,786,865	100.00%
Ground Water Customer Charge	392,666	392,666	100.00%
Water rate revenues	7,179,531	7,179,531	100.00%
Choice Programs	1,217,338	1,494,789	81.44%
Choice Prior Year Carry Over	0	44,416	0.00%
Interest Revenue	54,511	123,000	44.32%
Miscellaneous Income	600	3,000	20.02%
School Contracts	0	70,000	0.00%
Transfer in from Reserve	0	535,873	0.00%
Other revenues	1,272,449	2,271,078	56.03%
TOTAL REVENUES	8,451,980	9,450,609	89.43%

OPERATING EXPENSES			
Salaries & Wages	753,157	3,444,620	21.86%
less Recovery's	(12,978)	(31,600)	41.07%
Directors' Compensation	52,260	231,937	22.53%
MWD Representation	29,901	132,535	22.56%
Employee Benefits	214,342	968,160	22.14%
less Recovery's	(3,033)	0	0.00%
OPEB Annual Contribution	400,000	105,249	380.05%
Directors Benefits	15,655	66,297	23.61%
Health Insurances for Retirees	7,683	50,326	15.27%
Training Expense	960	12,000	8.00%
Tuition Reimbursement	0	5,000	0.00%
Personnel Expenses	1,457,947	4,984,524	29.25%
Engineering Expense	35,464	405,000	8.76%
Legal Expense	43,288	320,000	13.53%
Audit Expense	7,000	24,000	29.17%
Professional Services	119,004	1,496,997	7.95%
Professional Fees	204,757	2,245,997	9.12%
Conference-Staff	5,277	22,125	23.85%
Conference-Directors	1,385	10,725	12.91%
Travel & Accom.-Staff	6,465	71,130	9.09%
Travel & Accom.-Directors	1,692	38,250	4.42%
Travel & Conference	14,819	142,230	10.42%
Membership/Sponsorship	63,487	134,458	47.22%
CDR Support	9,993	39,972	25.00%
Dues & Memberships	73,480	174,430	42.13%

Municipal Water District of Orange County  
Revenues and Expenditures Actual vs Budget Line Item Report  
Fiscal Year to Date ending September 2016 (Unaudited)  
General Fund

	YTD ACTUAL	ANNUAL BUDGET	% Used
Business Expense	1,117	6,000	18.62%
Maintenance Office	20,196	123,185	16.40%
Building Repair & Maintenance	2,292	11,000	20.84%
Storage Rental & Equipment Lease	1,117	7,000	15.96%
Office Supplies	5,692	38,280	14.87%
Postage/Mail Delivery	2,152	11,400	18.88%
Subscriptions & Books	95	2,000	4.77%
Reproduction Expense	1,871	36,225	5.16%
Maintenance-Computers	531	10,000	5.31%
Software Purchase	17,805	31,300	56.89%
Software Support	16,942	46,000	36.83%
Computers and Equipment	14,162	32,500	43.57%
Automotive Expense	3,761	13,828	27.20%
Toll Road Charges	93	1,100	8.46%
Insurance Expense	27,846	90,000	30.94%
Utilities - Telephone	4,865	19,200	25.34%
Bank Fees	3,184	10,500	30.33%
Miscellaneous Expense	15,103	114,020	13.25%
MWDOC's Contribution To WEROC	37,598	150,390	25.00%
Depreciation Expense	1,823	0	0.00%
Election Expense	0	592,000	0.00%
MWDOC Building Expense	186,940	495,000	37.77%
Capital Acquisition	22,799	62,500	0.00%
Other Expenses	387,985	1,903,428	20.38%
TOTAL EXPENSES	2,138,988	9,450,609	22.63%
EXCESS OF REVENUES OVER EXPENSES	6,312,992	0	

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
Statement of Revenues and Expenditures  
Fiscal Year to Date ending September 2016 (Unaudited)  
Water Funds

	<u>YTD Actual</u>	<u>Annual Budget</u>	<u>Balance</u>
<b><u>Water Revenues</u></b>			
Water Sales	50,976,548	121,881,702	(70,905,154)
Ready to Serve Charge	3,166,823	12,674,093	(9,507,270)
Capacity Charge Flat Rate	1,207,448	4,829,790	(3,622,343)
SCP Surcharge	96,298	365,000	(268,702)
Interest	<u>1,942</u>	<u>4,800</u>	<u>(2,858)</u>
Total Water Revenues	<u>55,449,058</u>	<u>139,755,385</u>	<u>(84,306,327)</u>
 <b><u>Water Purchases</u></b>			
Water Sales	50,976,548	121,881,702	(70,905,154)
Ready to Serve Charge	3,166,823	12,674,093	(9,507,270)
Capacity Charge	1,207,448	4,829,790	(3,622,343)
SCP Surcharge	<u>96,298</u>	<u>365,000</u>	<u>(268,702)</u>
Total Water Purchases	<u>55,447,116</u>	<u>139,750,585</u>	<u>(84,303,469)</u>
EXCESS OF REVENUES OVER			
EXPENDITURES	<u>1,942</u>	<u>4,800</u>	<u>(2,858)</u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
Revenues and Expenditures Actual versus Budget  
Fiscal Year to Date ending September 2016 (Unaudited)  
Other Funds

	<u>YTD Actual</u>	<u>Annual Budget</u>	<u>Balance</u>
<b><u>WEROC</u></b>			
Revenues	187,988	300,780	(112,793)
Expenditures	77,432	293,780	(216,348)
Excess of Revenues over Expenditures	110,555	7,000	103,555
<b><u>WUE Projects (details on next page)</u></b>			
Revenues	892,750	4,263,738	(3,370,988)
Expenditures	1,036,126	4,263,738	(3,227,612)
Excess of Revenues over Expenditures	(143,377)	0	(143,377)

Footnote:

- 1) The excess of expense over revenue is waiting for reimbursement.
- 2) USBR (Federal) Grant is billed in October and April with funds being received one month later.
- 3) DWR is billed quarterly to county and takes a few months to a year to receive funds.

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
Revenues and Expenditures Actual versus Budget  
Fiscal Year to Date ending September 2016 (Unaudited)  
Water Use Efficiency Projects

	<u>Actual</u>	<u>Variance</u> <u>%</u>	<u>Fiscal Year</u> <u>Budget</u>	<u>% of</u> <u>Budget</u>	<u>Projected</u> <u>Final</u> <u>FY Budget</u>
<b><u>Landscape Performance Certification</u></b>					
Revenues	80		118,900	0.07%	118,900
Expenditures	<u>-</u>		<u>118,900</u>	0.00%	<u>118,900</u>
Excess of Revenues over Expenditures	80	100%	0		

Actual Variance: MET reporting is every two months.

Budget Variance: Actual is less than Budgeted due to the program halting in order to distribute a new RFP.

**Industrial Water Use Reduction**

Revenues	-		91,236	0.00%	91,236
Expenditures	<u>95,010</u>		<u>91,236</u>	104.14%	<u>91,236</u>
Excess of Revenues over Expenditures	(95,010)	0%	0		

Actual Variance: Expenses came in ahead of grant reporting. Grant report due by current year end.

Budget Variance: No comment needed.

**Spray to Drip Conversion**

Revenues	675		468,552	0.14%	468,552
Expenditures	<u>682</u>		<u>468,552</u>	0.15%	<u>468,552</u>
Excess of Revenues over Expenditures	(7)	-1%	0		

Actual Variance: Program has not started up this fiscal year. Plan start up is December 2016.

Budget Variance: Program has not started up this fiscal year. Plan start up is December 2016.

**Water Smart Landscape for Public Property**

Revenues	-		168,589	0.00%	168,589
Expenditures	<u>-</u>		<u>168,589</u>	0.00%	<u>168,589</u>
Excess of Revenues over Expenditures	-	0%	0		

Actual Variance: No activity to report.

Budget Variance: No activity to report.

Notes:

[1] Variance from Revenues to Expenses. When greater than 5%, an explanation is provided.

[2] Fiscal year budget versus Actual

[3] With each quarterly report the projected fiscal year end budget may be re-adjusted.

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
Revenues and Expenditures Actual versus Budget  
Fiscal Year to Date ending September 2016 (Unaudited)  
Water Use Efficiency Projects

	<u>Actual</u>	<u>Variance</u> <u>%</u>	<u>Fiscal Year</u> <u>Budget</u>	<u>% of</u> <u>Budget</u>	<u>Projected</u> <u>Final</u> <u>FY Budget</u>
<b><u>Member Agency Administered Pass thru</u></b>					
Revenues	-		150,000	0.00%	150,000
Expenditures	-		150,000	0.00%	150,000
Excess of Revenues over Expenditures	-	0%	0		

Actual Variance: No activity to report.

Budget Variance: No activity to report.

**ULFT Rebate Program**

Revenues	22,800		205,000	11.12%	205,000
Expenditures	22,800		205,000	11.12%	205,000
Excess of Revenues over Expenditures	-	0%	0		

Actual Variance: No activity to report.

Budget Variance: Agencies slow to report.

**HECW Rebate Program**

Revenues	84,034		432,000	19.45%	432,000
Expenditures	84,040		432,000	19.45%	432,000
Excess of Revenues over Expenditures	(6)	0%	0		

Actual Variance: No activity to report.

Budget Variance: Pass-thru program. Agencies slow to report.

**CII Rebate Program**

Revenues	212,190		325,000	65.29%	325,000
Expenditures	249,790		325,000	76.86%	325,000
Excess of Revenues over Expenditures	(37,600)	-18%	0		

Actual Variance: Revenues come from Grants. Reporting to Grants is quarterly, Expenses are monthly.

Budget Variance: No comment needed.

Notes:

[1] Variance from Revenues to Expenses. When greater than 5%, an explanation is provided.

[2] Fiscal year budget versus Actual

[3] With each quarterly report the projected fiscal year end budget may be re-adjusted.



MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
Revenues and Expenditures Actual versus Budget  
Fiscal Year to Date ending September 2016 (Unaudited)  
Water Use Efficiency Projects

	<u>Actual</u>	<u>Variance</u> <u>%</u>	<u>Fiscal Year</u> <u>Budget</u>	<u>% of</u> <u>Budget</u>	<u>Projected</u> <u>Final</u> <u>FY Budget</u>
<b><u>Large Landscape Survey</u></b>					
Revenues	302		30,000	1.01%	30,000
Expenditures	<u>-</u>		<u>30,000</u>	0.00%	<u>30,000</u>
Excess of Revenues over Expenditures	302	100%	0		

Actual Variance: No comment needed.

Budget Variance: No activity to report.

**Indoor-Outdoor Survey**

Revenues	-		3,500	0.00%	3,500
Expenditures	<u>10</u>		<u>3,500</u>	0.29%	<u>3,500</u>
Excess of Revenues over Expenditures	(10)	0%	0		

Actual Variance: No comment needed.

Budget Variance: No activity at this time.

**Turf Removal Program**

Revenues	470,827		1,750,000	26.90%	1,750,000
Expenditures	<u>495,361</u>		<u>1,750,000</u>	28.31%	<u>1,750,000</u>
Excess of Revenues over Expenditures	(24,534)	-5%	0		

Actual Variance: MET is invoiced after expenditures have incurred.

Budget Variance: No comment needed.

**Comprehensive Landscape (CLWUE)**

Revenues	101,842		399,751	25.48%	399,751
Expenditures	<u>66,084</u>		<u>399,751</u>	16.53%	<u>399,751</u>
Excess of Revenues over Expenditures	35,758	35%	0		

Actual Variance: Revenues out ahead of expenses.

Budget Variance: Program activity slow to materialize.

Notes:

[1] Variance from Revenues to Expenses. When greater than 5%, an explanation is provided.

[2] Fiscal year budget versus Actual

[3] With each quarterly report the projected fiscal year end budget may be re-adjusted.

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
Revenues and Expenditures Actual versus Budget  
Fiscal Year to Date ending September 2016 (Unaudited)  
Water Use Efficiency Projects

	<u>Actual</u>	<u>Variance</u> <u>%</u>	<u>Fiscal Year</u> <u>Budget</u>	<u>% of</u> <u>Budget</u>	<u>Projected</u> <u>Final</u> <u>FY Budget</u>
<b><u>CII, Large Landscape, Performance (OWOW)</u></b>					
Revenues	-		121,210	0.00%	121,210
Expenditures	<u>22,349</u>		<u>121,210</u>	18.44%	<u>121,210</u>
Excess of Revenues over Expenditures	(22,349)	0%	0		

Actual Variance: Granting agency (DWR) slow to pay on invoices submitted to them.

Budget Variance: No comment needed.

Notes:

[1] Variance from Revenues to Expenses. When greater than 5%, an explanation is provided.

[2] Fiscal year budget versus Actual

[3] With each quarterly report the projected fiscal year end budget may be re-adjusted.



Board of Directors  
Municipal Water District of Orange County  
Fountain Valley, California

We have audited the financial statements of the Municipal Water District of Orange County (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 and *Government Auditing Standards*, 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 July 25, 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) Statement No. 72, *Fair Value Measurement and Application*, effective 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 estimates of the:

- Fair value measurement for investments are based on observable market inputs and information from the District's custodian bank,
- Amounts related to the District's medical retiree (OPEB) plan are based on actuarial valuations,
- Amounts related to the net pension liability, deferred outflows of resources and deferred inflows of resources, pension expense, and related disclosures are based on actuarial valuations and calculations of the proportionate share of the CalPERS collective net pension liability.

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

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

The disclosures within Note 2 to the financial statements include authorized investments, interest rate and credit risks, and fair value measurements. Additionally, it was noted that the District's investment policy adopted June 2015 requires negotiable certificates of deposit to not exceed 20% of the portfolio in effect immediately after such investment. However, the District's Reserve Funds portfolio includes negotiable certificates of deposit totaling 23.95% of the Reserve Fund portfolio at June 30, 2016.

The disclosure of the District's cost-sharing defined benefit pension plan, net pension liability, and related deferred outflows and inflows of resources in Note 10 to the financial statements. The valuation of the net pension liability and related deferred outflows and inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate, and the District's proportionate share of the Plan's collective net pension liability. As disclosed in Note 10, a 1% increase or decrease in the discount rate has a significant 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.

#### *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 auditors' 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 November 2, 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.

#### *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 for the other post-employment benefit plan, schedule of the District's proportionate share of the net pension liability and schedule of contributions for the cost-sharing retirement plan, 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.

### Restriction on Use

This information is intended solely for the use of the Board of Directors 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  
November 2, 2016



**INDEPENDENT AUDITORS' 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  
Municipal Water District of Orange County  
Fountain Valley, 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 Municipal Water District of Orange County (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 November 2, 2016. Our report included an emphasis of matter related to the District's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective 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 District'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.

## 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California  
November 2, 2016

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**  
**MANAGEMENT LETTER**  
**FOR THE YEAR ENDED JUNE 30, 2016**





Board of Directors and Management  
Municipal Water District of Orange County  
Fountain Valley, California

We have audited the basic financial statements of the Municipal Water District of Orange County (District) for the year ended June 30, 2016 and have issued our report thereon dated November 2, 2016. In planning and performing our audit of the basic financial statements of the District, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These observations and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

## **CURRENT YEAR MANAGEMENT LETTER COMMENTS**

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### **JOURNAL ENTRIES AND FINANCIAL REPORTING**

#### **Observation:**

We noted the District's financial reporting system allows for journal entries to be prepared and posted by one individual. Journal entries related to cash receipts are manually entered into the general ledger, and posted by one person, without secondary approval or authorization. We further noted that closing entries related to the prior year audit were not posted to the general ledger. As a result, the opening balances within the general ledger did not agree to the prior year audited financial statements. By posting all such activity within the general ledger system (including those identified as part of the audit), this aids in maintaining accurate accounting records.

#### **Recommendation:**

All journal entries posted to the financial reporting system should be subject to a secondary review by someone other than the preparer prior to posting to the general ledger. Further, evidence of this secondary review by someone other than the preparer should be retained by the District (i.e. signature approval, system audit trail, etc.). For closing or year-end adjustments, journal entries should be posted to the financial reporting system to ensure opening net position, and other financial statement captions such as deferred outflows and inflows of resources and net pension liability agree or reconcile to audited financial statements.

#### **Management Response:**

The District will review our procedures for a secondary review by someone other than the preparer prior to posting to the general ledger and documentation of this process. The District will also review our procedures for posting closing or year-end adjustments to the financial reporting system.

## COMPLIANCE RELATED TO UNIFORM GUIDANCE

### Observation:

The District retained a consultant to review certain aspects of the District's processes and procedures related to grants. The District has been modifying its grant procedures in response to these recommendations. Additionally, based on our inquiry with management, we noted the District should establish written policies and procedures related to key changes required under *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which is in effect for new Federal awards made after December 26, 2014:

- *Title 2 CFR Section 200.302(b)(6) and (7)* of the Uniform Guidance requires all non-Federal entities to establish written procedures to implement the requirements of *2 CFR section 200.305* (Cash Management) and for determining the allow ability of costs in accordance with *Subpart E – Cost Principles* and the conditions of the Federal award.
- *Title 2 CFR Section 200.318(c)(1) and (2)* of the Uniform Guidance requires the non-Federal entity to maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts, and covering organization conflicts of interest.
- *Title 2 CFR 200.319(c)(1) and (2)* also requires written procedures for procurement transactions to ensure all solicitations include an clear and accurate description and identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

### Recommendation:

We recommend the District review its policies and internal control procedures, and formalize written procedures related to cash management requirements under *2 CFR Section 200.305*, allowable costs in accordance with *Subpart E – Cost principles*, and procurement as defined by *2 CFR Section 200.318 and 200.319*.

### Management Response:

The District will review our policies and internal control procedures and formalize written procedures related to cash management requirements, allowable costs, and procurement under the Uniform Guidance.

## INVESTMENT COMPLIANCE

### Observation:

The District's investment policy dated June 17, 2015 allows for Operating and Fiduciary funds to be invested in negotiable certificates of deposits of up to 20% of the portfolio in effect immediately after such investment. The policy further states that permissible investments for the Reserve funds include all investments permitted for the Operating and Fiduciary funds. The District calculates separate percentages for Operating and Fiduciary funds, and Reserve funds, for purposes of monitoring compliance. We further note Government Code Section 53600 allows up to 30% of total investments in negotiable certificates of deposit.

As of June 30, 2016, the District held the following negotiable certificates of deposit:

- Operating and Fiduciary funds - \$1,259,533 – 19.16% of Operating and Fiduciary funds
- Reserve funds - \$1,123,134 – 23.95% of Reserve funds

While the negotiable certificates of deposit held were within the maximum limits of the Government Code, they exceeded the 20% maximum established in the policy.

**Recommendation:**

We recommend the District review its investment policy and procedures to ensure the securities held by the District are consistent with the approved investment policy, and the policy is clarified with respect to the percentage limits within the Reserve funds.

**Management Response:**

The District will review our investment policy and procedures to clarify the percentage limits within the Reserve fund.

**PRIOR YEAR MANAGEMENT LETTER COMMENTS**

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**FINANCIAL REPORTING FOR PENSIONS****Observation:**

As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective July 1, 2014. We proposed audit adjustments to correct the District's net position, net pension liability, deferred inflows and outflows of resources, and pension expense in accordance with those standards.

**Current Year Status:**

Partially implemented – refer to Current Year Observation related to opening net position above.

**CLOSING PROCEDURES RELATED TO RESTRICTED ASSETS AND NET POSITION****Observation:**

During the year, we noted the District tracks activity within restricted accounts using separate general ledger accounts, including monitoring of cash and related receivable balances. During the closing process, negative cash associated with the restricted accounts were noted. These negative funds result from internal borrowing of funds from the District's unrestricted cash and investment accounts. As a result, we proposed audit adjustments to reclassify certain restricted cash and investments, accounts receivable, and the related net position.

**Current Year Status:**

Implemented.

\*\*\*\*\*

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the District gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Directors, the District's management and others within the organization and should not be used by anyone other than these specified parties.

*Vavrinch, Train, Dwyer & Co., LLP*

Laguna Hills, California

November 2, 2016

**MUNICIPAL WATER DISTRICT  
OF ORANGE COUNTY**

**FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

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# Independent Auditors' Report



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Municipal Water District of Orange County  
Fountain Valley, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Water District of Orange County (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 its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Emphasis of Matter***

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*, effective 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, schedule of funding progress for the other post-employment benefit plan, schedule of the District's proportionate share of the net pension liability and schedule of contributions for the cost sharing retirement plan on pages 3 through 9 and 34 through 36 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.

#### ***Prior-Year Comparative Information***

We have previously audited the 2015 financial statements of the District, and we expressed an unmodified audit opinion on the financial statements in our report dated November 25, 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 District'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 November 2, 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.



Laguna Hills, California  
November 2, 2016

# Management's Discussion and Analysis

## (Unaudited)

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

The following is a brief discussion of the Municipal Water District of Orange County's (District) activities and financial performance for the year ended June 30, 2016. Please read in conjunction with the District's basic financial statements and accompanying notes which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's revenues were \$183.6 million in FY 2015-16, compared to \$210.6 million in the prior fiscal year, a 12.8% decrease.
- The District's expenses were \$181.7 million in FY 2015-16, compared to \$209.5 million in the prior fiscal year, a 13.3% decrease.
- The District's assets at June 30, 2016 were \$50.4 million, a 24.7% increase compared to total assets of \$40.4 million at June 30, 2015.
- The District's liabilities at June 30, 2016 were \$43.0 million, a 24.3% increase compared to total liabilities of \$34.6 million at June 30, 2015.
- The District's net position at June 30, 2016 was \$7.5 million, a 33.4% increase compared to net position of \$5.6 million at June 30, 2015.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting.

Under the economic resources measurement focus all assets, deferred inflows and outflows of resources, and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The District's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about District activities during the reporting period. The financial statements of the District consist of three interrelated statements designed to provide the reader with relevant information on the District's financial condition and operating results. These statements offer short-term and long-term financial information about the District's activities utilizing the full accrual basis of accounting.

The *Statement of Net Position* includes all of the District's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference being reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
JUNE 30, 2016**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the District's operations over the past year and can be used to determine whether the District has successfully recovered all its projected costs through its rates and other service related charges.

The final required financial statement is the *Statement of Cash Flows* which presents information about the District's cash receipts and cash payments during the reporting period classified as cash receipts, cash payments, and net changes in cash resulting from operations, and investing, non-capital financing, and capital and related financing activities. This statement also provides comparative information on the sources and uses of the District's cash during the reporting period.

**FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is: "Is the District, as a whole, financially better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) as one way to measure financial health or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in economic conditions, population growth, changes in rates and charges and new or changed government legislation or accounting standards.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
JUNE 30, 2016**

**STATEMENT OF NET POSITION**

Net position is the difference between assets plus deferred outflows of resources, less liabilities plus deferred inflows of resources, and may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's Statement of Net Position.

**Table 1  
Condensed Statements of Net Position  
(In thousands of dollars)  
June 30:**

	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>Variance</b></u>	<u><b>Total Percent Change</b></u>
Current Restricted Assets	\$ 4,783	\$ 3,876	\$ 907	23.4%
Current Unrestricted Assets	44,264	35,500	8,764	24.7%
Capital Assets	1,209	929	280	30.1%
Other Assets	117	93	24	25.8%
<b>Total Assets</b>	<u><b>50,373</b></u>	<u><b>40,398</b></u>	<u><b>9,975</b></u>	<u><b>24.7%</b></u>
<b>Deferred Outflows of Resources</b>	<u><b>454</b></u>	<u><b>356</b></u>	<u><b>98</b></u>	<u><b>27.5%</b></u>
Liabilities Payable from Restricted Current Assets	3,719	2,826	893	31.6%
Liabilities Payable from Unrestricted Current Assets	37,935	30,430	7,505	24.7%
Noncurrent Unrestricted Liabilities	1,377	1,360	17	1.3%
<b>Total Liabilities</b>	<u><b>43,031</b></u>	<u><b>34,616</b></u>	<u><b>8,415</b></u>	<u><b>24.3%</b></u>
<b>Deferred Inflows of Resources</b>	<u><b>320</b></u>	<u><b>535</b></u>	<u><b>(215)</b></u>	<u><b>(40.2%)</b></u>
<b>Net Position:</b>				
Net Investment in Capital Assets	1,209	929	280	30.1%
Restricted for Trustee Activities	1,064	1,050	14	1.3%
Unrestricted	5,202	3,624	1,578	43.5%
<b>Total Net Position</b>	<u><b>\$ 7,475</b></u>	<u><b>\$ 5,603</b></u>	<u><b>\$ 1,872</b></u>	<u><b>33.4%</b></u>

As can be seen from the table above, net position increased by \$1.87 million from Fiscal Year 2015 to 2016. This increase is the result of the following:

- Current Unrestricted Assets increased by \$8.8 million due to a repayment of amounts owed in the Turf Removal Program and \$1.2 million more was received in accelerated water payments this year compared to last fiscal year in June.
- Capital Assets increased by \$0.3 million due to building improvements.
- Liabilities Payable from Unrestricted Current Assets increased \$7.5 million mainly due to the upfront costs MWDOC pays for the increased activity in the Turf Removal Program.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
JUNE 30, 2016**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

While the Statement of Net Position shows the financial position at year-end, the Statement of Revenues, Expenses, and Changes in Fund Net Position provides information as to the nature and source of these changes in Net Position. The District reported an increase in net position of \$1,872 thousand for the year ended June 30, 2016, as compared to an increase of \$1,161 thousand for the year ended June 30, 2015. The following is a summary of the change in the District's net position.

**Table 2  
Condensed Statements of Revenues,  
Expenses, and Changes in Net Position  
(In thousands of dollars)  
Year Ended June 30:**

	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>Variance</b></u>	<u><b>Total Percent Change</b></u>
Operating Revenues	\$ 154,568	\$ 196,165	\$ (41,597)	(21.2%)
Special Projects Revenue	28,674	14,260	14,414	101.1%
Non-operating Revenues	341	210	131	62.4%
<b>Total Revenues</b>	<u><b>183,583</b></u>	<u><b>210,635</b></u>	<u><b>(27,052)</b></u>	<u><b>(12.8%)</b></u>
Operating Expense	152,903	195,068	(42,165)	(21.6%)
Special Projects Expense	28,674	14,260	14,414	101.1%
Depreciation Expense	134	146	(12)	(8.2%)
<b>Total Expenses</b>	<u><b>181,711</b></u>	<u><b>209,474</b></u>	<u><b>(27,763)</b></u>	<u><b>(13.3%)</b></u>
<b>Change in Net Position</b>	<b>1,872</b>	<b>1,161</b>	<b>711</b>	<b>61.2%</b>
<b>Beginning Net Position</b>	<u><b>5,603</b></u>	<u><b>4,442</b></u>	<u><b>1,161</b></u>	<u><b>26.1%</b></u>
<b>Ending Net Position</b>	<u><b>\$ 7,475</b></u>	<u><b>\$ 5,603</b></u>	<u><b>\$ 1,872</b></u>	<u><b>33.4%</b></u>

The source of change in net position is due to the following:

- Operating Revenues are lower due to the State mandated water conservation efforts which reduced water sales.
- Operating Expense is lower due to reduced water sales and vacancies for three positions.
- Special Projects Revenue and Expenses increased primarily due to rebates issued for the Turf Removal Program.
- Non-operating Revenues have increased due to pension reimbursements.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
JUNE 30, 2016**

**CAPITAL ASSETS**

The following is a summary of the District's capital assets at June 30, 2016 and June 30, 2015.

**Table 3  
Capital Assets  
(In thousands of dollars)  
June 30:**

	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>Total Percent Change</u>
Leasehold Improvements	\$ 3,415	\$ 3,027	\$ 388	12.8%
Furniture & Fixtures	448	437	11	2.5%
<b>Subtotal</b>	<b>3,863</b>	<b>3,464</b>	<b>399</b>	<b>11.5%</b>
<b>Less Accumulated Depreciation</b>	<b>(2,653)</b>	<b>(2,535)</b>	<b>(118)</b>	<b>4.7%</b>
<b>Net Capital Assets</b>	<b>\$ 1,210</b>	<b>\$ 929</b>	<b>\$ 281</b>	<b>30.2%</b>

The District purchased a color copier, remodeled our entry way and bathrooms, and contributed to the remodel of the common area shared with Orange County Water District. Additional information regarding capital assets can be found in Notes 1 and 4 of the notes to financial statements.

**DEBT ADMINISTRATION**

The District had no debt outstanding as of June 30, 2016. No new long-term debt was incurred in the year ended June 30, 2016, and the District does not plan to issue new debt in the year ending June 30, 2017.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
JUNE 30, 2016**

**BUDGETARY HIGHLIGHTS**

The District is governed by a Board of Directors consisting of seven elected members. The Board adopts an annual appropriated budget prior to the start of the fiscal year. The Budget may be revised by Board action during the fiscal year. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board approval. The General Manager is authorized to transfer budget amounts within programs. The legal level of budgetary control is at the total fund level. An actual vs. budget comparison statement for FY 2015-16 is presented in Table 4 to demonstrate compliance with the adopted budget.

**Table 4  
FY 2016 Actual vs. FY 2016 Budget  
(In thousands of dollars)  
Year Ended June 30, 2016:**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Total Percent Change</u>
<b>Revenues:</b>				
From Operations	\$ 183,242	\$ 188,273	\$ (5,031)	(2.7%)
Non-Operating Revenues	341	124	217	175.0%
<b>Total Revenues</b>	<b>183,583</b>	<b>188,397</b>	<b>(4,814)</b>	<b>(2.6%)</b>
<b>Expenses:</b>				
From Operations				
Cost of Water	146,211	157,044	10,833	6.9%
Other Operating	35,366	31,280	(4,086)	(13.1%)
Depreciation	134	135	1	0.7%
<b>Total Expenses</b>	<b>181,711</b>	<b>188,459</b>	<b>6,748</b>	<b>3.6%</b>
<b>Change In Net Position</b>	<b>\$ 1,872</b>	<b>\$ (62)</b>	<b>\$ 1,934</b>	<b>(3,119.4%)</b>

The variances on the budget to actual are as follows:

- Revenues from Operations were \$5 million lower than budget due to water sales being lower which was offset by the increase in the Turf Removal Program.
- Non-Operating Revenues are higher than budgeted by \$217 thousand due to benefits reimbursed and the State of California reimbursement for the Brown Act State Mandated Costs from 1997 – 2002.
- Expenses from Cost of Water purchased were \$10.8 million lower than budget due to conservation efforts mandated by the State which decreased water purchases from Metropolitan.
- Expenses from Other Operating were \$4 million higher mainly due to the Turf Removal Program.



**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
JUNE 30, 2016**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's Board of Directors and management considered many factors during preparation and approval of the annual budget for FY 2016-17. The budgeted operating expenses total \$149.3 million and operating and non-operating revenues total \$148.7 million.

Historically, the District has recouped the cost of water purchased from the resale of imported water to the District's 28 water agencies located in Orange County. In addition MWDOC has charged both a per acre-foot surcharge and a per retail meter charge to cover its operating budget. In past history, the District's operating revenue has been approximately 65% from per retail connection charges, and 35% from per acre-foot charges. Beginning in 2011-12, MWDOC began transitioning from the two-component rate structure to one involving only a single component. Over a five year period, ending in 2015-16, MWDOC had been transitioning from a water rate structure involving a per acre-foot charge and a fixed per retail meter charge to a 100% on the per retail meter charge. Beginning FY 2016-17 MWDOC has established two classes of customers, a retail meter and a groundwater customer. Our budget is now allocated between our retail meter customer and groundwater customer. In addition MWDOC's agencies will also pay for the resale cost of imported water.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is intended to provide the Board of Directors, customers, taxpayers, creditors, and other interested parties with a general overview of the District's financial operations and condition at the year ended June 30, 2016, and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional information, you may contact the Municipal Water District of Orange County, Finance Dept., at 18700 Ward Street, Fountain Valley, California 92708, (714) 963-3058, [www.mwdoc.com](http://www.mwdoc.com).

# Basic Financial Statements

Statement of Net Position  
Statement of Revenues, Expenses and Changes in Net Position  
Statement of Cash Flows

**Municipal Water District of Orange County**  
Statement of Net Position  
June 30, 2016  
(with comparative data as of June 30, 2015)

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
<b>Restricted Assets:</b>		
Cash and Cash Equivalents (Note 2)	\$ 2,949,837	\$ 2,474,168
Accounts Receivable Other (Note 6)	1,830,906	1,400,372
Accrued Interest Receivable	1,887	995
Total Restricted Assets	<u>4,782,630</u>	<u>3,875,535</u>
<b>Unrestricted Assets:</b>		
Cash and Cash Equivalents (Note 2)	5,169,438	165,596
Investments (Note 2)	3,144,608	3,115,157
Accounts Receivable:		
Water Sales	31,613,865	26,409,818
Other	4,159,609	5,622,854
Accrued Interest Receivable	36,428	30,658
Deposits and Prepaid Expenses	139,782	156,401
Total Unrestricted Assets	<u>44,263,730</u>	<u>35,500,484</u>
Total Current Assets	<u>49,046,360</u>	<u>39,376,019</u>
<b>Noncurrent Assets:</b>		
<b>Unrestricted Assets:</b>		
Capital Assets, Net (Note 4)	1,209,464	929,243
Net Other Post Employment Benefits (OPEB) Asset (Note 8)	<u>117,085</u>	<u>92,806</u>
Total Noncurrent Assets	<u>1,326,549</u>	<u>1,022,049</u>
<b>TOTAL ASSETS</b>	<u>50,372,909</u>	<u>40,398,068</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred amount related to pensions (Note 10)	453,547	355,780
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>453,547</u>	<u>355,780</u>

See accompanying notes to basic financial statements.

**Municipal Water District of Orange County**  
Statement of Net Position (Continued)  
June 30, 2016  
(with comparative data as of June 30, 2015)

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities:</b>		
<b>Payable from Restricted Assets</b>		
Accrued Liabilities	\$ 1,637,376	\$ 519,213
Advances from Participants	1,967,473	1,123,166
Unearned Revenue (Note 6)	109,305	1,179,095
Due to Participants (Note 5)	4,823	4,746
Total Payable from Restricted Assets	<u>3,718,977</u>	<u>2,826,220</u>
<b>Unrestricted Liabilities:</b>		
Accounts Payable, Metropolitan Water District of Southern California	35,825,894	29,320,297
Accrued Liabilities	<u>2,109,579</u>	<u>1,109,940</u>
Total Unrestricted Liabilities	<u>37,935,473</u>	<u>30,430,237</u>
Total Current Liabilities	<u>41,654,450</u>	<u>33,256,457</u>
<b>Noncurrent Liabilities:</b>		
<b>Unrestricted Liabilities:</b>		
Net Pension Liability (Note 10)	<u>1,376,955</u>	<u>1,360,017</u>
Total Noncurrent Liabilities	<u>1,376,955</u>	<u>1,360,017</u>
<b>TOTAL LIABILITIES</b>	<u>43,031,405</u>	<u>34,616,474</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred amount related to pensions (Note 10)	<u>319,906</u>	<u>534,451</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>319,906</u>	<u>534,451</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	1,209,464	929,243
Restricted for Trustee Activities	1,063,653	1,049,315
Unrestricted	<u>5,202,028</u>	<u>3,624,365</u>
<b>TOTAL NET POSITION</b>	<u>\$ 7,475,145</u>	<u>\$ 5,602,923</u>

See accompanying notes to basic financial statements.

**Municipal Water District of Orange County**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2016  
(with comparative data as of June 30, 2015)

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Operating Revenues:</b>		
Water Sales	\$ 154,567,913	\$ 196,165,166
Special Projects Revenue	26,801,114	13,678,299
Federal Grant Revenue	556,037	325,874
State Grant Revenue	1,317,104	255,956
Total Operating Revenues	<u>183,242,168</u>	<u>210,425,295</u>
<b>Operating Expenses:</b>		
Cost of Water Sold	146,210,635	188,196,586
Salaries and Employee Benefits	3,861,895	4,092,711
General and Administrative	2,830,610	2,778,997
Special Project Expenses (Note 6)	28,674,255	14,260,129
Depreciation	133,911	145,718
Total Operating Expenses	<u>181,711,306</u>	<u>209,474,141</u>
Operating Income	<u>1,530,862</u>	<u>951,154</u>
<b>Nonoperating Revenues:</b>		
Investment Income	179,964	77,496
Other Income	161,396	132,553
Total Non-Operating Revenues	<u>341,360</u>	<u>210,049</u>
<b>Change in Net Position</b>	<u>1,872,222</u>	<u>1,161,203</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>5,602,923</u>	<u>4,441,720</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 7,475,145</u></u>	<u><u>\$ 5,602,923</u></u>

See accompanying notes to basic financial statements.

**Municipal Water District of Orange County**  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2016  
(with comparative data as of June 30, 2015)

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from member agencies-water deliveries	\$ 149,363,866	\$ 202,907,791
Cash payments to Metropolitan Water District of Southern California	(139,705,039)	(195,299,781)
Cash payments for salaries and employee benefits	(4,181,548)	(4,153,774)
Cash payments for general and administrative expenses	(351,108)	(7,961,175)
Cash received from special projects	28,292,093	15,142,107
Cash payments for special projects	(27,829,947)	(14,325,983)
Cash received for other income	161,396	132,553
	<hr/>	<hr/>
Net Cash (used) provided by Operating Activities	5,749,714	(3,558,262)
	<hr/>	<hr/>
<b>Cash Flows from Noncapital and Related Financing Activities:</b>		
Payments to RPOI participants (Note 5)	77	81
	<hr/>	<hr/>
Net Cash provided by Noncapital and Related Financing Activities	77	81
	<hr/>	<hr/>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(414,132)	(11,836)
	<hr/>	<hr/>
Net Cash used by Capital and Related Financing Activities	(414,132)	(11,836)
	<hr/>	<hr/>
<b>Cash Flows from Investment Activities:</b>		
Investment income	179,964	66,758
Investments purchased	(36,112)	(944,721)
	<hr/>	<hr/>
Net Cash provided (used) by Investment Activities	143,852	(877,963)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	5,479,511	(4,447,980)
Cash and cash equivalents at beginning of year	2,639,764	7,087,744
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Year	\$ 8,119,275	\$ 2,639,764
	<hr/>	<hr/>
<b>Financial Statement Presentation:</b>		
Cash and Cash Equivalents (Restricted)	\$ 2,949,837	\$ 2,474,168
Cash and Cash Equivalents (Unrestricted)	5,169,438	165,596
	<hr/>	<hr/>
Totals	\$ 8,119,275	\$ 2,639,764
	<hr/>	<hr/>

See accompanying notes to basic financial statements.

**Municipal Water District of Orange County**  
Statement of Cash Flows (Continued)  
For the Fiscal Year Ended June 30, 2016  
(with comparative data as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of Operating Income to Net Cash (Used)/Provided for Operating Activities</b>		
Operating Income	\$ 1,530,862	\$ 951,154
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:		
Depreciation	133,911	145,718
Pension Expense	(74,857)	240,306
Other income	161,396	132,553
Change in Assets and Liabilities:		
(Increase)/Decrease in accounts receivable - water deliveries	(5,204,047)	6,742,625
Decrease in accounts receivable - other	1,463,245	2,345,116
(Increase)/Decrease in deposits and prepaid expenses	16,619	(81,871)
(Increase) in OPEB asset	(24,279)	(55,765)
(Increase) in accounts receivable - special projects	(430,534)	(175,027)
(Increase) in deferred outflows related to contributions subsequent to the measurement date	(220,517)	(288,065)
Increase in accrued and other liabilities	999,639	409,744
(Decrease) portion of accrued liabilities for special item	-	(7,812,706)
Increase/(Decrease) in restricted accrued liabilities	1,118,163	(122,090)
Increase/(Decrease) in advances from participants	844,307	(65,854)
Increase/(Decrease) in unearned revenue for special projects	(1,069,790)	1,179,095
Increase/(Decrease) in accounts payable to Metropolitan Water District of Southern California	6,505,597	(7,103,195)
Total Adjustments	4,218,852	(4,509,416)
Net Cash Provided by Operating Activities	\$ 5,749,714	\$ (3,558,262)

See accompanying notes to basic financial statements.

# Notes to Financial Statements



## **Municipal Water District of Orange County**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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### **(1) Organization and Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Municipal Water District of Orange County (the District) was formed as a municipal water district on January 11, 1951 under the Municipal Water District Act of 1911. The District is a wholesale water supplier and resource planning agency that serves all of Orange County through 28 cities and water agencies (except the Cities of Anaheim, Fullerton, and Santa Ana which are independent member agencies of the Metropolitan Water District of Southern California ("Metropolitan"). As a public agency member of the Metropolitan, the District purchases imported water from Metropolitan and provides the water to the District's 28 member agencies, which provide retail water services to approximately 2.3 million residents with the District's service area of approximately 600 square miles. The District's primary sources of water from Metropolitan are the California State Water Project (SWP) and the Colorado River Aqueduct.

The District is an independent special district of the State of California governed by an elected seven-member board. On January 2001, the District merged with the Coastal Municipal Water District (Coastal) under the recommendation of the Local Agency Formation Commission of Orange County (LAFCO) as part of an effort to streamline local government. The consolidation of the two agencies allows the new district to more efficiently provide wholesale water services at an improved efficiency for the benefit of residents living throughout the service area.

The District's reporting entity includes the accounts of the District and the Municipal Water District of Orange County Water Facilities Corporation (WFC). Formed as a separate California nonprofit corporation on April 20, 1978 to assist in the financing of the Allen-McColloch Pipeline (AMP) and the Flow Augmentation Project (FAP), the WFC has no employees (see Note 5). The WFC is governed by a seven-member board comprised of the District's board members. The WFC had no activity or balances for the year ended June 30, 2016 and is kept active for potential future financing arrangements. WFC is a blended component unit of the District and the District has operational responsibility for WFC.

#### **Basic Financial Statements**

The District's basic financial statements consist of the Statement of Net Position the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Basic Financial Statements.

#### **Basis of Presentation**

The District accounts for its activities as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

## **Municipal Water District of Orange County**

### **Notes to Basic Financial Statements**

For the Year Ended June 30, 2016

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The District's basic financial statements have been prepared on the accrual basis of accounting, and are presented on an economic measurement focus reporting all economic resources and obligations for the period ended June 30, 2016.

#### **Net Position**

In the Statement of Net Position, net position is classified in the following categories:

- Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets as applicable.
- Restricted net position – This amount consists of restricted assets reduced by liabilities. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Or a resource subject to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This amount is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

#### **Operating and Non-Operating Revenues and Expenses**

The District's primary purpose is to provide a dependable wholesale supply of imported water for its 28 member agencies. Accordingly, operating revenues such as water sales, result from exchange transactions associated with the principal activity of the District, which is the purchase and resale of imported water to the District's member agencies.

Revenues from federal and state grants, reimbursements from participants and special projects (see Note 6), as well as special projects expenses are defined as operating revenues and expenses, respectively. Non-operating revenues consist of investment income and other miscellaneous income.

#### **Water Sales and Cost of Water Sold**

Historically, the District's primary source of revenue has been from the resale of imported water to the District's 28 member agencies located in Orange County. Based on Metropolitan's cost of water, each year Metropolitan's Board of Directors approves water rates comprised of a per retail connection charge, readiness to serve charge and a per acre-foot charge. Metropolitan's rates are based on cost of service studies performed on a biennial basis. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Revenue from sales of water is recognized on the accrual basis as water is delivered.

## **Municipal Water District of Orange County**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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Over the years, the District's revenue has been approximately 65% from a per retail connection charges, and 35% from per acre-foot charges. In June 2010, MWDOC and its member agencies came to an agreement on changes to MWDOC's structure of charging for its services. First, MWDOC agreed to segregate our services between "Core" services and "Choice" services to give our agencies more "choices" to the services received. It was also agreed that, in addition to the cost of water and other charges from Metropolitan, MWDOC would transition its method of charging for "Core" services in the following manner. Commencing in fiscal year 2011 -12, MWDOC began transitioning to a 100% fixed charge. In the first year of this process, 80% of MWDOC's water rate charges for its operating budget would be fixed, and 20% would be based on water sales charges. Each year for the subsequent four years, MWDOC would increase the amount on fixed charges by 5%, reaching 100% in fiscal year 2015-16. Choice services would be charged directly to the agencies as a "fee for service" on a subscription basis. The settlement agreement that established this fixed charge basis for the operating budget expired at the end of fiscal year 2015-16. The member agencies also pay for the resale of imported water in addition to the other charges noted.

### **Investments**

#### **Fair Value Measurement**

As of July 1, 2015, the District retrospectively 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.

The District's investment policy and delegation of investment authority, is reviewed and approved each year by the Board of Directors. The investment policy authorizes the Treasurer to invest, reinvest, sell or exchange permitted fixed income securities in accordance with the California Government Code. Investment income from restricted assets remains restricted.

### **Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash and short-term, highly liquid investments (i.e., Local Agency Investment Fund and Orange County Investment Pool) which are readily convertible to cash and mature within ninety (90) days of original purchase.

### **Accounts Receivable**

The District extends credit to customers in the normal course of operations. Management believes all accounts receivable are collectible. In the event any accounts receivable are determined they are uncollectible, an allowance is recorded.

## **Municipal Water District of Orange County**

### **Notes to Basic Financial Statements**

For the Year Ended June 30, 2016

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#### **Capital Assets**

Capital Assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and useful life greater than one (1) year. Upon retirement, sale or other disposition of capital assets, the cost and related accumulated depreciation are removed from respective accounts and any gains or losses are recognized. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which range from 3 to 5 years for furniture, fixtures, and equipment, and up to 30 years for leasehold improvements.

#### **Deposits and Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as Deposits and Prepaid items in the basic financial statements.

#### **Deferred Outflows and Inflows of Resources**

The District reported deferred outflows and inflows of resources related to pensions. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the District that is applicable to a future period. Refer to Note 10 for items identified as deferred inflows and outflows as of June 30, 2016.

#### **Compensated Absences**

As vacation leave is a vested employee benefit, the District is obligated to compensate employees for all earned but unused vacation days. Employee vacation days are accrued each pay period and reported as accrued liabilities. Depending on the length of employment, employees earn a minimum of 10 to a maximum of 21 vacation days per year. Accumulated vacation days may not exceed 2 times the number of days earned per year without prior approval of the General Manager. Sick leave time is a non-vested employee benefit (i.e. accumulated sick leave is not payable in the event of employee termination), is considered a contingent liability and is not reflected in the accompanying financial statements.

#### **Unearned Revenue**

Unearned revenue represents grant revenues received in advance of the recognition of the related expense. Refer to Note 6 for items identified as of June 30, 2016.

#### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Water District of Orange County's (District) California Public Employees Retirement System (CalPERS) plans and additions to and deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Municipal Water District of Orange County

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that could affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Also, the preparation of the financial statements inherently requires rounding of amounts and estimates. Management believes that any differences due to rounding are not material.

#### New Accounting and Reporting Requirements

For the fiscal year beginning July 1, 2015 the District was required to apply the following GASB Statements:

GASB Statement No. 72 – On March 2, 2015, GASB released Statement No. 72 - *Fair Value Measurement and Application*, which would generally require state and local governments to measure investments at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. The requirements are effective for financial statements for periods beginning after June 15, 2015, with early application encouraged. The District implemented this pronouncement effective July 1, 2015.

GASB Statement No. 76 – In June 2015, GASB released 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 No. 55. The Statement is effective for fiscal years beginning after June 15, 2015. The District implemented this pronouncement effective July 1, 2015.

#### Effective in Future Years

GASB Statement No. 73 - In June, 2015, GASB released Statement 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* – effective for fiscal years beginning after June 15, 2016, except for certain provisions applicable beginning after June 15, 2015. For the provisions effective June 30, 2016, there was no material impact to the District. For the provisions effective subsequent to fiscal year 2015-16, the District has not yet determined the effect on the financial statements.

GASB Statement No. 74 - In June, 2015, GASB released Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – effective for fiscal years beginning after June 15, 2016. This statement applies to OPEB plans and parallels GASB Statement 67 and replaces GASB Statement 43. The District has not yet determined the effect on the financial statements.

GASB Statement No. 75 - In June, 2015, GASB released Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – effective for fiscal years beginning after June 15, 2017. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The District has not yet determined the effect on the financial statements.

## Municipal Water District of Orange County

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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GASB Statement No. 77 – In August 2015, GASB released Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for fiscal years beginning after December 15, 2015. The District has not yet determined the effect on the financial statements.

GASB Statement No. 79 – In December 2015, GASB released Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. For the provisions effective June 30, 2016, there was no material impact to the District. For the provisions effective subsequent to fiscal year 2015-16, the District has not yet determined the effect on the financial statements.

GASB Statement No. 80 – In January 2016, GASB released Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The District has not yet determined the effect on the financial statements.

GASB Statement No. 81 – In March 2016, GASB released Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016. The District has not yet determined the effect on the financial statements.

GASB Statement No. 82 – In March 2016, GASB released Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this 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, 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 requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The District has not yet determined the effect on the financial statements.

## Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### (2) Cash and Investments

Cash and investments at June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents (restricted)	\$ 2,949,837
Cash and cash equivalents (unrestricted)	5,169,438
Investments (unrestricted)	3,144,608
Total Cash and Investments	<u>\$ 11,263,883</u>

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	386,427
Investments	10,876,956
Total Deposits and Investments	<u>\$ 11,263,883</u>

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. The District's investment policy allows for funds to be divided into two categories, and the policies vary with the nature of the fund. The Operating and Fiduciary Funds authorized investments are below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored Entities Securities	5 years	None	None
Corporate Securities	5 years	30%	None
Commercial Paper	270 days	20%	10%
Negotiable Certificates of Deposit	None	20%	None
Bankers' Acceptances	None	20%	20%
Repurchase Agreements	None	10%	None
Money Market Mutual Funds	N/A	20%	10%
County Investment Pool	N/A	None	None
State Investment Pool	N/A	None	None

The Reserve Funds follow the same authorized investments above, except for Corporate Securities may not exceed 20% of the total Reserve Fund portfolio.

## Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

As of June 30, 2016, the District held negotiable certificates of deposit in the amount of \$2,382,666, which includes \$1,259,533 within the Operating and Fiduciary Funds, and \$1,123,134 within the Reserve Funds. This represents 19.16% of Operating and Fiduciary Funds, and 23.95% of Reserve Funds, which exceeds the 20% limit above, but is within the limit for negotiable certificates of deposit allowable by California Government Code. The District plans to clarify its policy to reflect percentage limits within the Reserve Funds in line with California Government Code, pending Board approval.

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-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 as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type		Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25-60 Months
Negotiable Certificate of Deposits*	\$ 2,382,666	\$ 100,264	\$ 753,840	\$ 1,528,562
Corporate Securities*	764,160	-	-	764,160
Orange County Investment Pool*	7,572,469	7,572,469	-	-
State Investment Pool	157,661	157,661	-	-
	<u>\$ 10,876,956</u>	<u>\$ 7,830,394</u>	<u>\$ 753,840</u>	<u>\$ 2,292,722</u>

\*Reserve Funds as of June 30, 2016 include \$1,123,134 of Negotiable Certificate of Deposit, \$764,160 of Corporate Securities, and \$2,803,179 of Orange County Investment Pool investments.

### 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. Presented below is the minimum rating required by (where applicable) the California Government Code or District's investment policy, or debt agreements, and the actual rating by Standard and Poor's (S&P) as of the year end of each investment type. The District purchases all investments at the minimum rating but some investments' ratings may downgrade during its life but it is the District's policy to hold investments until their maturity.

Investment Type		Minimum Legal Rating	Ratings as of Year End			
			AAAm	A	A-	Not Rated
Negotiable Certificate of Deposits	\$ 2,382,666	N/A	\$ -	\$ -	\$ -	\$ 2,382,666
Corporate Securities	764,160	A	-	257,285	506,875	-
Orange County Investment Pool	7,572,469	N/A	7,572,469	-	-	-
State Investment Pool	157,661	N/A	-	-	-	157,661
	<u>\$ 10,876,956</u>		<u>\$ 7,572,469</u>	<u>\$ 257,285</u>	<u>\$ 506,875</u>	<u>\$ 2,540,327</u>

\*\* Investments conformed to District's investment Policy at time of acquisition



## Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### Disclosures Relating to Fair Value Measurement and Application

Fair value measurements are categorized based on the valuation inputs used to measure 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. Investments categorized as Level 2 are valued using market approach using quoted market prices.

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

Investment Type		Fair Value Application			
		1	2	3	Uncategorized
Negotiable Certificate of Deposits	\$ 2,382,666	\$ -	\$ 2,382,666	\$ -	\$ -
Corporate Securities	764,160	-	764,160	-	-
Orange County Investment Pool	7,572,469	-	-	-	7,572,469
State Investment Pool	157,661	-	-	-	157,661
	<u>\$ 10,876,956</u>	<u>\$ -</u>	<u>\$ 3,146,826</u>	<u>\$ -</u>	<u>\$ 7,730,130</u>

Investments in LAIF and OCIP are uncategorized as deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy, these investments are uncategorized.

### Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2016 the District did not have investments in more than one issuer (other than U.S. Treasury securities, mutual funds, external investment pools) that represented 5% or more of total District investments.

### 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 do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution 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). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. The Government Code also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016 the District's deposits with financial institutions are covered by FDIC up to \$250,000 the remaining amounts of \$1,955,289 were collateralized as described above.

## Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### Investment in State and County Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California, and in the Orange County Investment Pool (OCIP) under the oversight of the Orange County Treasurer. The fair market value of the District's investment in these pools are reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair market value provided by LAIF and OCIP for the entire LAIF and OCIP portfolios (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCIP, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provides oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office.

The Agency is a participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool, and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

### (3) Restricted Assets

Restricted assets are monies held in restricted funds or accounts by the District for the benefit of member agencies, including a rate stabilization fund. As of June 30, 2016, \$4,782,630 was reported as restricted assets related to trustee and member agency activities.

### (4) Capital Assets

The following is a summary of capital assets at June 30, 2016 with changes therein:

	2015	Additions	Deletions	2016
Furniture,Fixtures and Equipment	\$ 436,911	\$ 25,521	\$ (14,712)	\$ 447,720
Leasehold Improvements	3,026,973	388,611	(525)	3,415,059
	<u>3,463,884</u>	<u>414,132</u>	<u>(15,237)</u>	<u>3,862,779</u>
Less accumulated depreciation	(2,534,641)	(133,911)	15,237	(2,653,315)
Net Capital Assets	<u>\$ 929,243</u>	<u>\$ 280,221</u>	<u>\$ -</u>	<u>\$ 1,209,464</u>

### (5) Due to Participants/Trustee Activities

Since 1978, the District has acted as trustee for certain member agencies in the financing, construction and operation of a water pipeline system and related facilities necessary to improve water quality and provide capacity to accommodate new development in the southeastern portion of the District's service area. The original 1979 pipeline project consisted of the construction of a 26-mile pipeline, which was augmented in 1989 with the construction of a 3-mile parallel pipeline and flow control facility. Together these projects, known as the Allen-McColloch Pipeline (AMP) and the Flow Augmentation Project (FAP), were funded through tax-exempt bonds originally issued by WFC and cash participation by some participating agencies.

## **Municipal Water District of Orange County**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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In 1995, Metropolitan acquired the AMP and FAP pipelines and related facilities. At the same time, all participating agencies agreed upon a Revised Percentage of Investment (RPOI) formula for sharing of revenue from Metropolitan and other participants for capacity swaps until the final payment of all outstanding debt or liabilities in 2016, or sooner.

As trustee, the District records current year transactions to receive payments from the financing member agencies, and to make payments to member agencies which paid cash. For the year ended June 30, 2016, the District received the final payment of \$4,823 from certain AMP member agencies, and disbursed \$4,746 by the RPOI formula. As of June 30, 2016, the balance of \$4,823 included in "Due to Participants" is to be disbursed to the AMP member agencies in the first quarter of the following fiscal year.

### **(6) Special Projects Revenue and Expenses, Receivables, and Unearned Revenue**

The District receives revenues from member agencies, as well as grants from federal and state agencies, to the benefit of the District's ratepayers for a variety of programs and projects, including water conservation education, water use efficiency, and desalinization feasibility studies. As stipulated in executed grant agreements, the District is reimbursed by the granting agency for eligible grant project expenses which are first incurred by the District. For eligible District-incurred grant expenses not reimbursed by the end of the District's fiscal year, the District accrues revenue for unreimbursed grant funds due the District. As of June 30 2016, the District accrued \$1,514,690 of grants receivable (part of Restricted Accounts Receivable Other). The District recognized \$28,674,255 in contributions from Metropolitan and member agencies, federal and state grant revenue, and corresponding expenses, for the year ended June 30, 2016.

As of June 30, 2016, the District reported \$109,305 of Unearned Revenue, related to Grant and Special Projects Revenue received during year, but not yet spent.

### **(7) District Retirement Plan – Defined Contribution Plan**

On January 1, 1997, the Districts' Board of Directors adopted a defined contribution, private Money Purchase Pension Plan (Plan). Employee contributions were made to the Plan until the District joined the California Public Employees Retirement System (CalPERS). Effective, March 1, 2003, District employees became members of CalPERS and employee contributions to the Plan were frozen. Effective January 2014 and approved December 2014, Resolution No.1999 amends the District's Money Purchase Pension Plan and implementation of provision of Internal Revenue Code section 414(h)(2) to tax defer employee retirement contributions. The amendment permits the funding of both employer and employee "excess compensation" contributions on behalf of the General Manager.

## Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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Currently, Board members participate in the 401A Plan. This plan was amended as of January 1, 2015 due to a possible issue with conflicting State and Federal requirements regarding the District making contributions to the Director's retirement plans and whether these contributions would be considered compensation to the Directors subject to State Government Code limits. The District stopped making contributions and the Directors contribute their own 7.5% to their plan. The Directors committed to refund all contributions previously made by the District with interest of which, all current MWDOC Directors have refunded the payments to MWDOC. Participants become vested in the District's Plan 20% per year of service until they become fully vested after five (5) years of service. A summary of this plan's contribution and District payroll information follows:

### July 1, 2015 to June 30, 2016

Participants' contributions	\$ 22,866
Participants' contributions as a percent of covered payroll	7.5%

## **(8) Retiree Medical Plan – Other-Post-Employment Benefits**

### **(a) Plan Description:**

Effective October 1, 2011, the District established a single employer Post-Retirement Healthcare Plan (Plan), and has contributed to a Section 115 Irrevocable Exclusive Benefit Trust for the pre-funding of post-employment health care costs. Currently, the District provides health insurance for its retired employees and their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board resolutions. Medical coverage is provided for retired employees who are age 55 or over and who have a minimum of 10 consecutive years of full-time service with the District. The District pays 100% of the premium for the lowest cost single retiree plan plus 90% of the difference to the plan actually selected. Plus 80% of the combined retiree and spouse's medical premium until age 65. If a retiree in receipt of these benefits dies before reaching age 65, the surviving spouse will continue to receive coverage that the retiree would have been entitled to until age 65 only. When a retiree reaches age 65 and/or is eligible for Medicare, the District reimburses the retiree up to \$1,800 per calendar year for the cost of Supplemental Medical Insurance and Medicare Prescription Drug (Part D) Insurance for the lifetime of the retiree only. Retirees who complete at least 25 consecutive years of full-time service receive District-paid dental and vision benefits along with the above-mentioned medical coverage and post-age 65 coverage includes Medicare Part B premium reimbursements until the time of the retiree and spouse's death. Employees hired on or after July 1, 2012 are ineligible for District-paid retiree health benefits.

Plan benefits and contribution requirements of Plan members and the District are established, and may be amended, by the District's Board of Directors.

The following parties are responsible for administration of the Plan:

- Public Agency Retirement Services (PARS) serves as Trust Administrator and Consultant,
- US Bank serves as Trustee, and
- HighMark Capital Management serves as Investment Manager.

PARS issues monthly account reports to the District and HighMark publishes quarterly performance reports.

## Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### (b) Funding Policy:

The contribution requirements of Plan members and the District are established, and may be amended, by the District's Board of Directors. Currently, contributions are not required from Plan members. The District is currently funding the OPEB obligation on a pre-funding basis. For the year ended 2016, the District made a total contribution of \$155,570 of which, \$48,237 were actual health care costs for its retirees and their covered dependents.

### (c) Annual OPEB Cost and Net OPEB Obligation:

The District's annual OPEB cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The most recent GASB 45 actuarial valuation is dated July 1, 2014. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the Plan over a period not-to-exceed 30 years. The remaining unfunded actuarially accrued liability is being amortized over 30 year level dollar, open period, using the projected unit credit cost method. The plan is assumed to be closed to new entrants.

The following table shows the components of the District's annual OPEB costs for FY 2015-16, the amount actually contributed to the Plan and changes in the District's net OPEB Asset.

Annual Required Contributions (ARC)	\$ 130,117
Interest on Net OPEB Obligation (Asset)	(5,568)
Adjustment to ARC	6,742
Annual OPEB Cost	<u>131,291</u>
Contribution made	<u>(155,570)</u>
(Increase)/Decrease in Net OPEB Obligation (Asset)	(24,279)
Net OPEB (Asset) at June 30, 2015	<u>(92,806)</u>
Net OPEB (Asset) at June 30, 2016	<u><u>\$ (117,085)</u></u>

### (d) Three-Year Trend Information:

For fiscal year 2016, the District's annual OPEB cost (expense) of \$131,291 was equal to the ARC including adjustments. Information on the annual OPEB cost, Percentage of Annual OPEB Cost Contributed, and Net OPEB Obligation (Asset) are presented below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$ 204,985	\$ 273,982	133.66%	\$ (37,041)
6/30/2015	130,586	186,351	142.70%	(92,806)
6/30/2016	131,291	155,570	118.49%	(117,085)

## **Municipal Water District of Orange County**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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### **(e) Funded Status and Funding Progress:**

As of July 1, 2014, the most recent actuarial valuation date, the plan was 64.14% percent funded. The actuarial accrued liability for benefits was \$1,740,686, and the actuarial value of assets was \$1,116,390, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$624,296. The covered payroll (annual payroll of active employees covered by the plan) was \$2,673,190 and the ratio of the UAAL to the covered payroll was 23.35%.

Actuarial valuations of an on-going 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 trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the District 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, presented as required supplementary information following the notes to the 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 benefits.

### **(f) Actuarial Methods and Assumptions:**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at 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 value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation report, the projected unit credit cost method was used. The actuarial assumptions included a 6.00% investment rate of return (net of administrative expenses), a trend rate for the fiscal year beginning 2014 of 5.00% to 8.00% for healthcare costs, and 4.00% for dental and vision costs, and an inflation rate of 6.00%. The District's unfunded actuarial accrued liability in 2013 was to be accelerated to be fully funded within 10 years, however subsequent the year-end, the District approved full funding in fiscal year 2016-17.

## **(9) Risk Management**

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage for participating member agencies.

The Insurance Authority bills the District a deposit premium at the beginning of each year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are then charged to the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the amount of outstanding claims, the District is billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District.

## **Municipal Water District of Orange County**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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At June 30, 2016, the District participated in the Authority's insurance programs as follows:

**Property Loss** - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$150 million. The District has a \$1,000 deductible for buildings, personal property and fixed equipment.

**General, Auto and Public Officials Liability** - The Insurance Authority has pooled self-insurance up to \$2 million per occurrence, and has purchased excess insurance coverage up to \$60 million.

**Crime Policy/Fidelity Bond** - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$2 million. The District has a \$1,000 deductible.

The District pays annual premiums to the Insurance Authority for all coverages. There were no instances in the past three years when a settlement exceeded the District's coverage.

**Workers' Compensation** – This Plan is administered through Special District Risk Management Authority (SDRMA). The Insurance Authority is self-insured up to the statutory limit per occurrence. Employer's liability is insured up to a \$5 million limit per occurrence. SDRMA maintains a Self-Insured Retention that is periodically adjusted based on market conditions.

The District pays annual premiums for all coverages. There were no instances in the past three years when a settlement exceeded the District's coverage and the District did not file any claims against any of the policies.

### **(10) Cost-Sharing Defined Benefit Plan**

#### **(a) General Information about the Pension Plan**

**Plan Descriptions** – Effective March 1, 2013, all qualified permanent and probationary employees are eligible to participate in the District's employee pension plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The CalPERS Plan (Plan) consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Funds C (PERF C). Benefit provisions under the Plans are established and may be amended by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, membership information, and related financial information can be found on the CalPERS website at: <http://www.calpers.ca.gov>.

**Benefits Provided** – CalPERS provides 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.

# Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
Formula	2.0% @55	2.0% @62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of annual salary	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.250%
Required employer contribution rates	10.514%	6.237%
Pensionable Compensation Cap*	No Cap	\$136,440

\*Will increase to reflect changes in the Consumer Price Index

**Contributions** – Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

Contributions recognized by the pension plan from the employer for the year ended June 30, 2016 were \$220,517. The District also contributed 3% of the employee's contribution, or \$61,206, on behalf of employees during the year. The District is phasing out contributions paid on behalf of employees by 1% per year, until completely eliminated.

## (b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the District's reported net pension liabilities for its proportionate share of the net pension liability of the Plan is as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 1,376,955</u>



# Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

The District's net pension liability was measured as the proportionate share of the net pension liability of the collective cost-sharing plan. The District's net pension liability was measured as of June 30, 2015, and the total pension liability for the Plan was used to calculate the net pension liability determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard 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 plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2014	0.02186%
Proportion - June 30, 2015	<u>0.02006%</u>
Change - Increase (Decrease)	<u>-0.00180%</u>

At the year ended June 30, 2016, the District's recognized pension expense/(credit) of \$(74,857). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 220,517	\$ -
Differences between actual and expected experience	22,083	-
Changes in assumptions	-	208,927
Differences between District contributions and proportionate share of contributions (2014)	-	6,241
Differences between District contributions and proportionate share of contributions (2015)	210,947	-
Net difference between projected and actual earnings on pension plan investments	-	104,738
Total	<u>\$ 453,547</u>	<u>\$ 319,906</u>

The amount of \$220,517 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2017	\$ (21,043)
2018	(20,350)
2019	(19,298)
2020	(26,185)
	<u>\$ (86,876)</u>

## Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuation were determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age Service
Investment Rate of Return	7.5% <sup>(2)</sup>
Mortality	Derived using CalPERS' Membership Data for all funds

<sup>(2)</sup> Net of pension plan investment and administrative expenses; includes inflation.

The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. Further details of the Experience Study can be found on the CalPERS website at: <http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports.xml>

**Change of Assumption** – GASB 68 states that the long-term expected rate of return should be determined net of pension plan investment expense without a reduction for pension plan administrative expense. The discount rate was changed from 7.5% to 7.65% as of June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Municipal Water District of Orange County

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

In determining the long-term expected 7.65% rate of return on pension plan investments, CalPERS used a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. Using historical returns of all the funds' 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. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the 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 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 target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for the Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return Years 1-10	Long-term Expected Real Rate of Return Years 11 +
Global Equity	51%	5.25%	5.71%
Global Debt Securities	19%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	(0.55%)	(1.05%)
Total	100%		

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following 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 net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease (6.65%)	Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 2,248,308	\$ 1,376,955	\$ 660,362

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

### (11) Commitments and Contingencies

The District is involved in various litigation from time to time arising from the normal course of business. In the opinion of management and legal counsel, the District is not involved in any litigation that is expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

# Required Supplementary Information

(Unaudited)

**Municipal Water District of Orange County**  
Required Supplementary Information (Unaudited)  
For the Year Ended June 30, 2016

**Other Post-Employment Benefit Plan**  
**Schedule of Funding Progress**

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**Retiree Healthcare Plan**

Actuarial Valuation Date (1)	Actuarial Accrued Liability (a)	Actuarial Value of Plan Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a)-(b)	Funded Ratio ((b)/(a))	Annual Covered Payroll (C)	UAAL as a % of Payroll Percentage of Covered Payroll [(a)-(b)/(c)]
7/1/2008	\$ 1,428,095	\$ -	\$ 1,428,095	0.00%	\$ 2,707,871	52.74%
7/1/2011	1,610,754	-	1,610,754	0.00%	2,734,534	58.90%
7/1/2014	1,740,686	1,116,390	624,296	64.14%	2,673,190	23.35%

**Municipal Water District of Orange County**  
Required Supplementary Information (Unaudited)  
For the Year Ended June 30, 2016

**Cost Sharing Retirement Plan**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Last Ten Years\***

	<u>2016</u>		<u>2015</u>
Proportion of the net pension liability	0.02006%		0.02186%
Proportionate share of the net pension liability	\$ 1,376,955	\$	1,360,017
Covered - employee payroll	\$ 2,640,576	\$	2,601,571
Proportionate Share of the net pensions liability as a percentage of covered-employee payroll	52.15%		52.28%
Plan fiduciary net position as a percentage of the total pension liability	78.40%		79.82%

**Notes to Schedule:**

Changes in Assumptions - The discount rate changed from 7.5% as of the June 30, 2014 measurement date to 7.65% as of the June 30, 2015 measurement date.

\* Fiscal year 2015 was the first year of implementation, therefore only two years are shown

**Municipal Water District of Orange County**  
Required Supplementary Information (Unaudited)  
For the Year Ended June 30, 2016

**Cost Sharing Retirement Plan  
Schedule of Contributions  
Last Ten Years\***

	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 220,517	\$ 288,065
Contributions in relation to the actuarially determined contribution	<u>(220,517)</u>	<u>(288,065)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,848,942	\$ 2,640,576
Contributions as a percentage of covered-employee payroll	7.74%	10.91%

\* Fiscal year 2015 was the first year of implementation, therefore only two years are shown



**ACTION ITEM**  
November 16, 2016

**TO:** Board of Directors

**FROM:** **Administration & Finance Committee**  
(Directors Thomas, Barbre, Finnegan)

Robert J. Hunter, General Manager

**Staff Contacts:** Cathleen Harris, Administrative Services Manager

**SUBJECT: ADOPT RESOLUTION APPROVING AMENDMENT NO. 1 TO THE  
DISTRICT'S MONEY PURCHASE PENSION PLAN**

**STAFF RECOMMENDATION**

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It is recommended that the Board of Directors Adopt Resolution approving Amendment No. 1 to the District's Money Purchase Pension Plan, as presented.

**COMMITTEE RECOMMENDATION**

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Committee recommends (To be determined at Committee Meeting)

**DETAILED REPORT**

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At the October 19<sup>th</sup> Board Meeting, the MWD OC Board authorized a 4% salary increase to be paid in the form of deferred compensation to the extent possible under our programs and; the contribution be made by the District on behalf of the General Manager based on his performance.

Staff coordinated with Legal Counsel to develop the appropriate language to reflect the Board's action at the October Board Meeting. In addition, after reviewing Section 6.1 and 6.3 of the Pension Plan, it was determined that additional amendments would be

<b>Budgeted (Y/N): NA</b>	Budgeted amount: NA	Core X	Choice __
<b>Action item amount: NA</b>	Line item:		
<b>Fiscal Impact (explain if unbudgeted):</b>			



appropriate to allow for future contributions at the Board's discretion and to reflect current practice consistent with PERS, as follows:

- Revision to Section 6.1(a), amend the language to allow for flexibility in calculating the appropriate Employer Contribution amount made by the District on behalf of the General Manager under the California Public Employees' Pension Reform Act of 2013.
- Addition of Section 6.1(b), in accordance with the Board's action to make the contribution on behalf of the General Manager in an amount of 4%.
- Addition of Section 6.1 (c), to allow for future contributions by the Board on behalf of the General Manager. Proposed language is included in the amendment to allow the Board to authorize discretionary contributions, subject to limitations in accordance with the Plan and applicable laws.
- Revision to Section 6.3 (b), to reflect that the General Manager's Contribution (Employee Contribution) to CalPERS is consistent with the CalPERS required contribution amount and in accordance with the applicable statutes.

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION APPROVING AMENDMENT NO. 1 TO THE MUNICIPAL  
WATER DISTRICT OF ORANGE COUNTY MONEY PURCHASE  
PENSION PLAN**

**WHEREAS**, the Municipal Water District of Orange County (“District”) previously established a qualified retirement plan known as the Municipal Water District of Orange County Money Purchase Pension Plan (the “Pension Plan”) for the benefit of certain employees, and subsequently amended and restated the Pension Plan effective January 1, 2016; and

**WHEREAS**, it is necessary at this time to amend the Pension Plan for the purpose of providing for additional employer contributions to be made for Employer’s General Manager in accordance with his employment agreement; and

**WHEREAS**, it is further necessary to amend the Pension Plan to provide for flexibility in calculating the appropriate contribution date under the California Public Employees’ Pension Reform Act of 2013; and

**WHEREAS**, Best, Best & Krieger LLP (“BBK”) has prepared a Amendment No. 1 to the Pension Plan, effective October 19, 2016, for review by the Board of Directors.

**NOW, THEREFORE**, be it resolved, determined and ordered by the Board of Directors of the Municipal Water District of Orange County as follows:

- Section 1.** That the above recitals are true and correct.
- Section 2.** That the Board of Directors hereby approves Amendment No. 1 to the Pension Plan heretofore considered and discussed.
- Section 3.** That the District hereby authorizes General Manager, or his or her designee, to duly execute Amendment No. 1 on behalf of the District.

**APPROVED, SIGNED AND ADOPTED** on this \_\_\_\_\_ day of \_\_\_\_\_, 2016 by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

---

Maribeth Goldsby, District Secretary  
Municipal Water District of Orange County

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
MONEY PURCHASE PENSION PLAN**

**AMENDMENT NO. 1**

R E C I T A L S

A. Municipal Water District of Orange County (“Employer”), maintains the MUNICIPAL WATER DISTRICT OF ORANGE COUNTY MONEY PURCHASE PENSION PLAN (the “Plan”), amended and restated effective January 1, 2016, for the benefit of certain Employees and their Beneficiaries.

B. The Employer desires to amend the Plan for the purpose of providing for additional employer contributions to be made for Employer’s General Manager in accordance with his employment agreement.

C. Section 12.1 of the Plan provides that the Employer reserves the right to amend the Plan at any time.

A M E N D M E N T

NOW, THEREFORE, effective October 19, 2016, Employer hereby amends the Plan, as follows:

1. Section 6.1 is amended in its entirety to read as follows:

“6.1 Employer Contributions.

(a) Effective January 1, 2014, the Employer shall annually pay into the Trust, on behalf of the General Manager in accordance with the terms of a separate employment agreement between the General Manager and Employer, an amount equal to the amount that would otherwise be contributed by the Employer on behalf of the General Manager to the CalPERS but for the limit on pensionable compensation set forth in California Government Code Section 7522.10(c) and subject to any regulations or opinions issued by the CalPERS Board of Administration and/or California Attorney General’s Office.

(b) Effective October 19, 2016, the Employer shall make a contribution in the amount of a 4% salary increase on behalf of the General Manager in accordance with the terms of a separate employment agreement between the General Manager and Employer, in an amount equal to a percentage of Compensation below the pensionable compensation limit established by California Government Code Section 7522.10(c), but not to exceed \$10,160.

(c) The Employer may make additional discretionary contributions on behalf of the General Manager, subject to the limitations set forth in the Plan and under applicable law.”

2. Paragraph (b) of Section 6.3 is amended in its entirety as follows:

“(b) Employee Pick-Up Contributions. The General Manager may irrevocably elect to make annual contributions to the Plan in an amount equivalent to what would be the General Manager’s required contribution to CalPERS but for the limit on pensionable compensation set forth in California Government Code Section 7522.10(c). Such contribution shall be treated as an Employer Contribution for purposes of Code Section 414(h)(2). Once the preceding election has been made, the General Manager shall not be permitted to revoke such election.”

IN WITNESS WHEREOF, the Employer has caused this amendment to be executed on \_\_\_\_\_, 2016.

**EMPLOYER:**

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

APPROVED AS TO FORM AND CONTENT:  
BEST BEST & KRIEGER LLP

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

Attorneys for Employer

**Administration Activities Report  
October 7, 2106 to November 3, 2016**

Activity	Summary
<b>Administration/Board</b>	<ul style="list-style-type: none"> <li>• Maribeth has been scheduling meetings for Rob Hunter and other various meetings of the Board members.</li> <li>• Maribeth has been assisting Rob/Karl with various write ups and follow-up for the Committees and Board, as well as a couple of comprehensive research projects.</li> <li>• Maribeth prepared and submitted the District's Biennial Review of the Conflict of Interest Code to the Board of Supervisors which will be presented to the Board of Supervisors in December</li> <li>• Maribeth continues to send the Water Supply Reports to the member agencies.</li> <li>• Maribeth has been collecting records and responding to four Public Records Act requests</li> <li>• Maribeth organized Director Hinman's retirement event</li> <li>• Maribeth worked with Legal Counsel on the Contracts Manual</li> <li>• Maribeth is updating and creating the new Director packet of materials</li> <li>• Maribeth assisted OCSD with their application for the Transparency award</li> <li>• Pat has been scheduling meetings for Rob, Karl, Keith and Harvey, MET Directors' luncheon meeting, OC MET Managers, and ordering lunches for several meetings.</li> <li>• Pat proofed and formatted letters for Rob, Karl, Heather and Keith.</li> <li>• Pat registered staff and board members for conferences and events; scheduled travel for AWWA, ACWA Conf., DC legislative initiatives, ACWA Federal Affairs and Legislative Committees; CUWCC; GFOA; CESA; IAEM, Water Smart Innovations Conf.; and other misc. travel and/or workshops, which includes preparation of purchase requisitions and back-up.</li> <li>• Pat proofed resolutions for Public Affairs.</li> <li>• Pat prepared a number of annual consultant agreements and change orders for rate increases for legal, special counsel, MET issues, strategic issues, State legislative advocacy, and Federal legislative advocacy. Also prepared purchase requisitions for all of these.</li> </ul>
<b>MWDOC/OCWD Joint Administration</b>	<ul style="list-style-type: none"> <li>• Cathy is coordinating with OCWD on redesign of the staff table in the Board room.</li> </ul>
<b>Health Benefits</b>	<ul style="list-style-type: none"> <li>• Open Enrollment information was provided to participants with open enrollment closing on 11/11/16.</li> <li>• Evaluation of the Health Savings Account contributions for 2017 is included in this month's A&amp;F packet.</li> </ul>
<b>Records Management</b>	<ul style="list-style-type: none"> <li>• Sarah will be leaving the District as of December 2 and is currently training Pari as the new Records Coordinator.</li> <li>• Several training sessions were held on November 2<sup>nd</sup> and 3<sup>rd</sup> on Laserfiche and Records Management policies and</li> </ul>

<b>Records Management (Continued)</b>	<p>procedures regarding file naming conventions and best practices for email management.</p> <ul style="list-style-type: none"> <li>As part of the budget approved for the Records Management project, staff is preparing to initiate a "strike team" to assist scanning of documents and file clean-up commencing January 2017.</li> </ul>
<b>CalPERS</b>	No information to report.
<b>Agency Inquiries</b>	Provided GM Salary Survey information to El Toro Water District.
<b>Recruitment /Departures</b>	<ul style="list-style-type: none"> <li>Recruitment for the WUE Specialist position continues and applications are being reviewed.</li> <li>Recruitment for the Director of Public Affairs position has is open until filled. Telephone interviews are being scheduled for the week of November 7 through 18<sup>th</sup>.</li> <li>Interviews are currently underway for the WEROC Coordinator position.</li> <li>Recruitment for a WEROC/Admin Assistant has been placed due to a temporary vacancy attributed to a leave of absence of an employee.</li> <li>MWDOC currently hired temporary assistance to assist with administration during Pari's transition to records and due to a part-time administrative employee being out on a leave of absence.</li> </ul>
<b>Other</b>	
<b>Projects and Activities</b>	<ul style="list-style-type: none"> <li>Cathy and Leah are working on refreshing of two offices.</li> <li>MWDOC Staff meeting was held on October 27.</li> <li>Cathy has been participating in Records Management meetings held on October 10, 21 and 26<sup>th</sup>.</li> <li>Cathy and Katie met with Public Affairs staff to discuss the ACT Contacts Database.</li> <li>Cathy coordinated with legal counsel on amendments to the District Pension Plan based on recent Board action approving a 4% contribution to the Plan by the District on behalf of the General Manager. This item will be presented to the Board at the November 21 meeting.</li> </ul>



## INFORMATION ITEM

November 9, 2016

**TO:** Administration & Finance Committee  
(Directors Thomas, Barbre, Finnegan)

**FROM:** Robert J. Hunter, General Manager

Staff Contact: Jeff Stalvey

**SUBJECT:** Finance and IT Pending Items Report

### SUMMARY

The following list details the status of special projects that are in-progress or to be completed during FY 2016-17.

Description	% of Completion	Estimated Completion date	Status
<b><u>Finance</u></b>			
Further Implementation of WUE Landscape Programs Databases and Web Site.	On-going	On-going	In Progress
Government Compensation in California Report 2016	0%	03-30-17	Not Started
State Controller Report preparation FY15-16	0%	01-30-17	Not Started
FY2015-16 Annual Audit by Vavrinek, Trine, Day & Company	100%	10-19-16	Completed
Annual Financial Statement Report FY2015-16	100%	10-19-16	Completed
Preparation of documents for FY17-18 budget process.	0%	5-31-17	Not Started
2016 W-9 collection for water rebates. Currently holding 3 October rebate checks, awaiting completed W-9's.	95%	On-going	In Progress
Prepare for 2016 1099's. Collect 450 missing W-9's.	0%	01-30-17	Not Started
RFP for Financial Consultant to assist with GASB 68 continued implementation, finances and annual financials.	0%	02-29-17	Not Started

RFP for new Auditors. Existing auditors have served us for 5 years.	<b>0%</b>	06-30-17	Not Started
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<b><u>Information Technology</u></b>			
Network security issues (hackers, viruses and spam emails)	On-going	On-going	Continuous system monitoring
Get quotes and have Fire Suppression system installed in IT Server room	<b>10%</b>	6/30/17	In Progress
Upgrade and Migrate Record Management Server to Storage Area Network (SAN) Box, purchase new scanners.	<b>100%</b>	3/31/17	Completed
Upgrade computers and monitors for Staff.	<b>80%</b>	3/31/17	In Progress
Purchase and install enclosed Server Racks.	<b>10%</b>	6/30/17	In Progress

Description	% of Completion	Estimated Completion date	Status
<b><u>FY 2016-17 Completed Special Tasks</u></b>			
<b><u>Finance</u></b>			
State Tax filing for Water Facilities FY15-16	<b>100%</b>	9/1/16	Completed
<b><u>Information Technology</u></b>			
Upgrade Server software for Data Server.	<b>100%</b>	3/31/17	Completed
Upgrade and deploy new Backup software with Cloud backup.	<b>100%</b>	3/31/17	Completed
Upgrade District Firewall.	<b>100%</b>	6/30/17	Completed
Upgrade HR ABRA Server (software)	<b>100%</b>	3/31/17	Completed





**INFORMATION ITEM**

November 8, 2016

**TO:**           **Administration & Finance Committee**  
(Directors Thomas, Osborne, Finnegan)

**FROM:**       Robert Hunter, General Manager

Staff Contact: Kevin Hostert

**SUBJECT:   Monthly Water Usage Data, Tier 2 Projection, and Water Supply Info.**

**STAFF RECOMMENDATION**

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Staff recommends the Administration & Finance Committee receive and file this information.

**COMMITTEE RECOMMENDATION**

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Committee recommends (To be determined at Committee Meeting)

**REPORT**

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The attached figures show the recent trend of water consumption in Orange County (OC), an estimate of Tier 2 volume for MWDOC, and selected water supply information.

Fig. 1    OC Water Usage, Monthly by Supply   OCWD Groundwater water was the main supply in September.

Fig. 2    OC Water Usage, Monthly, Comparison to Previous Years   Water usage in September 2016 was slightly low compared to the last 5 years with the exception of September 2015. Lower usage is primarily due to strong conservation efforts and mandatory restrictions set by the Governor for the period of June 2015 to May 2016. In June 2016 all water conservation became voluntary for MWDOC agencies.

Fig. 3    Historical OC Water Consumption   OC water consumption is projected to be 517,000 AF in FY 2016-17 (*this includes ~15 TAF of agricultural usage and non-retail water agency usage*). This is about 18,000 AF more than FY 2015-16 and is about 55,000 AF less than FY 2014-15. Water usage per person is projected to be slightly higher than in FY 2015-16 for Orange County at 145 gallons per day (This includes recycled water). Although OC population has increased 20% over the past two decades, water usage has not increased, on

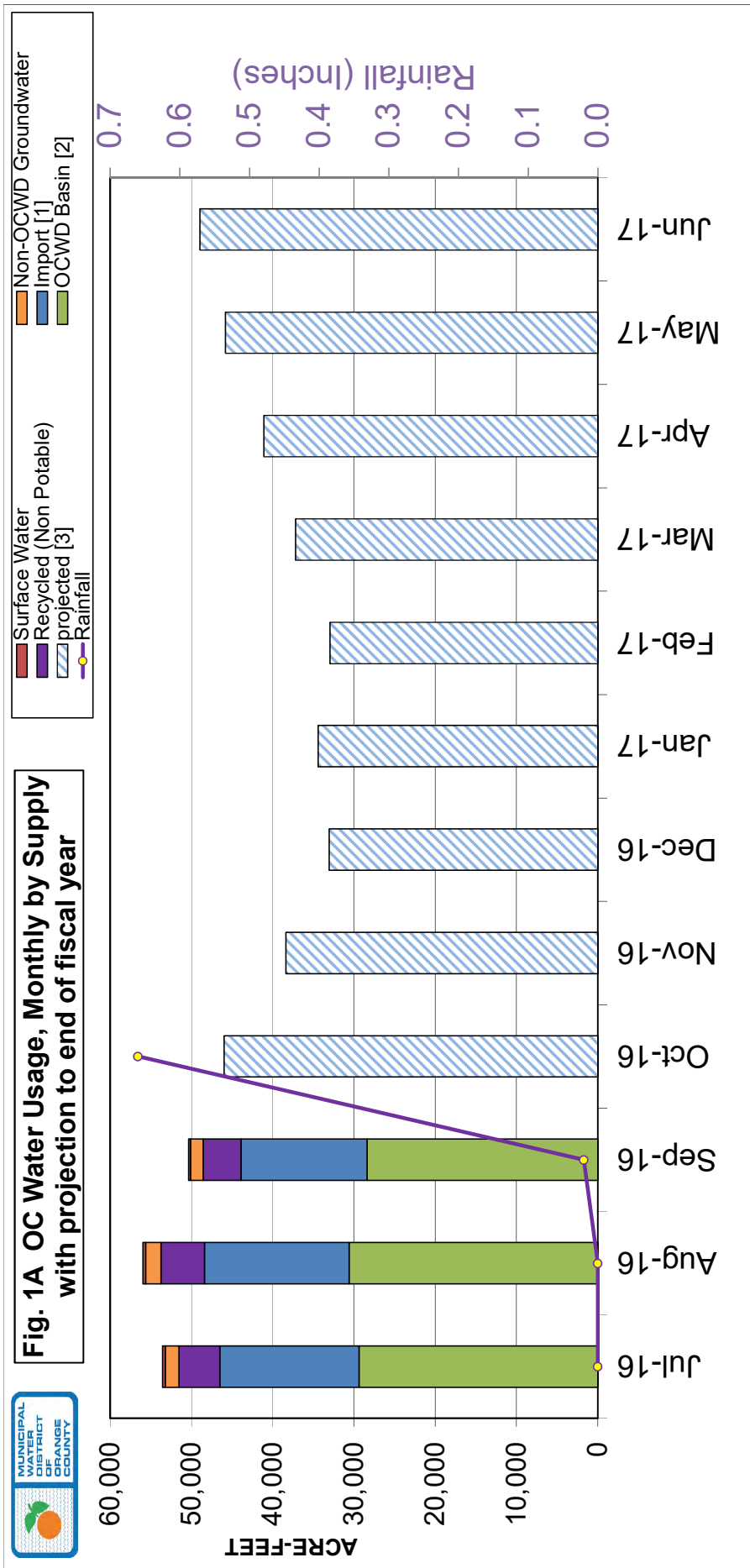
Budgeted (Y/N): N	Budgeted amount: N/A	Core <u>X</u>	Choice <u>  </u>
Action item amount: N/A		Line item:	
Fiscal Impact (explain if unbudgeted):			

average. A long-term decrease in per-capita water usage is attributed mostly to Water Use Efficiency (water conservation) efforts.

- Fig. 4 MWDOC “Firm” Water Purchases, 2016 “Firm” water above the Tier 1 limit will be charged at the higher Tier 2 rate. Our current projection of Tier 2 purchases is zero in 2016.

Water Supply Information Includes data on: Rainfall in OC; the OCWD Basin overdraft; Northern California and Colorado River Basin hydrologic data; the State Water Project (SWP) Allocation, and regional storage volumes. The data has implications for the magnitude of supplies from the three watersheds that are the principal sources of water for OC. Note that a hydrologic year is Oct. 1<sup>st</sup> through Sept. 30<sup>th</sup>.

- Orange County’s accumulated rainfall through October was average for this period. Orange County has had below average rainfall for the past hydrologic years. El Nino conditions have diminished and NOAA has shifted its prediction from La Nina to a greater chance of neutral conditions for the 2016-17 winter (La Nina is generally associated with cool dry winters in Southern California).
- Northern California accumulated precipitation in October was around 393% of normal for this period. October 2016 rainfall was the second highest for that month since records began. The Northern California snowpack is 97% of normal as of April 1<sup>st</sup>. This follows four below-average hydrologic years. The State of California has been in a declared Drought Emergency since January 2014. As of late October 91% of California is still suffering from some level of drought. The State Water Project Contractors Table A Allocation is at 60% as of the end of June.
- Colorado River Basin accumulated precipitation in October was 70% average for this period. The Upper Colorado Basin snowpack was 85% of normal as of April 15<sup>th</sup>. This follows two below-average hydrologic years, the Colorado River Basin is in the recovery of a long term drought. Lake Mead and Lake Powell combined have about 61% of their average storage volume for this time of year. If Lake Mead’s level falls below a “trigger” limit 1,075 ft. at the end of a calendar year, then a shortage will be declared by the US Bureau of Reclamation (USBR), impacting Colorado River water deliveries for the Lower Basin states. As of late October Lake Mead levels were hovering right at the “trigger” limit but fortunately levels are expecting to increase due to water releases schedule at Lake Powell. The USBR predicts that the “trigger” level will not be hit by the end of 2016.

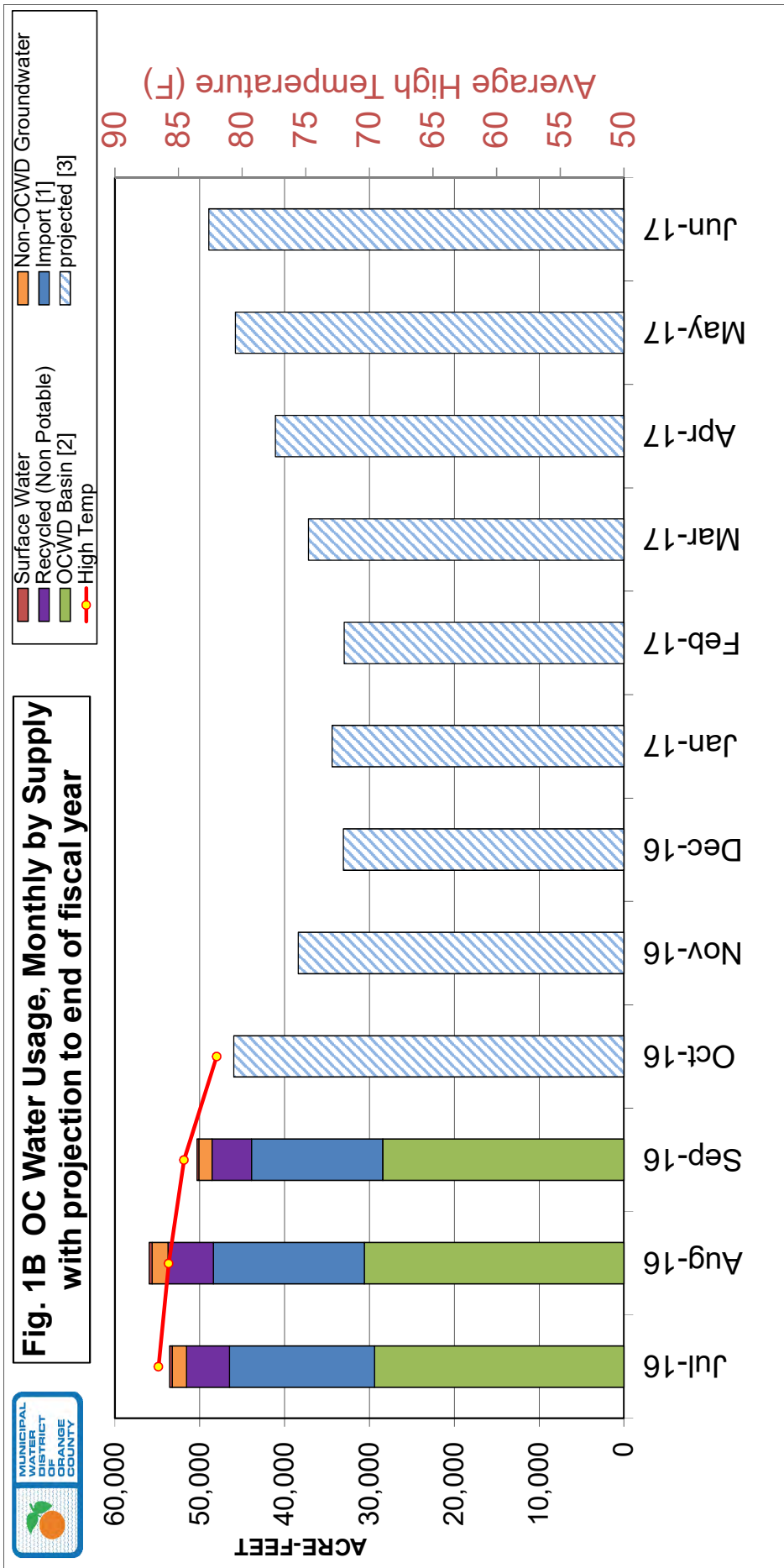


[1] Imported water for consumptive use. Includes "In-Lieu" deliveries and CUP water extraction. Excludes "Direct Replenishment" deliveries of spreading water, "Barrier Replenishment" deliveries, and deliveries into Irvine Lake.

[2] GW for consumptive use only. Excludes In-Lieu water deliveries and CUP water extraction that are counted with Import. BPP in FY '15-16 is 75%.

[3] MWDOC's estimate of monthly demand is based on the projected FY 15-16 "Retail" water demand and historical monthly demand patterns.

[4] Total water usage includes IRWD groundwater agricultural use and usage by non-retail water agencies.



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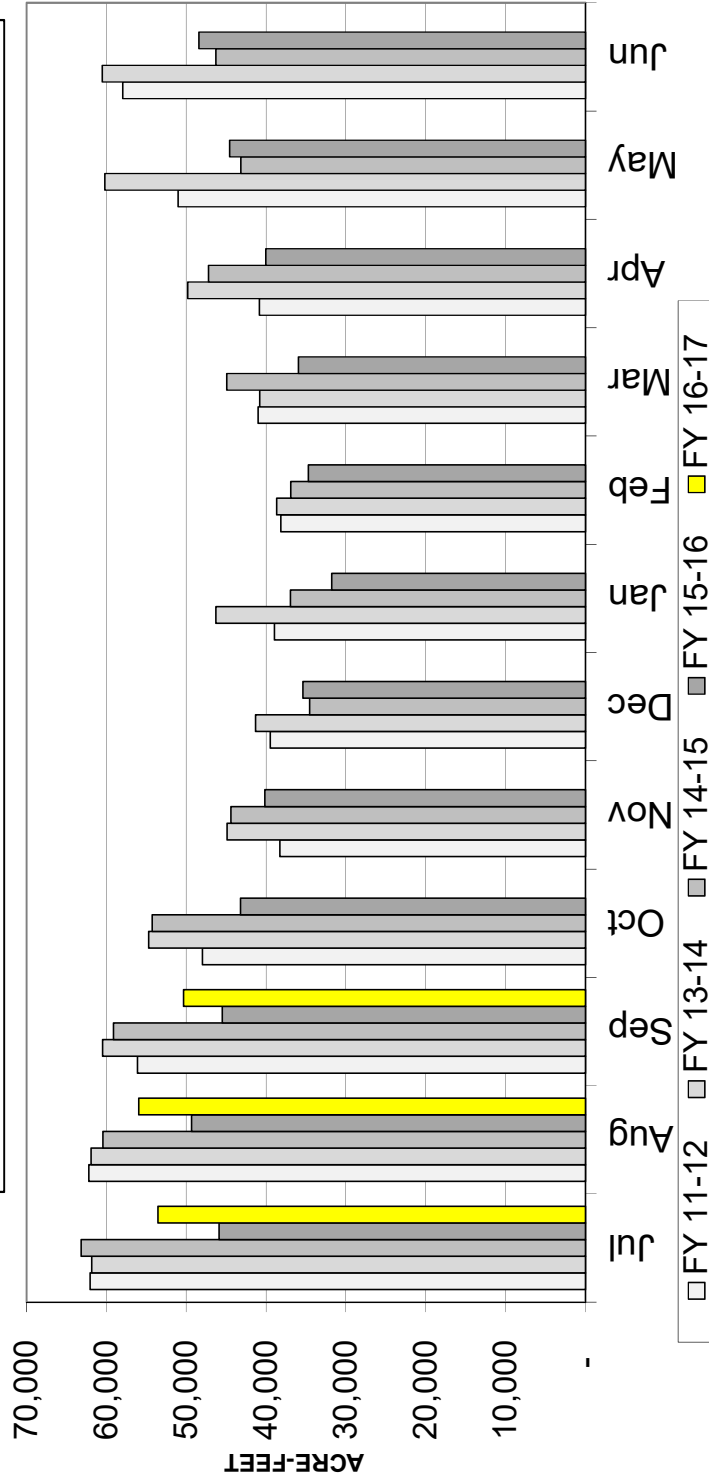
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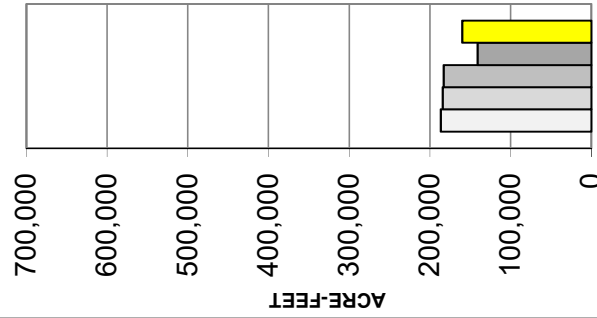
[4] Total water usage includes IRWD groundwater agricultural use and usage by non-retail water agencies.



**Fig. 2A OC Monthly Water Usage [1]: Comparison to Last 4 Fiscal Years**



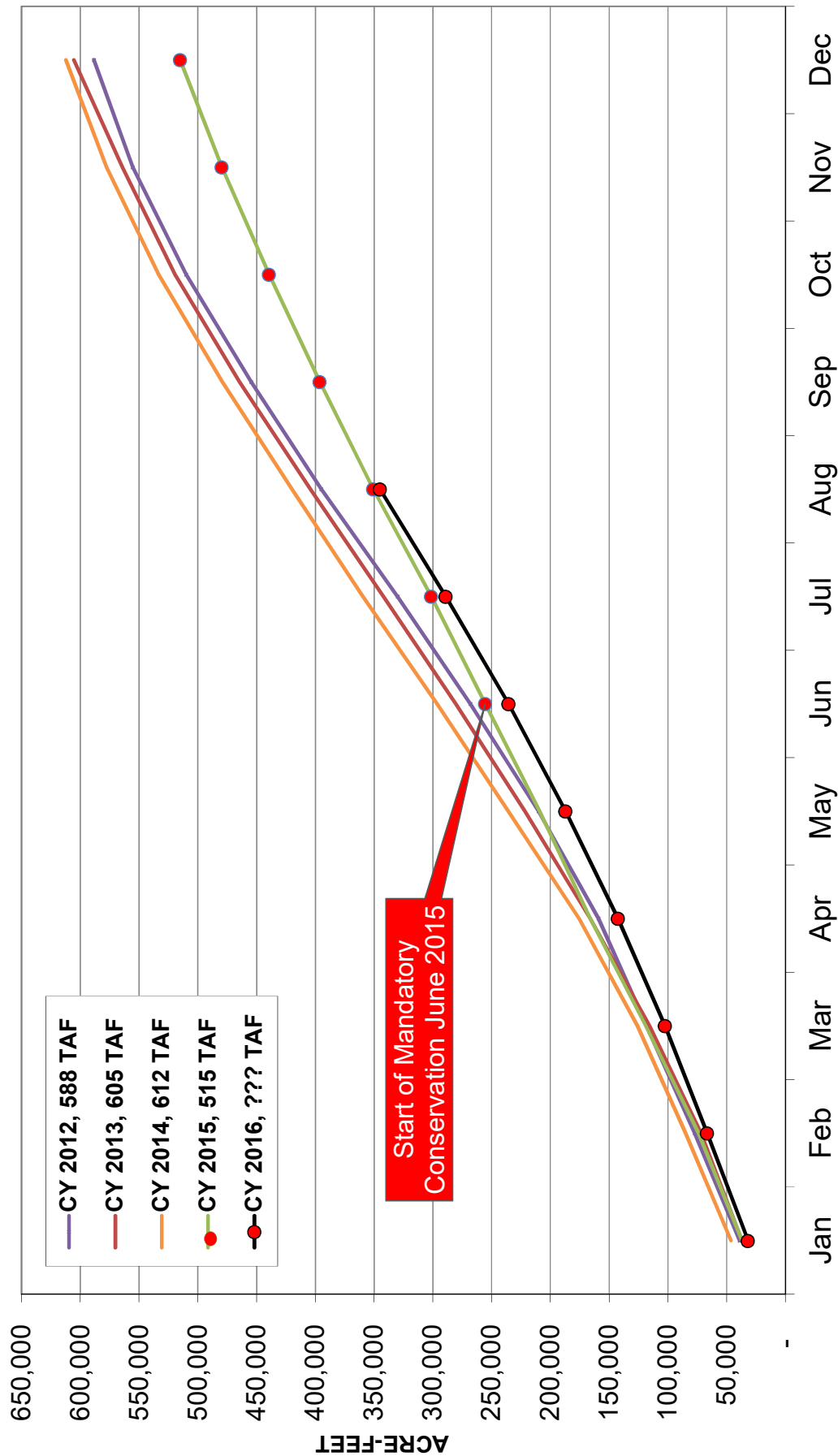
**Partial Year Subtotals**



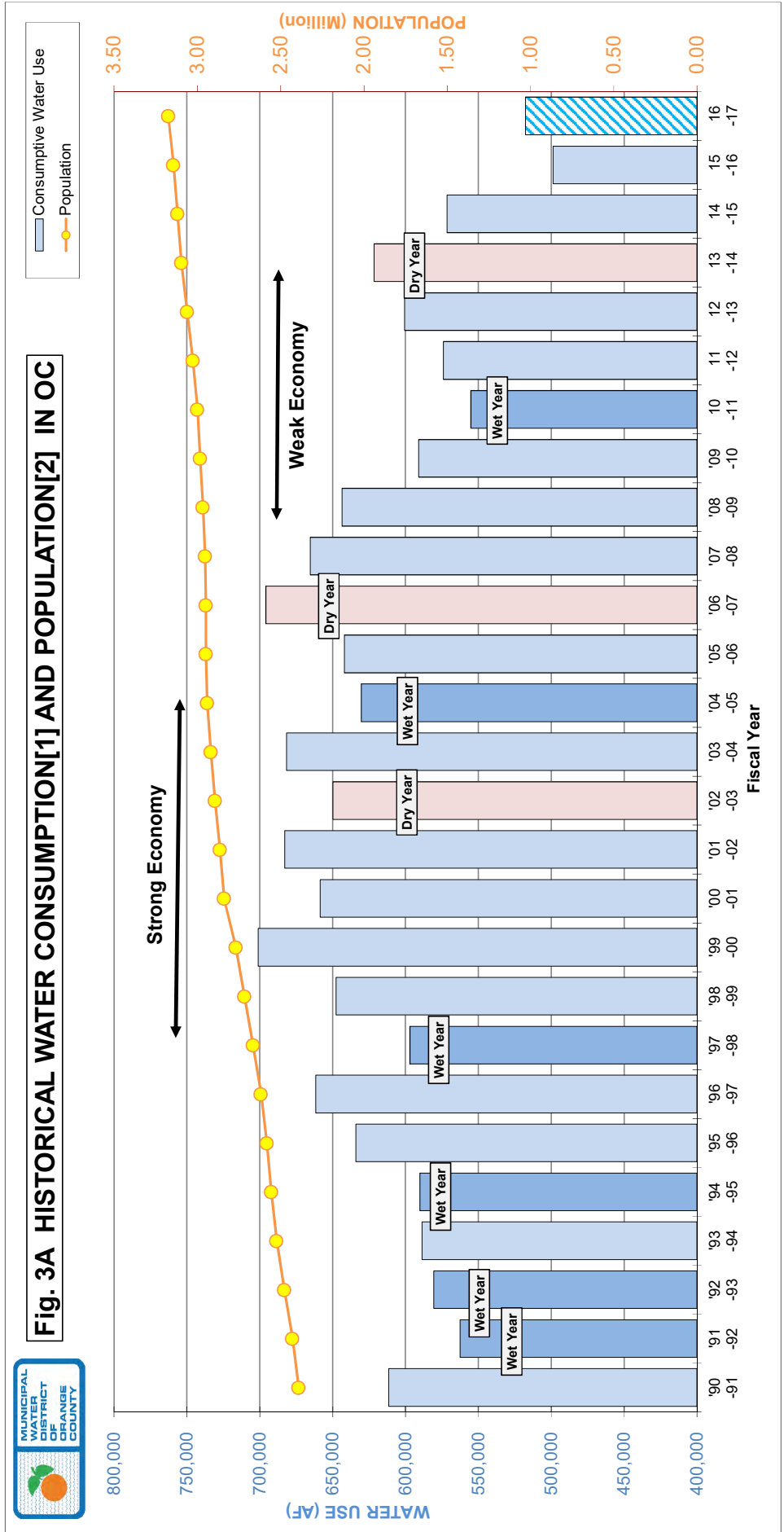
[1] Sum of Imported water for consumptive use (includes "In-Lieu" deliveries; excludes "Direct Replenishment" and "Barrier Replenishment") and Local water for consumptive use (includes recycled and non-potable water; excludes GWRS production, groundwater pumped to waste, and waste brine from water treatment projects.) Recent months numbers include some estimation.



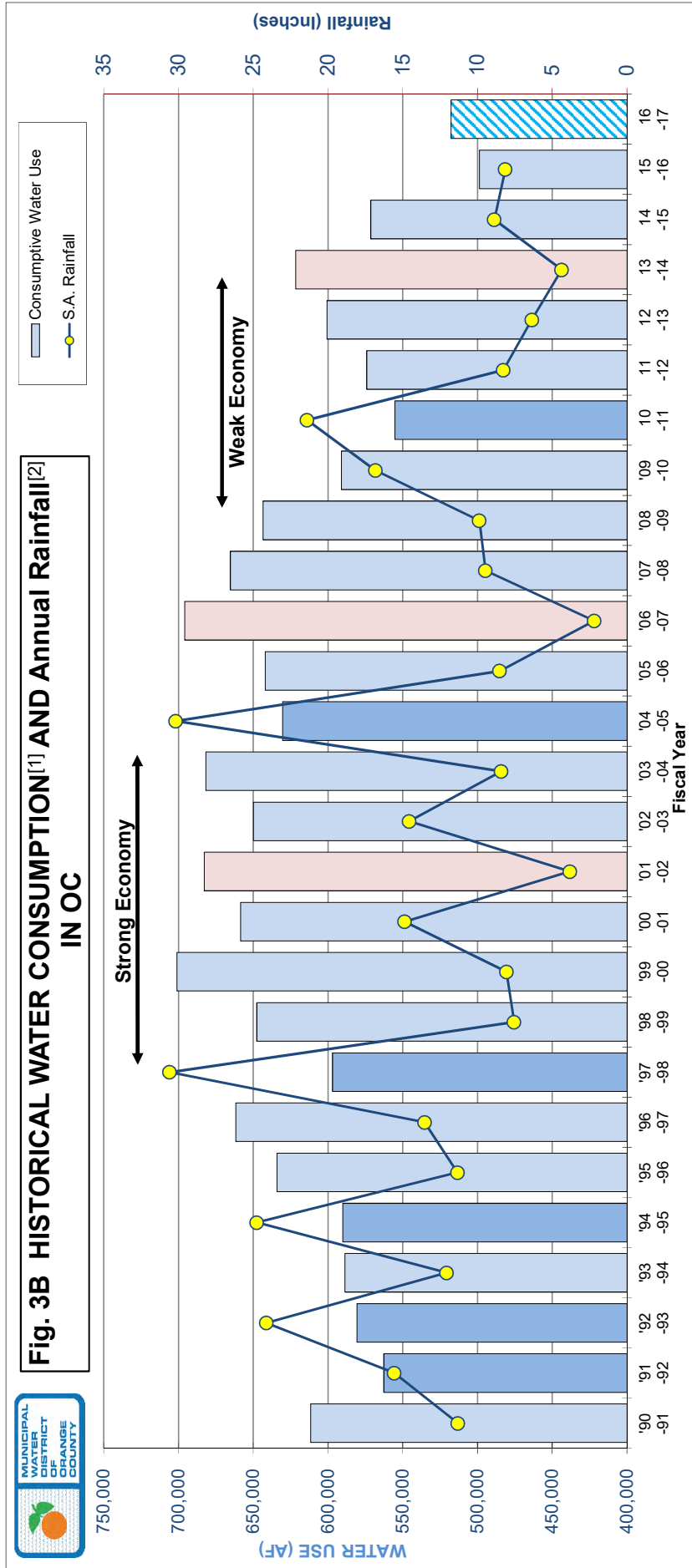
**Fig. 2B Orange County Cumulative Monthly Consumptive Water Usage [1]:**  
present year compared to last 4 calendar years



[1] Sum of Imported water for consumptive use (includes "In-Lieu" deliveries; excludes "Direct Replenishment" and "Barrier Replenishment") and Local water for consumptive use (includes recycled and non-potable water; excludes GW/RS production and waste brine from water quality pumping projects).



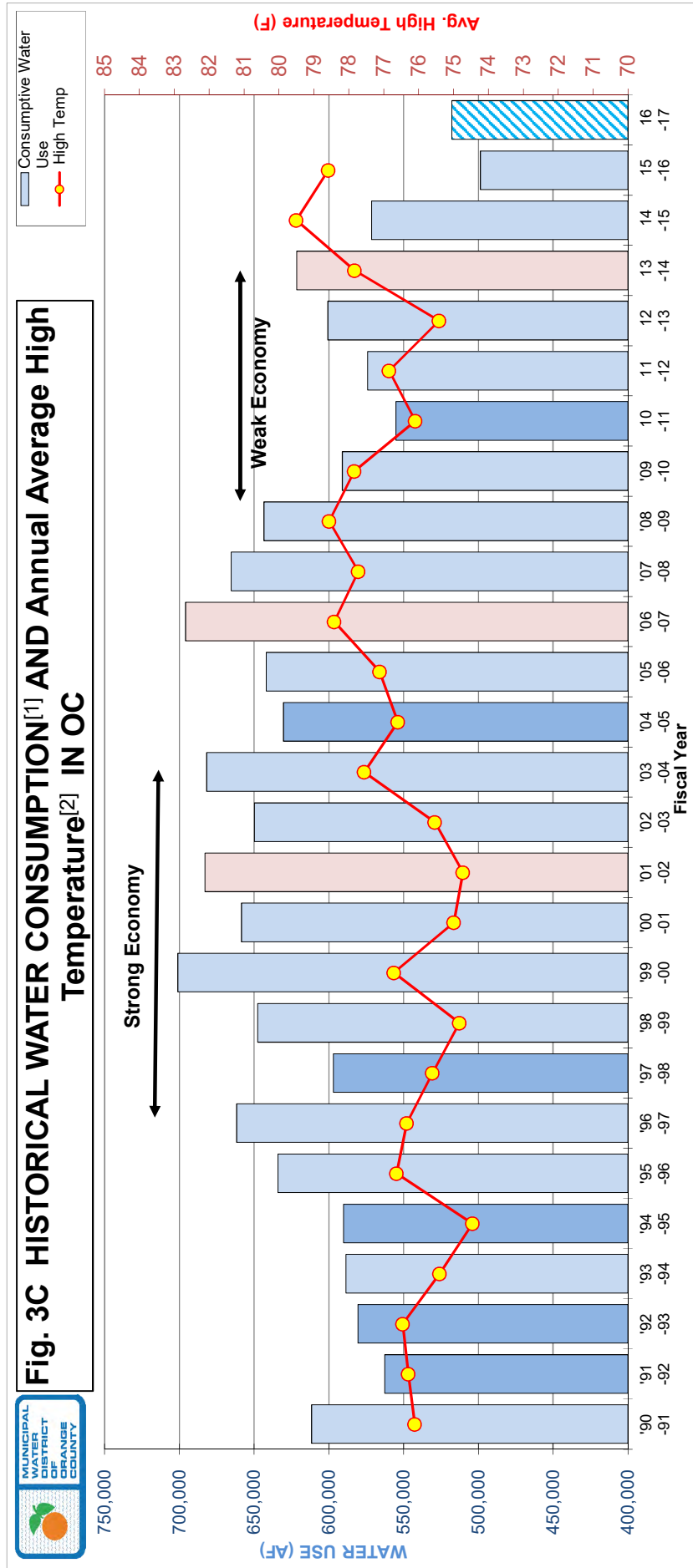
[1] Consumption includes potable, recycled and non-potable usage; excludes Barrier and Spreading water. The most recent data involve some estimation.  
 [2] Population estimates in the 2000s decade were revised by the State Dept. of Finance to reflect the 2010 Census counts.  
 [3] Projection of FY 15-16 water use estimated by MWDOC based on partial-year data.



[1] Consumption includes potable, recycled and non-potable usage; excludes Barrier and Spreading water. The most recent data involve some estimation.

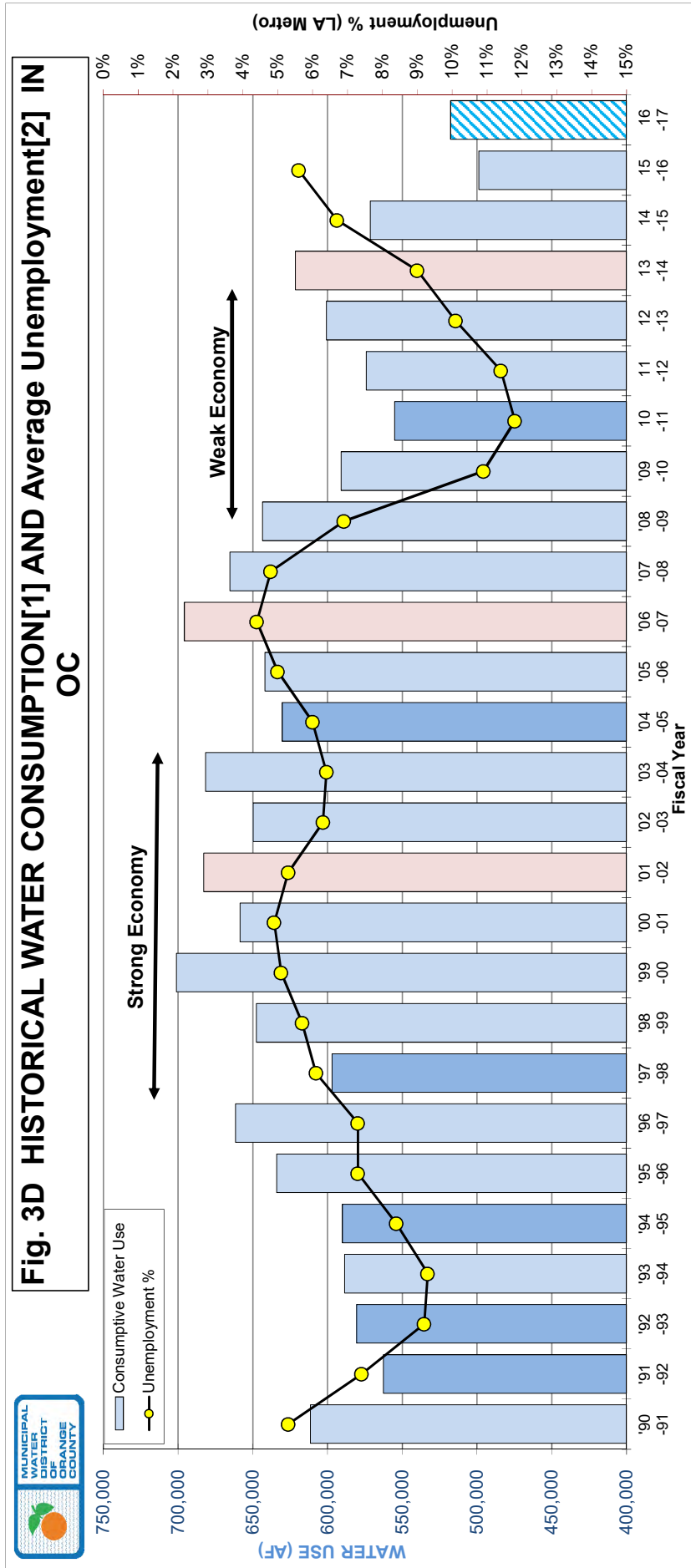
[2] Rainfall data from Santa Ana Station #121





[1] Consumption includes potable, recycled and non-potable usage; excludes Barrier and Spreading water. The most recent data involve some estimation.

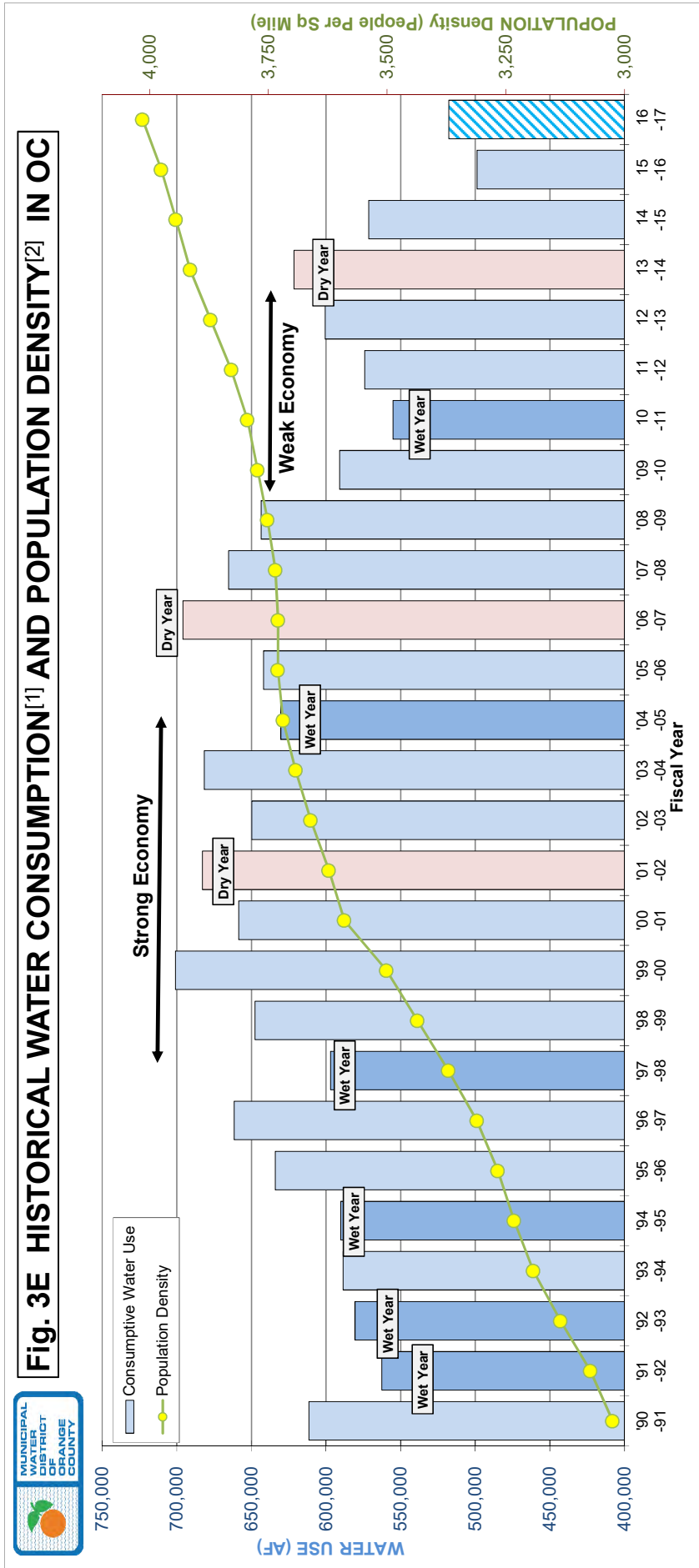
[2] Temperature data is from Santa Ana Fire Station, elevation 135'



[1] Consumption includes potable, recycled and non-potable usage; excludes Barrier and Spreading water. The most recent data involve some estimation.

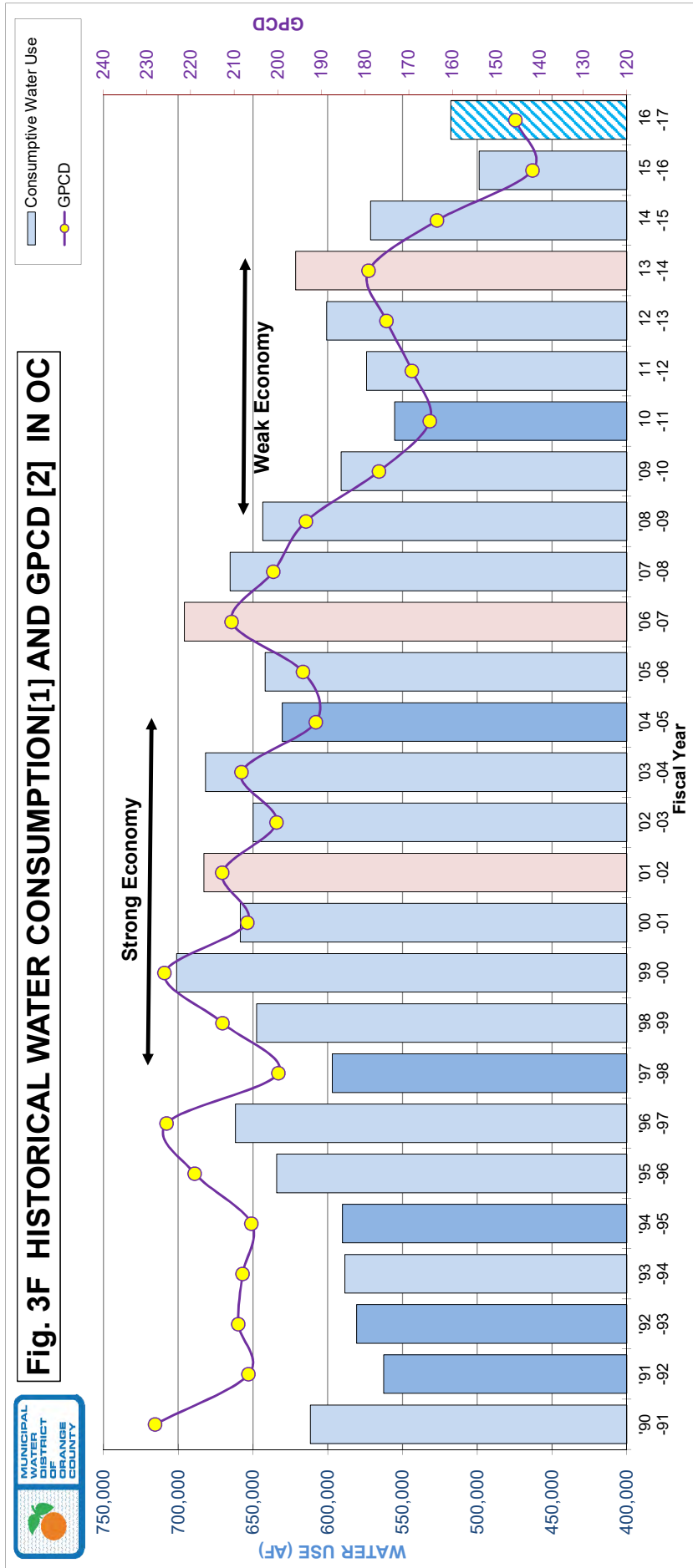
[2] Employment Data source Bureau of Labor Statistic for Long Beach-L.A.-Santa Ana Metro Area

<http://www.bls.gov/lau/>



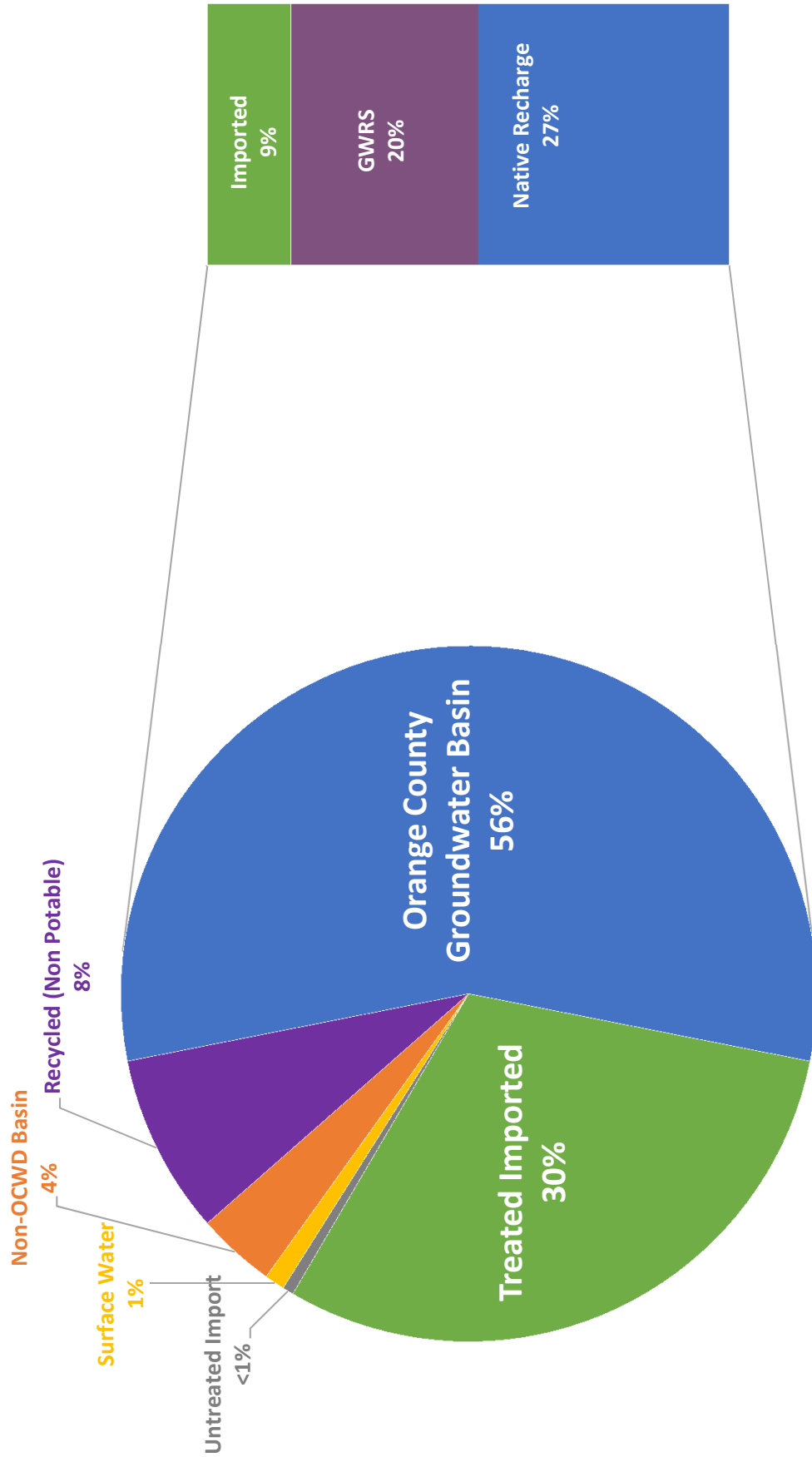
[1] Consumption includes potable, recycled and non-potable usage; excludes Barrier and Spreading water. The most recent data involve some estimation.

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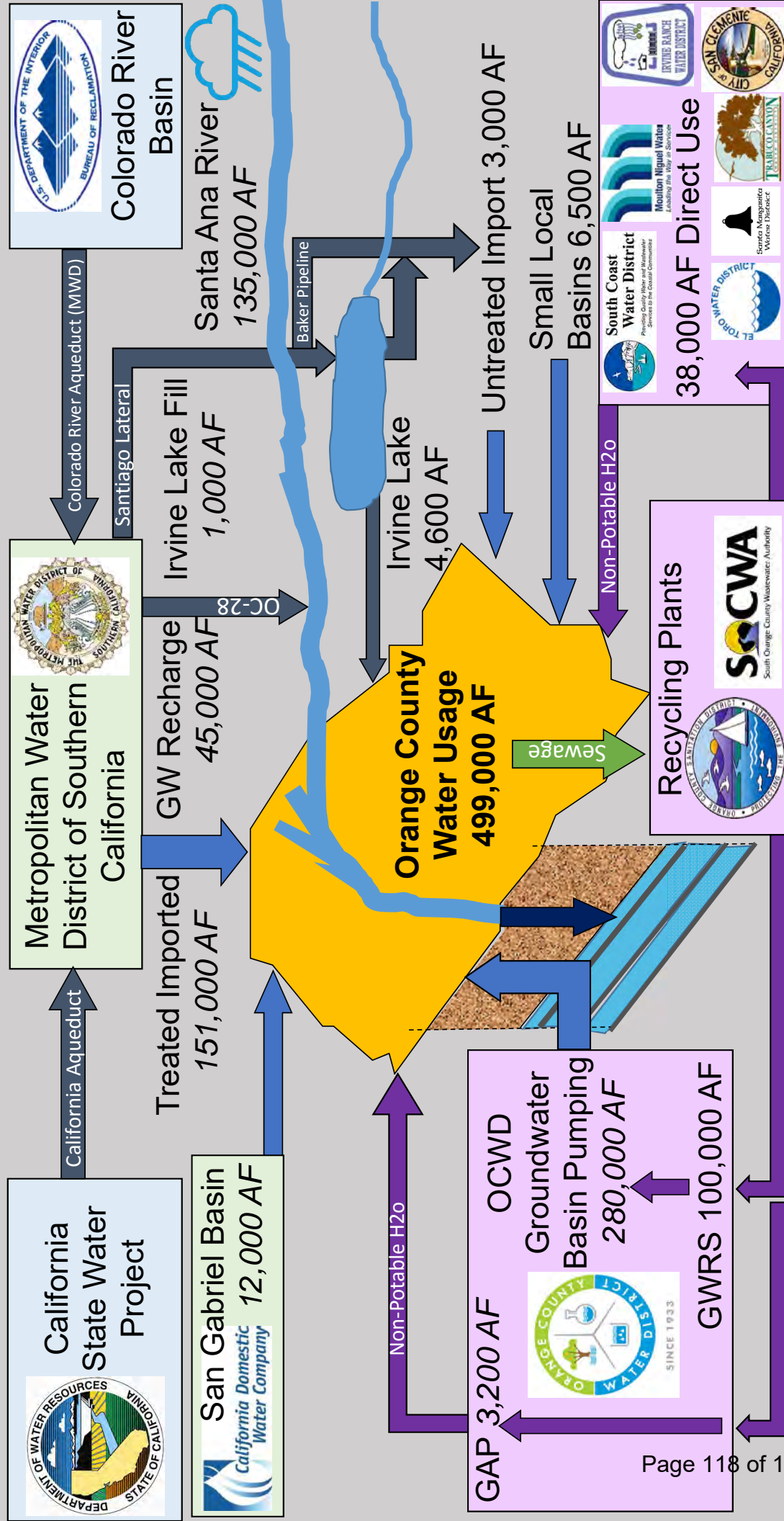
[1] Consumption includes potable, recycled and non-potable usage; excludes Barrier and Spreading water. The most recent data involve some estimation.  
 [2] Gallon per Capita Daily (includes all types of water usage and all type of water users).

# ORANGE COUNTY 2015-16 USAGE BY SOURCE

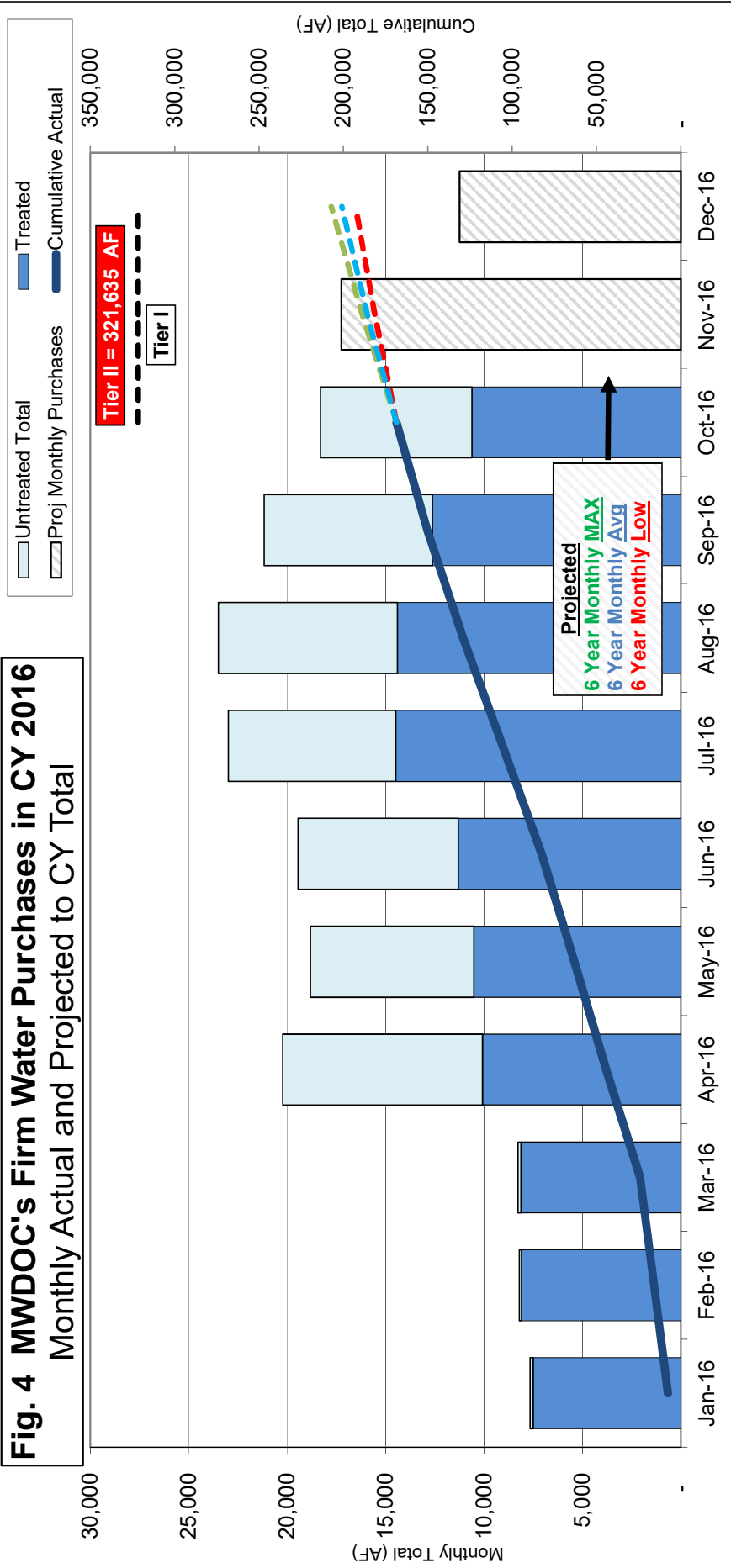


Prepared by the Municipal Water District of Orange County  
 \*Numbers are Subject to Change

# Orange County Water Supply Sources FY 15-16



**Fig. 4 MWDOC's Firm Water Purchases in CY 2016**  
Monthly Actual and Projected to CY Total



Notes

1. "Firm" includes Full Service (both Treated and Untreated) and Barrier water.
2. Basin Pumping Percentage (BPP) is the percentage of a retail water agency's total water demand that they are limited to pump from the OCWD-managed groundwater basin. BPP pertains to Basin agencies only. For example, if a Basin agency's total demand is 10,000 AF/yr and OCWD sets the BPP at 72%, then the agency is limited to 7,200 AF of groundwater that year. There may be certain exceptions and/or adjustments to that sample calculation. OCWD sets the BPP for the Basin agencies, usually as of July 1st.

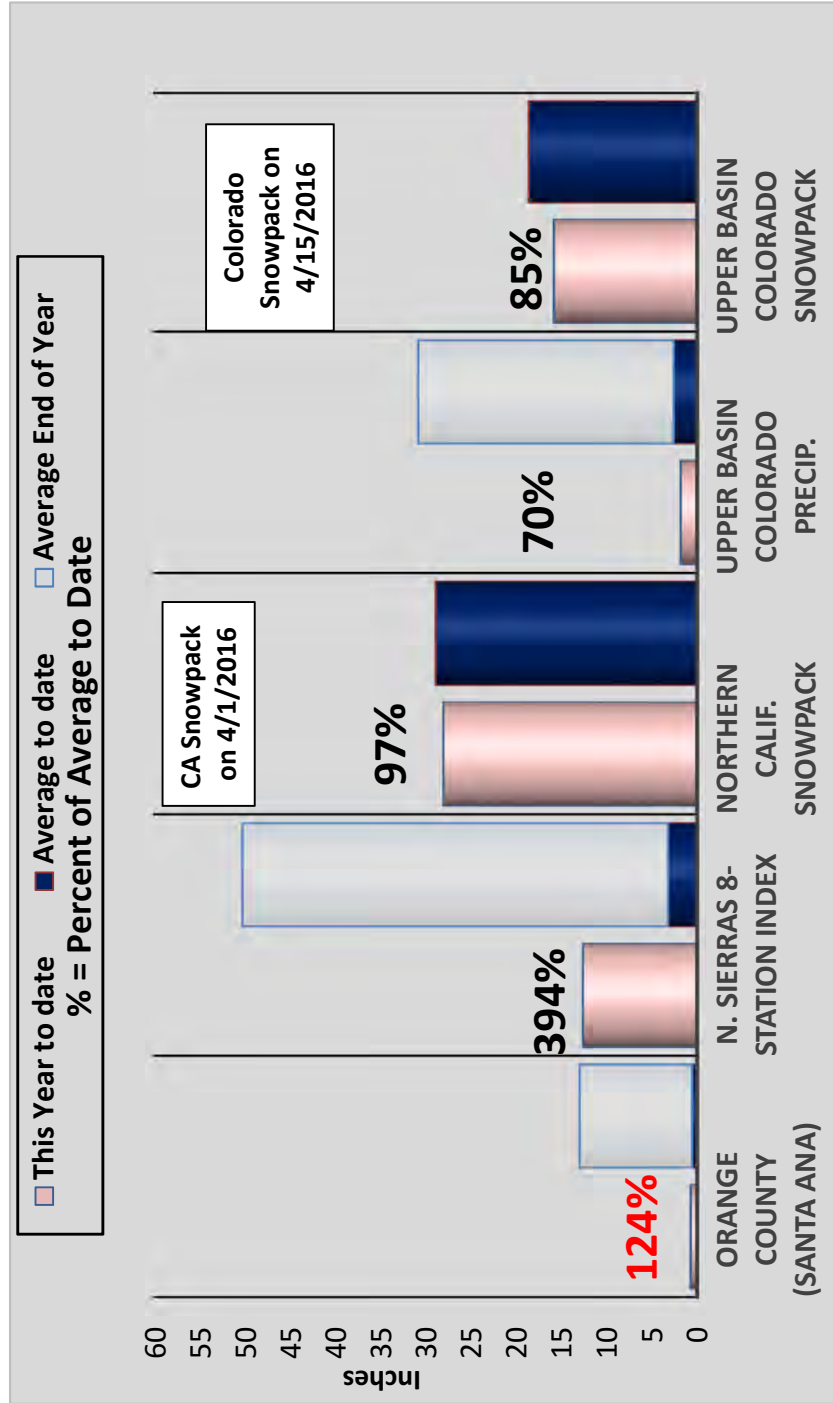


prepared by the Municipal Water District of Orange County

*\*numbers are subject to change*

printdate 11/1/2016

# Accumulated Precipitation for the Oct.-Sep. water year, through Early November 2016



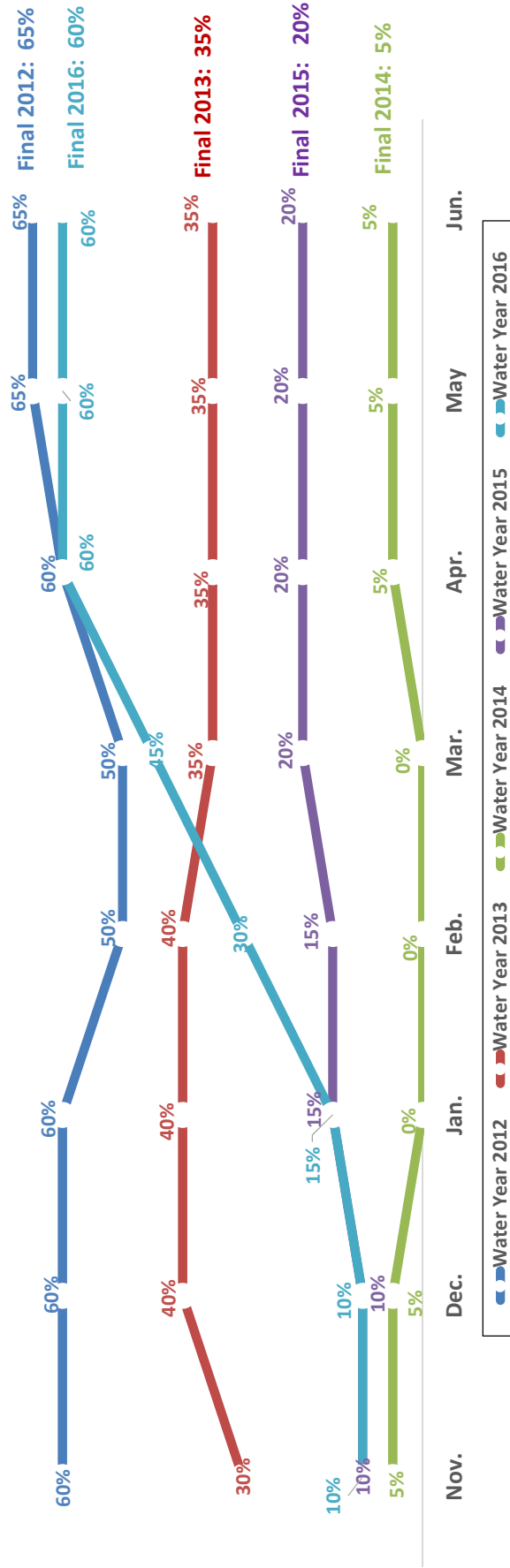
\* The date of maximum snowpack accumulation (April 1st in Northern Calif. , April 15th in the Upper Colorado Basin) is used for year to year comparison.





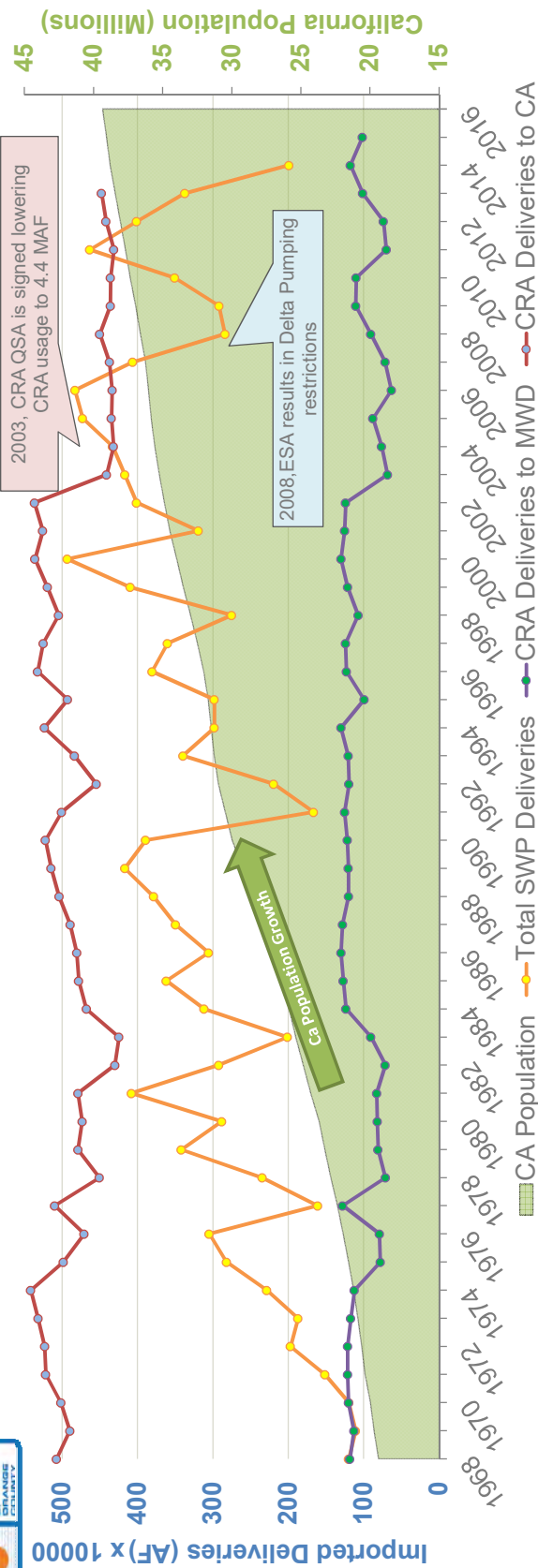
## SWP TABLE A ALLOCATION

FOR STATE WATER PROJECT CONTRACTORS

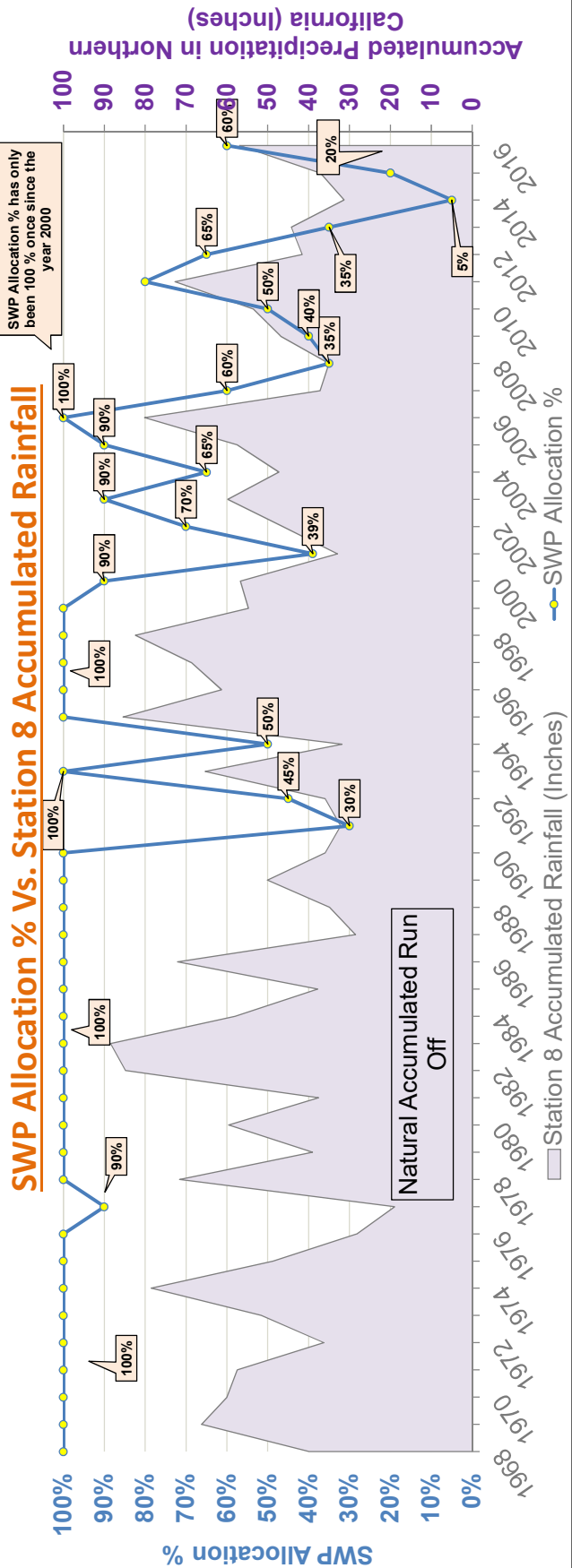




## Imported Water Deliveries Vs. California Population Growth



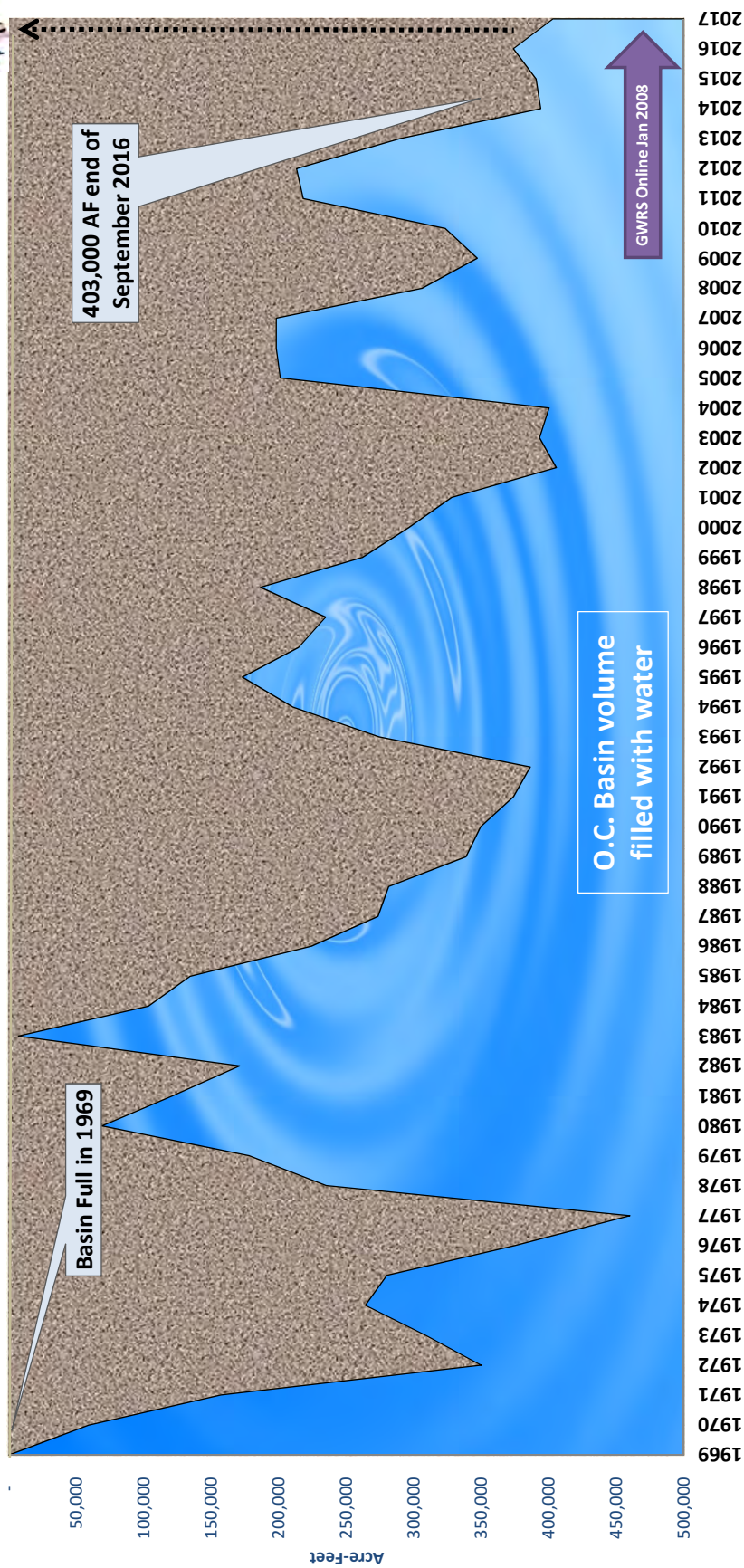
## SWP Allocation % Vs. Station 8 Accumulated Rainfall





## O.C. Basin Accumulated Overdraft

Annual, 1969 to Present



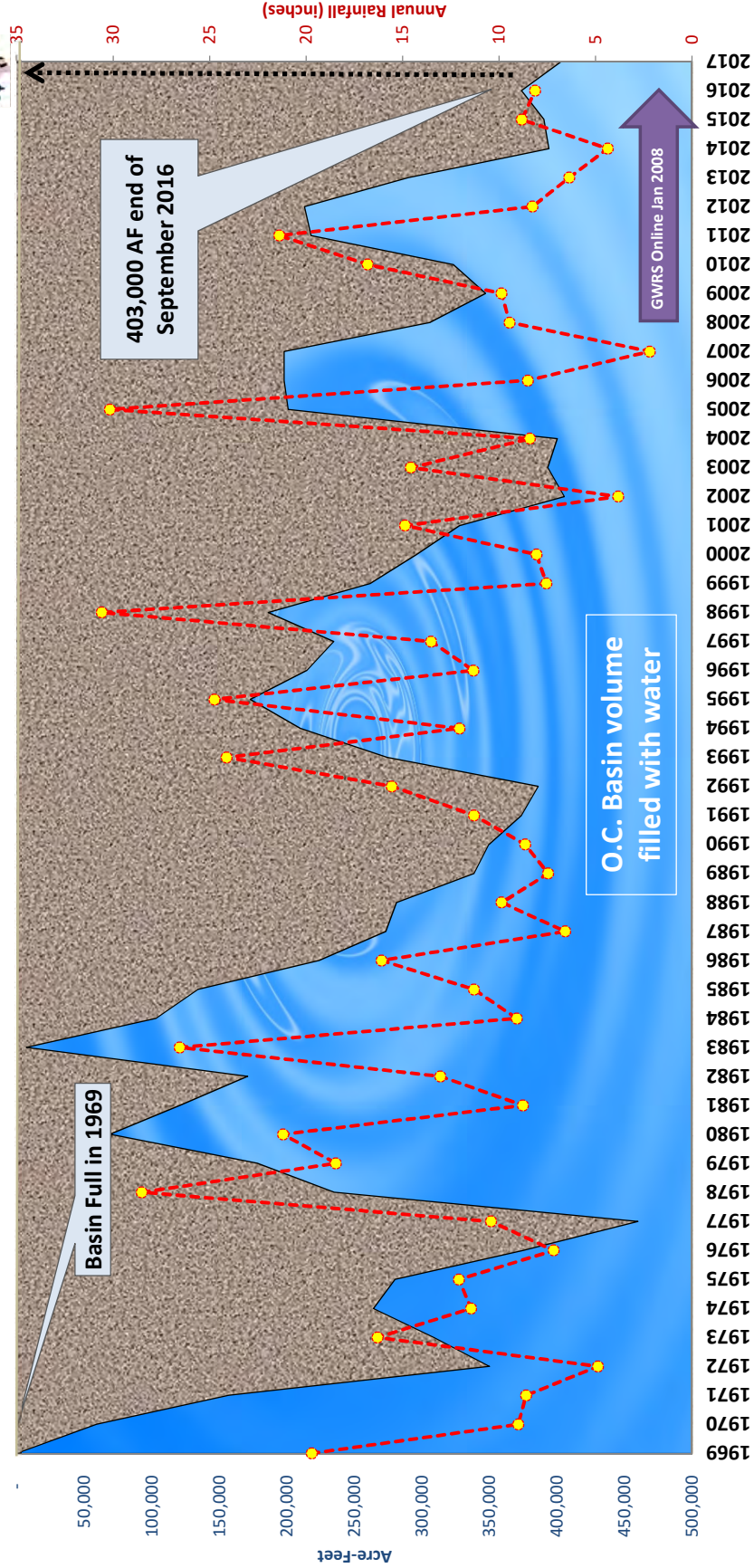
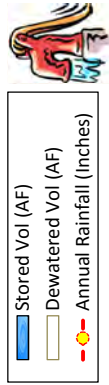
~ Accumulated Overdraft (dewatered volume) shown as white area, excluding the volume stored by Metropolitan. source: OCWD





## O.C. Basin Accumulated Overdraft Vs. Annual Rainfall

Annual, 1969 to Present

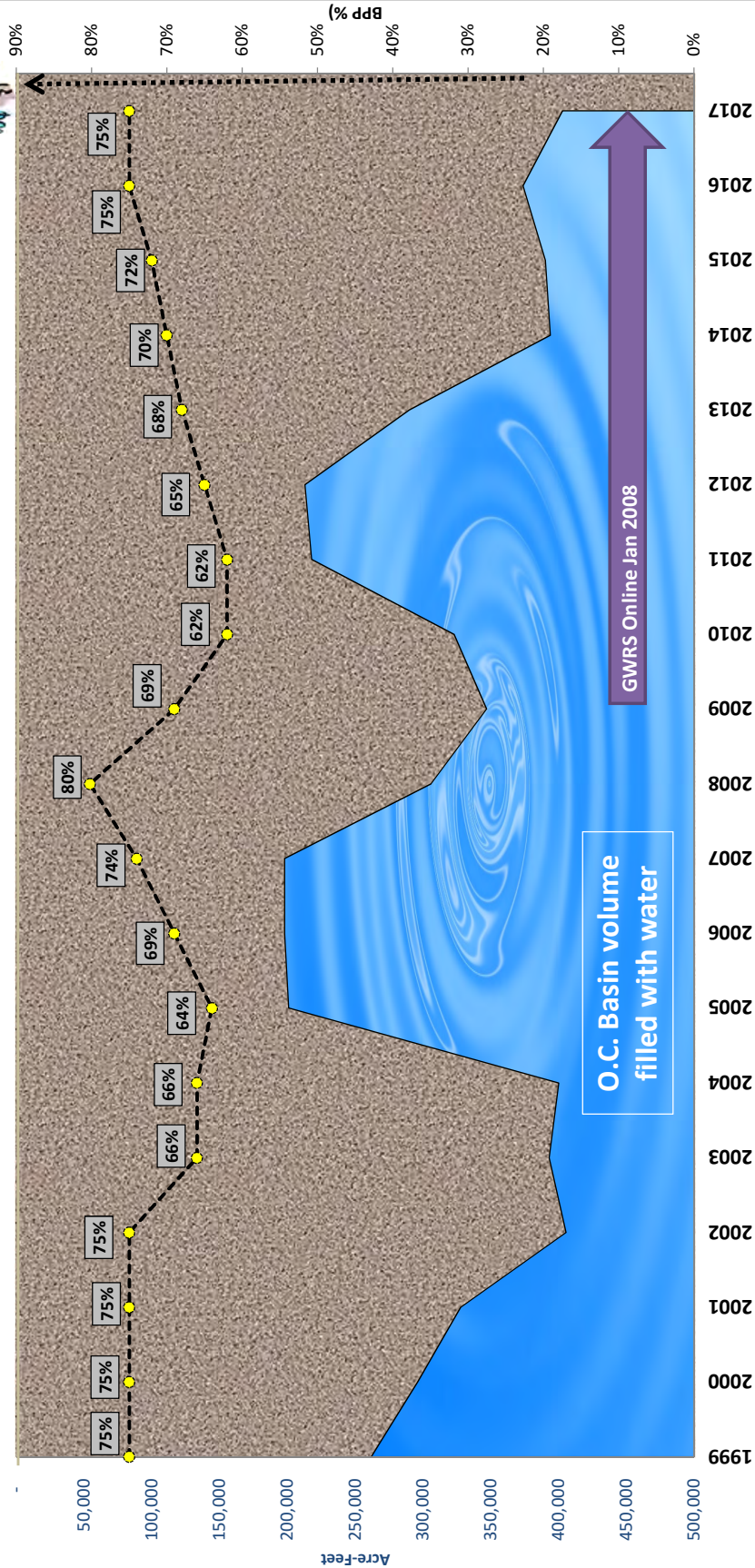
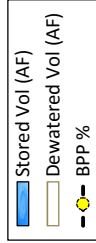


~ Accumulated Overdraft (dewatered volume) shown as white area, excluding the volume stored by Metropolitan. source: OCWD



## O.C. Basin Accumulated Overdraft Vs. BPP %

Annual, 1999 to Present

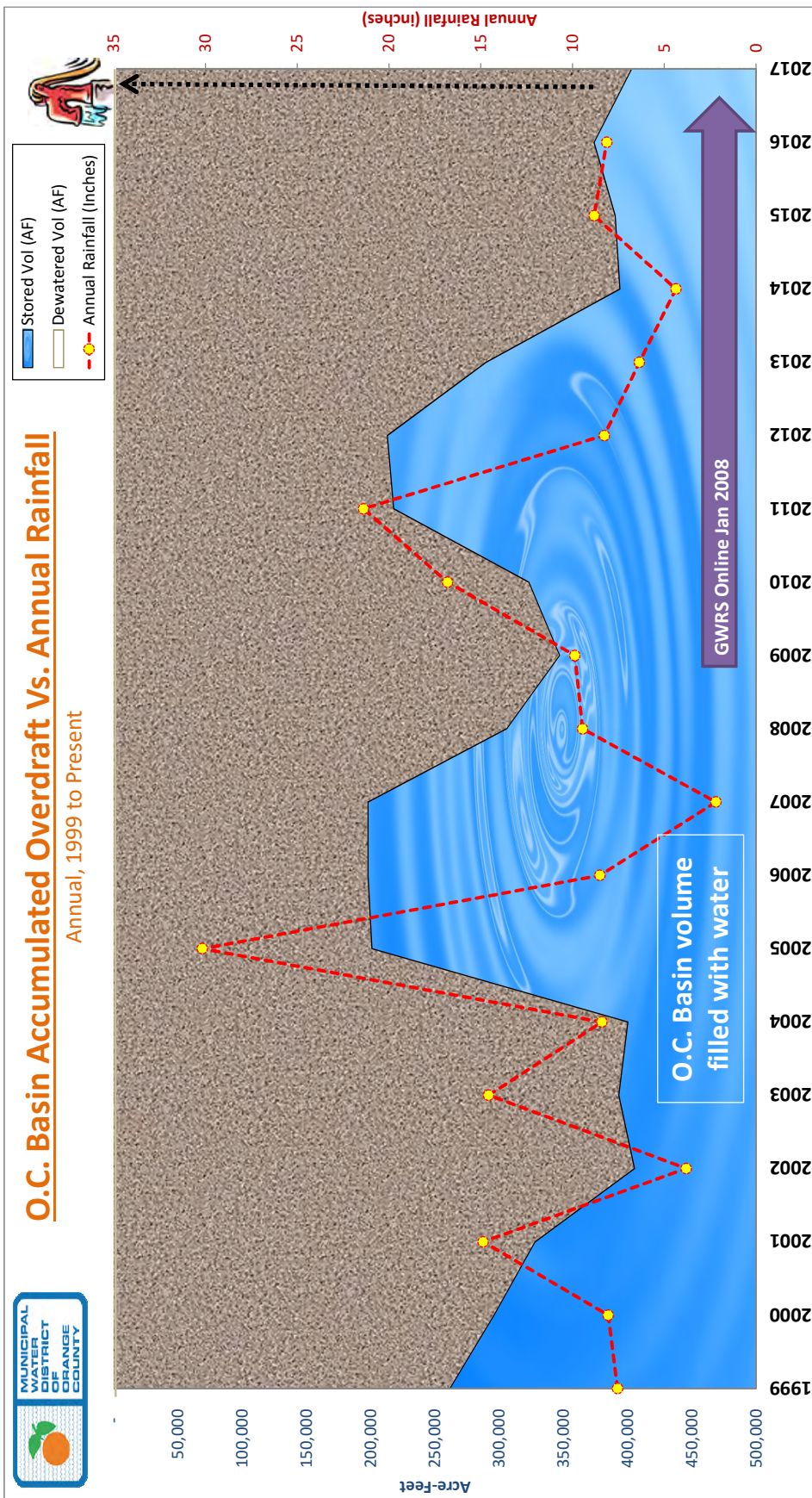


O.C. Basin volume filled with water

GWRS Online Jan 2008

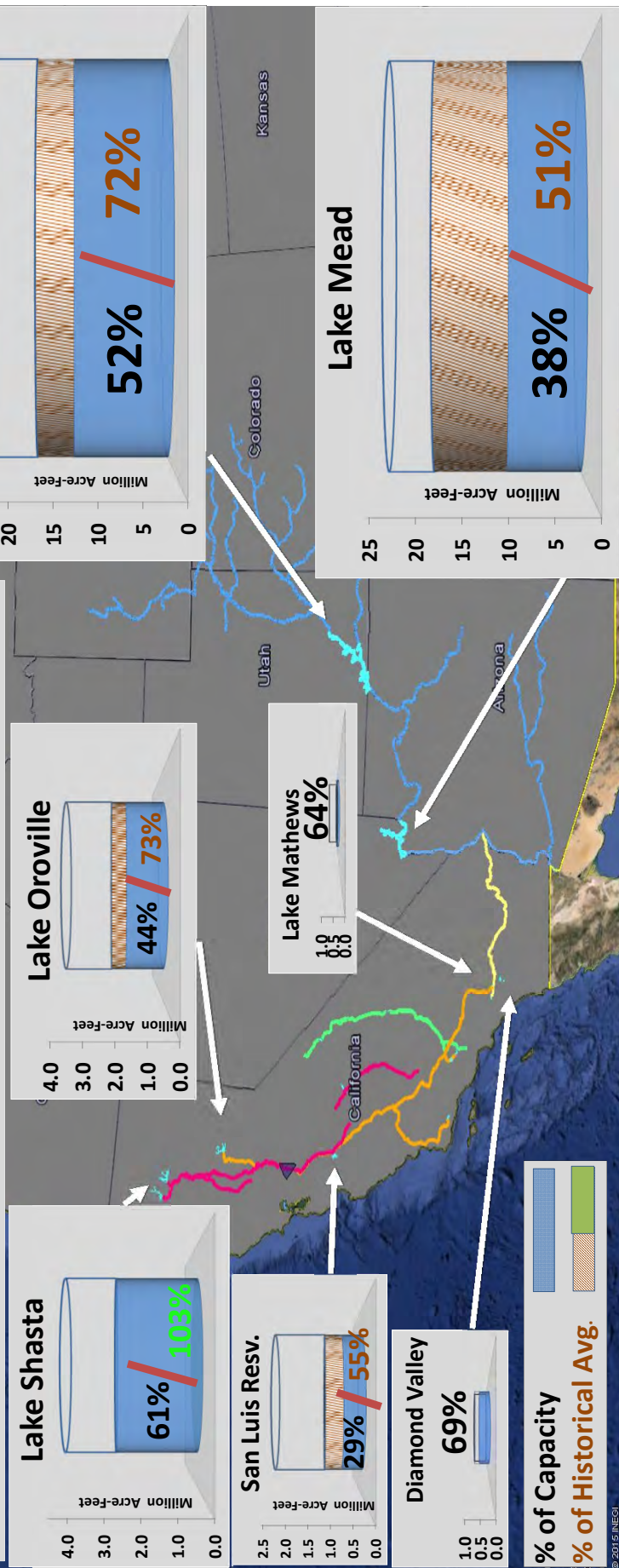
~ Accumulated Overdraft (dewatered volume) shown as white area, excluding the volume stored by Metropolitan. source: OCWD





~ Accumulated Overdraft (dewatered volume) shown as white area, excluding the volume stored by Metropolitan. source: OCWD

# **State Water Project, Colorado River, and MWD Reservoir Storage** as of November, 1st 2016





## Lake Mead Levels: Historical and Projected projection per USBR 24-Month Study

