

**MEETING OF THE
BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
Jointly with the
ADMINISTRATION & FINANCE COMMITTEE
November 14, 2018, 8:30 a.m.
MWDOC Conference Room 101

Committee

Director Thomas, Chair
Director Dick
Director Finnegan

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

Ex Officio Member: Director Barbre

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 2018
 - b. Disbursement Approval Report for the month of November 2018
 - c. Disbursement Ratification Report for the month of October 2018
 - d. GM Approved Disbursement Report for the month of October 2018
 - e. Water Use Efficiency Projects Cash Flow – October 31, 2018
 - f. Consolidated Summary of Cash and Investment – September 2018
 - g. OPEB Trust Fund monthly statement

2. FINANCIAL REPORT
 - a. Combined Financial Statements and Budget Comparative for the Period ending September 30, 2018
 - b. Quarterly Budget Review
 - c. FY 2017-18 Audit Report and Presentation regarding Audit Report

ACTION ITEMS

3. PRUDENT COMPANION POLICY

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. FY 2019-20 BUDGET SCHEDULE
5. DEPARTMENT ACTIVITIES REPORTS
 - a. Administration
 - b. Finance and Information Technology
6. MONTHLY WATER USAGE DATA, TIER 2 PROJECTION, AND WATER SUPPLY INFORMATION

OTHER ITEMS

7. 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 2018

WATER REVENUES

Date	From	Description	Amount
10/01/18	City of Newport Beach	August 2018 Water deliveries	495,111.28
10/02/18	City of La Palma	August 2018 Water deliveries	4,280.03
10/05/18	City of Buena Park	August 2018 Water deliveries	273,265.86
10/05/18	City of San Clemente	August 2018 Water deliveries	807,734.80
10/09/18	City of Huntington Beach	August 2018 Water deliveries	1,220,029.06
10/09/18	Santa Margarita Water District	August 2018 Water deliveries	2,553,987.93
10/09/18	City of Seal Beach	August 2018 Water deliveries	245,864.43
10/10/18	Laguna Beach County Water District	August 2018 Water deliveries	198,799.70
10/11/18	Serrano Water District	August 2018 Water deliveries	153,068.07
10/11/18	City of Westminster	August 2018 Water deliveries	249,868.02
10/11/18	City of Orange	August 2018 Water deliveries	839,291.94
10/12/18	El Toro Water District	August 2018 Water deliveries	688,511.64
10/12/18	East Orange County Water District	August 2018 Water deliveries	411,901.35
10/12/18	City of Brea	August 2018 Water deliveries	193,584.06
10/12/18	City of San Juan Capistrano	August 2018 Water deliveries	686,262.42
10/15/18	South Coast Water District	August 2018 Water deliveries	541,242.73
10/15/18	Orange County Water District	August 2018 Water deliveries	5,145,437.12
10/15/18	Golden State Water Company	August 2018 Water deliveries	567,871.86
10/15/18	Yorba Linda Water District	August 2018 Water deliveries	760,420.74
10/15/18	Moulton Niguel Water District	August 2018 Water deliveries	2,780,858.33
10/15/18	Irvine Ranch Water District	August 2018 Water deliveries	1,886,067.34
10/15/18	City of Garden Grove	August 2018 Water deliveries	700,517.85
10/19/18	City of Fountain Valley	September 2018 Water deliveries	8,498.30
10/22/18	City of Newport Beach	September 2018 Water deliveries	268,276.17
10/22/18	Trabuco Canyon Water District	September 2018 Water deliveries	198,338.06
10/24/18	Serrano Water District	September 2018 Water deliveries	99,999.34
10/24/18	City of La Habra	September 2018 Water deliveries	38,151.33
10/26/18	City of Brea	September 2018 Water deliveries	145,464.80

TOTAL REVENUES \$ 22,162,704.56

Municipal Water District of Orange County
REVENUE / CASH RECEIPT REPORT
October 2018

MISCELLANEOUS REVENUES

Date	From	Description	Amount
10/12/18	El Toro Water District	10/11/18 Water Policy dinner	410.00
10/12/18	Larry McKenney	10/11/18 Water Policy dinner	85.00
10/15/18	Square	10/11/18 Water Policy dinner	81.87
10/19/18	Upper San Gabriel Valley Water District	10/11/18 Water Policy dinner	85.00
10/22/18	Metropolitan Water District	10/11/18 Water Policy dinner	750.00
10/01/18	Keith Lyon	October 2018 Retiree Health insurance	278.59
10/22/18	Stan Sprague	November 2018 Retiree Health insurance	243.00
10/19/18	Janice Kovacevic	Movie tickets	34.00
10/29/18	City of Aliso Viejo	OCEMO Luncheon	32.00
10/31/18	US Bank	October 2018 Interest income	52.69
10/01/18	Richard Bell	Water Professionals of the Future Fund	65.00
10/01/18	Stewart Case	Water Professionals of the Future Fund	35.00
10/02/18	Cynthia Miller	Water Professionals of the Future Fund	1,000.00
10/02/18	Veronica Ballantyne	Water Professionals of the Future Fund	50.00
10/09/18	Andrew Wehr	Water Professionals of the Future Fund	100.00
10/09/18	Joan Case	Water Professionals of the Future Fund	10.00
10/26/18	Bureau of Reclamation	Apr-Sep 2018 Distribution Leak Detection Equipment	44,516.38
10/26/18	Bureau of Reclamation	Apr-Sep 2018 Comprehensive Landscape WUE	57,879.55
10/10/18	Irvine Ranch Water District	July 2018 Smartimer rebate program	195.08
10/22/18	Trabuco Canyon Water District	August 2018 Smartimer rebate program	18.98
10/02/18	City of Orange	June 2018 Turf Removal rebate program	222.00
10/15/18	Irvine Ranch Water District	July 2018 Turf Removal rebate program	3,786.00
10/29/18	City of Newport Beach	August 2018 Turf Removal rebate program	1,206.43
10/01/18	City of Newport Beach	July 2018 Spray to Drip rebate program	111.00
10/09/18	City of Newport Beach	May 2018 Turf Removal and Spray to Drip rebate program	663.14
10/19/18	City of Fountain Valley	August 2018 Turf Removal and Spray to Drip rebate program	663.05
10/19/18	City of Orange	August 2018 Turf Removal and Spray to Drip rebate program	912.10
10/22/18	Mesa Water	August 2018 Smartimer, Rotating Nozzle & Turf Removal rebate program	140.00
10/26/18	City of Huntington Beach	August 2018 Smartimer, Rotating Nozzle & Turf Removal rebate program	40.00
10/26/18	City of San Clemente	August 2018 Smartimer, Rotating Nozzle & Turf Removal rebate program	1,683.99
10/26/18	El Toro Water District	August 2018 Smartimer, Rotating Nozzle & Turf Removal rebate program	2,544.00
10/29/18	Irvine Ranch Water District	August 2018 Smartimer, Rotating Nozzle & Turf Removal rebate program	7,098.96
10/29/18	Moulton Niguel Water District	August 2018 Smartimer, Rotating Nozzle & Turf Removal rebate program	10,872.48
10/01/18	City of Santa Ana	FY 18-19 Choice Programs Billing Invoice	712.40
10/02/18	City of La Palma	FY 18-19 Choice Programs Billing Invoice	3,430.46
10/09/18	City of Huntington Beach	FY 18-19 Choice Programs Billing Invoice	102,450.80
10/10/18	Irvine Ranch Water District	FY 18-19 Choice Programs Billing Invoice	199,224.91
10/19/18	City of Buena Park	FY 18-19 Choice Programs Billing Invoice	18,495.43
10/05/18	City of San Clemente	Water Loss Control technical assistance - WSO, Inc	17,732.00
10/09/18	South Coast Water District	Water Loss Control technical assistance - WSO, Inc	70,932.00

TOTAL MISCELLANEOUS REVENUES \$ 548,843.29
TOTAL REVENUES \$ 22,711,547.85



Robert J. Hunter, General Manager



Hilary Chumplitazi, Treasurer

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2018**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
Core Expenditures:		
	A-B Emblem	
355484	300 Patches for Girl Scout program	184.01
	*** Total ***	184.01
	Richard C. Ackerman	
1204	October 2018 Consulting on legal and regulatory matters	1,550.00
	*** Total ***	1,550.00
	ACWA	
2019	2019 Annual membership renewal	19,255.00
	*** Total ***	19,255.00
	Aleshire & Wynder LLP	
48786	October 2018 Legal services	517.50
	*** Total ***	517.50
	Alta FoodCraft	
51819934	10/4/18 Coffee & tea supplies	267.54
51822003	11/1/18 Coffee & tea supplies	311.50
	*** Total ***	579.04
	American Water Works Assoc.	
7001608057	2019 Annual membership renewal	1,678.00
	*** Total ***	1,678.00
	Association of Metropolitan Water Agencies	
#2019	2019 Annual membership renewal	19,453.00
	*** Total ***	19,453.00
	Awards & Trophies Co., Inc.	
30	Water bottle etching for 10/11/18 Water Policy Dinner speaker's gift	30.00
	*** Total ***	30.00
	Bank of America	
0013065209	August 2018 Bank account analysis fees	721.07
	*** Total ***	721.07
	Best Best and Krieger LLP	
833378	September 2018 State legislative advocacy services	8,537.92
55401-SEP18	September 2018 Legal services	8,805.07
	*** Total ***	17,342.99
	California Special Districts Association	
352-2019	2019 Annual membership renewal	7,252.00
	*** Total ***	7,252.00

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2018**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	CDW Government	
PNX0658	11/25/18-11/24/19 Web security filter annual license renewal	2,059.00
	*** Total ***	2,059.00
	CSU Fullerton ASC	
AR168399	2nd Quarter FY 18/19 CDR Support	11,761.07
	*** Total ***	11,761.07
	Dudek	
20184334	7/28/18-8/31/18 Planning level reliability for South County Interconnection	10,817.50
20186476	9/1/18-9/28/18 Planning level reliability for South County Interconnection	14,287.50
	*** Total ***	25,105.00
	Government Tax Seminars, LLC	
12/06/18-GUNAWAN	2018 Government Tax Seminar on 12/6/2018 registration for L. Gunawan	395.00
	*** Total ***	395.00
	Hashtag Pinpoint Corporation	
1175	October 2018 Social Media consultation and services	7,917.00
	*** Total ***	7,917.00
	Hazen and Sawyer	
20121-0000001	August 2018 Preparation for Planning and Integrating of Alternative Water Supplies workshop	14,800.00
	*** Total ***	14,800.00
	Independent Special Dist of OC	
ISDOC102518-REG	10/25/18 ISDOC meeting registrations for Directors Barbre, Dick, Finnegan and Thomas	68.00
102518-PAYPAL	7/30/18-10/30/18 PayPal receipts for 10/25/18 meeting	526.34
	*** Total ***	594.34
	James C. Barker, P.C.	
105-1018	October 2018 Federal legislative advocacy services	8,000.00
	*** Total ***	8,000.00
	Jill Promotions	
10378	3 Jackets and 50 shirts/sweaters with MWDOC logo (\$943.80 reimbursed by staff members)	1,714.68
	*** Total ***	1,714.68
	Karen's Detail Custom Frames	
3046	Custom framing for City of Westminster certificate of recognition	80.81
	*** Total ***	80.81
	L.A. Design Studio	
5024	July-October 2018 MWDOC Website support	800.00
	*** Total ***	800.00

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2018**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	<i>Lawnscap Systems, Inc.</i>	
397894	10/19/18 Landscape maintenance for atrium	295.00
	*** Total ***	295.00
	<i>Phil Letrong</i>	
JUL-SEP2018	July-September 2018 Retiree medical premium	402.00
	*** Total ***	402.00
	<i>Lewis Consulting Group</i>	
2018-175	October 2018 Consulting services	2,375.00
	*** Total ***	2,375.00
	<i>Edward G. Means III</i>	
MWDOC-1064	October 2018 Consulting on MET issues and guidance to engineering staff	250.00
	*** Total ***	250.00
	<i>NDS</i>	
715874	9/28/18 Delivery charges for Board packets	169.36
715971	10/12/18 Delivery charges for Board packets	169.36
	*** Total ***	338.72
	<i>Office Solutions</i>	
I-01453809	Half-round table	228.38
I-01457895	10/11/18 Office supplies	482.00
I-01458130	10/12/18 Office supplies	33.95
I-01460971	10/17/18 Office supplies	232.29
I-01460977	10/17/18 Office supplies	44.51
I-01464118	10/23/18 Office supplies	413.05
I-01469140	10/31/18 Office supplies	71.66
I-01470025	11/1/18 Office supplies	31.53
	*** Total ***	1,537.37
	<i>Orange County Fast Print, Inc.</i>	
57048	Business cards for T. Baca	58.88
	*** Total ***	58.88
	<i>Orange County Water District</i>	
19497	September 2018 50% share of WACO expense	246.25
19522	September 2018 Postage, shared office & maintenance expense	6,569.61
19570	October 2018 50% share of WACO expense	246.25
	*** Total ***	7,062.11
	<i>Patricia Kennedy Inc.</i>	
10572	November 2018 Plant maintenance	214.00
	*** Total ***	214.00

Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2018

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	Joey C. Soto	
MWDOC#005	September 2018 Grant Research and Acquisition assistance	2,999.50
MWDOC#006	October 2018 Grant Research and Acquisition assistance	2,999.55
	*** Total ***	5,999.05
	Steven Enterprises, Inc.	
0404698-IN	2 Ink cartridges for plotter	313.61
	*** Total ***	313.61
	Top Hat Productions	
94533	10/16/18 Breakfast and lunch for Leak Detection training	834.09
94541	10/17/18 Breakfast and lunch for Leak Detection training	962.85
94587	10/31/18 Breakfast and lunch for Leak Detection training	908.98
94590	11/1/18 Breakfast and lunch for Leak Detection training	838.94
	*** Total ***	3,544.86
	Ultimate Image Printing, Inc.	
111417	2 Printed signs for Girl Scout events	193.95
	*** Total ***	193.95
	Vasquez and Company LLP	
2180848-IN	8/1/18-10/11/18 Services for FY 17-18 Financial audit	12,000.00
	*** Total ***	12,000.00
	WageWorks, Inc.	
INV1003700	August 2018 Cafeteria plan administration	185.25
	*** Total ***	185.25
	Water Systems Optimization, Inc.	
1454	October 2018 Water Loss Audit Validation research	2,000.00
1455	October 2018 Services to develop a Water Loss Control Business Plan	15,310.00
	*** Total ***	17,310.00
	ZCater	
166420	Lunch for Manager's meeting	647.83
166465	Breakfast for Ethics training	138.79
	*** Total ***	786.62
	Total Core Expenditures	<hr/> 194,655.93

Choice Expenditures:

	Bryton Printing Inc.	
14619	Water Use Efficiency bill inserts and flyers for member agencies	5,186.45
14648	Water Use Efficiency bill inserts and flyers for Seal Beach	631.73
	*** Total ***	5,818.18

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2018**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	California Water Efficiency Partnership	
PUB614	5,200 Practical Plumbing Handbooks (\$13,544.50 reimbursed by 11 other agencies)	13,659.42
	*** Total ***	13,659.42
	Mission RCD	
2567	October 2018 Field verifications for Water Use Efficiency rebate programs	3,517.77
	*** Total ***	3,517.77
	Orange County Water District	
19522	September 2018 Postage for Water Use Efficiency rebate programs	53.54
	*** Total ***	53.54
	Top Hat Productions	
94492	10/4/18 Lunch for Water Use Efficiency Workgroup meeting	365.00
94557	10/23/18 Breakfast for California Landscape Contractors Association Mastering	691.22
	Water Efficiency Landscapes class	
94591	10/31/18 Lunch for Water Use Efficiency meeting	521.94
	*** Total ***	1,578.16
	Total Choice Expenditures	<u>24,627.07</u>
Other Funds Expenditures:		
	Mission RCD	
2567	October 2018 Field verifications for Water Use Efficiency rebate programs	2,771.75
	*** Total ***	2,771.75
	County of Orange	
SC11220	Programing 1 WEROC radio for Seal Beach	50.00
	*** Total ***	50.00
	Raftelis Financial Consultants, Inc.	
11000	September 2018 Five year monitoring for Budget Based Tiered Rate grant	730.00
11133	October 2018 Five year monitoring for Budget Based Tiered Rate grant	5,150.00
	*** Total ***	5,880.00
	Total Other Funds Expenditures	<u>8,701.75</u>
	Total Expenditures	<u><u>227,984.75</u></u>

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2018**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
Core Disbursements:				
138428	10/11/18	SPECTB 0375210092018	Spectrum Business October 2018 Telephone and internet expense ***Total ***	 1,099.14 1,099.14
138429	10/11/18	VERIZO 9815236115	Verizon Wireless September 2018 4G Mobile broadband unlimited service ***Total ***	 114.03 114.03
138438	10/15/18	HOMED1 7785-SEP18	Home Depot Credit Services 9/18/18 Computer room supplies ***Total ***	 59.20 59.20
138439	10/15/18	IRONMO AGEY943	Iron Mountain October 2018 Archived document storage fees ***Total ***	 209.70 209.70
138449	10/15/18	SPECTB 0343564100118	Spectrum Business October 2018 Telephone expense for 3 analog fax lines ***Total ***	 108.73 108.73
ACH003551	10/15/18	ACKEEX 093018	Linda Ackerman September 2018 Business expense ***Total ***	 76.30 76.30
ACH003554	10/15/18	BAEZHE 093018	Heather Baez September 2018 Business expense ***Total ***	 249.37 249.37
ACH003555	10/15/18	BARBRE 093018	Brett Barbre September 2018 Business expense ***Total ***	 183.12 183.12
ACH003561	10/15/18	BUSSLI 083118	Charles Busslinger August 2018 Business expense ***Total ***	 35.00 35.00
ACH003562	10/15/18	DICKEX 093018	Larry Dick September 2018 Business expense ***Total ***	 152.64 152.64
ACH003563	10/15/18	FINNEG 093018	Joan Finnegan September 2018 Business expense ***Total ***	 92.70 92.70

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2018**

Check #	Date	Vendor # Invoice/CM #	Name / Description	Net Amount
ACH003564	10/15/18	FRANCI	Pari Francisco	
		093018	September 2018 Business expense	51.23
			***Total ***	51.23
ACH003565	10/15/18	FRAZIE	Leah Frazier	
		093018	September 2018 Business expense	13.07
			***Total ***	13.07
ACH003573	10/15/18	MICALI	Damon Micalizzi	
		093018	September 2018 Business expense	99.82
			***Total ***	99.82
ACH003583	10/15/18	ROBERT	Bryce Roberto	
		093018	September 2018 Business expense	175.11
			***Total ***	175.11
ACH003584	10/15/18	TAMARI	Satoru Tamaribuchi	
		093018	September 2018 Business expense	135.71
			***Total ***	135.71
ACH003585	10/15/18	THOMAS	Jeffery Thomas	
		093018	September 2018 Business expense	118.81
			***Total ***	118.81
138495	10/31/18	USBANK	U.S. Bank	
		0403/4140/5443-SEP18	8/23/18-9/24/18 Cal Card charges	18,815.19
			***Total ***	18,815.19
			(See attached sheet for details)	
ACH003590	10/31/18	BAUMHA	Melissa Baum-Haley	
		093018	September 2018 Business expense	305.51
			***Total ***	305.51
ACH003592	10/31/18	BUIJEA	Jeannie Bui	
		093018	September 2018 Business expense	42.88
			***Total ***	42.88
ACH003593	10/31/18	BUSSLI	Charles Busslinger	
		093018	September 2018 Business expense	24.35
			***Total ***	24.35
ACH003594	10/31/18	LINGAD	Christopher S. Lingad	
		100318	September-October 2018 Business expense	73.37
			***Total ***	73.37
ACH003596	10/31/18	DINHPA	Patrick Dinh	
		093018	September 2018 Business expense	21.80
			***Total ***	21.80

Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2018

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
ACH003597	10/31/18	FAHLBE	Beth Fahl	
		093018	September 2018 Business expense	49.44
			***Total ***	49.44
ACH003598	10/31/18	HARRIS	Cathleen M. Harris	
		101118	September-October 2018 Business expense	296.33
			***Total ***	296.33
ACH003607	10/31/18	DAVISR	Rachel Davis	
		093018	September 2018 Business expense	16.30
			***Total ***	16.30
ACH003608	10/31/18	WILSON	Sarah C. Wilson	
		093018	September 2018 Business expense	18.31
			***Total ***	18.31
ACH003609	10/31/18	SCHNEI	Megan Yoo Schneider	
		093018	September 2018 Business Expense	1,598.64
			***Total ***	1,598.64
ACH003612	10/31/18	WAITER	Rachel Waite	
		100918	October 2018 Business expense	501.29
			***Total ***	501.29
Total Core Disbursements				24,737.09

Choice Disbursements:

ACH003565	10/15/18	FRAZIE	Leah Frazier	
		093018	September 2018 Business expense	52.11
			***Total ***	52.11
138495	10/31/18	USBANK	U.S. Bank	
		4140-SEP18	8/23/18-9/24/18 Cal Card charges	118.95
			***Total ***	118.95
			(See attached sheet for details)	
Total Choice Disbursements				171.06

Other Funds Disbursements:

138411	10/4/18	DRIPPR	Spray to Drip Program	
		S2D1-C-ETWD-26782-13196	E. Mark (Laguna Hills)	1,129.60
			***Total ***	1,129.60

Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2018

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
		TURFRP	Turf Removal Program	
138412	10/4/18	TR11-R-SC-26689-26603	N. Marcisz	1,680.00
138413	10/4/18	TR11-C-O-26819-26736	Batavia Struck Business Park, LP (Orange)	4,135.40
138414	10/4/18	TR11-R-MNT-26873-26791	M. Balbas	1,408.00
138415	10/4/18	TR11-R-MNT-7503-26797	C. Nazaryfar	480.00
138416	10/4/18	TR11-R-SOCO-26897-26824	R. Glover	1,154.00
138417	10/4/18	TR11-R-MNT-26912-26838	J. Cummings	1,134.00
138418	10/4/18	TR12-R-MNT-26962-26889	T. Lippert	808.00
138419	10/4/18	TR12-R-MNT-26993-26917	C. Wilson-Ferry	1,368.00
138420	10/4/18	TR12-R-MNT-27030-26954	G. Cunningham	1,002.00
138421	10/4/18	TR12-R-MNT-27036-26960	J. Sutherland	624.00
138422	10/4/18	TR12-R-IRWD-27043-26967	B. Blender	585.00
138423	10/4/18	TR12-R-MNT-27045-26969	M. Madani	1,216.00
138424	10/4/18	TR12-R-IRWD-28101-28024	M. McIntyre	225.00
138425	10/4/18	TR12-R-MNT-28104-28026	T. Spinogatti	794.00
138426	10/4/18	TR12-R-MNT-28106-28027	T. Espey	522.00
138427	10/4/18	TR12-R-IRWD-28123-28047	S. Gupta	433.00
			***Total ***	17,568.40
138429	10/11/18	VERIZO 9815236115	Verizon Wireless September 2018 4G Mobile broadband unlimited service	76.02
			***Total ***	76.02
138433	10/15/18	ATTUVEOC 8599-OCT18	AT&T October 2018 U-verse internet service for WEROC N.EOC	60.00
			***Total ***	60.00
138434	10/15/18	ATTCALN 000011964932	AT&T September 2018 WEROC N. & S. EOC telephone expense	206.10
		000011964933	September 2018 WEROC N. EOC telephone expense	106.68
			***Total ***	312.78
ACH003572	10/15/18	MESAWA 9629	Mesa Water District August 2018 Credit for Local Resources program	31,991.54
			***Total ***	31,991.54
		TURFRP	Turf Removal Program	
138453	10/25/18	TR11-C-IRWD-18907-18823	UC Irvine	24,218.70
138454	10/25/18	TR11-C-SM-26542-26457	Casta del Sol (Mission Viejo)	23,198.00
138455	10/25/18	TR11-R-MNT-5125-26563	N. Htan	4,325.00
138456	10/25/18	TR11-R-MNT-26681-26594	M. Johnson	2,464.00
138457	10/25/18	TR11-R-YLWD-26700-26614	L. Blank	1,266.00
138458	10/25/18	TR11-R-ETWD-26710-26624	J. Andrews	291.74
138459	10/25/18	TR11-C-ETWD-4935-26667	E. Mark (Laguna Hills)	1,754.00
138460	10/25/18	TR11-C-TUST-26696-26679	Church of the Foothills (Santa Ana)	8,504.88

Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2018

Check #	Date	Vendor # Invoice/CM #	Name / Description	Net Amount
138461	10/25/18	TR11-C-ETWD-4935-26682	E. Mark (Laguna Hills)	4,043.00
138462	10/25/18	TR11-R-O-26792-26714	L. Dao	547.00
138463	10/25/18	TR11-R-FV-26804-26724	J. Tran	222.00
138464	10/25/18	TR11-R-SM-26807-26727	M. Viscomi	279.00
138465	10/25/18	TR11-R-SC-26817-26734	G. Kroe	1,788.00
138466	10/25/18	TR11-R-SC-26851-26769	A. Hirasuna	1,144.00
138467	10/25/18	TR11-R-YLWD-26885-26808	A. Salehi	1,931.00
138468	10/25/18	TR11-R-IRWD-26888-26813	C. Strodel	1,026.00
138469	10/25/18	TR11-R-O-26889-26814	P. Cardwell	2,000.00
138470	10/25/18	TR11-R-SM-26894-26821	K. Schulze	1,197.00
138471	10/25/18	TR11-R-SM-26906-26833	J. & A. Susnjara	510.00
138472	10/25/18	TR11-R-WEST-26908-26835	M. Van Veghel	802.00
138473	10/25/18	TR12-R-MNT-26963-26890	S. Francis	1,396.00
138474	10/25/18	TR12-R-TUST-27002-26925	W. Kirk	900.00
138475	10/25/18	TR12-R-IRWD-27017-26939	C. Ng	462.00
138476	10/25/18	TR12-R-HB-26998-26947	D. McCarty	590.00
138477	10/25/18	TR12-R-MNT-27026-26950	C. Neulander	690.00
138478	10/25/18	TR12-R-MNT-27027-26951	C. Warren	1,250.00
138479	10/25/18	TR12-R-IRWD-27037-26961	J. Preston	1,032.00
138480	10/25/18	TR12-R-IRWD-27062-26985	J. Kim	893.00
138481	10/25/18	TR12-R-MNT-27067-26990	T. Suwa	1,118.00
138482	10/25/18	TR12-R-MNT-29177-29101	J. Williams	2,336.00
138483	10/25/18	TR12-R-IRWD-29180-29103	V. Ho	849.00
138484	10/25/18	TR11-C-FV-4928-4851ADJ	City of Fountain Valley	5,283.10
138485	10/25/18	TR12-R-MNT-26952-	A. Blenkle	1,350.00
			***Total ***	99,660.42
138492	10/31/18	RWOSRP RTF4095A	Recycled Water Program City of San Juan Capistrano	1,384.50
			***Total ***	1,384.50
138493	10/31/18	SANTI1 AUG2018	Santiago Aqueduct Commission August 2018 SAC Pipeline operation surcharge	3,250.59
			***Total ***	3,250.59
138494	10/31/18	SCHUNK 101818	Janine Schunk September-October 2018 Business expense	155.65
			***Total ***	155.65
138495	10/31/18	USBANK 4140-SEP18	U.S. Bank 8/23-9/24/18 Cal Card charges	4,167.47
			***Total ***	4,167.47
			(See attached sheet for details)	
ACH003599	10/31/18	HUBBAR 093018	Kelly Hubbard September 2018 Business expense	62.98
			***Total ***	62.98

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2018**

Check #	Date	Vendor # Invoice/CM #	Name / Description	Net Amount
ACH003610	10/31/18	SANTAM AUG2018	Santa Margarita Water District August 2018 SCP Pipeline operation surcharge ***Total ***	 31,492.85 31,492.85
ACH003611	10/31/18	SOTOFR 093018	Francisco Soto September 2018 Business expense ***Total ***	 104.39 104.39
EFT-181031	10/31/18	METWAT 9475	Metropolitan Water District August 2018 Water deliveries ***Total ***	 21,714,791.13 21,714,791.13
Total Other Funds Disbursements				<u>21,906,208.32</u>
Total Disbursements				<u><u>21,931,116.47</u></u>

Robert J. Hunter, General Manager

Hilary Chumpitazi, Treasurer

Statement Date: September 24, 2018

Payment Date: October 31, 2018

Date	Description	Amount
<u>Public Affairs</u>		
08/22/18	50 Decals with new MWDOC logo	\$ 59.00
08/22/18	Urban Water Institute conference in San Diego, CA from Aug. 22-24, 2018 - Dinner for Directors Ackerman, Dick and Tamaribuchi, D. Micalizzi and 3 guests	379.59
08/26/18	Urban Water Institute conference in San Diego, CA from Aug. 22-24, 2018 - Accommodations for D. Micalizzi	643.86 ¹
08/28/18	10 Decals with new MWDOC logo	17.00
09/04/18	Lunch for Social Media Request for Proposal interviews	69.11
09/06/18	Supplies for MET Delta Inspection trip	13.98
09/08/18	Appetizers for MET Inspection trip	104.16
09/08/18	Appetizers for MET Inspection trip	309.61
09/10/18	Marcom Awards application fee for MWDOC website	95.00
09/12/18	Orange County Public Relations Society of America PROTOS Awards Gala in Santa Ana, CA on Sep. 27, 2018 - Registration for T. Baca	200.95
09/12/18	Orange County Public Relations Society of America PROTOS Awards Gala in Santa Ana, CA on Sep. 27, 2018 - Registration for B. Roberto	200.95
09/12/18	Orange County Public Relations Society of America PROTOS Awards Gala in Santa Ana, CA on Sep. 27, 2018 - Registration for S. Wilson	200.95
09/12/18	Orange County Public Relations Society of America PROTOS Awards Gala in Santa Ana, CA on Sep. 27, 2018 - Registration for D. Micalizzi	200.95
09/12/18	Orange County Public Relations Society of America PROTOS Awards Gala in Santa Ana, CA on Sep. 27, 2018 - Registration for T. Muldoon	170.08
09/13/18	Changing tent for Ricki Raindrop events	29.99
09/13/18	Lunch for High School Program meeting	67.60
09/14/18	Breakfast for MET Inspection trip	46.91
09/14/18	Appetizers for MET Inspection trip	130.00
09/15/18	Appetizers for MET Inspection trip	172.01
09/18/18	Supplies for Public Affairs	21.53
09/18/18	Supplies for Public Affairs	17.20
09/20/18	MWDOC Logo light cover for MWDOC events	131.49
Total		<u>\$ 3,281.92</u>

¹ D. Micalizzi reimbursed MWDOC \$38.00

Statement Date: September 24, 2018
Payment Date: October 31, 2018

Date	Description	Amount
K. Seckel Card		
08/24/18	5 Dell computers	\$ 6,062.49
08/24/18	Coffee for California Landscaper Contractors Association conference	109.00
08/24/18	7/24/18-8/23/18 Web hosting service for MWDOC website	15.65
08/26/18	5 Dell laptops for WEROC N. EOC	3,912.49
08/27/18	2 Monitors and dual monitor stand	435.27
08/29/18	Lunch for Administration Staff meeting	103.42
08/29/18	Phone for WEROC S. EOC	48.06
08/31/18	Lunch for Desalination Integration workshop	366.13
08/31/18	1 Year subscription for Cloud Cam storage for security camera	69.99
08/31/18	Region 9 EPA Administrator meeting in San Francisco, CA on Sep. 5, 2018 - Airfare for H. Baez	355.96
09/01/18	Breakfast for Desalination Integration workshop	32.50
09/02/18	9/1/18-9/30/18 E-mail service for California Sprinkler Adjustment Notification System	9.95
09/04/18	Sympathy flowers for S. Colton	90.43
09/05/18	Computer supplies	49.44
09/10/18	UPS delivery charges for Board packets on Sep. 7, 2018	19.38
09/11/18	Refrigerator repair	812.24
09/12/18	Replacement telephone	252.19
09/14/18	Computer supplies	69.99
09/14/18	Food for staff development meeting	32.50
09/14/18	Orange County Emergency Management Organization Holiday lunch in Buena Park, CA on Dec. 6, 2018 - Deposit	200.00 ¹
09/17/18	UPS delivery charges for Board packets on Sep. 7, 2018	56.04
09/18/18	Curved Monitor	250.11
09/19/18	Office supplies	189.12 ²
09/20/18	Monthly fee for Hulu television streaming service for WEROC	54.98
09/20/18	Office supplies	179.43 ³
09/21/18	Refrigerator repair	106.92
09/22/18	Computer supplies	45.99
Total		\$ 13,929.67

- ¹ Lunch attendees will reimburse MWDOC
- ² Order for office supplies canceled, refund issued on 9/24/18
- ³ Order for office supplies canceled, refund issued on 9/26/18

Statement Date: September 24, 2018

Payment Date: October 31, 2018

Date	Description	Amount
<u>R. Hunter Card</u>		
08/23/18	Urban Water Institute conference in San Diego, CA from Aug. 22-24, 2018 - Dinner for Directors Ackerman, Dick, Tamaribuchi, Yoo Schneider and Thomas, R. Hunter, D. Micalizzi and 3 guests	522.84 ¹
08/24/18	Urban Water Institute conference in San Diego, CA from Aug. 22-24, 2018 - Accommodations for Director Tamaribuchi	613.30
08/24/18	Urban Water Institute conference in San Diego, CA from Aug. 23-24, 2018 - Accommodations for R. Hunter	246.68
08/25/18	Urban Water Institute conference in San Diego, CA from Aug. 22-24, 2018 - Accommodations for Director Thomas	252.16
08/25/18	Urban Water Institute conference in San Diego, CA from Aug. 22-24, 2018 - Parking for Director Yoo Schneider	40.00
08/29/18	Colorado River Water Users Association conference in Las Vegas, NV from Dec. 12-14, 2018 - Registration for Director Barbre	475.00
08/30/18	California Notary training, membership and supplies for M. Goldsby	906.65
08/31/18	Association of California Cities Orange County Washington DC Federal Advocacy trip in Washington, DC from Sep. 16-18, 2018 - Airfare for Director Barbre	1,558.39 ²
9/10/18	Association of California Cities Orange County Washington DC Federal Advocacy trip in Washington, DC from Sep. 16-18, 2018 - Registration for Director Barbre	1,275.00 ³
Total		<u>\$ 5,890.02</u>

- ¹ R. Hunter reimbursed MWDOC \$51.72
- ² Trip canceled due to weather, airfare is available for future flights
- ³ Trip canceled due to weather, registration is available for future conferences

Municipal Water District of Orange County
GM Approved Disbursement Report ⁽¹⁾
For the month of October 2018

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
Core Disbursements:				
138430	10/11/18	WESTIN MJ11AB	Westin South Coast Plaza Estimated balance for 10/11/18 Water Policy Dinner Banquet facility ***Total ***	10,487.93 10,487.93
			Total Core Disbursements	<u>10,487.93</u>
Choice Disbursements:				
			Total Choice Disbursements	<u>-</u>
Other Funds Disbursements:				
			Total Other Funds Disbursements	<u>-</u>
			Total Disbursements	<u><u>10,487.93</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.

Municipal Water District of Orange County
WATER USE EFFICIENCY PROJECTS
Cash Flow as of 10/31/18

	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	TOTALS
Cash - Beginning Balance	\$ 280,031.97	\$ 273,554.92	\$ 407,387.74	\$ 171,742.71	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	
REVENUES:													
BUREC	4,605.00	111.00		102,395.93									\$ 107,111.93
City of Brea													-
City of Buena Park		222.00											222.00
City of Fountain Valley	222.00		1,376.29	663.05									2,261.34
City of Fullerton													-
City of Garden Grove													-
City of Huntington Beach	598.99			40.00									638.99
City of La Habra	222.00												222.00
City of San Clemente	3,244.99	9,442.99		1,683.99									14,371.97
City of San Juan Capistrano													-
City of Santa Ana													-
City of Tustin													-
City of Newport Beach		3,343.80		1,980.57									5,324.37
City of Orange	444.00		913.75	1,134.10									2,491.85
City of Westminster	333.00	539.00	555.00										1,427.00
County of Orange													-
Department of Water Resources	32,990.80												32,990.80
East Orange County Water District													-
El Toro Water District		774.00		2,544.00									3,318.00
Irvine Ranch Water District	8,271.11	47,878.73		11,080.04									67,229.88
Laguna Beach County Water District		15.00											15.00
Mesa Water District	66.82	197.98	170.00	140.00									574.80
Metropolitan Water District		191,093.43											191,093.43
Moulton Niguel Water District	38,341.68	7,726.23	10,281.98	10,872.48									67,222.37
Orange County Water District													-
Santa Margarita Water District													-
Trabuco Canyon Water District		605.76		18.98									624.74
Yorba Linda Water District		284.07											284.07
Miscellaneous Revenues													
Miscellaneous													-
Interest Revenue	2,228.14												2,228.14
Total Revenues	91,568.53	262,233.99	13,297.02	132,553.14	-	-	-	-	-	-	-	-	\$ 499,652.68
EXPENDITURES:													
Budget Based Tiered Rates, Rattells		1,050.00	1,800.00	11,960.00									17,030.00
Droplet													-
IRWD													-
Golden State Water Company													-
City of Huntington Beach													-
Laguna Beach CWD													-
Metropolitan Water District	28,091.13		25,193.39	87,250.95									140,535.47
Mission RCD		20,060.11	18,627.78	13,404.64									52,092.53
Multi Family HET Direct			4,800.00										4,800.00
Pollard Water		44,516.38											44,516.38
Recycled Water On Site Retrofit program			11,099.50	1,384.50									12,484.00
Spray to Drip program	690.45	4,310.08	5,308.76	1,129.60									11,438.89
SMWD	34,905.00												34,905.00
Turf Removal	32,139.00	58,464.60	177,399.11	117,228.82									385,231.53
Water Savings Incentive Program													-
Miscellaneous Expenses													
Interest Expense													-
Salary & Benefit			4,713.51										4,713.51
Total Expenditures	98,045.58	128,401.17	248,942.05	232,358.51	-	-	-	-	-	-	-	-	\$ 707,747.31
Cash - Ending Balance	\$ 273,554.92	\$ 407,387.74	\$ 171,742.71	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	\$ 71,937.34	



Municipal Water District of Orange County
Consolidated Summary of Cash and Investment
 September 30, 2018

Street Address:
 18700 Ward Street
 Fountain Valley, California 92708

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

(714) 963-3058
 Fax: (714) 964-9389
www.mwdoc.com

Brett R. Barbre
President

Joan C. Finnegan
Vice President

Larry D. Dick
Director

Wayne S. Osborne
Director

Megan Yoo Schneider
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
Designated Reserves		
General Operations	\$3,156,569	17.96%
Grant & Project Cash Flow	1,500,000	8.53%
Election Expense	304,000	1.73%
Building Repair	350,407	1.99%
OPEB	209,006	1.19%
Total Designated Reserves	5,519,982	31.40%
General Fund	10,313,643	58.69%
Water Fund	1,273,999	7.25%
Conservation Fund	171,743	0.98%
Desalination Feasibility Study Fund	(145,268)	(0.83%)
WEROC Fund	413,395	2.35%
Trustee Activities	28,775	0.16%
Total	\$17,576,269	100.00%

The funds are invested as follows:

Term of Investment	% of Portfolio	Book Value	Market Value
Cash	0.51%	\$89,315	\$89,315
Short-term investment			
• LAIF	59.36%	\$10,432,678	\$10,432,678
• OCIP	22.48%	3,951,380	3,951,380
Long-term investment			
• Corporate Bond	6.56%	1,152,896	1,124,404
• Certificates of Deposit	11.09%	1,950,000	1,931,435
Total	100.00%	\$17,576,269	\$17,529,212

The average number of days to maturity/call as of September 30, 2018 equaled 163 and the average yield to maturity is 2.039%. During the month, the District's average daily balance was \$29,803,013.44. 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 2018.

The (\$47,057) difference between the book value and the market value on September 30, 2018 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, 2018

9/30/2018	Par Value	Market Value	Book Value	% of Portfolio	Days to Mat/Call	YTM @ Cost
Negotiable Certificate Of Deposit	1,950,000.00	1,931,435.50	1,950,000.00	11.15	951	2.504
Corporate Bond	1,150,000.00	1,124,404.00	1,152,896.38	6.58	847	2.290
Local Agency Investment Funds	10,432,677.40	10,432,677.40	10,432,677.40	59.67	1	2.054
Orange County Investment Pool	3,951,380.35	3,951,380.35	3,951,380.35	22.60	1	1.696
Total Investments	17,484,057.75	17,439,897.25	17,486,954.13	100.00	163	2.039

Cash						
Cash	89,315.16	89,315.16	89,315.16		1	0.00
Total Cash and Investments	17,573,372.91	17,529,212.41	17,576,269.29		163	2.039

Total Earnings	Month Ending September	Fiscal Year to Date
Current Year	55,473.25	143,171.41
Average Daily Balance	29,803,013.44	
Effective Rate of Return	2.039%	

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. Per Resolution 2059 there are no compliance exceptions to report.


Robert J. Hunter, General Manager

Date

11-7-18


Hilary Chumtipitazi, Treasurer

Date

11/6/2018

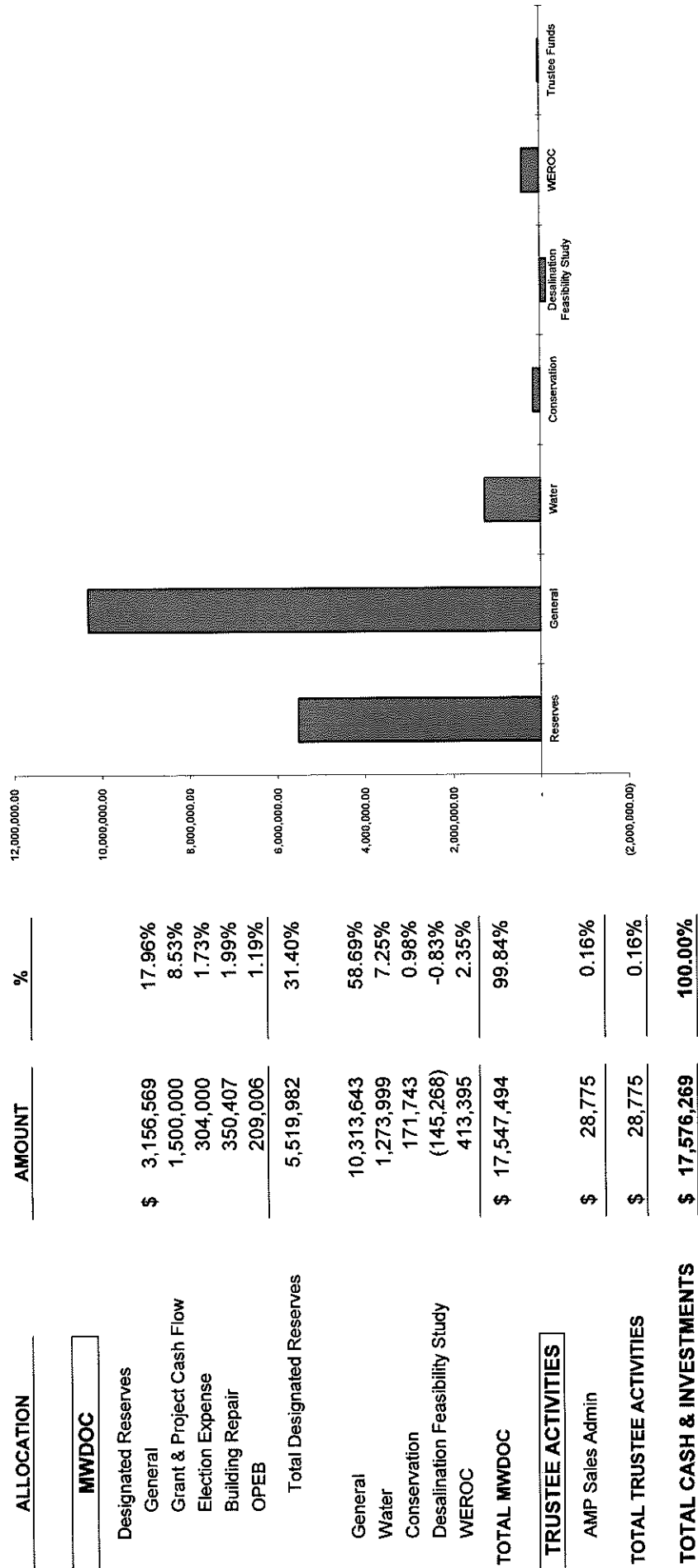
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Portfolio Management
Long-Term Portfolio Details - Investments
September 30, 2018

Issuer	CUSIP/Ticker	Settlement Date	Par Value	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Call/Maturity	Maturity Date
Negotiable Certificate Of Deposit									
Bardays Bank	06740KKY2	9/27/2017	250,000.00	241,080.00	250,000.00	2.250	2.250	1,458	9/27/2022
Capital One Bank	14042E6C9	9/2/2015	250,000.00	249,125.00	250,000.00	1.950	1.950	338	9/3/2019
Comenity Capital	20033AUX2	7/25/2017	200,000.00	194,378.00	200,000.00	2.000	2.000	1,020	7/16/2021
Discover Bank	254673RV0	7/25/2018	250,000.00	249,772.50	250,000.00	3.300	3.300	1,759	7/25/2023
Goldman Sachs Bank	38148PT98	8/8/2018	250,000.00	250,270.00	250,000.00	3.350	3.350	1,773	8/8/2023
HSBC Bank	40434AKG5	1/21/2016	250,000.00	250,110.00	250,000.00	2.250	2.534	113	1/21/2021
Morgan Stanley Bank	61747MJ36	2/1/2018	250,000.00	247,360.00	250,000.00	2.500	2.500	855	2/1/2021
Synchrony Bank	87164XBY1	7/25/2014	250,000.00	249,340.00	250,000.00	2.050	2.050	303	7/30/2019
Sub Total			1,950,000.00	1,931,435.50	1,950,000.00	2.468	2.504	951	
Corporate Bond									
JP Morgan Chase	46625HKA7	11/2/2015	500,000.00	494,885.00	500,611.28	2.250	2.152	449	1/23/2020
National Rural Util Coop	63743FE51	7/27/2017	200,000.00	191,156.00	200,000.00	2.500	2.500	1,384	7/15/2022
Wells Fargo	94974BGR5	1/13/2016	250,000.00	246,065.00	250,719.77	2.550	2.409	799	12/7/2020
Westpac Banking Corp	961214DQ3	7/25/2017	200,000.00	192,298.00	201,565.33	2.500	2.278	1,367	6/28/2022
Sub Total			1,150,000.00	1,124,404.00	1,152,896.38	2.402	2.290	847	
Total Investments			3,100,000.00	3,055,839.50	3,102,896.38	2.444	2.425	912	
Total Earnings									
			Month Ending September	Fiscal Year To Date					
Current Year			6,081.27	17,953.97					

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Portfolio Management
Short-Term Portfolio Details - Cash and Investments
September 30, 2018

Investments	CUSIP/Ticker	Settlement Date	Par Value	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Call/Maturity	Maturity Date
Local Agency Investment Funds									
LAIF LGIP	LAIF	6/30/2010	10,432,677.40	10,432,677.40	10,432,677.40	2.054	2.054	1	N/A
Sub Total			10,432,677.40	10,432,677.40	10,432,677.40	2.054	2.054	1	
Orange County Investment Pool									
County of Orange LGIP	OCIP	6/29/2005	3,951,380.35	3,951,380.35	3,951,380.35	1.696	1.696	1	N/A
Sub Total			3,951,380.35	3,951,380.35	3,951,380.35	1.696	1.696	1	
Total Investments			14,384,057.75	14,384,057.75	14,384,057.75	1.956	1.956		
Cash									
Petty Cash Cash	CASH	7/1/2010	500.00	500.00	500.00	0.000	0.000	1	N/A
US Bank Cash	CASHUSBANK	7/25/2018	88,815.16	88,815.16	88,815.16	0.000	0.000	1	N/A
Total Cash			89,315.16	89,315.16	89,315.16	0.000	0.000	1	
Total Cash and Investments			14,473,372.91	14,473,372.91	14,473,372.91	1.956	1.956	1	
Total Earnings									
Current Year		Month Ending September	Fiscal Year To Date						
		49,391.98	125,217.44						

**Municipal Water District of Orange County
Cash and Investments at September 30, 2018**



MUNICIPAL WATER DIST OF ORANGE COUNTY
PARS Post-Employment Benefits TrustAccount Report for the Period
9/1/2018 to 9/30/2018Rob Hunter
General Manager
Municipal Water Dist of Orange County
18700 Ward Street
Fountain Valley, CA 92708

Account Summary

Source	Beginning Balance as of 9/1/2018	Contributions	Earnings	Expenses	Distributions	Transfers	Ending Balance as of 9/30/2018
OPEB	\$2,133,641.21	\$0.00	-\$2,788.71	\$400.05	\$0.00	\$0.00	\$2,130,452.45
PENSION	\$209,690.13	\$0.00	-\$274.07	\$39.32	\$0.00	\$0.00	\$209,376.74
Totals	\$2,343,331.34	\$0.00	-\$3,062.78	\$439.37	\$0.00	\$0.00	\$2,339,829.19

Investment Selection

Source

OPEB	Moderate HighMark PLUS
PENSION	Moderate HighMark PLUS

Investment Objective

Source

OPEB	The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.
PENSION	The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

Investment Return

Source	1-Month	3-Months	1-Year	Annualized Return			Plan's Inception Date
				3-Years	5-Years	10-Years	
OPEB	-0.13%	2.63%	5.98%	8.25%	6.35%	-	10/26/2011
PENSION	-0.13%	1.19%	-	-	-	-	7/31/2018

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value

Past performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.

Investment Return: Annualized rate of return is the return on an investment over a period other than one year multiplied or divided to give a comparable one-year return.

Account balances are inclusive of Trust Administration, Trustee and Investment Management fees

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
COMBINED FINANCIAL STATEMENTS
AND
BUDGET COMPARATIVE
JULY 1, 2018 THRU SEPTEMBER 30, 2018

**Municipal Water District of Orange County
Combined Balance Sheet
As of September 30, 2018**

<u>ASSETS</u>	Amount
Cash in Bank	89,315.16
Investments	17,486,954.13
Accounts Receivable	41,338,593.54
Accounts Receivable - Other	104,666.43
Accrued Interest Receivable	143,685.49
Prepays/Deposits	301,905.84
Leasehold Improvements	3,735,829.68
Furniture, Fixtures & Equipment	563,307.34
Less: Accum Depreciation	<u>(2,955,750.56)</u>
TOTAL ASSETS	<u><u>\$60,808,507.05</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities	
Accounts Payable	40,912,846.07
Accounts Payable - Other	355.21
Accrued Salaries and Benefits Payable	353,060.96
Other Liabilities	254,366.95
Unearned Revenue	<u>954,311.68</u>
Total Liabilities	<u>42,474,940.87</u>
 Fund Balances	
Restricted Fund Balances	
Water Fund - T2C	<u>988,546.26</u>
Total Restricted Fund Balances	<u>988,546.26</u>
Unrestricted Fund Balances	
Designated Reserves	
General Operations	3,156,569.42
Grant & Project Cash Flow	1,500,000.00
Election Expense	304,000.00
Building Repair	350,407.45
OPEB	<u>209,006.00</u>
Total Designated Reserves	<u>5,519,982.87</u>
 GENERAL FUND	4,209,490.74
WEROC Capital	25,288.00
WEROC	<u>273,656.70</u>
Total Unrestricted Fund Balances	<u>10,028,418.31</u>
Excess Revenue over Expenditures	
Operating Fund	7,288,132.17
Other Funds	<u>28,469.44</u>
Total Fund Balance	<u>18,333,566.18</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$60,808,507.05</u></u>

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
General Fund
From July thru September 2018

	Month to Date	Year to Date	Annual Budget	% Used	Encumbrance	Budget Remaining
<u>REVENUES</u>						
Retail Connection Charge	0.00	7,697,005.75	7,697,006.00	100.00%	0.00	0.25
Ground Water Customer Charge	0.00	499,012.00	499,012.00	100.00%	0.00	0.00
Water rate revenues	0.00	8,196,017.75	8,196,018.00	100.00%	0.00	0.25
Interest Revenue	52,885.80	136,804.57	390,000.00	35.08%	0.00	253,195.43
Subtotal	52,885.80	8,332,822.32	8,586,018.00	97.05%	0.00	253,195.68
Choice Programs	0.00	1,083,819.46	1,174,750.00	92.26%	0.00	90,930.54
Miscellaneous Income	0.00	667.83	3,000.00	22.26%	0.00	2,332.17
School Contracts	5,326.56	5,326.56	102,031.00	5.22%	0.00	96,704.44
Transfer-In From Reserve	0.00	0.00	5,276.00	0.00%	0.00	5,276.00
Subtotal	5,326.56	1,089,813.85	1,285,057.00	84.81%	0.00	195,243.15
TOTAL REVENUES	58,212.36	9,422,636.17	9,871,075.00	95.46%	0.00	448,438.83

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
General Fund
From July thru September 2018

	Month to Date	Year to Date	Annual Budget	% Used	Encumbrance	Budget Remaining
<u>EXPENSES</u>						
Salaries & Wages	268,988.90	856,371.79	3,522,982.00	24.31%	0.00	2,666,610.21
Salaries & Wages - Grant Recovery	(3,837.94)	(3,837.94)	(6,300.00)	60.92%	0.00	(2,462.06)
Salaries & Wages - Recovery	(714.00)	(714.00)	0.00	0.00%	0.00	714.00
Director's Compensation	16,037.46	46,033.45	255,360.00	18.03%	0.00	209,326.55
MWD Representation	10,691.64	30,886.96	145,920.00	21.17%	0.00	115,033.04
Employee Benefits	84,634.20	262,426.87	1,108,564.00	23.67%	0.00	846,137.13
OPEB Annual Contribution	0.00	207,000.00	207,000.00	100.00%	0.00	0.00
Employee Benefits - Grant Recovery	(875.57)	(875.57)	0.00	0.00%	0.00	875.57
Employee Benefits - Recovery	(136.00)	(136.00)	0.00	0.00%	0.00	136.00
Director's Benefits	7,334.63	22,047.99	94,767.00	23.27%	0.00	72,719.01
Health Insurance for Retirees	4,840.70	14,788.54	70,519.00	20.97%	0.00	55,730.46
Training Expense	906.65	1,365.79	25,000.00	5.46%	0.00	23,634.21
Tuition Reimbursement	0.00	0.00	5,000.00	0.00%	0.00	5,000.00
Temporary Help Expense	0.00	0.00	5,000.00	0.00%	0.00	5,000.00
Personnel Expenses	387,870.67	1,435,357.88	5,433,812.00	26.42%	0.00	3,998,454.12
Engineering Expense	57,084.00	126,527.92	330,000.00	38.34%	197,900.48	5,571.60
Legal Expense	9,554.21	36,651.72	255,000.00	14.37%	218,348.28	0.00
Audit Expense	0.00	7,000.00	29,000.00	24.14%	12,380.00	9,620.00
Professional Services	87,895.71	199,837.03	1,430,758.00	13.97%	703,662.12	527,258.85
Professional Fees	154,533.92	370,016.67	2,044,758.00	18.10%	1,132,290.88	542,450.45
Conference-Staff	0.00	7,704.00	42,880.00	17.97%	0.00	35,176.00
Conference-Directors	1,050.00	4,922.00	24,930.00	19.74%	0.00	20,008.00
Travel & Accom.-Staff	1,988.24	4,770.25	99,600.00	4.79%	0.00	94,829.75
Travel & Accom.-Directors	2,088.46	3,915.23	51,750.00	7.57%	0.00	47,834.77
Travel & Conference	5,126.70	21,311.48	219,160.00	9.72%	0.00	197,848.52
Membership/Sponsorship	5,150.00	62,076.36	141,662.00	43.82%	0.00	79,585.64
CDR Support	0.00	11,761.07	47,044.00	25.00%	35,283.19	(0.26)
Dues & Memberships	5,150.00	73,837.43	188,706.00	39.13%	35,283.19	79,585.38
Business Expense	10.00	576.21	5,600.00	10.29%	0.00	5,023.79
Maintenance Office	7,113.71	21,475.35	132,796.00	16.17%	107,639.81	3,680.84
Building Repair & Maintenance	1,380.82	3,093.21	20,000.00	15.47%	16,906.79	0.00
Storage Rental & Equipment Lease	209.70	627.00	3,460.00	18.12%	1,833.00	1,000.00
Office Supplies	3,022.73	7,580.08	36,000.00	21.06%	3,187.77	25,232.15
Postage/Mail Delivery	560.92	1,804.28	9,000.00	20.05%	3,206.59	3,989.13
Subscriptions & Books	0.00	155.66	1,500.00	10.38%	0.00	1,344.34
Reproduction Expense	76.00	3,184.95	33,073.00	9.63%	3,403.21	26,484.84
Maintenance-Computers	1,675.33	2,442.19	8,000.00	30.53%	1,332.76	4,225.05
Software Purchase	9,904.44	19,411.80	45,861.00	42.33%	2,063.95	24,385.25
Software Support	2,878.78	19,107.79	51,934.00	36.79%	2,400.00	30,426.21
Computers and Equipment	6,062.49	9,041.24	11,850.00	76.30%	0.00	2,808.76
Automotive Expense	1,496.41	4,789.48	17,262.00	27.75%	0.00	12,472.52
Toll Road Charges	60.91	195.80	1,000.00	19.58%	0.00	804.20
Insurance Expense	8,919.31	28,441.97	138,500.00	20.54%	0.00	110,058.03
Utilities - Telephone	1,961.85	5,241.43	20,178.00	25.98%	1,146.94	13,789.63
Bank Fees	710.99	4,317.38	21,225.00	20.34%	0.00	16,907.62
Miscellaneous Expense	10,601.21	19,314.50	119,205.00	16.20%	0.00	99,890.50
MWDOC's Contrb. to WEROC	15,948.33	47,845.03	216,868.00	22.06%	0.00	169,022.97
Depreciation Expense	2,822.34	8,467.01	0.00	0.00%	0.00	(8,467.01)
Other Expenses	75,416.27	207,112.36	893,312.00	23.18%	143,120.82	543,078.82
Election Expense	0.00	0.00	304,000.00	0.00%	0.00	304,000.00
Building Expense	13,353.75	13,353.75	531,827.00	2.51%	38,961.68	479,511.57
Capital Acquisition	13,514.43	13,514.43	255,500.00	5.29%	0.00	241,985.57
TOTAL EXPENSES	654,965.74	2,134,504.00	9,871,075.00	21.62%	1,349,656.57	6,386,914.43
NET INCOME (LOSS)	(596,753.38)	7,288,132.17	0.00			

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
Water Fund
From July thru September 2018

	Month to Date	Year to Date	Annual Budget	% Used	Budget Remaining
<u>WATER REVENUES</u>					
Water Sales	17,751,785.20	57,926,518.50	188,976,940.00	30.65%	131,050,421.50
Readiness to Serve Charge	903,260.48	2,709,781.44	10,902,178.00	24.86%	8,192,396.56
Capacity Charge CCF	321,247.50	963,742.50	3,854,976.00	25.00%	2,891,233.50
SCP/SAC Pipeline Surcharge	31,061.32	100,811.25	365,000.00	27.62%	264,188.75
Interest	<u>1,831.61</u>	<u>4,643.73</u>	<u>13,000.00</u>	<u>35.72%</u>	<u>8,356.27</u>
TOTAL WATER REVENUES	<u>19,009,186.11</u>	<u>61,705,497.42</u>	<u>204,112,094.00</u>	<u>30.23%</u>	<u>142,406,596.58</u>
<u>WATER PURCHASES</u>					
Water Sales	17,751,785.20	57,926,518.50	188,976,940.00	30.65%	131,050,421.50
Readiness to Serve Charge	903,260.48	2,709,781.44	10,902,178.00	24.86%	8,192,396.56
Capacity Charge CCF	321,247.50	963,742.50	3,854,976.00	25.00%	2,891,233.50
SCP/SAC Pipeline Surcharge	<u>31,061.32</u>	<u>100,811.25</u>	<u>365,000.00</u>	<u>27.62%</u>	<u>264,188.75</u>
TOTAL WATER PURCHASES	<u>19,007,354.50</u>	<u>61,700,853.69</u>	<u>204,099,094.00</u>	<u>30.23%</u>	<u>142,398,240.31</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>1,831.61</u></u>	<u><u>4,643.73</u></u>	<u><u>13,000.00</u></u>		

Municipal Water District of Orange County
WUE Revenues and Expenditures (Actuals vs Budget)
From July thru September 2018

	Year to Date Actual	Annual Budget	% Used
Spray To Drip Conversion			
Revenues	3,230.67	128,540.00	2.51%
Expenses	<u>12,270.09</u>	<u>128,540.00</u>	9.55%
Excess of Revenues over Expenditures	(9,039.42)	0.00	
Member Agency Administered Passthru			
Revenues	23,600.00	100,000.00	23.60%
Expenses	<u>23,600.00</u>	<u>100,000.00</u>	23.60%
Excess of Revenues over Expenditures	0.00	0.00	
ULFT Rebate Program			
Revenues	5,563.70	43,500.00	12.79%
Expenses	<u>5,563.70</u>	<u>43,500.00</u>	12.79%
Excess of Revenues over Expenditures	0.00	0.00	
HECW Rebate Program			
Revenues	63,012.54	425,000.00	14.83%
Expenses	<u>63,028.19</u>	<u>425,000.00</u>	14.83%
Excess of Revenues over Expenditures	(15.65)	0.00	
CII Rebate Program			
Revenues	45,430.00	462,500.00	9.82%
Expenses	<u>45,430.00</u>	<u>462,500.00</u>	9.82%
Excess of Revenues over Expenditures	0.00	0.00	
Turf Removal Program			
Revenues	167,506.28	1,345,000.00	12.45%
Expenses	<u>278,448.93</u>	<u>1,345,000.00</u>	20.70%
Excess of Revenues over Expenditures	(110,942.65)	0.00	
Comprehensive Landscape (CLWUE)			
Revenues	46,062.13	366,840.00	12.56%
Expenses	<u>63,592.02</u>	<u>366,840.00</u>	17.34%
Excess of Revenues over Expenditures	(17,529.89)	0.00	
Large Landscape Survey Program			
Revenues	547.78	64,000.00	0.86%
Expenses	<u>8,824.69</u>	<u>64,000.00</u>	13.79%
Excess of Revenues over Expenditures	(8,276.91)	0.00	
WSIP - Industrial Program			
Revenues	0.00	36,755.00	0.00%
Expenses	<u>0.00</u>	<u>36,755.00</u>	0.00%
Excess of Revenues over Expenditures	0.00	0.00	
WUE Projects			
Revenues	354,953.10	2,972,135.00	11.94%
Expenses	<u>500,757.62</u>	<u>2,972,135.00</u>	16.85%
Excess of Revenues over Expenditures	(145,804.52)	0.00	
WEROC			
Revenues	239,225.03	489,160.00	48.91%
Expenses	<u>94,923.85</u>	<u>489,160.00</u>	19.41%
Excess of Revenues over Expenditures	144,301.18	0.00	



Memorandum

DATE: November 14, 2018

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

FROM: Robert Hunter

SUBJECT: Quarter ending September 2018 Fiscal YTD Financials Actual versus Budget

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 2018 (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 Charge	7,697	7,697	100.0%
Ground Water Customer Charge	499	499	100.0%
Subtotal	8,196	8,196	100.0%
Other Revenues:			
Interest income ⁽¹⁾	137	390	35.1%
Choice Programs	1,084	1,175	92.3%
School Contracts ⁽²⁾	5	102	5.2%
Other income	1	3	22.3%
Transfer in from Reserve ⁽³⁾	0	5	0.0%
Subtotal	1,227	1,675	73.2%
TOTAL REVENUES	9,423	9,872	95.5%
<u>EXPENSES</u>			
Personnel Expenses (incl. Dir.)	1,435	5,434	26.4%
Professional services ⁽⁴⁾	207	1,460	14.2%
Outside engineering ⁽⁵⁾	127	330	38.3%
Legal expense ⁽⁶⁾	37	255	14.4%
Travel & Conference ⁽⁷⁾	21	219	9.7%
Dues and memberships ⁽⁸⁾	74	189	39.1%
General & Admin expense	207	1,197	17.3%
Building repair & expense ⁽⁹⁾	13	532	2.5%
Capital acquisition (not including building repairs) ⁽¹⁰⁾	14	256	5.3%
TOTAL EXPENSES	2,135	9,871	21.6%
EXCESS OF REVENUES OVER EXPENSES	7,288		

RESERVE FUND

Beginning Balance ⁽¹¹⁾	5,250
Oct 2017 - excess from FY 16-17 General Fund	270
Net OPEB Asset	484
TOTAL RESERVE FUND	6,004

(1) Received semi-annual coupon payments

(2) School Contracts begin in September

(3) Transfer in from Reserves is moved at year-end

(4) Professional Services - Projects in process

(5) Engineering projects continued from prior fiscal year

(6) Legal expense includes unanticipated events

(7) Travel & Conference scheduled throughout the fiscal year

(8) Dues and memberships are generally paid early in the fiscal year

(9) Building repair & expense scheduled throughout the fiscal year

(10) Capital acquisition being performed throughout the year

(11) Reserve Fund will be updated after annual audit is finalized

Municipal Water District of Orange County
Revenues and Expenditures Actual vs Budget Line Item Report
Fiscal Year to Date ending September 2018 (Unaudited)
General Fund

	YTD ACTUAL	ANNUAL BUDGET	% Used
REVENUES			
Retail Connection Charge	7,697,006	7,697,006	100.00%
Ground Water Customer Charge	499,012	499,012	100.00%
Water Rate Revenues	8,196,018	8,196,018	100.00%
Choice Programs	1,083,819	1,174,750	92.26%
Interest Revenue	136,805	390,000	35.08%
Miscellaneous Income	668	3,000	22.26%
School Contracts	5,327	102,031	5.22%
Transfer in from Reserve	0	5,276	0.00%
Other Revenues	1,226,618	1,675,057	73.23%
TOTAL REVENUES	9,422,636	9,871,075	95.46%

OPERATING EXPENSES			
Salaries & Wages	856,372	3,522,982	24.31%
less Recovery's	(4,552)	(6,300)	72.25%
Directors' Compensation	46,033	255,360	18.03%
MWD Representation	30,887	145,920	21.17%
Employee Benefits	262,427	1,108,564	23.67%
less Recovery's	(1,012)	0	0.00%
OPEB Annual Contribution	207,000	207,000	100.00%
Directors Benefits	22,048	94,767	23.27%
Health Insurances for Retirees	14,789	70,519	20.97%
Training Expense	1,366	25,000	5.46%
Tuition Reimbursement	0	5,000	0.00%
Temporary Help Expense	0	5,000	0.00%
Personnel Expenses	1,435,358	5,433,812	26.42%
Engineering Expense	126,528	330,000	38.34%
Legal Expense	36,652	255,000	14.37%
Audit Expense	7,000	29,000	24.14%
Professional Services	199,837	1,430,758	13.97%
Professional Fees	370,017	2,044,758	18.10%
Conference-Staff	7,704	42,880	17.97%
Conference-Directors	4,922	24,930	19.74%
Travel & Accom.-Staff	4,770	99,600	4.79%
Travel & Accom.-Directors	3,915	51,750	7.57%
Travel & Conference	21,311	219,160	9.72%
Membership/Sponsorship	62,076	141,662	43.82%
CDR Support	11,761	47,044	25.00%
Dues & Memberships	73,837	188,706	39.13%

Municipal Water District of Orange County
Revenues and Expenditures Actual vs Budget Line Item Report
Fiscal Year to Date ending September 2018 (Unaudited)
General Fund

	YTD ACTUAL	ANNUAL BUDGET	% Used
Business Expense	576	5,600	10.29%
Maintenance Office	21,475	132,796	16.17%
Building Repair & Maintenance	3,093	20,000	15.47%
Storage Rental & Equipment Lease	627	3,460	18.12%
Office Supplies	7,580	36,000	21.06%
Postage/Mail Delivery	1,804	9,000	20.05%
Subscriptions & Books	156	1,500	10.38%
Reproduction Expense	3,185	33,073	9.63%
Maintenance-Computers	2,442	8,000	30.53%
Software Purchase	19,412	45,861	42.33%
Software Support	19,108	51,934	36.79%
Computers and Equipment	9,041	11,850	76.30%
Automotive Expense	4,789	17,262	27.75%
Toll Road Charges	196	1,000	19.58%
Insurance Expense	28,442	138,500	20.54%
Utilities - Telephone	5,241	20,178	25.98%
Bank Fees	4,317	21,225	20.34%
Miscellaneous Expense	19,315	119,205	16.20%
MWDOC's Contribution To WEROC	47,845	216,868	22.06%
Depreciation Expense	8,467	0	0.00%
Election Expense	0	304,000	0.00%
MWDOC Building Expense	13,354	531,827	2.51%
Capital Acquisition	13,514	255,500	5.29%
Other Expenses	233,981	1,984,639	11.79%
TOTAL EXPENSES	2,134,504	9,871,075	21.62%
EXCESS OF REVENUES OVER EXPENSES	7,288,132	0	

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Statement of Revenues and Expenditures
Fiscal Year to Date ending September 2018 (Unaudited)
Water Funds

	<u>YTD Actual</u>	<u>Annual Budget</u>	<u>Balance</u>
<u>Water Revenues</u>			
Water Sales	57,926,519	188,976,940	(131,050,422)
Readiness to Serve Charge	2,709,781	10,902,178	(8,192,397)
Capacity Charge CCF	963,743	3,854,976	(2,891,234)
SCP/SAC Pipeline Surcharge	100,811	365,000	(264,189)
Interest	<u>4,644</u>	<u>13,000</u>	<u>(8,356)</u>
Total Water Revenues	<u>61,705,497</u>	<u>204,112,094</u>	<u>(142,406,597)</u>
<u>Water Purchases</u>			
Water Sales	57,926,519	188,976,940	(131,050,422)
Ready to Serve Charge	2,709,781	10,902,178	(8,192,397)
Capacity Charge	963,743	3,854,976	(2,891,234)
SCP/SAC Pipeline Surcharge	<u>100,811</u>	<u>365,000</u>	<u>(264,189)</u>
Total Water Purchases	<u>61,700,854</u>	<u>204,099,094</u>	<u>(142,398,240)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,644</u>	<u>13,000</u>	<u>(8,356)</u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Revenues and Expenditures Actual versus Budget
Fiscal Year to Date ending September 2018 (Unaudited)
Other Funds

	<u>YTD Actual</u>	<u>Annual Budget</u>	<u>Balance</u>
<u>WEROC</u>			
Revenues	239,225	489,160	(249,935)
Expenditures	94,924	489,160	(394,236)
Excess of Revenues over Expenditures	144,301	0	144,301

WUE Projects (details on next page)

Revenues	354,953	2,972,135	(2,617,182)
Expenditures	500,758	2,972,135	(2,471,377)
Excess of Revenues over Expenditures	(145,805)	0	(145,805)

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 2018 (Unaudited)
Water Use Efficiency Projects

	<u>Actual</u>	<u>Variance %</u>	<u>Fiscal Year Budget</u>	<u>% of Budget</u>	<u>Projected Final FY Budget</u>
<u>Spray to Drip Conversion</u>					
Revenues	3,231		128,540	2.51%	128,540
Expenditures	12,270		128,540	9.55%	128,540
Excess of Revenues over Expenditures	(9,039)	-280%			

Actual Variance: Payment to Program Participants ahead of Grant, Metropolitan (on water bill), and Retail Water Agencies reimbursements.

Budget Variance: To be on target the % of Budget should be closer to 25% for the first quarter. All reporting current. Revenues a month behind being paid.

Member Agency Administered Pass thru

Revenues	23,600		100,000	23.60%	100,000
Expenditures	23,600		100,000	23.60%	100,000
Excess of Revenues over Expenditures	0	0%			

Actual Variance:

Budget Variance: On track.

ULFT Rebate Program

Revenues	5,564		43,500	12.79%	43,500
Expenditures	5,564		43,500	12.79%	43,500
Excess of Revenues over Expenditures	0	0%			

Actual Variance: This tracks agency toilet programs.

Budget Variance: Work in progress.

HECW Rebate Program

Revenues	63,013		425,000	14.83%	425,000
Expenditures	63,028		425,000	14.83%	425,000
Excess of Revenues over Expenditures	(16)	0%			

Actual Variance:

Budget Variance: Work in progress.

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 2018 (Unaudited)
Water Use Efficiency Projects

	<u>Actual</u>	<u>Variance %</u>	<u>Fiscal Year Budget</u>	<u>% of Budget</u>	<u>Projected Final FY Budget</u>
<u>CII Rebate Program</u>					
Revenues	45,430		462,500	9.82%	462,500
Expenditures	45,430		462,500	9.82%	462,500
Excess of Revenues over Expenditures	0	0%			

Actual Variance:

Budget Variance: Work in progress.

Turf Removal Program

Revenues	167,506		1,345,000	12.45%	1,345,000
Expenditures	278,449		1,345,000	20.70%	1,345,000
Excess of Revenues over Expenditures	(110,943)	-66%			

Actual Variance: Payment to Program Participants ahead of Grant, Metropolitan (on water bill), and Retail Water Agencies reimbursements.

Budget Variance: To be on target the % of Budget should be closer to 25% for the first quarter. All reporting current. Revenues a month behind being

Comprehensive Landscape (CLWUE)

Revenues	46,062		366,840	12.56%	366,840
Expenditures	63,592		366,840	17.34%	366,840
Excess of Revenues over Expenditures	(17,530)	-38%			

Actual Variance: Grant funded program. Revenues will catch up as Granting Agencies pay submitted invoices. All reporting is current.

Budget Variance: Budget percent for revenues will catch up at year-end closing. For expenditures, this will increase as we move through the fiscal year.

Large Landscape Survey Program

Revenues	548		64,000	0.86%	64,000
Expenditures	8,825		64,000	13.79%	64,000
Excess of Revenues over Expenditures	(8,277)	-1511%			

Actual Variance: Grant pre-funded program. Revenue will match expenses at year end closing.

Budget Variance: Budget percent for revenues will catch up at year-end closing. For expenditures, this will increase as we move through the fiscal year.

WSIP - Industrial Program

Revenues	0		36,755	0.00%	36,755
Expenditures	0		36,755	0.00%	36,755
Excess of Revenues over Expenditures	0	0%			

Actual Variance: Currently at '0' due to the lengthy implementation period for individual projects. Budgeted amount is Grant funded.

Budget Variance: Several projects in the queue to finish this year.

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.



November 14, 2018



Agenda

- ☐ The Audit Team
- ☐ Audit Strategy
- ☐ Results of the Audit
 - *Financial Audit*
 - *Uniform Guidance*
 - *SAS 114 Communication*
 - *SAS 115*
- ☐ New Accounting Pronouncements
- ☐ Plans for Next Year



1



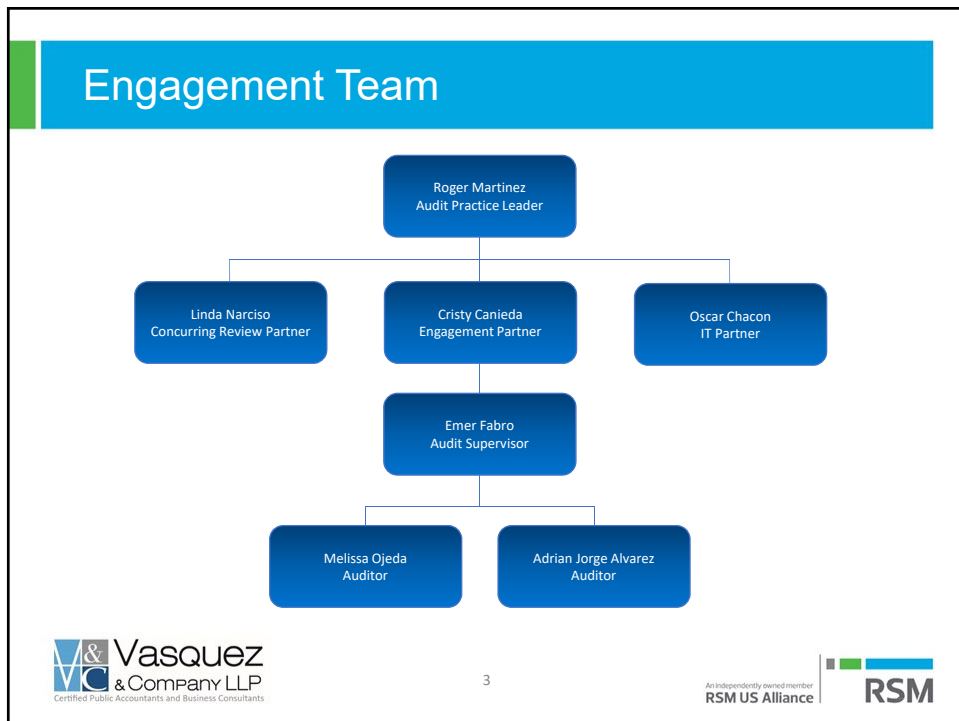
THE ENGAGEMENT TEAM



**Vasquez
& Company LLP**
Certified Public Accountants and Business Consultants

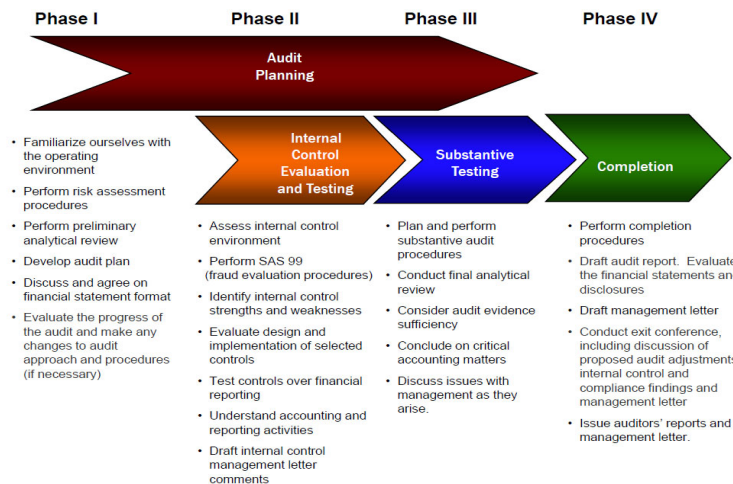


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AUDIT STRATEGY

Audit Strategy



Audit Focus Areas

Audit Area	Focus
Cash and Investments	The fair values reported in the statements of net position are fairly stated with no inaccurate, incomplete, or missing disclosures related to investment securities.
Receivables and related allowance for doubtful accounts	Receivables are recorded correctly and are properly valued as to collectability.
Capital Assets	Capital assets, capital expenditures and related depreciation are monitored and fairly stated in the financial statements.
Pension and OPEB liabilities	Pension and OPEB liabilities are properly valued and disclosed in the financial statements.
Revenues	Billings to agency participants are reasonably stated and reported in proper periods.
Expenditures/Payroll	Expenditures are incurred in compliance with budgetary constraints and procurement policies. Payroll costs are correctly allocated and are supported by documentation of hours and rates.

Audit Risks

- ❑ **Revenue Recognition**
 - Tested through analytic procedures, confirmations and through testing of the cutoff of the year-end receivables balance
- ❑ **Related Party Transactions**
 - Tested through review of the Form 700s as well as payments to vendors during the year through IDEA testing
- ❑ **Bidding Procedures not in accordance with District policies**
 - Tested a sample of contracts entered into during the year and compared to stated District policies
- ❑ **Investments not in accordance with District and State of California policies**
 - Tested a sample of quarterly reports during the year
- ❑ **Fraudulent or improper journal entries were posted during the year**
 - Tested through use of IDEA to ensure that entries were not posted on weekends, there were no gaps in sequence and that entries with round numbers were proper and had support validating the entry.
- ❑ **Implementation of New Accounting Standards (GASB 75)**
 - Tested census data and reasonableness of assumptions used in the valuation
- ❑ **Disclosure of net pension liability and OPEB obligations**
 - Agreed to reports provided by third party actuaries and underlying data provided by MWDOC

IDEA Analysis

- ☐ We performed data analytics to test disbursements and general ledger transactions for unusual events, such as:
 - *Gaps in check sequence*
 - *Transactions posting outside of business hours*
 - *Transactions/payments with even dollar amounts*
 - *Unusually large dollar payments*
- ☐ All potential issues were investigated and resolved satisfactorily

SUMMARY OF AUDIT RESULTS

Report of Independent Auditors

UNMODIFIED OPINION

- ☐ Audit performed 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*
- ☐ The financial statements fairly present, in all material respects, Municipal Water District of Orange County's:
 - *Financial position*
 - *Results of operations*
 - *Changes in net assets*
 - *Cash flows*
- ☐ Report on Internal Control over Financial Reporting and on Compliance - No material weaknesses, significant deficiencies, and material noncompliance noted



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SAS 114 – AUDITORS' REQUIRED COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE



Required Communications

- ☐ Management has primary responsibility for the accounting principles used, including their consistency, application, clarity and completeness.
- ☐ We are not aware of any consultations by management with other accountants about accounting or auditing matters.
- ☐ We did not encounter any difficulties with management while performing our audit procedures that require the attention of the Administration and Finance Committee and the Board.
- ☐ We encountered no disagreements with management on financial accounting and reporting matters as it relates to the current year financial statements.
- ☐ MWDOC's significant accounting policies are appropriate and management has applied its policies consistently with prior periods in all material respects.
- ☐ No significant or unusual transactions or accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified.



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Required Communications (continued)

- ☐ There were no material audit adjustments made during the year.
- ☐ No significant issues were discussed, or subject to correspondence, with management prior to retention.
- ☐ No significant deficiencies or material weaknesses in internal controls were identified.
- ☐ No irregularities, fraud or illegal acts or that would cause a material misstatement of the financial statements, came to our attention as a result of our audit procedures.
- ☐ MWDOC will provide us with a signed copy of the management representation letter at the end of the audit and prior to our issuance of the financial statements.



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Independence

There are no relationships between any of our representatives and MWDOC that in our professional judgment may reasonably be thought to bear on independence.

We confirm that we are independent of MWDOC within the meaning of the independence, integrity and objectivity rules, regulations, interpretations, and rulings of the AICPA, Government Auditing Standards (Yellow Book), the State of California Board of Accountancy, and other regulatory agencies.



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Noted Best Practices

- ☐ No written capitalization policy for fixed assets (Current capitalization threshold: \$5,000)
- ☐ Detailed monthly closing checklist should be included in the written accounting policies and procedures manual
- ☐ Required Vacation – Recommended from prior year audit and Implemented in FY2018
 - MWDOC should require that accounting personnel take vacation of five consecutive days and/or during key transaction cycle periods, such as distribution of accounts payable and payroll checks, so as to ensure that MWDOC has proper backup and training of personnel as well as to prevent possible fraud.



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NEW ACCOUNTING PRONOUNCEMENTS



New Accounting Pronouncements – Effective This Year

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that have effective dates that impact current financial presentations. Implementation of the following had no impact on the financial statements of the District.

GASB 81 – Irrevocable Split-Interest Agreements. Effective for periods beginning after December 15, 2016.

GASB 85 – Omnibus 2017. Effective for periods beginning after June 15, 2017.

GASB 86 – Certain Debt Extinguishment Issues. Effective for periods beginning after June 15, 2017.



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New Accounting Pronouncements – Effective in Future Years

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that have effective dates that impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the District.

GASB 83 – Certain Asset Retirement Obligations. Effective for periods beginning after June 15, 2018.

GASB 84 – Fiduciary Activities. Effective for periods beginning after December 15, 2018.

GASB 87 – Leases. Effective for periods beginning after December 15, 2019.

GASB 88 – Certain Disclosures Related to Debt (Including Direct Borrowings and Direct Placements) December 31, 2020 (for entities with December 31 year end)

GASB 89 – Accounting for Interest cost Incurred Before the End of a Construction Period

PLANS FOR NEXT YEAR

Plans for Next Year

- ☐ Keep the audit fresh by adding unpredictability to our procedures.
- ☐ Maintain high quality auditing standards.
- ☐ Identify areas of improvement and review our comments to management in order to determine and document whether they have been implemented.
- ☐ Provide updates on recent developments affecting your organization.
- ☐ Work with management on timing of audit of financial statements, as well as the Single Audit, if required.

DISCUSSION AND QUESTIONS

**THANK YOU FOR YOUR TIME AND
ATTENTION**



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FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2018



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INDEPENDENT AUDITORS' REPORT



Report of Independent Auditors

**The Honorable Members of the Board of Directors
Municipal Water District of Orange County**

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Water District of Orange County (the District) which comprise the statement of net position as of June 30, 2018, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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, 2018 and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Changes in Net OPEB Liability and Related Ratios, Schedule of OPEB Contributions, 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 37 through 40 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.

Implementation of New Accounting Standards

As discussed in Notes 8 and 10, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)* effective for the fiscal year ended June 30, 2018. As a result of this implementation, the District's financial statements were restated to retroactively report the net OPEB liability of \$306,710 and reverse the net OPEB asset recognized under GASB 45 of \$483,546 as of June 30, 2017. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November __, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Los Angeles, California
November __, 2018

A scenic landscape featuring a calm lake reflecting a large, rugged mountain. A wooden fence is visible in the foreground.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

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, 2018. Please read it in conjunction with the District's basic financial statements and accompanying notes which follow this section.

FINANCIAL HIGHLIGHTS

- The District's revenues were \$232.3 million in FY 2017-18, compared to \$163.4 million in the prior fiscal year, a 42.2% increase.
- The District's expenses were \$230.9 million in FY 2017-18, compared to \$162.3 million in the prior fiscal year, a 42.3% increase.
- The District's assets at June 30, 2018 were \$52.6 million, a 12.7% increase compared to total assets of \$46.7 million at June 30, 2017.
- The District's liabilities at June 30, 2018 were \$44.2 million, a 14.2% increase compared to total liabilities of \$38.7 million at June 30, 2017.
- The District's net position at June 30, 2018 was \$9.2 million, a 7.0% increase compared to net position of \$8.6 million at June 30, 2017.

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 the 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.

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, 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.

STATEMENT OF NET POSITION

Net position is the difference between assets plus deferred outflows of resources, and 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 Positions
(In thousands of dollars)
June 30:

	FY 2018	FY 2017	Variance	Total Percent Change
Current Restricted Assets	\$ 2,593	\$ 3,160	\$ (567)	(17.9%)
Current Unrestricted Assets	48,639	41,664	6,975	16.7%
Capital Assets	1,352	1,364	(12)	(0.9%)
Other Assets	-	483	(483)	(100.0%)
Total Assets	52,584	46,671	5,913	12.7%
Deferred Outflows of Resources	1,024	890	134	15.1%
Liabilities Payable from Restricted Current Assets	1,401	2,046	(645)	(31.5%)
Liabilities Payable from Unrestricted Current Assets	40,256	34,814	5,442	15.6%
Noncurrent Unrestricted Liabilities	2,573	1,871	702	37.5%
Total Liabilities	44,230	38,731	5,499	14.2%
Deferred Inflows of Resources	179	231	(52)	(22.5%)
Net Position:				
Investment in Capital Assets, Net of Related Debt	1,352	1,364	(12)	(0.9%)
Restricted for Trustee Activities	1,192	1,114	78	7.0%
Unrestricted	6,655	6,121	534	8.7%
Total Net Assets	\$ 9,199	\$ 8,599	\$ 600	7.0%

- Total Assets increased by \$5.9 million due to higher water sales of \$3.2 million, early water payments of \$2.2 million, investments increased by \$100k and \$270k went to reserves.
- Total Liabilities increased by \$5.5 million. Higher water sales resulted in higher water purchases, unpaid portion of which increased by \$5.4 million during the year 2018.

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 Net Position provides information as to the results of operations of the District during the year. The District reported an increase in net position of \$1.4 million for the year ended June 30, 2018, as compared to an increase of \$1.1 million for the year ended June 30, 2017. 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 Assets
(In thousands of dollars)

	FY 2018	FY 2017	Variance	Total Percent Change
Operating Revenues	\$ 229,707	\$ 159,287	\$ 70,420	44.2%
Special Projects Revenue	2,343	3,927	(1,584)	(40.3%)
Non-operating Revenues	253	199	54	27.1%
Total Revenues	232,303	163,413	68,890	42.2%
Operating Expense	228,404	158,214	70,190	44.4%
Special Projects Expense	2,343	3,927	(1,584)	(40.3%)
Depreciation Expense	165	148	17	11.5%
Total Expenses	230,912	162,289	68,623	42.3%
Change in Net Position	1,391	1,124	267	23.8%
Beginning Net Position	7,808	7,475	333	4.5%
Ending Net Position	\$ 9,199	\$ 8,599 *	\$ 600	7.0%

*For purposes of presenting the prior year information in the management discussion and analysis, the 2017 financial information has not been restated for the effect of GASB 75 implementation due to lack of information.

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

- Operating Revenues and Expenses are higher due to higher water sales.
- In accordance with GASB 75 the District's beginning net position was restated by \$791 thousand. Refer to Note 10.

CAPITAL ASSETS

The following is a summary of the District's capital assets at June 30, 2018 and June 30, 2017.

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

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Variance</u>	<u>Total Percent Change</u>
Leasehold Improvements	\$ 3,728	\$ 3,696	\$ 32	0.9%
Furniture, Equipment & Computer Equipment	\$ 571	457	114	24.9%
Subtotal	4,299	4,153	146	3.5%
Less Accumulated Depreciation	(2,947)	(2,789)	(158)	5.7%
Net Capital Assets	\$ 1,352	\$ 1,364	\$ (12)	(0.9%)

The District remodeled the atrium, installed two new glass doors, upgraded an IT server, and purchased new emergency radios and water leak detection equipment. 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, 2018. No new long-term debt was incurred in the year ended June 30, 2018, and the District does not plan to issue new debt in the year ending June 30, 2019.

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 notification. 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 2017-18 is presented in Table 4 to demonstrate compliance with the adopted budget.

TABLE 4
FY 2018 Actual vs FY 2018 Budget
(In thousands of dollars)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Total Percent Change</u>
Revenues:				
From Operations	\$ 232,050	\$ 182,628	\$ 49,422	27.1%
Non-operating Revenues	253	162	91	56.2%
Total Revenues	232,303	182,790	49,513	27.1%
Expenses:				
From Operations				
Cost of Water	220,617	169,099	(51,518)	(30.5%)
Other Operating	10,130	13,822	3,692	26.7%
Depreciation	165	150	(15)	(10.0%)
Total Expenses	230,912	183,071	(47,841)	(26.1%)
Change In Net Assets	\$ 1,391	\$ (281)	\$ 1,672	(595.0%)

The variances on the budget to actual are as follows:

- Revenues from Operations were \$49.4 million more than budget due to an increase in water sales.
- Expenses from Cost of Water purchased were \$51.5 million higher than budget due to an increase in water sales.
- Expenses from Other Operating were \$3.7 million lower mainly due to projects taking longer and a reduction in the cost of turf removal program. Professional services, engineering and building expense have projects rolling over by \$1.7 million and the turf removal program was lower by \$1.6 million. Other conservation programs were lower by \$400 thousand.

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 2018-19. The budgeted operating expenses total \$213.9 million and operating and non-operating revenues total \$213.9 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. The District's budget is now allocated between retail meter customers and groundwater customers. 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, 2018, 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, CA 92708, (714) 963-3058, 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, 2018

ASSETS

Current Assets:

Restricted Assets:

Cash and Cash Equivalents (Note 2)	\$	1,635,790
Accounts Receivable Other		951,057
Accrued Interest Receivable		6,453
Total Restricted Assets		<u>2,593,300</u>

Unrestricted Assets:

Cash and Cash Equivalents (Note 2)	5,738,482
Investments (Note 2)	6,550,065
Accounts Receivable:	
Water Sales	35,580,199
Other	510,987
Accrued Interest Receivable	75,267
Deposits and Prepaid Expenses	<u>183,576</u>
Total Unrestricted Assets	<u>48,638,576</u>
Total Current Assets	<u>51,231,876</u>

Noncurrent Assets:

Unrestricted Assets:

Capital Assets, Net (Note 4)	<u>1,351,853</u>
Total Noncurrent Assets	<u>1,351,853</u>
TOTAL ASSETS	<u>52,583,729</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount related to pensions (Note 7)	1,023,601
Deferred amount related to OPEB (Note 8)	215
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,023,816</u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Statement of Net Position (Continued)
June 30, 2018

LIABILITIES

Current Liabilities:

Payable from Restricted Assets

Accrued Liabilities	\$ 446,371
Advances from Participants	954,312
Total Payable from Restricted Assets	<u>1,400,683</u>

Unrestricted Liabilities:

Accounts Payable, Metropolitan Water District of Southern California	38,407,556
Accrued Liabilities	<u>1,848,316</u>
Total Unrestricted Liabilities	<u>40,255,872</u>
Total Current Liabilities	<u>41,656,555</u>

Noncurrent Liabilities:

Unrestricted Liabilities:

Net Pension Liability (Note 7)	2,276,032
Net OPEB Liability (Note 8)	<u>297,147</u>
Total Noncurrent Liabilities	<u>2,573,179</u>
TOTAL LIABILITIES	<u><u>44,229,734</u></u>

DEFERRED INFLOWS OF RESOURCES

Deferred amount related to pensions (Note 7)	<u>178,707</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>178,707</u></u>

NET POSITION

Net Investment in Capital Assets	1,351,853
Restricted	1,192,617
Unrestricted	<u>6,654,634</u>
TOTAL NET POSITION	<u><u>\$ 9,199,105</u></u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Operating Revenues:

Water Sales	\$ 229,706,556
Special Projects Revenue	1,364,076
Federal Grant Revenue	428,303
State Grant Revenue	550,750
Total Operating Revenues	<u>232,049,685</u>

Operating Expenses:

Cost of Water Sold	220,617,185
Salaries and Employee Benefits	4,879,337
General and Administrative	2,907,711
Special Project Expenses	2,343,129
Depreciation	<u>165,049</u>
Total Operating Expenses	<u>230,912,411</u>
Operating Income	<u>1,137,274</u>

Nonoperating Revenues:

Investment Income	233,523
Other Income	<u>19,938</u>
Total Nonoperating Revenues	<u>253,461</u>

Change in Net Position 1,390,735

NET POSITION - BEGINNING OF YEAR, AS RESTATED (NOTE 10) 7,808,370

NET POSITION - END OF YEAR \$ 9,199,105

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Cash Flows For the Fiscal Year Ended June 30, 2018

Cash Flows from Operating Activities:

Cash received from member agencies-water deliveries	\$ 226,494,561
Cash payments to Metropolitan Water District of Southern California	(215,239,164)
Cash payments for salaries and employee benefits	(4,670,237)
Cash payments for general and administrative expenses	(3,223,997)
Cash received from special projects	3,761,877
Cash payments for special projects	(3,103,004)
Other income	19,938
	<hr/>
Net Cash provided by Operating Activities	4,039,974
	<hr/>

Cash Flows from Noncapital and Related Financing Activities:

(Proceeds from)/Payments to RPOI participants	-
	<hr/>
Net Cash provided/(used) by Noncapital and Related Financing Activities	-
	<hr/>

Cash Flows from Capital and Related Financing Activities:

Acquisition of capital assets	(153,299)
	<hr/>
Net Cash used by Capital and Related Financing Activities	(153,299)
	<hr/>

Cash Flows from Investment Activities:

Investment income	233,523
Investments matured/(purchased)	(3,584,501)
	<hr/>
Net Cash used by Investment Activities	(3,350,978)
	<hr/>

Net increase in cash and cash equivalents	535,697
Cash and cash equivalents at beginning of year	6,838,575
	<hr/>
Cash and Cash Equivalents at End of Year	\$ 7,374,272
	<hr/> <hr/>

Financial Statement Presentation:

Cash and Cash Equivalents (Restricted)	\$ 1,635,790
Cash and Cash Equivalents (Unrestricted)	5,738,482
	<hr/>
Totals	\$ 7,374,272
	<hr/> <hr/>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

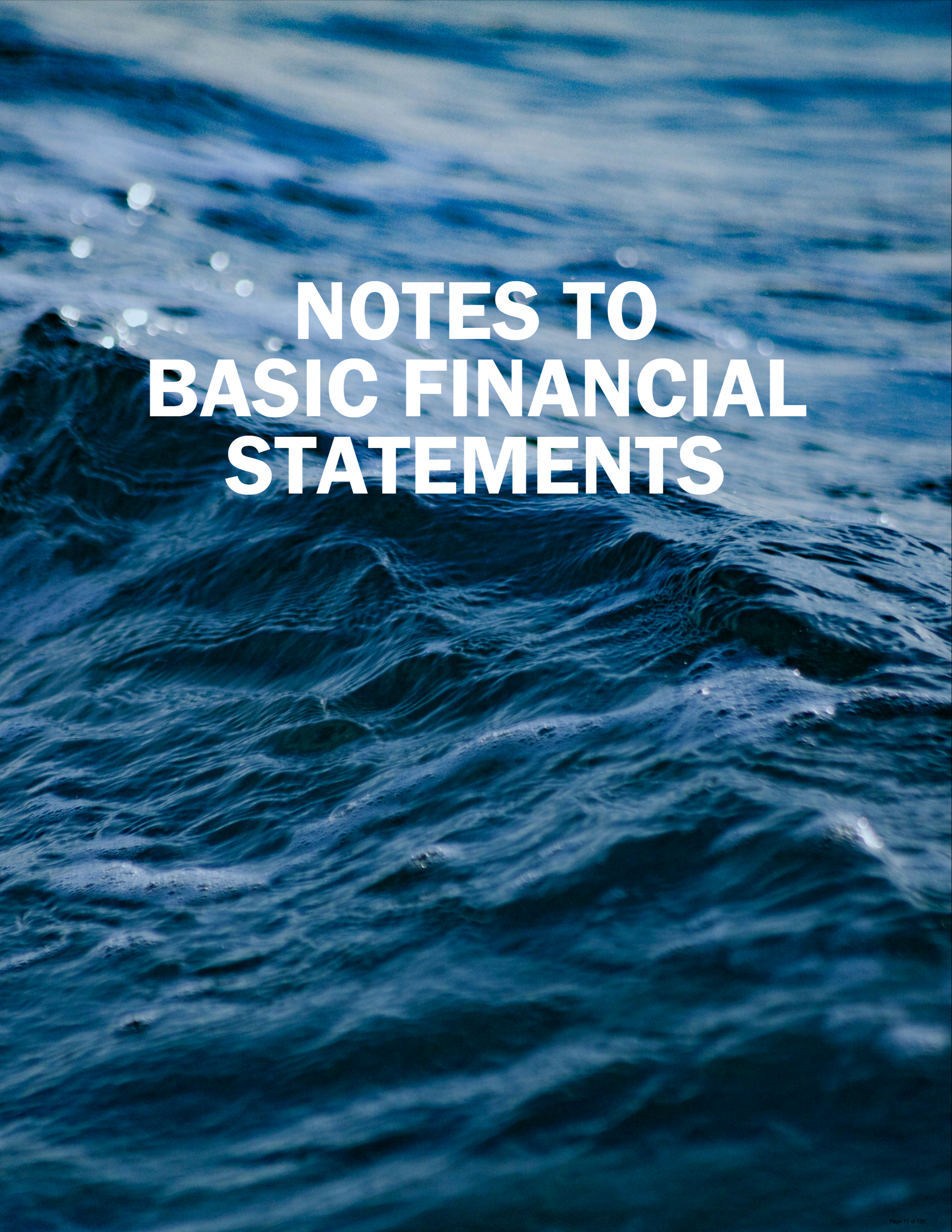
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2018

**Reconciliation of Operating Income to Net Cash Provided
for Operating Activities**

Operating Income	\$ 1,137,274
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	165,049
Other Income	19,938
Change in Assets and Liabilities:	
(Increase) in accounts receivable - water sales	(3,211,996)
Decrease in accounts receivable - other	(372,639)
(Increase) in deposits and prepaid expenses	(7,145)
(Increase) in OPEB asset	-
Decrease in accounts receivable - special projects	1,303,699
(Increase) in deferred outflows - pension related	(133,525)
Increase in accrued and other liabilities	63,498
Increase in restricted accrued liabilities	115,048
(Decrease) in advances from participants	(759,874)
(Decrease) in unearned revenue for special projects	-
Increase in accounts payable to Metropolitan Water District of Southern California	5,378,022
Increase in net pension and OPEB liability	394,997
(Decrease) in deferred inflows - pension related	(52,372)
Total Adjustments	<u>2,902,700</u>
Net Cash Provided by Operating Activities	<u>\$ 4,039,974</u>

Noncash investing activities:

Unrealized loss on investments	\$ (84,182)
Total noncash investing activities	<u>\$ (84,182)</u>



NOTES TO BASIC FINANCIAL STATEMENTS

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(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 Metropolitan Water District of Southern California (Metropolitan). As a public agency member of Metropolitan, the District purchases imported water from Metropolitan and provides water to the District's 28 member agencies, which provide retail or wholesale water services to over 2.3 million residents within 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 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. 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, 2018 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.

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 as of and for the year ended June 30, 2018.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

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

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 Nonoperating 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, as well as special project expenses are defined as operating revenues and expenses, respectively. Nonoperating 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 capacity 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.

The District's revenue is from a per retail meter connection charge and a groundwater customer charge. Choice services are charged directly to the agencies as a "fee for service" on a subscription basis. The member agencies also pay for the resale of imported water in addition to the other charges noted.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

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

Investments

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.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and a 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 their 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 10 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 Expenses in the basic financial statements.

Deferred Outflows and Inflows of Resources

The District reported deferred outflows and inflows of resources related to pensions and OPEB. 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 7 and 8 for items identified as deferred inflows and outflows as of June 30, 2018.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

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

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 up 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) and 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.

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 District's California Public Employees Retirement System (CalPERS) plan 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

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

Implementation

During the fiscal year ended June 30, 2018, the District's adopted the following new Statement of the Governmental Accounting Standards Board (GASB):

- GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed in this Statement. Refer also to Note 10.

(2) Cash and Investments

Cash and investments at June 30, 2018, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents (restricted)	\$ 1,635,790
Cash and cash equivalents (unrestricted)	5,738,482
Investments (unrestricted)	<u>6,550,065</u>
Total Cash and Investments	<u><u>\$ 13,924,337</u></u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	288,474
Investments	<u>13,635,363</u>
Total Cash and Investments	<u><u>\$ 13,924,337</u></u>

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(2) Cash and Investments (Continued)

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. The Operating and Fiduciary Funds authorized investments are below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One
U.S. Treasuries	5 years	100%	100%
U.S. Government Agencies	5 years	100%	50%
Corporate Securities	5 years	30%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Bankers' Acceptances	180 days	40%	5%
Repurchase Agreements	1 year	20%	10%
Money Market Mutual Funds	N/A	20%	20%
Collective Investment Pool	N/A	20%	10%
County Investment Pool	N/A	100%	100%
State Investment Pool	N/A	100%	100%

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:

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(2) Cash and Investments (Continued)

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25-60 Months
Negotiable Certificate of Deposits	\$ 1,930,305	\$ 499,865	\$ 497,940	\$ 932,500
Corporate Securities	1,124,277	-	493,570	630,707
Orange County Investment Pool	6,660,180	6,660,180	-	-
State Investment Pool	3,920,601	3,920,601	-	-
	<u>\$13,635,363</u>	<u>\$11,080,646</u>	<u>\$ 991,510</u>	<u>\$1,563,207</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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	Total	Minimum Legal Rating	Ratings as of Year End				
			AAAm	A	A-	AA-	Not Rated
Negotiable Certificate of Deposits	\$ 1,930,305	N/A	\$ -	\$ -	\$ -	\$ -	\$ 1,930,305
Corporate Securities	1,124,277	A	-	192,428	739,623	192,226	-
Orange County Investment Pool	6,660,180	N/A	6,660,180	-	-	-	-
State Investment Pool	3,920,601	N/A	-	-	-	-	3,920,601
	<u>\$ 13,635,363</u>		<u>\$ 6,660,180</u>	<u>\$ 192,428</u>	<u>\$ 739,623</u>	<u>\$ 192,226</u>	<u>\$ 5,850,906</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, 2018

(2) Cash and Investments (Continued)

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 a market approach using quoted market prices. Values are determined using pricing models and discounted cash flow models and includes management judgement and estimation. Uncategorized investments include investments in a non 2a-7 like pool, such as the Local Agency Investment Fund (LAIF) and the Orange County Investment Pool (OCIP). These investments do not have a legally binding guarantee for its share price and cannot have a measured amortized cost.

The District had the following recurring fair value measurements as of June 30, 2018:

Investment Type		Fair Value Application			
		1	2	3	Uncategorized
Negotiable Certificate of Deposits	\$ 1,930,305	\$ -	\$ 1,930,305	\$ -	\$ -
Corporate Securities	1,124,277	-	1,124,277	-	-
Orange County Investment Pool	6,660,180	-	-	-	6,660,180
State Investment Pool	3,920,601	-	-	-	3,920,601
	<u>\$13,635,363</u>	<u>\$ -</u>	<u>\$ 3,054,582</u>	<u>\$ -</u>	<u>\$ 10,580,781</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 limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. At June 30, 2018 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.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(2) Cash and Investments (Continued)

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, 2018 the District's deposits with financial institutions are covered by the Federal Deposit Insurance Corporation up to \$250,000, the remaining amounts of \$316,561 were collateralized as described above.

Investment in State and County Investment Pool

The District is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California, and in the 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 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, 2018, \$2,593,300 was reported as restricted assets related to member agency activities.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(4) Capital Assets

The following is a summary of capital assets at June 30, 2018 with changes therein:

	2017	Additions	Deletions	2018
Furniture, Fixtures and Equipment	\$ 457,310	\$120,380	\$ (7,073)	\$ 570,618
Leasehold Improvements	3,695,600	32,919	-	3,728,519
	<u>4,152,910</u>	<u>153,299</u>	<u>(7,073)</u>	<u>4,299,137</u>
Less accumulated depreciation:				
Furniture, Fixtures and Equipment	(414,749)	(9,534)	7,073	\$ (417,210)
Leasehold Improvements	<u>(2,374,557)</u>	<u>(155,516)</u>	<u>-</u>	<u>(2,530,073)</u>
	<u>(2,789,306)</u>	<u>(165,050)</u>	<u>7,073</u>	<u>(2,947,284)</u>
Net Capital Assets	<u>\$1,363,604</u>	<u>\$ (11,751)</u>	<u>\$ -</u>	<u>\$1,351,853</u>

(5) Deferred Pension Plan

The District sponsors a Money Purchase Pension Plan (the Pension Plan), a defined contribution plan, under Internal Revenue Code Section 401(a) for the benefit of its Board of Directors. The Directors contribute 7.5 percent of their covered compensation to the Pension Plan. The Directors' contributions to the Pension Plan totaled \$25,529 for the year ended June 30, 2018. Participants become vested in the Pension Plan at a rate of 20% per year of service until they are fully vested after five (5) years.

District employees were previously part of the Pension Plan until March 2013 when they became members of the CalPERS plan. See Note 7.

(6) Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPJA) (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 Insurance 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.

At June 30, 2018, the District participated in the self-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 \$500 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 \$5 million per occurrence, and has purchased excess insurance coverage up to \$60 million.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(6) Risk Management (Continued)

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 \$3 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 the Special District Risk Management Authority (SDRMA). The SDRMA is self-insured up to the statutory limit per occurrence.

Employer's liability is insured up to a \$5 million limit per occurrence. ACWA/JPIA 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.

(7) Cost-Sharing Defined Benefit Plan

General Information about the Pension Plan

Plan Descriptions – Effective March 1, 2013, all qualified regular full-time employees working over 1,000 hours in a fiscal year are eligible to participate in the District's employee pension plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. The CalPERS Plans (the Plans) 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 1959 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, 2018

(7) Cost-Sharing Defined Benefit Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
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	9.921%	6.533%
Pensionable Compensation Cap*	No Cap	\$140,424

* 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 Plans from the employer for the year ended June 30, 2018 were \$273,125. The District also contributed 1% of the Classic Plan employee's contribution, or \$20,057, on behalf of employees during the year. The District has phased out contributions paid on behalf of employees as of July, 2018.

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

As of June 30, 2018, 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>\$ 2,276,032</u>

Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

(7) Cost-Sharing Defined Benefit Plan (Continued)

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.05387%
Proportion - June 30, 2017	<u>0.05774%</u>
Change - Increase (Decrease)	0.00386%

For the year ended June 30, 2018, the District recognized pension expense/(credit) of \$538,294.

At June 30, 2018, 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>
Differences between Expected and Actual Experience	\$ 3,588	\$ 51,412
Changes of Assumptions	445,245	33,950
Differences between Projected and Actual Investment Earnings	100,696	-
Change in Employer's Proportion	193,243	24,934
Differences between District Contributions and Proportionate Share of Contributions	7,704	68,411
Pension Contributions Made Subsequent to Measurement Date	<u>273,125</u>	<u>-</u>
Total	<u>\$ 1,023,601</u>	<u>\$ 178,707</u>

The amount of \$273,125 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

(7) Cost-Sharing Defined Benefit Plan (Continued)

Year ended June 30,	
2019	\$ 174,613
2020	274,339
2021	182,601
2022	(59,785)
	<u>\$ 571,768</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuation were determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

All other significant actuarial assumptions used in the June 30, 2016 valuations were based on the results of the actuarial experience study for the period from 1997 to 2011. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

(7) Cost-Sharing Defined Benefit Plan (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Taking into account 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+ 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 each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2016.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return Years 1-10 ¹	Long-term Expected Real Rate of Return Years 11 + ²
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	(0.40%)	(0.90%)
Total	<u>100%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

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 (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
District's Net Pension Liability/(Asset)	\$ 3,743,688	\$ 2,276,032	\$ 1,060,492

Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

(7) Cost-Sharing Defined Benefit Plan (Continued)

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSLS) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

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

Plan Description:

Effective October 1, 2011, the District established a Post-Retirement Healthcare Plan (Health 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.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(8) Retiree Medical Plan – Other-Post-Employment Benefits (OPEB) (Continued)

Plan benefits and contribution requirements of Health 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 Health Plan:

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

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

Plan membership. At June 30, 2018, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	12
Active plan members	14
Total	<u>26</u>

Funding Policy:

The contribution requirements of Health Plan members and the District are established, and may be amended, by the District's Board of Directors. Currently, contributions are not required from Health Plan members. The District has fully funded the OPEB obligation with the addition of an OPEB Designated Reserve account.

Net OPEB Liability:

The District's Net OPEB Liability was measured as of June 30, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions:

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Investment rate of return	6.00%, net OPEB plan investment expense
Healthcare cost trend rate	6.00% for 2018; 5% for 2019 thru 2021 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(8) Retiree Medical Plan – Other-Post-Employment Benefits (OPEB) (Continued)

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.

Actuarial assumptions used in the June 30, 2018 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2018.

Discount rate:

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Valuation Date	June 30, 2018
Reporting Date	June 30, 2018
Measurement Date	June 30, 2018
Long-Term Expected Return of Plan Investments	6.00%
Municipal Bond 20-Year High Grade Rate Index	3.62%
Discount Rate	6.00%

The components of the net OPEB liability at June 30, 2018, were as follows:

Total OPEB liability	\$ 2,374,867
Plan fiduciary net position	\$ 2,077,720
Net OPEB liability	\$ 297,147
Covered payroll	\$ 275,382
Net OPEB liability (asset) as a percentage of covered payroll	107.90%
Plan fiduciary net position as a percentage of the total OPEB liability	87.49%

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(8) Retiree Medical Plan – Other-Post-Employment Benefits (OPEB) (Continued)

Schedule of Change in Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at July 1, 2017	<u>\$ 2,267,077</u>	<u>\$ 1,960,367</u>	<u>\$ 306,710</u>
Changes for the year:			
Service Cost	33,406	-	33,406
Interest	134,254	-	134,254
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Net investment income		128,809	(128,809)
Contributions			
Employer - cash subsidy	-	59,870	(59,870)
Employer - implicit subsidy	-	-	-
Employee	-	-	-
Benefit payments, including implicit subsidy associated with benefits paid	(59,870)	(59,870)	-
Administrative expense		(11,456)	11,456
Other changes	-	-	-
Net changes	<u>107,790</u>	<u>117,353</u>	<u>(9,563)</u>
Balances at June 30, 2018	<u><u>\$2,374,867</u></u>	<u><u>\$2,077,720</u></u>	<u><u>\$ 297,147</u></u>

Sensitivity of the net OPEB liability to changes in the discount rate:

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current discount rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability (Asset)	\$ 655,440	\$ 297,147	\$ 7,484

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(8) Retiree Medical Plan – Other-Post-Employment Benefits (OPEB) (Continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 4.00%)	Trend Rate (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Net OPEB liability (asset)	\$ 10,262	\$ 297,147	\$ 652,316

OPEB Expense and Contribution

For the year ended June 30, 2018, the District made a total contribution of \$53,623, which represent actual health care costs for its retirees and their covered dependents.

For the year ended June 30, 2018, the District's OPEB expense was \$50,092, which includes the implicit subsidy.

Service Cost	\$ 33,406
Interest Cost	134,254
Expected Return on Assets	(117,622)
Recognition of Deferred Outflows and Inflows	
Difference between projected and actual investments	54
Total OPEB Expense	\$ 50,092

Actuarially Determined Contribution

The following shows the actuarial determined contribution for the year ended June 30, 2018:

Service Cost	\$ 33,406
Net OPEB Liability Amortization Payment (30-year)	15,472
Total	\$ 48,878

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual return investments	\$ 215	\$ -

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(8) Retiree Medical Plan – Other-Post-Employment Benefits (OPEB) (Continued)

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ 54
2020	54
2021	54
2022	53
	<u>\$ 215</u>

Investments Return

For the year ended June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense, was 6.58 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40%	5.8%
Fixed income	35	1.0
Private equity	20	6.0
Real estate	3	5.9
Cash	2	0.0
Total	<u>100%</u>	

(9) 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, 2018.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

(10) Prior Period Adjustments

The District implemented GASB 75 effective July 1, 2017. Refer to Note 8 for further disclosures related to the Plan and related balances. As a result of the implementation, the District restated the net position as of June 30, 2017 as noted below:

Beginning of year, as previously reported	
Net Position	\$ 8,598,626
GASB 45 Net OPEB Obligation June 30, 2017 balance	(483,546)
GASB 75 Net OPEB Liability as of measurement date of June 30, 2017	<u>(306,710)</u>
Beginning of year, as restated	
Net Position	<u><u>\$ 7,808,370</u></u>

Following is the pro forma effect of the retroactive application:

	June 30, 2017 Previously Presented	Restatement	July 1, 2017 Restated
Net OPEB asset	\$ 483,546	\$ (483,546)	-
Net OPEB liability	-	(306,710)	(306,710)

(11) Subsequent Events

The District has evaluated events or transaction through November 21, 2018, the date on which the financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no other subsequent matters require disclosure or adjustment to the accompanying financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Municipal Water District of Orange County
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2018

**Schedule of Changes in Net OPEB Liability and Related Ratios
for the Measurement Periods Ended June 30**

Measurement Period	2018
Total OPEB Liability	
Service cost	\$ 33,406
Interest on the total OPEB liability	134,254
Actual and expected experience difference	-
Changes in assumptions	-
Changes in benefit terms	-
Benefit payments	(59,870)
Net change in total OPEB liability	107,790
Total OPEB liability - beginning	2,267,077
Total OPEB liability - ending (a)	\$ 2,374,867
Plan Fiduciary Net Position	
Contribution - employer	\$ 59,870
Net investment income	128,809
Benefit payments	(59,870)
Administrative expense	(11,456)
Net change in plan fiduciary net position	117,353
Plan fiduciary net position - beginning	1,960,367
Plan fiduciary net position - ending (b)	\$ 2,077,720
Net OPEB liability - ending (a)-(b)	\$ 297,147
Plan fiduciary net position as a percentage of the total OPEB liability	87.49%
Covered-employee payroll	\$ 1,933,612
Net OPEB liability as a percentage of covered-employee payroll	15.37%

Historical information is required only for measurement periods for which GASB 75 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.

Municipal Water District of Orange County
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2018

Schedule of OPEB Contributions
Last Ten Fiscal Years*

Fiscal Year Ended June 30	2018
Actuarially Determined Contribution (ADC)	\$ 48,878
Contributions in relation to the ADC	<u>(59,870)</u>
Contribution deficiency (excess)	<u>\$ (10,992)</u>
 Covered-employee payroll	 \$ 1,933,612
 Contributions as a percentage of covered-employee payroll	 3.10%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 were from the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Payroll Growth	3% per annum, in aggregate
Investment Rate of Return	6.00 percent, net of OPEB plan investment expense
Healthcare cost-trend rates	6.00% for 2018; 5.00% for 2019; 5.00 % for 2020 and 5.00% for 2021 and later years
Retirement Age	55
	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

*Historical information is required only for measurement periods for which GASB 75 is applicable.

Future years' information will be displayed up to 10 years as information becomes available.

Municipal Water District of Orange County
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.05774%	0.05387%	0.05019%	0.02186%
Proportionate share of the net pension liability	\$ 2,276,032	\$ 1,871,472	\$ 1,376,955	\$ 1,360,017
Covered Payroll	\$2,006,692	\$ 2,748,796	\$ 2,640,576	\$ 2,601,571
Proportionate Share of the net pensions liability as a percentage of covered payroll	113.42%	68.08%	52.15%	52.28%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	75.87%	78.40%	79.82%

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

Changes in assumptions. The accounting discount rate was changed from 7.65 percent to 7.15 percent.

Notes to Schedule

Fiscal Year End:	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Valuation Date:	6/30/2016	6/30/2015	6/30/2014	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value
Discount Rate	7.15%	7.65%	7.65%	7.50%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Municipal Water District of Orange County
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2018

Cost Sharing Retirement Plan
Schedule of Contributions
Last Ten Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 273,125	\$ 252,815	\$ 220,517	\$ 288,065
Contributions in relation to the actuarially determined contribution	<u>(273,125)</u>	<u>(252,815)</u>	<u>(220,517)</u>	<u>(288,065)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 3,295,260	 \$ 3,022,872	 \$ 2,748,796	 \$ 2,640,576 ¹
Contributions as a percentage of covered-employee payroll	8.29%	8.36%	8.02%	10.91%

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

¹ Restated Covered Payroll



ACTION ITEM
November 21, 2018

TO: Board of Directors

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

Robert J. Hunter, General Manager

SUBJECT: PRUDENT COMPANION POLICY

STAFF RECOMMENDATION

It is recommended that the Board of Directors: Review, discuss, and consider the existing Prudent Companion Policy and decide whether any changes should be made including whether to incorporate the policy into the MWDOC Administrative Code.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

SUMMARY

At the August 16, 2018 Executive Committee meeting, Director Barbre requested that the Board consider adopting and adding to the Administrative Code the following Prudent Companion Policy.

Prudent Companion Policy

§2301.5 is added to the MWDOC Administrative Code to read:

“For any travel out of state, or any legislative trips to Sacramento or Washington, D.C. paid for by MWDOC, Board and Staff are required to travel with a “prudent companion,” which may be either a Board Member or Staff member. For legislative trips, the contract lobbyist in Sacramento or Washington, D.C. shall suffice as the “prudent companion” for purposes of compliance with this section.”

The language was considered at the September 12, 2018 A&F Committee Meeting with the Committee referring the item to the September 19, 2018 Board Meeting for further discussion. At that Board Meeting, President Barbre suggested that the item return to A&F

Budgeted (Y/N):	Budgeted amount:	Core __	Choice __
Action item amount:	Line item:		
Fiscal Impact (explain if unbudgeted):			

for discussion. The motion to refer the item back to committee passed 7-0. The item was then agendized for the October 10, 2018 A&F Committee Meeting but was held for one month by Chair Thomas due to Director Dick's absence. Therefore, the item was agendized as an action item for the November 14, 2018 A&F Committee.

Current Practice

The Prudent Companion Policy is currently applied to travel to Washington, D.C. when MWDOC or Metropolitan business will be discussed with elected officials or staff. It is not applied for attendance at conferences in D.C. if no elected officials/staff discussions occur. It is also not applied if Metropolitan is paying for the travel. The policy requires that a Director be accompanied by either another MWDOC Director or Staff Member. A lobbyist is not considered a Prudent Companion. The policy has not been applied to any travel destination other than Washington, D.C. This policy, while unwritten, has been in practice for over ten years.

Two justifications have been given for the Prudent Companion Policy:

1. Washington, D.C. interactions are different, in that they are relationship-based. Officials and staff tend to be of long tenure and a personal and agency relationship developed by repeated visits over a protracted period of time is deemed critical to success. The relationship needs to be with MWDOC Directors and Staff instead of contract lobbyists. Two MWDOC individuals are essential to maintain continuity when one eventually ends their relationship with MWDOC. In comparison, term limits have reduced the tenure of Sacramento elected officials and salary limitations have done the same to staff.
2. Because different people can hear different things and reach different conclusions from the same meeting, the MWDOC Board determined that there was value to having two MWDOC individuals in each D.C. meeting to corroborate each person's understanding.

Proposed Policy Changes

- A. A decade old unwritten policy would become part of the Administrative Code.
- B. The policy would be significantly expanded.
 - a. Instead of applying to only Washington, DC, the new policy would apply to any out of state travel or any legislative travel to Washington, DC or Sacramento, CA.
 - b. Instead of applying only to discussions with elected officials or staff, the new policy would apply to all out of state travel (including conferences) and legislative trips to DC and Sacramento.
 - c. The policy would be expanded from covering Directors to covering Board and Staff
- C. The basis for policy implementation would be shifted from "doing MWDOC business" to "paid for by MWDOC" and thereby significantly changing the purpose.
- D. The new policy would now allow the use of contract lobbyists as prudent companions.

In short, the proposed language reverses the intent and application of the current practice and greatly expands the policy and associated costs.

MWDOC BUDGET SCHEDULE	
November 2018	
•	Notification to Member Agencies of start of budget process and solicitation of input
December 2018	
•	MWDOC staff begins preparation of budget hours and costs on program and line-item basis
•	Review of four month actuals and fiscal year-end projections
•	Review budget adjustments for current fiscal year
•	Preparation of internal, draft conceptual budget (review changes for upcoming fiscal year)
January 2019	
•	Initial review of budget issues with A&F Committee for feedback (1-9-18)
•	Initial discussion of budget issues with Member Agencies for feedback
•	request for Member Agencies' <u>PRELIMINARY</u> indication of participation in CHOICE
February 2019	
•	Publish and post the FIRST DRAFT Budget in the packet for the A&F Committee (2-8-19)
•	Review Full Draft Budget with A&F Committee (2-13-19)
•	Formally request comments from all Member Agencies
•	<u>DRAFT</u> information completed on prior year CHOICE WUE program benefits to Member Agencies to serve as basis for charging agencies for the upcoming year for CHOICE WUE activities
•	Member Agencies' INITIAL CONFIRMATION of participation in CHOICE Services by February 15 . The Updated Agreement by the end of March and after the Elected Officials Meeting
•	Discuss FIRST DRAFT Budget at Member Agency Managers' Meeting (2-21-19)
•	Meet with Member Agencies as requested or scheduled

MWDOC BUDGET SCHEDULE

March 2019	
•	REVISED information completed on prior year CHOICE WUE benefits to Member Agencies to serve as basis of charging agencies for the upcoming year for WUE activities
•	Discuss SECOND DRAFT Budget in A&F Committee (3-13-19)
•	Review SECOND DRAFT Budget at Member Agency Managers' Meeting (3-22-19)
•	Update CHOICE Participation
•	Member Agencies' submit Formal Comments about the Budget (3-27-19)
April 2018	
•	Conduct meeting with Elected Officials from Member Agencies to discuss budget and other topics (4-4-19)
•	THIRD DRAFT Budget and Rates presented to A&F Committee (4-10-19)
•	Member Agencies' Formal Comments presented to A&F Committee
•	Board approval of FY2019-20 FINAL Budget and Rates (4-17-19)
June 2019	
•	Member Agencies confirm FINAL CHOICE Participation (6-45-19)
August 2019	
•	Reconciliation of FY 2018-19 WUE & CHOICE Programs
September 2019	
•	REVISED FINAL CHOICE Budget presented to A&F Committee (9-11-19)
•	Board approval of FY2019-20 REVISED FINAL CHOICE Budget (9-18-19)

**Administration Activities Report
October 5, 2018 to November 8, 2018**

Activity	Summary
Administration/Board	<p>Staff worked on the following:</p> <ul style="list-style-type: none"> • Scheduled meetings for Rob Hunter and other various meetings of the Board members. • Assisted Rob/Karl with various write ups and follow-up for the Committees and Board. • Continue to send the Water Supply Reports to the member agencies. • Continued training of new administrative staff. • Updated the Administrative Code per Board action. • Coordinated the Harassment Prevention and Ethics Training; worked with member agencies regarding the training, and distributed certificates to the appropriate entities. • Responded to three Public Records Act requests. • Processed and reviewed agreements for appropriate board approval and insurance requirements. • Tested for the California Notary appointment through the Secretary of State. • Coordinate FTP sites with IT. • Coordinate appropriate meeting space for January 5th Special Board Meeting. • Sent out Save the Date email for Elected Officials Forum. • Registration for the CRWUA. • Set appointments both phone & in person meetings for Rob and Karl. • Assisted Government Affairs Manager with preparation of correspondence and travel. • Drafted the General Manager's Report. • Prepared Public Affairs & Legislative Packet and Meeting Minutes, Planning & Operations Committee and Administration & Finance Committee packets and minutes. • Processed several Agreements. • Assisted in setting up the Water Quality Meeting. • Assisted in setting up meetings for Melissa Haley. • Acquired an extension for SEOC Building permit on behalf of Charles Busslinger. • Worked on gathering information to prepare an office maintenance schedule. • Prepared IDS Group Inc. Agreement for Seismic Retrofit • Updated Agreements for Black and Veatch • General Manager Response letter to OCWD • Piloting Lynda.com
MWDOC/OCWD Joint Administration	No new information to report.
Health Benefits	<ul style="list-style-type: none"> • Medical, dental and vision enrollment for all employees and all dependents was reviewed for each plan. Open enrollment is now closed.

	<ul style="list-style-type: none"> • Retirees were provided with 2019 premium information. • Flexible Benefits information for 2019 has not been published yet but is anticipated in mid-November or early December. • The representative from Colonial Life insurance will be available on November 16th to provide information on supplemental insurance plans available to any employee, at employee cost.
Records Management	<ul style="list-style-type: none"> • Review and reorganization of electronic documents in Laserfiche system continues. • Staff is in the process of reorganizing the Shared drive in order to transition to a new streamlined folder structure. • Staff is registered for a Laserfiche training webinar in mid-November. • Review of Human Resources files to be transferred to Laserfiche and preparation of destruction orders for documents beyond the Records Retention Schedule
Recruitment /Departures	<ul style="list-style-type: none"> • All positions are currently filled.
Projects and Activities	<ul style="list-style-type: none"> • The District will be closed on November 12 in observance of Veterans' Day and November 22 and 23 for Thanksgiving. • Effective January 1, 2019 ALL non-supervisory employees will be required to attend 1 hour of training on harassment prevention. A schedule is being prepared for those impacted. • Staff reviewed database contacts impacted in the November 6th election and provided an action plan for updating all contacts in an expedient manner. • Staff continues review of the Personnel Manual. • Staff is reviewing proposals from consultants on evaluating options for improvements to the District's Performance Evaluation process. • Staff met with IDS and is anticipating a Master Plan Schematic for the office improvements. • HR continues assisting WUE staff with review of 2 Water Loss Control job descriptions and corresponding safety training requirements necessary for these positions. The job descriptions were also reviewed by the District's workers' compensation carrier for potential field training and safety concerns. • Staff participated in the WEROC EOC Action Plan and Situation Summary meeting. • HR and Finance Staff participated in a demo on Navision Financial Software to evaluate HR and Finance system updates. • Staff coordinated the HR Member Agency Meeting held on October 4th at Santa Margarita Water District. • Staff is evaluating various online resources for staff training opportunities for the upcoming budget year. • Staff participated in a Succession Planning webinar offered by JPIA on 11/6.



INFORMATION ITEM

November 14, 2018

TO: Administration & Finance Committee
(Directors Thomas, Dick, 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 2018-19.

Description	% of Completion	Estimated Completion date	Status
<u>Finance</u>			
Further Implementation of WUE Landscape Programs Databases and Web Site.	On-going	On-going	In Progress
2018 W-9 collection for water rebates. Currently holding 1 rebate checks awaiting W-9 forms.	On-going	On-going	In Progress
Annual audit with Vazquez & Co. Interim audit week of July 9 th ; final audit week of September 17 th .	99%	11-14-18	In Progress
Prepare for year end, post closing entries and prepare annual financials. Awaiting audit presentation.	99%	10-24-18	In Progress
Pulled 83 W-9's to respond to an IRS penalty notice for 2016 1099 filings. Legal counsel responded. Awaiting IRS reply.	90%	11-30-18	In Progress
Government Compensation in California Report 2018	0%	03-30-19	Not Started
State Controller Report preparation FY2017-18	0%	11-30-18	Not Started
Preparation of documents for FY2019-20 budget process.	0%	05-31-19	Not Started

Description	% of Completion	Estimated Completion date	Status
<u>Information Technology</u>			
Network security issues (hackers, viruses and spam emails)	On-going	On-going	Continuous system monitoring
Purchase and upgrade Virtual Hyper-V Host Server (Hardware and Software)	70%	12-31-18	In Progress
Purchase and upgrade Conference room 101 with Interactive board	0%	06-30-19	Not Started
Upgrade VOIP telephone phone system (Hardware and software)	0%	3-31-19	In Progress

Description	% of Completion	Estimated Completion date	Status
<u>FY 2018-19 Completed Special Tasks</u>			
<u>Finance</u>			
Transition to new banking institution, U.S. Bank. Closed Bank of America account on 08/30/18	100%	08-20-18	Completed
New custodial services with U.S. Bank. New account opened August 3rd and transitioned by August 20th.	100%	08-22-18	Completed
State Tax filing for Water Facilities FY17-18	100%	09-30-18	Completed
<u>Information Technology</u>			
Upgrade Exchange Server to Enterprise Version	100%	09-30-18	Completed
Purchase and upgrade 5 desktop computers, 3 laptops and an iPad for Staff	100%	09-30-18	Completed



INFORMATION ITEM

November 14, 2018

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

FROM: Robert Hunter, General Manager

Staff Contact: Kevin Hostert

SUBJECT: Monthly Water Usage Data, Imported Water Projections, and Water Supply Info.

STAFF RECOMMENDATION

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

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

The attached figures show the recent trend of water consumption in Orange County (OC), an estimate of Imported Water Sales for MWD OC, and selected water supply information.

- OC Water Usage, Monthly by Supply OCWD Groundwater was the main supply in September.
- OC Water Usage, Monthly, Comparison to Previous Years Water usage in September 2018 was above average compared to the last 5 years. We are continuing to see slight increases in overall water usage compared to the previous three Fiscal Years. It has been 19 months since all mandatory water restrictions were lifted by the California State Water Resources Control Board.
- Historical OC Water Consumption Orange County M & I water consumption is estimated to be 555,000 AF in FY 2018-19 (*this includes ~15 TAF of agricultural usage and non-retail water agency usage*). This is about 15,000 AF more than FY 2017-18 and is about 36,000 AF more than FY 2016-17. Water usage per person is projected to be slightly higher in FY 2018-19 for Orange County at 153 gallons per day (This includes recycled water). Although OC population has increased 20% over the past two decades, water usage has not increased, on average. A long-

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):			

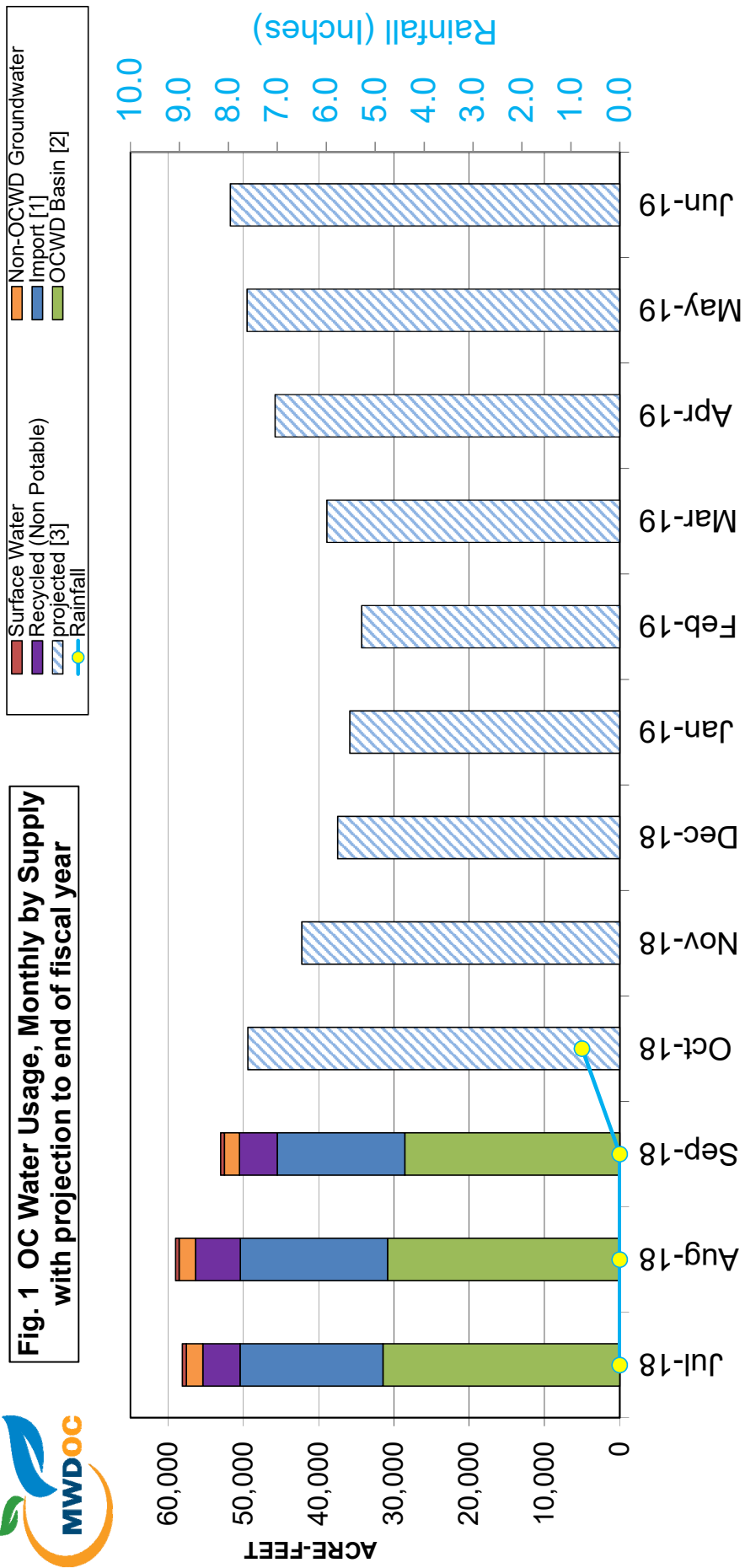
term decrease in per-capita water usage is attributed mostly to Water Use Efficiency (water conservation) efforts. O.C. Water Usage for the last three Fiscal Years is the lowest since the 1982-83 Fiscal Year (FY1982-83 was the third wettest year on record).

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 have 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. 1st through Sept. 30th.

- Orange County's accumulated rainfall through October was well below average for this period. Water year to date rainfall in Orange County is 0.77 inches, which is 118% of normal.
- Northern California accumulated precipitation through October was around 24% of normal for this period. Water Year 2018 was 82% of normal while water year 2017 was 187% of normal. The Northern California snowpack was 43% of normal as of April 1st. As of late October, 47.94% of California is experiencing moderate to extreme drought conditions while 84.84% of the state is experiencing abnormally dry conditions. The State Water Project Contractors Table A Allocation was set at 35% for 2018.
- Colorado River Basin accumulated precipitation through early November was 156% average for this period. The Upper Colorado Basin snowpack was 71% of normal as of April 3. Lake Mead and Lake Powell combined have about 57% of their average storage volume for this time of year and are at 41.4% of their total capacity. 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 to the Lower Basin states. As of late October, Lake Mead levels were 3.23' above the "trigger" limit. The USBR predicts that the start of 2019 will not hit the "trigger" level but there is a 57% chance that the trigger level will be hit in 2020 and a 68% chance in 2021.



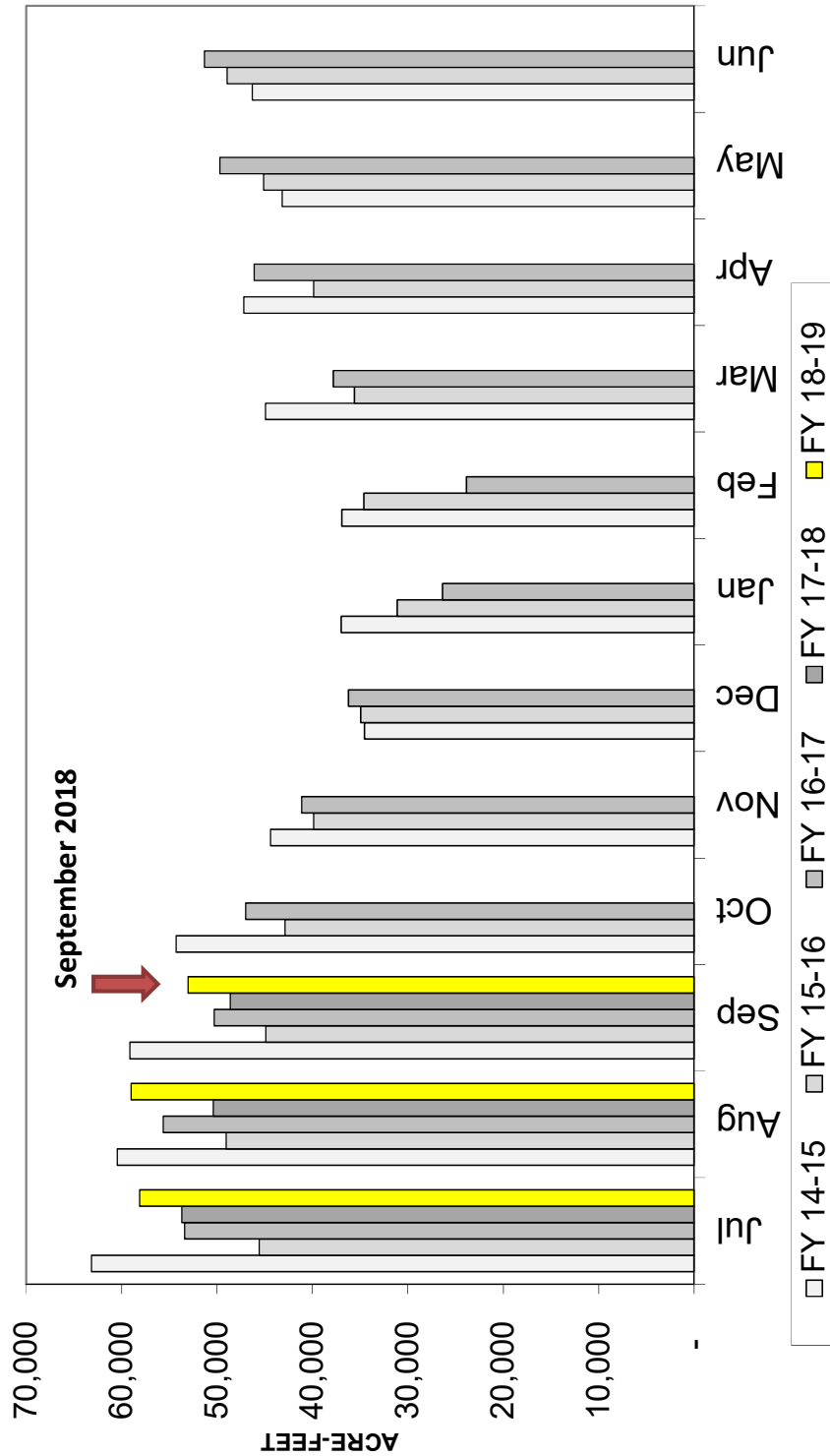
**Fig. 1 OC Water Usage, Monthly by Supply
with projection to end of fiscal year**



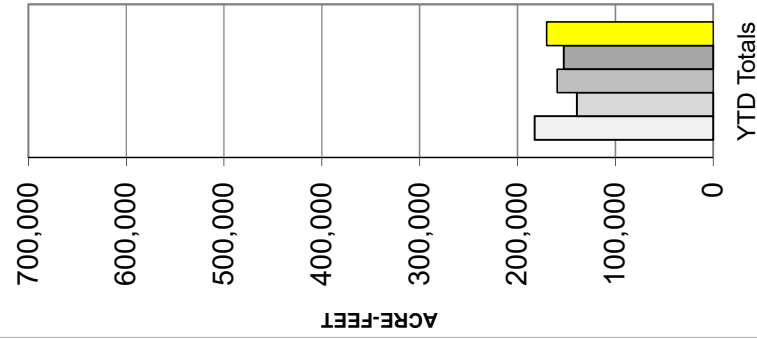
- [1] Imported water for consumptive use. Includes "In-Lieu" deliveries and CUP water extraction. Excludes "Direct Replenishment" deliveries of spreading water, "Barrier Replenishment" deliveries, and deliveries into Irvine Lake.
- [2] GW for consumptive use only. Excludes In-Lieu water deliveries and CUP water extraction that are counted with Import. BPP in FY '17-18 is 75%.
- [3] MWD OC'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.



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

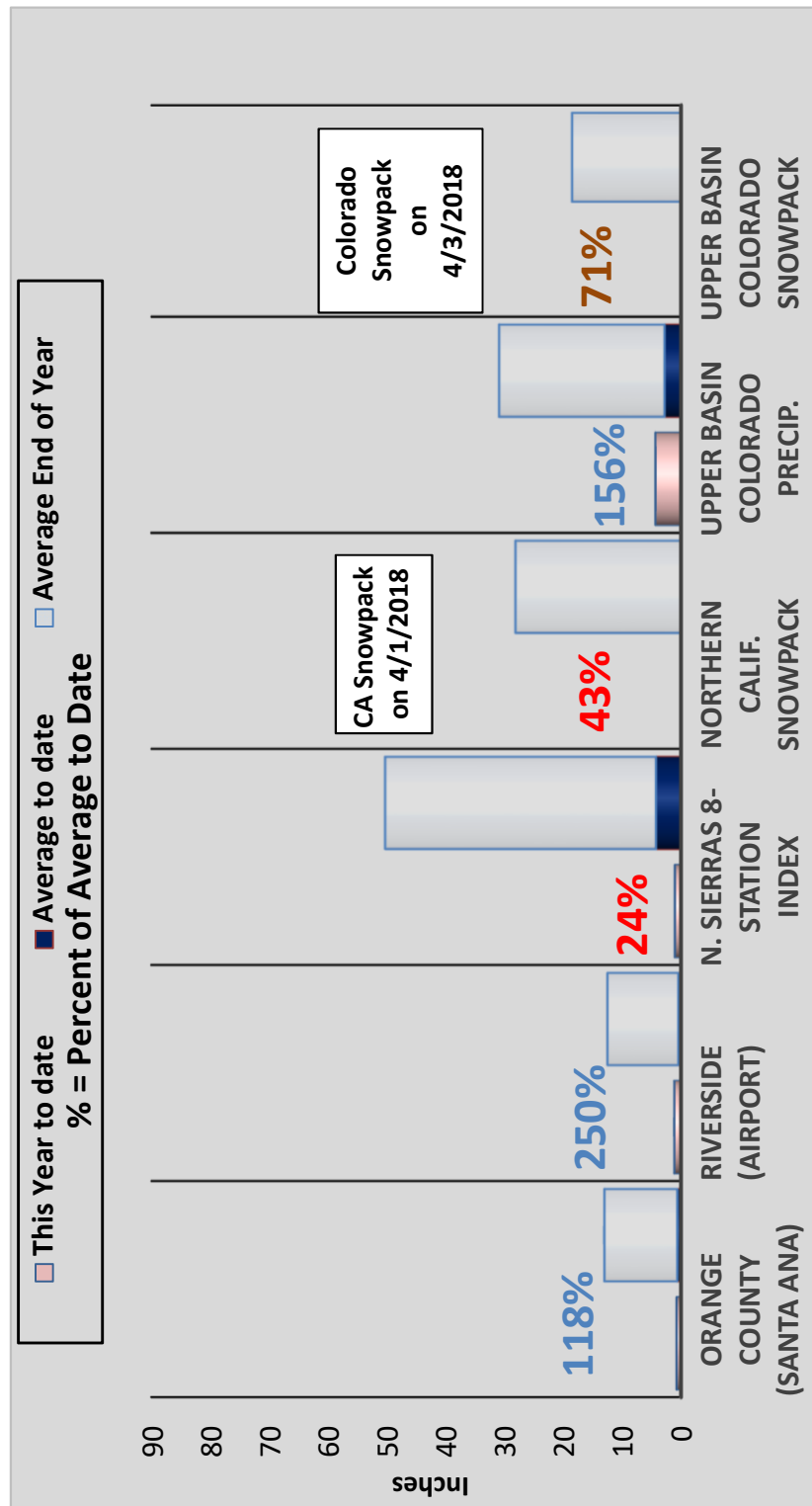


Partial Year Subtotals



[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 and excludes GWRS production) Recent months numbers include some estimation.

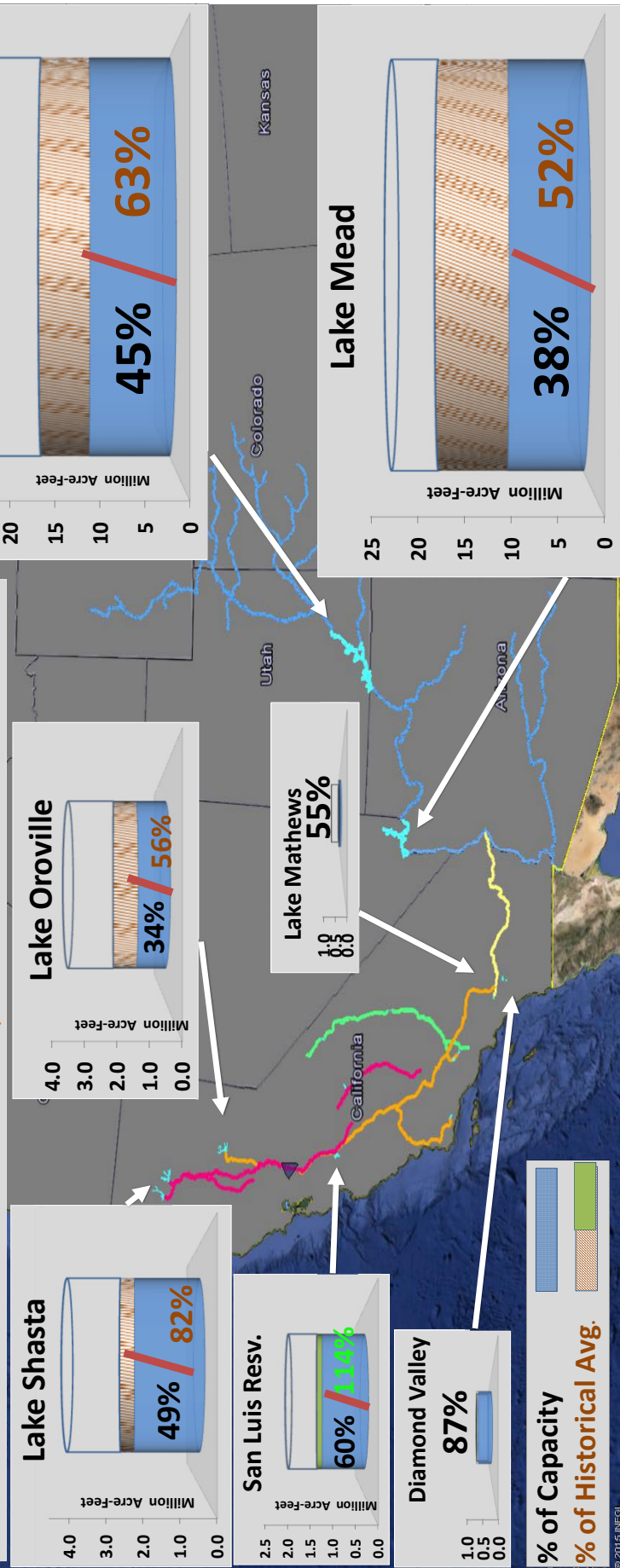
Accumulated Precipitation for the Oct.-Sep. water year, through early November 2018



* 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.

State Water Project, Colorado River, and MWD Reservoir Storage

as of October 29, 2018



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

SWP TABLE A ALLOCATION

FOR STATE WATER PROJECT CONTRACTORS

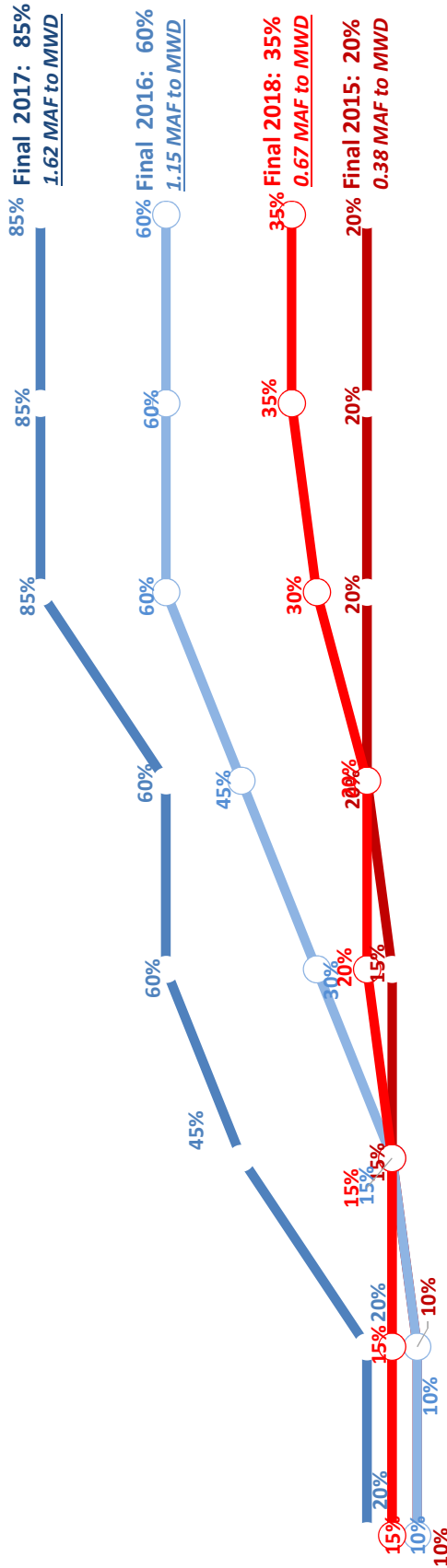
Final 2019: ???

Final 2017: 85%
1.62 MAF to MWD

Final 2016: 60%
1.15 MAF to MWD

Final 2018: 35%
0.67 MAF to MWD

Final 2015: 20%
0.38 MAF to MWD



Accumulated Overdraft of the OCWD Groundwater Basin as of September 2018

Full 0

50,000

100,000

150,000

200,000

250,000

300,000

350,000

400,000

450,000

500,000

550,000

Acre Feet

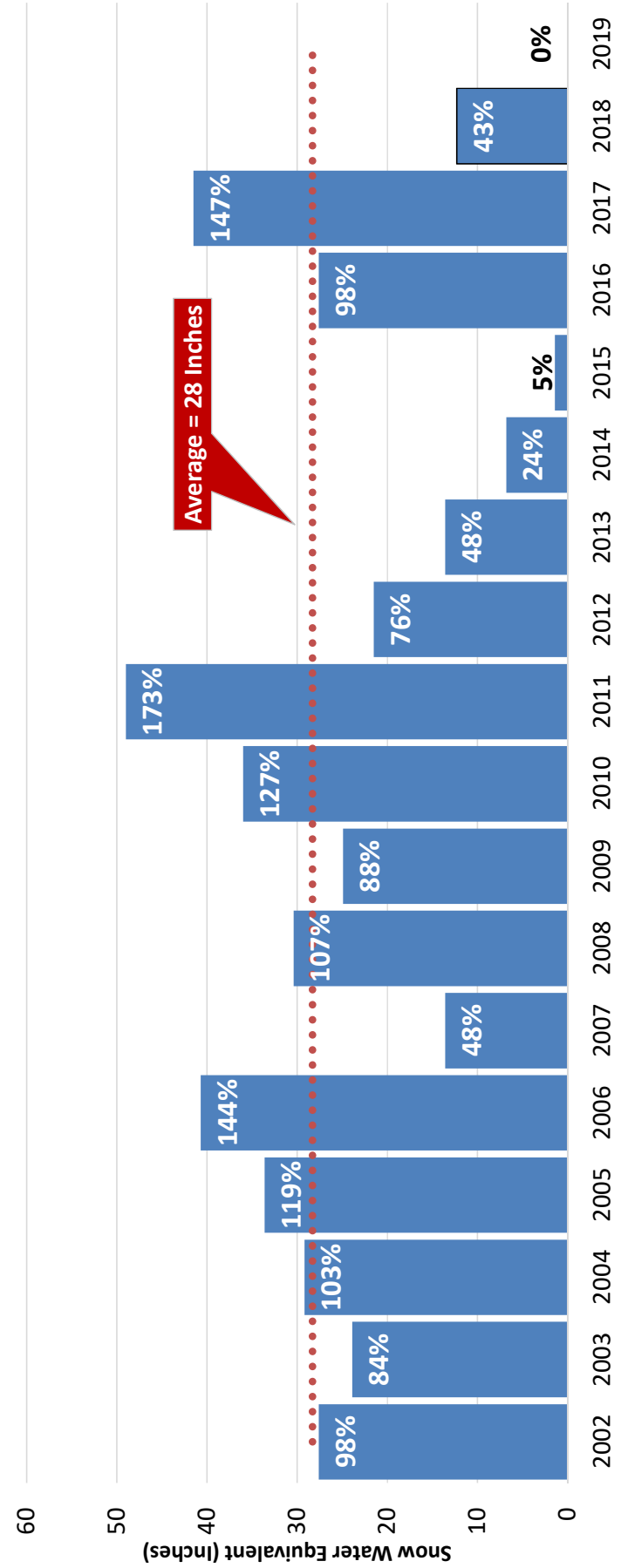
Jul-13
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Sep-13
Oct-13
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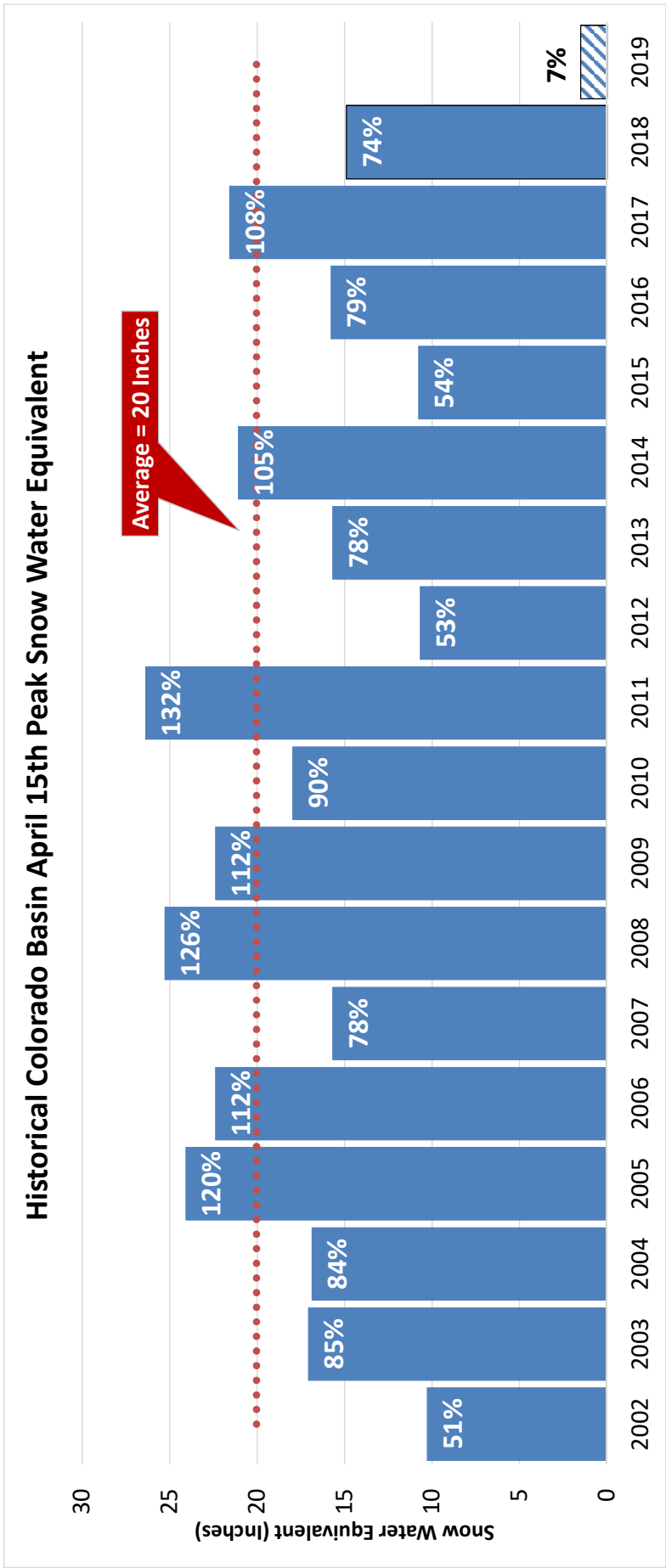


	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
AO (AF)	308,488	321,131	306,280	290,800	277,691	278,056	261,521	272,475	268,752	269,889	280,329	286,163
AO w/CUP removed (AF)	310,216	321,131	308,007	292,522	277,691	279,776	263,237	274,188	270,463	271,601	282,041	287,869
AO (AF)	292,869	294,090	305,572									
AO w/CUP removed (AF)	294,572	295,790	307,271									



Historical Northern California April 1st Peak Snow Water Equivalent

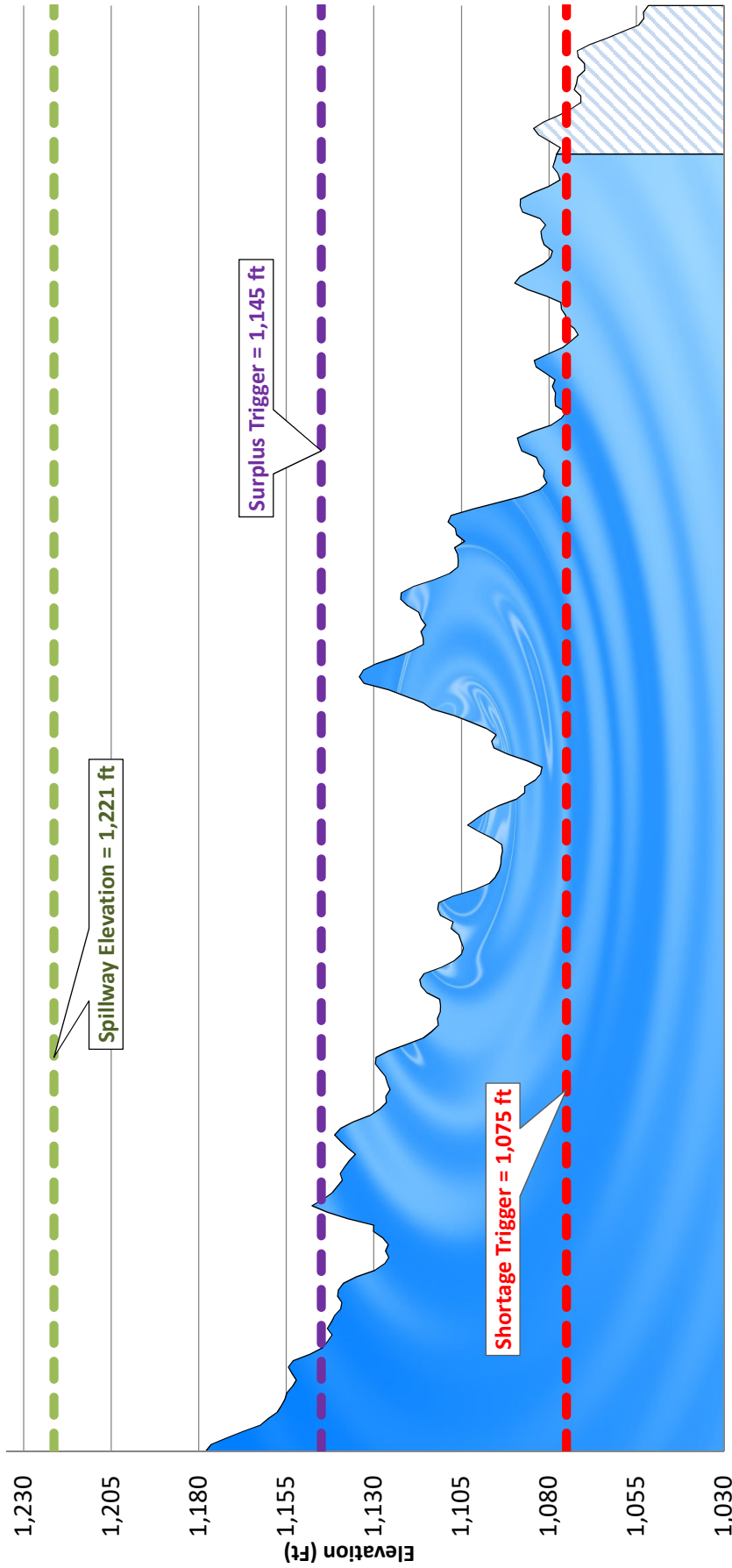






Lake Mead Levels: Historical and Projected projection per USBR 24-Month Study

■ Historical □ Projected





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

■ Historical □ Projected

