

Trabuco Canyon Water District

Trabuco Canyon, California

Annual Financial Report

For the Years Ended June 30, 2016 and 2015





Board of Directors as of June 30, 2016

Name	Title	Elected / Appointed	Current Term
Stephen Dopudja	President	Elected	12/12 - 12/16
Glenn Acosta	Vice President	Elected	12/14 - 12/18
James Haselton	Director	Elected	12/12 - 12/16
Edward Mandich	Director	Elected	12/14 - 12/18
Michael Safranski	Director	Elected	12/14 - 12/18

**Trabuco Canyon Water District
Hector Ruiz, General Manager
32003 Dove Canyon Drive
Trabuco Canyon, California 92679
(949) 858-0277 – www.tcwd.ca.gov**

Trabuco Canyon Water District
Annual Financial Report
For the Years Ended June 30, 2016 and 2015

Table of Contents

	<u>Page</u>
Table of Contents	i
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report on the Financial Statements	1
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Management's Discussion and Analysis Required Supplementary Information (Unaudited)	5
 Basic Financial Statements:	
Balance Sheets	13
Statements of Revenues, Expenses and Change in Net Position	14
Statements of Cash Flows	15
Notes to the Basic Financial Statements	17
 Required Supplementary Information (Unaudited):	
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability	49
Schedule of the District's Contributions to the Pension Plan	50
Schedule of Funding Progress on Other Post-Employment Benefit Plan	51

This page intentionally left blank



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Trabuco Canyon Water District (District), which comprise of the balance sheet as of June 30, 2016 and 2015, and the related statements of revenues, expenses and change in net position, and cash flows, for the years then ended and the related notes to the financial statements, which collectively comprise the District's basic 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2016 and 2015, and the respective changes in financial position, and, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

Emphasis of Matter

Net Pension Liability

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* on July 1, 2014. The net pension liability is reported in the balance sheet in the amount of \$2,024,702 and \$1,514,199 as of the measurement dates of June 30, 2015 and 2014, respectively. The net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2014 and 2013, were then rolled-forward by the actuaries to June 30, 2015 and 2014, the measurement dates. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10 and the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, and Schedule of Funding Progress on Other Post-Employment Benefit Plan, are on pages 49 to 51 respectfully, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
November 30, 2016



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

Independent Auditors' Report

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet as of June 30, 2016, and 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, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Board of Directors
of the Trabuco Canyon Water District
Trabuco Canyon, California

Purpose of this Report

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

The PwC Group, LLP

Santa Ana, California
November 30, 2016

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Trabuco Canyon Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2016, the District's net position decreased 3.10% or \$(1,690,531) to \$52,823,121.
- In 2015, the District's net position decreased 0.91%, or \$(518,829) to \$54,513,652.
- In 2016, the District's operating revenues decreased 11.07%, or \$(646,900), primarily due to a \$(711,767) decrease in water consumption sales.
- In 2015, the District's operating revenues decreased 5.51%, or \$(340,457), primarily due to a \$(266,637) decrease in water consumption sales and \$(157,787) decrease in recycled water sales.
- In 2016, the District's operating expenses decreased 6.41%, or \$(482,149), primarily due to a \$(508,387) decrease in source of supply costs.
- In 2015, the District's operating expenses increased 1.06%, or \$78,603, primarily due to a \$167,296 increase in general and administrative costs.
- In 2015, the implementation of new pension standards increased long term liabilities by \$1,514,199.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial statements are comprised of two components: 1) financial statements and, 2) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *balance sheet* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets and liabilities – as a way to measure the District's 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, one will need to consider other non-financial factors such as changes in economic conditions, population growth, natural disasters, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 17 through 46.

Balance Sheets

Condensed Balance Sheets

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>	<u>June 30, 2014</u>	<u>Change</u>
Assets:					
Current assets	\$ 8,498,533	\$ 5,899,134	\$ 2,599,399	\$ 8,440,900	\$ (2,541,766)
Restricted assets	5,500,923	12,228,844	-	11,255,483	973,361
Capital assets, net	48,288,228	48,472,658	(184,430)	47,902,424	570,234
Total assets	<u>62,287,684</u>	<u>66,600,636</u>	<u>2,414,969</u>	<u>67,598,807</u>	<u>(998,171)</u>
Deferred outflows of resources	<u>677,883</u>	<u>306,361</u>	<u>371,522</u>	<u>-</u>	<u>306,361</u>
Total assets and deferred outflows of resources	<u>\$ 62,965,567</u>	<u>\$ 66,906,997</u>	<u>\$ 2,786,491</u>	<u>\$ 67,598,807</u>	<u>\$ (691,810)</u>
Liabilities:					
Current liabilities	\$ 2,117,213	\$ 3,676,578	\$ (1,559,365)	\$ 2,807,419	\$ 869,159
Noncurrent liabilities	7,762,949	8,171,362	(408,413)	7,945,830	225,532
Total liabilities	<u>9,880,162</u>	<u>11,847,940</u>	<u>(1,967,778)</u>	<u>10,753,249</u>	<u>1,094,691</u>
Deferred inflows of resources	<u>262,284</u>	<u>545,405</u>	<u>(283,121)</u>	<u>-</u>	<u>545,405</u>
Net position:					
Net investment in capital assets	42,059,413	40,817,878	1,241,535	38,519,396	2,298,482
Restricted	5,401,951	12,099,753	(6,697,802)	11,053,442	1,046,311
Unrestricted	5,361,757	1,596,021	3,765,736	7,272,720	(5,676,699)
Total net position	<u>52,823,121</u>	<u>54,513,652</u>	<u>(1,690,531)</u>	<u>56,845,558</u>	<u>(2,331,906)</u>
Total liabilities, deferred inflows and net position	<u>\$ 62,965,567</u>	<u>\$ 66,906,997</u>	<u>\$ (3,941,430)</u>	<u>\$ 67,598,807</u>	<u>\$ (691,810)</u>

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$52,823,121 and \$54,513,652, as of June 30, 2016 and 2015. As of July 1, 2014, the beginning net position was restated to \$55,032,481 as disclosed in Note 9, a result of the implementation of new accounting standards regarding pension liabilities.

By far the largest portion of the District's net position (80% as of June 30, 2016 and 75% as of June 30, 2015) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

As of June 30, 2015, the District's unrestricted net position decreased by \$(5,654,061). Some of the main causes of the decreased net position were the inclusion of unfunded pension liabilities and the use of funds for capital projects (some of which may have delayed funding sources, which results in the District using unrestricted funds to finance the projects).

The District also had some planned deficit spending in fiscal year 2015 to fund operations, which has been the practice for the past several years. In January 2016 the District adopted a rate increase that will allow the District to properly fund operations and discontinue deficit spending.

As of June 30, 2016 and 2015, the District showed a balance in its restricted net position of \$5,401,951 and \$12,099,753, respectively, which is restricted for future capital projects and debt service repayments.

Also as of June 30, 2016 and 2015, the District shows a positive balance in its unrestricted net position of \$5,361,757 and \$1,596,021, respectively, which may be utilized in future years.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>	<u>June 30, 2014</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 5,193,572	\$ 5,840,472	\$ (646,900)	\$ 6,180,929	\$ (340,457)
Non-operating revenues	1,565,608	2,343,859	(778,251)	2,902,729	(558,870)
Total revenues	<u>6,759,180</u>	<u>8,184,331</u>	<u>(1,425,151)</u>	<u>9,083,658</u>	<u>(899,327)</u>
Expenses:					
Operating expenses	7,036,634	7,518,783	(482,149)	7,440,180	78,603
Depreciation	2,796,279	2,797,938	(1,659)	2,751,480	46,458
Non-operating expenses	328,482	496,360	(167,878)	637,117	(140,757)
Total expenses	<u>10,161,395</u>	<u>10,813,081</u>	<u>(651,686)</u>	<u>10,828,777</u>	<u>(15,696)</u>
Capital contributions	<u>1,711,684</u>	<u>2,109,921</u>	<u>(398,237)</u>	<u>904,001</u>	<u>1,205,920</u>
Change in net position	<u>(1,690,531)</u>	<u>(518,829)</u>	<u>(1,171,702)</u>	<u>(841,118)</u>	<u>322,289</u>
Net position:					
Beginning of year	54,513,652	56,845,558	(2,331,906)	57,686,676	(841,118)
Prior period adjustments	-	(1,813,077)	1,813,077	-	(1,813,077)
End of year	<u>\$ 52,823,121</u>	<u>\$ 54,513,652</u>	<u>\$ (1,690,531)</u>	<u>\$ 56,845,558</u>	<u>\$ (2,331,906)</u>

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

The statement of revenues, expenses, and changes in net position shows how the District's net position changes during the fiscal year. In the case of the District, net position decreased by \$(1,690,531) and \$(518,829) as of June 30, 2016 and 2015, respectively. The prior period adjustments of \$(1,813,077) were a result of the implementation of GASB Statements 68&71, which required the inclusion of certain pension liabilities and assets in the financial statements, to be effective as of June 30, 2014.

Revenues

Operating revenues:	June 30, 2016	June 30, 2015	Change	June 30, 2014	Change
Water consumption sales	\$ 2,474,268	\$ 3,186,035	\$ (711,767)	\$ 3,452,672	\$ (266,637)
Water service charges	691,880	581,940	109,940	615,761	(33,821)
Sewer service charges	1,249,959	1,163,483	86,476	1,136,613	26,870
Reclaimed water sales	610,759	818,175	(207,416)	732,558	85,617
Recycled water sales	141,144	56,158	84,986	213,945	(157,787)
Other service charges	25,562	34,681	(9,119)	29,380	5,301
Total operating revenues	5,193,572	5,840,472	(646,900)	6,180,929	(340,457)
Non-operating revenues:					
Property taxes	1,482,960	1,378,635	104,325	1,294,601	84,034
Special assessments for debt service	-	828,076	(828,076)	1,491,391	(663,315)
Investment earnings	41,324	23,520	17,804	27,050	(3,530)
Rental revenue	21,424	23,217	(1,793)	24,788	(1,571)
Other non-operating revenue	19,900	90,411	(70,511)	64,899	25,512
Total non-operating revenues	1,565,608	2,343,859	(778,251)	2,902,729	(558,870)
Total revenue	\$ 6,759,180	\$ 8,184,331	\$ (1,425,151)	\$ 9,083,658	\$ (899,327)

In fiscal year 2016, operating revenues decreased by \$(646,900), primarily due to a decrease in water consumption usage by single family residences and reduced outdoor water used for landscaping (potable and non-potable). This reduction was due to a requested 25% conservation measure by the State of California due to the ongoing drought.

In fiscal year 2015, operating revenues decreased by \$(340,347), primarily due to a decrease in water consumption usage by single family residences and reduced outdoor water used for landscaping (potable and non-potable). This reduction was due to increased conservation outreach by the District in response to the drought and the state mandate for conservation.

In fiscal year 2016, non-operating revenues decreased by \$(778,251) due to the reduction in assessment revenue from the 1994 Series A refunding revenue bonds, which were paid in full in October 2015 (assessments for the final payment were collected in fiscal year 2015).

In fiscal year 2015, non-operating revenues decreased by \$(558,870) due to the reduction in assessment revenue from the 1994 Series B refunding revenue bonds, which were paid in full in October 2014 (assessments for the final payment were collected in fiscal year 2014).

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

Expenses

Operating expenses:	June 30, 2016	June 30, 2015	Change	June 30, 2014	Change
Source of supply	\$ 1,710,329	\$ 2,218,716	\$ (508,387)	\$ 2,277,747	\$ (59,031)
Pumping	385,143	536,651	(151,508)	508,989	27,662
Water treatment	167,038	144,966	22,072	159,077	(14,111)
Transmission and distribution	287,713	128,671	159,042	134,717	(6,046)
Sewer operations	749,329	787,243	(37,914)	824,410	(37,167)
General and administrative	3,737,082	3,702,536	34,546	3,535,240	167,296
Total operating expenses	7,036,634	7,518,783	(482,149)	7,440,180	78,603
Depreciation	2,796,279	2,797,938	(1,659)	2,751,480	46,458
Non-operating expenses:					
Interest expense	277,950	364,859	(86,909)	545,742	(180,883)
Debt administration expense	38,202	114,814	(76,612)	71,858	42,956
Property tax administration charge	12,330	16,687	(4,357)	19,517	(2,830)
Total non-operating expenses	328,482	496,360	(167,878)	637,117	(140,757)
Total expenses	\$ 10,161,395	\$ 10,813,081	\$ (651,686)	\$ 10,828,777	\$ (15,696)

In fiscal year 2016, operating expenses decreased by \$(482,149) due to a decrease in source of supply costs of \$(508,387) due to decreased water consumption usage..

In fiscal year 2015, operating expenses increased by \$78,603 despite a decrease in source of supply costs of nearly \$(60,000) due to decreased water consumption. The net increase in operating expenses was caused by increased electricity costs, repair and replacement costs of the water distribution system, legal and professional services, and other costs that rise incrementally each year.

In fiscal year 2016, non-operating expenses decreased by \$(167,878) due to decreased interest expenses as result of the payment in full of the 1994 Series A refunding revenue bonds in October 2015, in addition to lower interest expense on the remaining Series C refunding revenue bonds due to lower outstanding obligations.

In fiscal year 2015, non-operating expenses decreased by \$(140,757) due to decreased interest expenses as result of the payment in full of the 1994 Series B refunding revenue bonds in October 2014, in addition to lower interest expense on the remaining Series A and Series C refunding revenue bonds due to lower outstanding obligations.

Trabuco Canyon Water District
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2016 and 2015

Capital Asset Administration

Description	June 30, 2016	June 30, 2015	June 30, 2014
Non-depreciable assets	\$ 9,068,378	\$ 6,851,979	\$ 4,026,626
Depreciable assets	99,450,929	99,075,542	98,666,254
Accumulated depreciation	<u>(60,231,079)</u>	<u>(57,454,863)</u>	<u>(54,790,456)</u>
Total capital assets, net	<u>\$ 48,288,228</u>	<u>\$ 48,472,658</u>	<u>\$ 47,902,424</u>

The capital asset activities of the District are summarized above and described in greater detail in Note 3 to the basic financial statements.

Debt Administration

Description	June 30, 2016	June 30, 2015	June 30, 2014
Bonds payable, net	\$ 3,235,693	\$ 4,502,362	\$ 5,663,345
Loans payable	<u>2,993,122</u>	<u>3,152,418</u>	<u>3,384,683</u>
Total long-term debt	<u>\$ 6,228,815</u>	<u>\$ 7,654,780</u>	<u>\$ 9,048,028</u>

The debt administration activities of the District are summarized above and described in greater detail in Note 6 to the basic financial statements.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results based on past, present and future events.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager, at 32003 Dove Canyon Drive, Trabuco Canyon, California 92679, (949) 858-0277.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

Trabuco Canyon Water District
Balance Sheets
June 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and investments (Note 2)	\$ 7,324,068	\$ 4,942,601
Accrued interest receivable	7,577	3,276
Accounts receivable – water sales and services, net	823,313	609,530
Accounts receivable – other	225,358	156,356
Property taxes receivable	10,541	12,247
Special assessments receivable	-	6,626
Prepaid items	107,676	168,498
Total current assets	<u>8,498,533</u>	<u>5,899,134</u>
Non-current assets:		
Restricted – cash and investments (Note 2)	5,493,215	12,225,663
Restricted – accrued interest receivable	7,708	3,181
Capital assets, net (Note 3)	48,288,228	48,472,658
Total non-current assets	<u>53,789,151</u>	<u>60,701,502</u>
Total assets	<u>62,287,684</u>	<u>66,600,636</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension contributions made after measurement date (Note 7)	264,450	265,436
Difference between actual and proportionate share of employer contributions (Note 7)	49,233	40,925
Adjustment due to difference in proportions (Note 7)	347,389	-
Differences between expected and actual experience (Note 7)	16,811	-
Total deferred outflows of resources	<u>677,883</u>	<u>306,361</u>
Total assets and deferred outflows of resources	<u>\$ 62,965,567</u>	<u>\$ 66,906,997</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 569,186	\$ 865,428
Accrued salaries and related payables	177,521	110,188
Deposits and unearned revenue	406,490	1,165,727
Accrued interest payable	98,972	129,091
Long-term liabilities – due within one year:		
Compensated absences (Note 4)	39,029	46,948
Bonds payable (Note 6)	745,000	1,280,000
Loans payable (Note 6)	81,015	79,196
Total current liabilities	<u>2,117,213</u>	<u>3,676,578</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 4)	117,087	140,845
Net other post-employment benefits obligation (Note 5)	218,360	220,734
Bonds payable, net (Note 6)	2,490,693	3,222,362
Loans payable (Note 6)	2,912,107	3,073,222
Net pension liability (Note 7)	2,024,702	1,514,199
Total non-current liabilities	<u>7,762,949</u>	<u>8,171,362</u>
Total liabilities	<u>9,880,162</u>	<u>11,847,940</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Differences between projected and actual earnings on pension plan investments (Note 7)	79,732	508,841
Adjustment due to differences in proportions (Note 7)	23,505	36,564
Changes in assumptions (Note 7)	159,047	-
Total deferred inflows of resources	<u>262,284</u>	<u>545,405</u>
<u>NET POSITION</u>		
Net investment in capital assets (Note 8)	42,059,413	40,817,878
Restricted – capital projects	3,587,557	5,250,775
Restricted – debt service	1,814,394	6,848,978
Unrestricted	5,361,757	1,596,021
Total net position	<u>52,823,121</u>	<u>54,513,652</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 62,965,567</u>	<u>\$ 66,906,997</u>

See accompanying Notes to the Basic Financial Statements.

Trabuco Canyon Water District
Balance Sheets
For the Years Ending June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Water consumption sales	\$ 2,474,268	\$ 3,186,035
Water service charges	691,880	581,940
Sewer service charges	1,249,959	1,163,483
Reclaimed water sales	610,759	818,175
Recycled water sales	141,144	56,158
Other service charges	25,562	34,681
Total operating revenues	<u>5,193,572</u>	<u>5,840,472</u>
Operating expenses:		
Source of supply	1,710,329	2,218,716
Pumping	385,143	536,651
Water treatment	167,038	144,966
Transmission and distribution	287,713	128,671
Sewer operations	749,329	787,243
General and administrative	3,737,082	3,702,536
Total operating expenses	<u>7,036,634</u>	<u>7,518,783</u>
Operating (loss) before depreciation	(1,843,062)	(1,678,311)
Depreciation expense	(2,796,279)	(2,797,938)
Operating (loss)	<u>(4,639,341)</u>	<u>(4,476,249)</u>
Non-operating revenues(expenses):		
Property taxes	1,482,960	1,378,635
Special assessments for debt service	-	828,076
Investment earnings	41,324	23,520
Rental revenue	21,424	23,217
Interest expense	(277,950)	(364,859)
Debt administration expense	(38,202)	(114,814)
Property tax administration charge	(12,330)	(16,687)
Other non-operating revenue	19,900	90,411
Total non-operating revenues, net	<u>1,237,126</u>	<u>1,847,499</u>
Net (loss) before capital contributions	<u>(3,402,215)</u>	<u>(2,628,750)</u>
Capital contributions:		
Water reliability and emergency storage fees	905,772	908,667
Developer impact fees	782,108	1,155,097
Grant reimbursement	23,804	46,157
Total capital contributions	<u>1,711,684</u>	<u>2,109,921</u>
Change in net position	<u>(1,690,531)</u>	<u>(518,829)</u>
Net position:		
Beginning of year, as previously stated	54,513,652	56,845,558
Prior period adjustment (Note 9)	-	(1,813,077)
End of year	<u>\$ 52,823,121</u>	<u>\$ 54,513,652</u>

See accompanying Notes to the Basic Financial Statements.

Trabuco Canyon Water District
Balance Sheets
For the Years Ending June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 4,171,450	\$ 7,155,683
Cash paid to employees for salaries and wages	(1,797,947)	(1,783,848)
Cash paid to vendors and suppliers for materials and services	(5,584,965)	(5,336,500)
Net cash provided by (used in) operating activities	(3,211,462)	35,335
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,484,666	1,380,106
Rental revenue	21,424	23,217
Property tax administration charge	(12,330)	(16,687)
Net cash provided by non-capital financing activities	1,493,760	1,386,636
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,611,849)	(3,368,172)
Water reliability and emergency storage fees	23,804	46,157
Proceeds from special assessments for debt service	6,626	841,790
Debt administration charges	(38,202)	(114,814)
Principal paid	(1,425,965)	(1,728,248)
Interest paid	(308,069)	(437,809)
Net cash (used in) capital and related financing activities	(4,353,655)	(4,761,096)
Cash flows from investing activities:		
Proceeds from interest and investment earnings	32,496	22,471
Net cash provided by investing activities	32,496	22,471
Net increase (decrease) in cash and cash equivalents	(6,038,861)	(3,316,654)
Cash and investments:		
Beginning of year	15,104,500	18,421,154
End of year	\$ 9,065,639	\$ 15,104,500
Reconciliation of cash and investments:		
Cash and investments	\$ 7,324,068	\$ 4,942,601
Restricted – cash and investments	5,493,215	12,225,663
Total cash and investments	\$ 12,817,283	\$ 17,168,264

Trabuco Canyon Water District
Balance Sheets
For the Years Ending June 30, 2016 and 2015

	2016	2015
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:		
Operating (loss)	\$ (4,639,341)	\$ (4,476,249)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,796,279	2,797,938
Other non-operating revenue	19,900	90,411
Changes in assets – (increase)decrease:		
Accounts receivable – water sales and services, net	(213,783)	309,008
Accounts receivable – other	(69,002)	(16,692)
Prepaid items	60,822	9,063
Change in deferred outflows of resources – (increase)decrease:		
Pension contributions made after measurement date	986	(65,113)
Difference between actual and proportionate share of employer contributions	(8,308)	14,616
Adjustment due to difference in proportions	(347,389)	-
Differences between expected and actual experience	(16,811)	-
Changes in liabilities – increase(decrease):		
Accounts payable and accrued expenses	(296,242)	352,945
Accrued salaries and related payables	67,333	(88,441)
Deposits and unearned revenue	(759,237)	932,484
Compensated absences	(31,677)	9,878
Net other post-employment benefits obligation	(2,374)	174,824
Net pension liability	510,503	(554,742)
Change in deferred inflows of resources – increase(decrease):		
Differences between projected and actual earnings on pension plan investments	(429,109)	508,841
Adjustment due to differences in proportions	(13,059)	36,564
Changes in assumptions	159,047	-
Total adjustments	1,427,879	4,511,584
Net cash provided by (used in) operating activities	\$ (3,211,462)	\$ 35,335
Non-cash investing, capital and financing transactions:		
Change in fair-value of investments	\$ 2,640	\$ 596
Amortization of discount on long-term debt	\$ (13,331)	\$ (44,017)

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Trabuco Canyon Water District (District) was organized in January 1962, under provisions of the County Water District Act (Sections 30000 et. seq. of the Water Code of the State of California). The District is governed by a Board of Directors made up of five members elected by the qualified voters in the District. The purpose of the District is to finance, construct, operate and maintain a water system and wastewater system to serve properties within the District's boundaries. The Trabuco Canyon Water District includes the accounts of the District, Trabuco Canyon Improvement Corporation and Trabuco Canyon Public Financing Authority as blended component units.

The Trabuco Canyon Improvement Corporation (Corporation) was organized on September 1, 1988, pursuant to the Nonprofit Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code), solely for the purpose of providing financial assistance to the District.

The Trabuco Canyon Public Financing Authority (Authority) was organized on August 8, 1993, pursuant to the Government Code of the State of California (Title 1, Division 7 Section 6500 of the California Government Code), as a Joint Powers Agency, solely for the purpose of providing financial assistance to the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Complete financial statements for the Corporation and Authority are available at the District's office or upon request of the District's Treasurer at 32003 Dove Canyon Drive, Trabuco Canyon, California 92679.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

The financial statements are reported using the "*economic resources*" measurement focus and 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. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses, not included in the above categories, are reported as non-operating revenues and expenses.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as revenue until that time

Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's enterprise fund.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results most likely will differ from those estimates.

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

Property Taxes

Property taxes receivable at year-end are related to property taxes collected by the County of Orange, which have not been credited to the District as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

The County of Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Auditor-Controller's Office bills and collects the District's share of property taxes and assessments. The County of Orange Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Prepaid Items

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

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Water transmission and distribution system	5 to 40 years
Wastewater system	4 to 40 years
Structures and improvements	10 to 30 years
Machinery equipment	3 to 15 years

Construction-in-Process

The costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete and in use, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District’s policy is to permit employees to accumulate earned vacation up to a total of 240 hours with amounts exceeding the limit being paid out as part of the employee’s regular compensation. Upon termination of employment, employees are paid all unused vacation and forfeit any unused sick time.

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 pension of the District’s pension plans and additions to/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 benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Valuation date	June 30, 2014	June 30, 2013
Measurement date	June 30, 2015	June 30, 2014
Measurement period	July 1, 2014 to June 30, 2015	July 1, 2013 to June 30, 2014

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. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted– This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This This component of net position is the amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

Water Sales and Sewer Services

Water sales and sewer services are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

Accounting Changes

During fiscal year ended June 30, 2016 and 2015, the District has implemented the following new GASB pronouncements:

Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. See notes 7 and 9 for further information on the implementation of this pronouncement.

Statement No. 69, *Government Combinations and Disposals of Government Operations*. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for the year ended June 30, 2015.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. See notes 7 and 9 for further information on the implementation of this pronouncement.

Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for fiscal year ending June 30, 2016.

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the District's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for fiscal year ending June 30, 2016.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 2 – Cash and Investments

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

<u>Description</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash and investments	\$ 7,324,068	\$ 4,942,601
Restricted — cash and investments	5,493,215	12,225,663
Total cash and investments	<u>\$ 12,817,283</u>	<u>\$ 17,168,264</u>

Cash and investments as of June 30, consisted of the following:

<u>Description</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash on hand	\$ 500	\$ 500
Deposits with financial institutions	1,449,572	1,491,917
Investments	11,367,211	15,675,847
Total cash and investments	<u>\$ 12,817,283</u>	<u>\$ 17,168,264</u>

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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. At June 30, 2016 and 2015, the District had no deposits with financial institutions subject to custodial credit risk.

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 Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or external investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 2 – Cash and Investments (Continued)

Credit Risk

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.

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments as of June 30, 2016 and 2015.

The District's investments as of June 30, 2016 were as follows:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Fair Value</u>	<u>Maturity 12 Months or Less</u>
Local Agency Investment Fund (LAIF)	N/A	\$ 9,577,761	\$ 9,577,761
Money market funds	N/A	1,789,450	1,789,450
Total investments		<u>\$ 11,367,211</u>	<u>\$ 11,367,211</u>

The District's investments as of June 30, 2015 were as follows:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Fair Value</u>	<u>Maturity 12 Months or Less</u>
Local Agency Investment Fund (LAIF)	N/A	\$ 8,795,955	\$ 8,795,955
Money market funds	N/A	6,879,892	6,879,892
Total investments		<u>\$ 15,675,847</u>	<u>\$ 15,675,847</u>

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

External Investment Pools:

- Local Agency Investment Fund (LAIF)
- Money market funds
- Governmental agency securities

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 2 – Cash and Investments (Continued)

Investment in California – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/

The District's investments with LAIF at June 30, 2016 and 2015, included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had \$9,577,761 and \$8,795,955 invested in LAIF, which had invested 2.81% and 2.08% of the pooled investment funds as of June 30, 2016 and June 30, 2015, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000621222 and 1.000375979 was used to calculate the fair value of the investments in LAIF as of June 30, 2016 and 2015, respectively.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 3 – Capital Assets

Changes in capital assets for the year ended June 30, 2016, were as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2016</u>
Non-depreciable assets:				
Land and land rights	\$ 2,339,113	\$ -	\$ -	\$ 2,339,113
Construction-in-process	4,512,866	2,435,640	(219,241)	6,729,265
Total non-depreciable assets	<u>6,851,979</u>	<u>2,435,640</u>	<u>(219,241)</u>	<u>9,068,378</u>
Depreciable assets:				
Water transmission and distribution system	45,890,897	58,509	-	45,949,406
Recycled Water and Wastewater system	51,145,642	328,482	(8,751)	51,465,373
Structures and improvements	1,494,682	-	-	1,494,682
Machinery and equipment	544,321	8,459	(11,312)	541,468
Total depreciable assets	<u>99,075,542</u>	<u>395,450</u>	<u>(20,063)</u>	<u>99,450,929</u>
Accumulated depreciation:				
Water transmission and distribution system	(26,220,433)	(1,259,464)	-	(27,479,897)
Recycled Water and Wastewater system	(29,847,828)	(1,446,585)	8,751	(31,285,662)
Structures and improvements	(944,224)	(47,335)	-	(991,559)
Machinery and equipment	(442,378)	(42,895)	11,312	(473,961)
Total accumulated depreciation	<u>(57,454,863)</u>	<u>(2,796,279)</u>	<u>20,063</u>	<u>(60,231,079)</u>
Total depreciable assets, net	<u>41,620,679</u>	<u>(2,400,829)</u>	<u>-</u>	<u>39,219,850</u>
Total capital assets, net	<u>\$ 48,472,658</u>	<u>\$ 34,811</u>	<u>\$ (219,241)</u>	<u>\$ 48,288,228</u>

Major capital assets additions during the year include the upgrades and extensions of the District's transmission and distribution and recycled water and wastewater systems. A significant portion of these additions were constructed by the District and/or sub-contractors and transferred out of construction-in-process, upon completion of these various projects.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 3 – Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2015, were as follows:

	Balance July 1, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Non-depreciable assets:				
Land and land rights	\$ 2,339,113	\$ -	\$ -	\$ 2,339,113
Construction-in-process	1,687,513	3,165,537	(340,184)	4,512,866
Total non-depreciable assets	4,026,626	3,165,537	(340,184)	6,851,979
Depreciable assets:				
Water transmission and distribution system	45,773,373	213,495	(95,971)	45,890,897
Recycled Water and Wastewater system	50,913,579	269,623	(37,560)	51,145,642
Structures and improvements	1,476,347	18,335	-	1,494,682
Machinery and equipment	502,955	41,366	-	544,321
Total depreciable assets	98,666,254	542,819	(133,531)	99,075,542
Accumulated depreciation:				
Water transmission and distribution system	(25,035,617)	(1,280,787)	95,971	(26,220,433)
Recycled Water and Wastewater system	(28,458,784)	(1,426,604)	37,560	(29,847,828)
Structures and improvements	(900,245)	(43,979)	-	(944,224)
Machinery and equipment	(395,810)	(46,568)	-	(442,378)
Total accumulated depreciation	(54,790,456)	(2,797,938)	133,531	(57,454,863)
Total depreciable assets, net	43,875,798	(2,255,119)	-	41,620,679
Total capital assets, net	\$ 47,902,424	\$ 910,418	\$ (340,184)	\$ 48,472,658

Major capital assets additions during the year include the upgrades and extensions of the District's transmission and distribution and recycled water and wastewater systems. A significant portion of these additions were constructed by the District and/or sub-contractors and transferred out of construction-in-process, upon completion of these various projects.

Construction-In-Process

The construction-in-process balances at June 30, were as follows:

Project Description	June 30, 2016	June 30, 2015
Baker regional water treatment plant	\$ 4,774,282	\$ 3,002,867
Shadow rock detention basin	849,458	827,682
Alternate raw water transmission lines	892,373	588,267
Various other minor projects	213,151	94,050
Total construction-in-process	\$ 6,729,264	\$ 4,512,866

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 4 – Compensated Absences

Changes in compensated absences for the years ending June 30, 2016 and 2015, were as follows:

<u>Balance</u> <u>July 1, 2015</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>	<u>Non-current</u> <u>Portion</u>
\$ 187,793	\$ 129,812	\$ (161,489)	\$ 156,116	\$ 39,029	\$ 117,087

<u>Balance</u> <u>July 1, 2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>	<u>Non-current</u> <u>Portion</u>
\$ 177,915	\$ 134,315	\$ (124,437)	\$ 187,793	\$ 46,948	\$ 140,845

Note 5 – Net Other Post-Employment Benefits Obligation

During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for other post-employment benefits (OPEB). Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The reporting requirements for these benefit programs as they pertain to the District are set forth below.

Plan Description – Eligibility

The District pays a portion of the cost of health insurance for retirees (including prescription drug benefits) under any group plan offered by the CalPERS Health Program, subject to certain restrictions as determined by the District.

Membership in the OPEB plan consisted of the following members as of June 30, 2015 (Valuation Date):

<u>Membership</u>	<u>Members</u>
Active plan members	20
Retirees and beneficiaries receiving benefits	4
Separated plan members entitled to but not yet receiving benefits	-
Total plan membership	24

Plan Description – Benefits

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's CalPERS Health Program, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 5 – Net Other Post-Employment Benefits Obligation (Continued)

Funding Policy

The District contributes the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District will pay a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual OPEB Cost and Net OPEB Obligation

For the years ended June 30, 2016 and 2015, the District’s annual OPEB cost amounted to \$163,001 and \$217,754, respectively. The District’s net OPEB obligation amounted to \$218,360 and \$220,734 for the years ended June 30, 2016 and 2015, respectively. The District made contributions of \$165,375 and \$42,930 for the years ended June 30, 2016 and 2015, respectively.

Description	June 30, 2016	June 30, 2015
Annual OPEB cost:		
Annual required contribution (ARC)	\$ 166,985	\$ 215,459
Interest on beginning net OPEB obligation	16,069	2,295
Adjustment to annual required contribution	(20,053)	-
Total annual OPEB cost	163,001	217,754
Contributions made		
	(165,375)	(42,930)
Total change in net OPEB obligation	(2,374)	174,824
Net OPEB obligation:		
Beginning of year	220,734	45,910
End of year	<u>\$ 218,360</u>	<u>\$ 220,734</u>

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ending June 30, 2016 and the two preceding fiscal years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost of Retiree Benefits	Net OPEB Obligation
2016	\$ 163,001	\$ 165,375	101.46%	\$ 218,360
2015	217,755	42,930	19.71%	220,734
2014	189,076	1,417,488	749.69%	45,910

The most recent valuation (June 30, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$2,009,707. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015, was estimated at \$1,649,000. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 33.49%.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 5 – Net Other Post-Employment Benefits Obligation (Continued)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2015
Actuarial cost method	Entry age normal cost method, open
Amortization method	30 Years amortization level dollar
Remaining amortization period	23 Years of the valuation date
Asset valuation method:	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.28%
Projected salary increase	3.00%
Inflation rate:	2.75%
Discount rate:	7.28%
Healthcare trend rate	1.00%

Note 6 – Long-Term Debt

Changes in long-term debt amounts for the year ended June 30, 2016 were as follows:

	Balance			Balance	Amount	Amount
	July 1, 2015	Additions	Deletions	June 30, 2016	Due Within	Due In More Than
					One Year	One Year
Bonds payable:						
1994 Series A refunding revenue bonds	\$ 585,000	\$ -	\$ (585,000)	\$ -	\$ -	\$ -
1994 Series C refunding revenue bonds	3,940,000	-	(695,000)	3,245,000	745,000	2,500,000
Discount on revenue bonds	(22,638)	-	13,331	(9,307)	-	(9,307)
Total bonds payable, net	4,502,362	-	(1,266,669)	3,235,693	745,000	2,490,693
Loans payable:						
2011 State revolving fund loan	3,152,418	-	(159,297)	2,993,121	81,015	2,912,106
Total loans payable	3,152,418	-	(159,297)	2,993,121	81,015	2,912,106
Total long-term debt	\$ 7,654,780	\$ -	\$ (1,425,966)	\$ 6,228,814	\$ 826,015	\$ 5,402,799

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 6 – Long-Term Debt

Changes in long-term debt amounts for the year ended June 30, 2015 were as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>	<u>Amount</u> <u>Due In More Than</u> <u>One Year</u>
Bonds payable:						
1994 Series A refunding revenue bonds	\$ 1,130,000	\$ -	\$ (545,000)	\$ 585,000	\$ 585,000	\$ -
1994 Series C refunding revenue bonds	4,600,000	-	(660,000)	3,940,000	695,000	3,245,000
Discount on revenue bonds	(66,655)	-	44,017	(22,638)	-	(22,638)
Total bonds payable, net	<u>5,663,345</u>	<u>-</u>	<u>(1,160,983)</u>	<u>4,502,362</u>	<u>1,280,000</u>	<u>3,222,362</u>
Loans payable:						
2011 State revolving fund loan	3,384,683	-	(232,265)	3,152,418	79,196	3,073,222
Total loans payable	<u>3,384,683</u>	<u>-</u>	<u>(232,265)</u>	<u>3,152,418</u>	<u>79,196</u>	<u>3,073,222</u>
Total long-term debt	<u>\$ 9,048,028</u>	<u>\$ -</u>	<u>\$ (1,393,248)</u>	<u>\$ 7,654,780</u>	<u>\$ 1,359,196</u>	<u>\$ 6,295,584</u>

1994 Series A & B – Special Tax Refunding Bonds

On April 1, 1994, the District issued \$61,960,000 of special tax refunding bonds to refund the original bonds issued in 1986 – 1988 for Community Facility Districts No. 2, 5, 7 and 8 totaling \$53,600,000. The debt proceeds were used to finance capital improvements within the District’s service area. The bonds matured in fiscal year 2016 and 2015. Interest installments were payable each fiscal year at a rates of 6.0% to 6.1% on October 1st and April 1st, while principal payments are due on October 1st. The District collected an annual special assessment from the customers of the District in the service area where these capital improvements were constructed and are utilized. The 1994 Series A refunding revenue bonds were paid off in October 2015 and the 1994 Series B refunding revenue bonds were paid off in October 2014.

1994 Series C – Refunding Revenue Bonds

On April 15, 1994, the District issued \$12,080,000 of water and wastewater refunding revenue bonds to refund a prior outstanding issuance. The bonds are scheduled to mature in fiscal year 2020. Interest installments are payable each fiscal year at rates of 6.0% to 6.1% on July 1st and January 1st, while principal payments are due on July 1st. The debt service reserve fund for this issuance is \$1,701,933. Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 745,000	\$ 175,223	\$ 920,223
2018	785,000	128,558	913,558
2019	825,000	79,453	904,453
2020	<u>890,000</u>	<u>27,145</u>	<u>917,145</u>
Total	<u>\$ 3,245,000</u>	<u>\$ 410,378</u>	<u>\$ 3,655,378</u>

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 6 – Long-Term Debt (Continued)

2011 State Revolving Fund Loan

In fiscal year 2011, the District and the State of California, Department of Public Health, entered into a contract for a construction loan in the amount of \$3,694,264 under the Safe Drinking Water State Revolving Fund Law of 1977. The purpose of the loan was to assist the District in financing construction of the Trabuco Creek Wells Facility, which will enable the District to meet the State of California’s safe drinking water standards. The loan proceeds were disbursed to the District based upon project expenditures submitted. The final construction costs totaled and submitted were \$3,682,316, which was \$11,948 less than the original contracted amount. The loan is scheduled to mature in fiscal year 2032. Principal and interest installments are payable each fiscal year at a rate of 2.2836% on July 1st and January 1st.

Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 81,015	\$ 34,176	\$ 115,191
2018	164,816	65,565	230,381
2019	168,601	61,780	230,381
2020	172,473	57,908	230,381
2021	176,434	53,947	230,381
2022 - 2026	944,845	207,060	1,151,905
2027 - 2031	1,058,444	93,461	1,151,905
2032	226,493	3,887	230,380
Total	<u>\$ 2,993,121</u>	<u>\$ 577,784</u>	<u>\$ 3,570,905</u>

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan

Changes in the net pension liability and the related deferred inflows/outflows of resources for the year ending June 30, 2016, were as follows:

<u>Type of Account</u>	<u>Balance as of July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2016</u>
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 265,436	\$ 261,306	\$ (262,292)	\$ 264,450
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	40,925	31,111	(22,803)	49,233
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	471,457	(124,068)	347,389
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	22,815	(6,004)	16,811
Total deferred outflows of resources	<u>\$ 306,361</u>	<u>\$ 786,689</u>	<u>\$ (415,167)</u>	<u>\$ 677,883</u>
Net Pension Liability:				
CalPERS – Miscellaneous Plan	<u>\$ 1,514,199</u>	<u>\$ 772,795</u>	<u>\$ (262,292)</u>	<u>\$ 2,024,702</u>
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ 508,841	\$ -	\$ (429,109)	\$ 79,732
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	36,564	-	(13,059)	23,505
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	215,850	(56,803)	159,047
Total deferred inflows of resources	<u>\$ 545,405</u>	<u>\$ 215,850</u>	<u>\$ (498,971)</u>	<u>\$ 262,284</u>

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Changes in the net pension liability and the related deferred inflows/outflows of resources for the year ending June 30, 2015, were as follows:

<u>Type of Account</u>	<u>Balance as of July 1, 2014 (As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2015</u>
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 200,323	\$ 265,436	\$ (200,323)	\$ 265,436
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	55,541	-	(14,616)	40,925
Total deferred outflows of resources	<u>\$ 255,864</u>	<u>\$ 265,436</u>	<u>\$ (214,939)</u>	<u>\$ 306,361</u>
Net Pension Liability:				
CalPERS – Miscellaneous Plan	<u>\$ 2,068,941</u>	<u>\$ -</u>	<u>\$ (554,742)</u>	<u>\$ 1,514,199</u>
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ -	\$ 636,051	\$ (127,210)	\$ 508,841
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	49,623	(13,059)	36,564
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 685,674</u>	<u>\$ (140,269)</u>	<u>\$ 545,405</u>

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service monthly for life	5-years or service monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required member contribution rates	8.000%	6.500%
Required employer contribution rates – FY 2015	17.047%	6.500%
Required employer contribution rates – FY 2014	16.050%	6.500%

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Plan Description

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2015 (Valuation Date), the following members were covered by the benefit terms:

<u>Plan Members</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic</u>	<u>PEPRA</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	
Active members	19	2	21
Transferred and terminated members	27	-	27
Retired members and beneficiaries	6	-	6
Total plan members	52	2	54

At June 30, 2014 (Valuation Date), the following members were covered by the benefit terms:

<u>Plan Members</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic</u>	<u>PEPRA</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	
Active members	18	-	18
Transferred and terminated members	26	-	26
Retired members and beneficiaries	6	-	6
Total plan members	50	-	50

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees’ Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member’s highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2015 and 2014 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRM Miscellaneous Plan are based above in the Plans Description schedule.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement periods ending June 30, 2015 and 2014 (Measurement Dates), the total pension liability was determined by rolling forward the June 30, 2014 and 2013 total pension liabilities. The June 30, 2015, 2014 and 2013 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. 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.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 and 2014 Valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

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

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

¹ An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

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 of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate for the June 30, 2015 Valuation Date as follows:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.65%</u>	<u>Current Discount Rate 7.650%</u>	<u>Discount Rate + 1% 8.65%</u>
CalPERS – Miscellaneous Plan	<u>3,210,617</u>	<u>\$ 2,024,702</u>	<u>\$ 1,045,592</u>

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate for the June 30, 2014 Valuation Date as follows:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>Discount Rate + 1% 8.50%</u>
CalPERS – Miscellaneous Plan	<u>\$ 2,697,835</u>	<u>\$ 1,514,199</u>	<u>\$ 531,894</u>

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2016:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2014 (Measurement Date)	\$ 8,922,141	\$ 7,407,942	\$ 1,514,199
Balance as of June 30, 2015 (Measurement Date)	\$ 8,708,004	\$ 6,683,302	\$ 2,024,702
Change in Plan Net Pension Liability	<u>\$ (214,137)</u>	<u>\$ (724,640)</u>	<u>\$ 510,503</u>

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2015:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2013 (Valuation Date)	\$ 8,421,010	\$ 6,352,069	\$ 2,068,941
Balance as of June 30, 2014 (Measurement Date)	\$ 8,922,141	\$ 7,407,942	\$ 1,514,199
Change in Plan Net Pension Liability	<u>\$ 501,131</u>	<u>\$ 1,055,873</u>	<u>\$ (554,742)</u>

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014 and 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015 and 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15 fiscal year and the 2013-14 fiscal year).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District's proportionate share of the net pension liability for the June 30, 2015 measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2015	
Measurement Date	<u>June 30, 2015</u>	<u>June 30, 2014</u>	
Percentage of Risk Pool Net Pension Liability	0.073801%	0.061267%	0.012534%
Percentage of Plan (PERF C) Net Pension Liability	0.029498%	0.024334%	0.005164%

The District's proportionate share of the net pension liability for the June 30, 2014 measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2015	Fiscal Year Ending June 30, 2014	
Measurement Date	<u>June 30, 2014</u>	<u>June 30, 2013</u>	
Percentage of Risk Pool Net Pension Liability	0.061267%	0.063142%	-0.001875%
Percentage of Plan (PERF C) Net Pension Liability	0.024334%	0.025666%	-0.001332%

For the years ended June 30, 2016 and 2015, the District recognized pension expense/(credit) in the amounts of \$139,980 and \$205,602, respectively, for the CalPERS Miscellaneous Plan.

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

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 and 2013-14 measurement periods is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 264,450	\$ -
Difference between actual and proportionate share of employer contributions	49,233	-
Adjustment due to differences in proportions	347,389	23,505
Differences between expected and actual experience	16,811	-
Differences between projected and actual earnings on pension plan investments	-	79,732
Changes in assumptions	-	159,047
Total Deferred Outflows/(Inflows) of Resources	\$ 677,883	\$ 262,284

The District will recognize \$264,450 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 152,875	\$ 130,412
2018	149,952	127,799
2019	110,606	105,991
2020	-	(101,918)
Total	\$ 413,433	\$ 262,284

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 7 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 265,436	\$ -
Differences between projected and actual earnings on pension plan investments	40,925	-
Difference between actual and proportionate share of employer contributions	-	508,841
Adjustment due to differences in proportions	-	36,564
Total Deferred Outflows/(Inflows) of Resources	\$ 306,361	\$ 545,405

The District will recognize \$265,436 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 14,616	\$ 140,269
2017	14,616	140,269
2018	11,693	137,656
2019	-	127,211
Total	\$ 40,925	\$ 545,405

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 8 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, were as follows:

<u>Description</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Capital assets, net	\$ 48,288,228	\$ 48,472,658
Bonds payable - current	(745,000)	(1,280,000)
Bonds payable, net - noncurrent	(2,490,693)	(3,222,362)
Loans payable - current	(81,015)	(79,196)
Loans payable - noncurrent	(2,912,107)	(3,073,222)
Total net investment in capital assets	\$ 42,059,413	\$ 40,817,878

Note 9 – Prior Period Adjustments

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

<u>Description</u>	<u>Balance</u>
Net position at July 1, 2014, as previously reported	\$ 56,845,558
Net pension liability	(2,068,941)
Pension contributions made after measurement date	200,323
contributions	55,541
Total prior period adjustments	(1,813,077)
Net position at July 1, 2014, as restated	\$ 55,032,481

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2016 and 2015, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit at \$1,000,000 per occurrence. The JPIA purchases additional excess coverage layers: \$60 million per occurrence for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file (\$31,714,916), if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence, subject to a \$2,500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Dam failure liability coverage up to \$5.0 million per occurrence; the ACWA/JPIA is self-insured up to \$50,000 and excess insurance coverage has been purchased.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to \$2.0 million and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2016, 2015 and 2014. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payables as of June 30, 2016, 2015 and 2014.

Trabuco Canyon Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016 and 2015

Note 11 – Commitments and Contingencies

Economic Dependency

The District purchases a majority of its source of supply from the Santiago Aqueduct Commission. Interruption of this source would impact the District negatively.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

Trabuco Canyon Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	June 30, 2015¹	June 30, 2014¹
District's Proportion of the Net Pension Liability	0.029498%	0.024334%
District's Proportionate Share of the Net Pension Liability	\$ 2,024,702	\$ 1,514,199
District's Covered-Employee Payroll	\$ 1,668,480	\$ 1,619,883
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	121.35%	93.48%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.75%	83.03%

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Trabuco Canyon Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	2015-16¹	2014-15¹	2013-14¹
Actuarially Determined Contribution ²	\$ 264,450	\$ 265,436	\$ 255,864
Contribution in Relation to the Actuarially Determined Contribution ²	(264,450)	(265,436)	(255,864)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 1,718,534	\$ 1,668,479	\$ 1,619,883
Contributions as a Percentage of Covered-Employee Payroll	15.39%	15.91%	15.80%

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Trabuco Canyon Water District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefit Plan
For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2015	\$ 1,457,403	\$ 2,009,707	\$ 552,304	72.52%	\$ 1,649,000	33.49%
June 30, 2013	-	\$ 1,331,868	\$ 1,331,868	0.00%	\$ 1,603,000	83.09%
July 1, 2011	-	\$ 1,907,350	\$ 1,907,350	0.00%	\$ 1,458,000	130.82%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.