SINCE 1933

Orange County Water District Comprehensive Annual Financial Report

FOR THE FISCAL YEARS ENDED JUNE 30,
2016 AND 2015

ORANGE COUNTY WATER DISTRICT
FOUNTAIN VALLEY, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

PREPARED BY:
FINANCE DEPARTMENT

SINCE 1933

ORANGE COUNTY WATER DISTRICT
TABLE OF CONTENTS
June 30, 2016 and 2015

INTRODUCTORY SECTION:
Transmittal Letter i
Organizational Structure xiv
Board of Directors xv
District Vital Statistics xvi
GFOA Certificate of Achievement in Financial Reporting xvii

FINANCIAL SECTION:
Independent Auditors' Report 1
Management's Discussion and Analysis 3

BASIC FINANCIAL STATEMENTS:
Statement of Net Position 12
Statement of Revenues, Expenses and Changes in Net Position 14
Statement of Cash Flows 15
Notes to Basic Financial Statements 17

REQUIRED SUPPLEMENTARY INFORMATION 52

STATISTICAL SECTION:
Description of Statistical Section 53
Financial Trends:
- Net Position by Component 54
- Changes in Net Position 55
- Operating Revenues by Source 56
- Operating Expenses by Function 57

Revenue Capacity:
- Total Sales Acre-Feet and Revenue by Water Type 58
- Water Rates by Water Type 59
- Changes in Top Ten Customers' Groundwater Production 60

Debt Capacity:
- Ten-Year Real Secured and Real Unsecured Assessed Tax Values 61
- Ten-Year Computation of Legal Debt Margin 62
- Pledged -Revenue Coverage 63
- Ratios of Outstanding Debt 64

Demographic and Economic Information:
- Demographic Statistics 65
- Principal Employers 66

Operating Information:
- Personnel Trends 67
- Fiscal Year 2015-2016 Groundwater Production by Agency 68
- Demographic and Production Indicators 69
- Capital Asset Statistics by Function 70

SINCE 1933

Introductory Section

DIRECTORS
PHILIP L. ANTHONY
DENIS R. BILODEAU, P.E.
JORDAN BRANDMAN
SHAWN DEWANE
JAN M. FLORY
CATHY GREEN
DINA NGUYEN
ROMAN A. REYNA
STEPHEN R. SHELDON
ROGER C. YOH, P.E.

SINCE 1933

ORANGE COUNTY WATER DISTRICT

ORANGE COUNTY'S GROUNDWATER AUTHORITY

OFFICERS
President
CATHY GREEN

First Vice President
DENIS R. BILODEAU, P.E.

Second Vice President
PHILIP L. ANTHONY

General Manager
MICHAEL R. MARKUS, P.E., D.WRE

LETTER OF TRANSMITTAL

October 13, 2016

To the Board of Directors of the Orange County Water District:

It is our pleasure to submit the Comprehensive Annual Financial Report of the Orange County Water District (District) for the fiscal year ended June 30, 2016 and 2015. District staff worked collectively and followed guidelines set forth by the Governmental Accounting Standards Board to prepare this report. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited by Lance, Soll & Lunghard, LLP, a firm of licensed certified public accountants, in accordance with generally accepted auditing standards. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive framework of internal controls. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatements.

The goal of the independent audit was to provide reasonable assurance and not absolute assurance that the basic financial statements of the District for the fiscal year ended June 30, 2016 were free of material misstatement. The independent audit involved examining the District's records on a test basis, disclosures in the basic financial statements, assessing the accounting principles used, estimates made by management, and evaluating the overall financial statement presentation. The independent auditors rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2016 are presented fairly in conformity with GAAP.

The Management Discussion and Analysis (MD&A), which follows the Independent Auditor's Report, provides an overview and analysis of the basic financial statements and should be read in conjunction with the financial statements.

PO Box 8300
Fountain Valley, CA 92728-8300

18700 Ward Street
Fountain Valley, CA 92708

(714) 378-3200
(714) 378-3373 fax

www.ocwd.com

AGENCY PROFILE

The District was formed in 1933 by a special act of the California State Legislature to protect Orange County's rights to water in the Santa Ana River. The District's primary responsibility is managing the vast groundwater basin under northern and central Orange County that supplies water to 19 cities and water districts (Producers), serving more than 2.4 million Orange County residents. The District gives highest priority to protection, safety, and enhancement of groundwater.

A ten member Board of Directors (Board), seven of whom are elected directly by voters of the District, govern the District. The other three Directors are appointed by their representative city councils of Anaheim, Fullerton and Santa Ana. The District currently has 218.5 employees overseeing day-to-day activities at the direction of the General Manager.

The District Act provides for local financing of the District's operations by a combination of ad valorem taxes and water replenishment assessments. It empowers the District to levy and collect a replenishment assessment(RA) and an additional replenishment assessment (ARA) on water extracted from the groundwater basin. These monies are used to purchase supplemental water for groundwater recharge, to construct, operate and maintain water production facilities, and to acquire water rights and spreading facilities to replenish and protect the groundwater supply of the District and for administrative purposes.

The Board also sets an annual basin equity assessment (BEA) that generally represents the differential cost between pumping groundwater and purchasing supplemental water. Producers annually pay the BEA on each acre-foot pumped in excess of the basin production percentage (BPP) established by the Board.

The District primarily recharges the groundwater basin with Santa Ana River flows, Groundwater Replenishment System (GWRS) water and untreated water purchased from the Metropolitan Water District (MWD) of Southern California. The Santa Ana River flows valued at $65.6 million a year are essentially free to the District, less the expense to capture and percolate the water, resulting in groundwater that costs about a third of the cost of MWD water imported from Northern California and the Colorado River. The Santa Ana River flows, GWRS water and untreated MWD water are percolated into deep groundwater aquifers through spreading basins in Anaheim and Orange. By naturally filtering the water through the ground, the District saves ratepayers millions of dollars each year in water treatment costs.

The groundwater basin provides about three-fourths of all water used within the District's service area. With one of the most sophisticated groundwater protection programs in the country, the District uses more than 657 (owned and non-owned) wells providing more than 1,289 sampling points from which the District takes more than 19,545 water samples and conducts approximately 408,114 laboratory analyses every year.

The District's monitoring program looks for more than 550 possible contaminants, which are more than the required 144 target contaminants required by health agencies.

The District currently holds rights to all Santa Ana River flows reaching Prado Dam in Riverside County (the dam is owned by the U.S. Army Corps of Engineers for flood prevention). The District owns 2,150 acres behind the dam that is used for water conservation, water quality improvement and environmental enhancement. The District saves approximately $13.7 million a year by collecting storm water behind Prado Dam, which is recharged into the basin instead of being lost to the ocean.

The District operates the world's largest wastewater purification facility of its kind, called the Groundwater Replenishment System (GWRS). The GWRS takes highly treated sewer water destined for the ocean, purifies it to near-distilled quality, and puts it back into the groundwater basin and the District's seawater intrusion barrier. The GWRS, a joint project of the District and the Orange County Sanitation District (OCSD), produces high-quality water for approximately 51% of the cost of MWD water, but uses less energy than is required to import water from Northern California.

Additional efforts to increase local water supplies include expanding the capacity of the existing percolation facilities, treating poor quality water to make it useable, studying methods to extend the life of water treatment filtration membranes, improving advanced purification technologies, and studying the quality of Santa Ana River water and other water-related issues. Other District activities focus on expanding the Prado wetlands, groundwater treatment at well heads, computer modeling of the groundwater basin and conservation of endangered or threatened species.

The District continues to adopt strategies to ensure that sufficient water supplies will be available in the future to replenish, protect and maximize the use of the groundwater basin. Ensuring water quality continues to be a top priority for the District; extra effort is extended in the area of monitoring water quality and improving coastal conditions, along with sound financial choices to minimize the costs of projects. Those extra efforts are summarized in the items listed below:

Maintaining and Improving Water Quality

Drinking water in California is among the most highly regulated and safest in the world. Operating for more than eight years now, the GWRS brings Orange County's water quality to a higher level. The District conducts monitoring programs on behalf of the local water retailers to meet monitoring requirements implemented by the California Department of Health Services and the U.S. Environmental Protection Agency.

The District also implements additional monitoring programs for the purpose of groundwater management. These programs are designed to give the District an advance warning of potential problems so corrective action can be taken to protect northern and central Orange County's water supply before there is a problem.

The District's organic and inorganic laboratory provides real value to local water retailers by testing all groundwater to ensure public health. The District has always maintained a proactive policy toward maintaining water quality.

Improving Coastal Conditions

Production from the basin requires coastal mitigation measures. The District has implemented various capital projects to improve coastal conditions. The District's two main objectives are to ensure high quality coastal groundwater supplies and to protect the coastal aquifer subunits from seawater intrusion through expansion of the seawater barrier.

Using the Safest and Most Cost-Effective Financing Option

The District has traditionally and successfully used long-term debt financing in the form of Certificates of Participation and low cost State loans to pay for capital projects that have increased water production, removed pockets of contamination, increased producer pumping capacity, increased the capture of Santa Ana River flows, and prevented seawater intrusion. The District is always seeking ways to minimize capital project costs.

ECONOMIC CONDITION AND OUTLOOK

The District's service boundary covers virtually the entire northern half of Orange County. More than 2.4 million Orange County residents rely on the ground water basin for about three-fourths of their water needs. Orange County is one of the major metropolitan areas in California and the nation representing the third most populous county in the state, and fifth in the nation. Population growth is about 1.0% annually.

Orange County's economy has been improving and it is expected to grow slowly in the next year. Local and statewide unemployment has gone down compared to last year. The local unemployment rate in June 2016 was 4.4% versus 5.40% for California and 4.9% for the nation. The California State Budget has passed. Although the precise implications of the state budget are unclear at this time, the District is expecting no cuts in the ad valorem property tax revenues for the upcoming fiscal year 2016-17.

During the water year 2015-16 the District artificially replenished 258,447 acre-feet (af) of water. This includes groundwater replenishment of 110,451 af of Santa Ana River flows, 100,469 af of GWRS water and non-local recharge of 47,075 af of imported water. Other water sources include natural replenishment from rainfall that provided an additional 42,000 af of water.

Groundwater use in Orange County in 2015-16 was approximately 293,289 af or 95.6 billion gallons during the water year. Groundwater met 78% of the water demand within District boundaries. There are challenges ahead in meeting future water demand, but with continued investment in cost-effective capital improvement projects, the District is confident that the groundwater basin can stay ahead of demand and continue to provide a reliable, high-quality water supply.

MAJOR INITIATIVES FOR THE FUTURE

District is Planning the Following Projects for Fiscal Year 2016-2017:

The District's combined projects will provide regional, statewide and national benefits. All of these projects are an effective response to meeting the federal mandate to decrease California's dependency on imported waters from the Colorado River and the Sacramento-San Joaquin River Delta (the "Delta"). The current method of moving water through the Delta to the pumps of the California State Water Project is in jeopardy due to recent environmental rulings. OCWD's projects help to diminish the region's reliance on uncertain imported water supplies

La Palma Basin

This project is currently under construction. This project includes excavating approximately 255,000 cubic yards of material to create the basin, construction of a pipeline connecting the basin to the existing GWRS pipeline, a pump house, and an inlet/outlet structure. La Palma Basin will be dedicated to the recharge of GWRS water. The construction is expected to be complete in the fall of 2016.

Mid-Basin Injection Project – Centennial Park

The Mid-Basin Injection project in Centennial Park would construct 4 wells to inject GWRS product water directly into the principal aquifer near areas of significant water table drawdown. Each well is expected to provide another 1-3 million gallons per day (MGD) of recharge capacity. The project will provide additional basin recharge capacity that must be developed to support the GWRS Final Expansion Project (130 MGD total production capacity), raise groundwater levels in the principal aquifer, and reduce the amount of GWRS water that has to be sent to the Anaheim recharge basins allowing those facilities to be concentrated on capturing Santa Ana River storm flows and recharging untreated imported water. The engineering design will be complete in the winter of 2016 and construction is expected to begin in the spring of 2017.

Alamitos Barrier Improvements

This is a joint project between Engineering, Hydrogeology and Planning departments to develop improvements to the Alamitos Barrier to strengthen the control of seawater intrusion. This project includes the installation of 17 injection wells at eight locations to augment injection capacity along the north-south reach of the barrier and the installation of four nested monitoring wells to enhance the intermodal monitoring network near the barrier. Well drilling and construction has begun and will be complete in the fall of 2017 and the well equipping and pipeline design will be out to bid in the spring of 2017.

Burris Basin Pump Station

The District has constructed the Phase 1 improvements and construction of the pump station, referred to as Phase 2, is nearly complete. The new pump station includes 4 vertical turbine pumps rated at 1,750 hp each, a total maximum discharge of 200 cubic feet per second can be conveyed to our Santiago Basin. The Phase 2 construction, the final construction of the wet well and pump station will be complete in the fall of 2016.

Imperial Headgates and Weir Pond Rehabilitation

The Weir Pond Rehabilitation work, construction of a new Parshall flume structure and Weir Nos. 1 & 2, and the installation of new drain slide gates and pressure transducer systems, has been completed. The remaining project is to decommission and demolish the existing trash racks, diversion gates and control building roofing at the Imperial Headgates. The existing structures will be modified and/or repaired to accommodate the new monorail and gripper trash rack system, diversion gates and control building roofing. The construction of the monorail and trash rack system will be complete by the fall of 2016.

Five Coves Rubber Dam

This project will remove and replace the existing rubber dam which has been in service for 23 years and is deteriorating. The main component of the rubber dam replacement is an inflatable rubber bladder approximately 7' in diameter and 320' in length. The rubber dam is currently being fabricated, designed and installation is currently out for bid. The construction is expected to be complete in the fall of 2016.

The components that comprise the O.C. Family Water Conservation Program are:

Water Conservation and Engagement Programs

The Orange County Water District (District) is dedicated to the creation, promotion and management of water education and conservation programs throughout Orange County. This year, District staff gave more than 200 offsite presentations to community leaders and groups and conducted more than 2300 onsite presentations and tours of District facilities. The goal of OCWD's water-use efficiency, outreach and education programs is to draw families' attention to the state's water needs and crisis, teach them useful and simple ways to reduce water consumption and respect this natural resource, and have them make life-long commitments to conserving water.

The components that comprise OCWD's water-use efficiency, outreach and education programs are:

Children's Water Education Festival

The Children's Water Education Festival (the "Festival") is the largest event of its kind in the nation, serving 7,000 elementary school students annually. Thanks to more than 400 volunteers and the support of the Disneyland Resort, the Festival celebrated its 20th anniversary in March 2016. For the fourth time, the Festival was held on the campus of the University of California, Irvine (UCI). The two-day Festival teaches children about water and the environment through hands-on educational activities. Topics include water resources, watersheds, wildlife and natural habitats, biology, chemistry and recycling at this unique event.

Over the past 20 years, the Festival has educated more than 115,000 students, teachers and parents. This educational field trip is widely sought after by educators.

O.C. Water Summit

The annual O.C. Water Summit (the "Summit") teaches individuals, business, and community and civic leaders where our water comes from, and provides information about the water supply crisis and water quality challenges we face. The event educates the public on what measures are in place to address these issues as well as possible solutions to water reliability and preserving the Bay-Delta River, California's main source of water.

A collaborative effort between businesses, water agencies and local governments, the Summit provides a platform for individuals in the community to work with water utilities and legislators on creating and implementing solutions that will see Orange County through future water challenges. Topics for each Summit are determined according to the water climate each year. The Summit began in 2008 and is a joint venture between OCWD and the Municipal Water District of Orange County.

O.C. Water Hero Program

The O.C. Water Hero Program was designed to make water conservation fun while helping children and parents develop effective water-use efficiency habits that will last a lifetime. When children sign up to commit to saving 20 gallons of water per day, they receive a letter confirming their Water Hero status along with a Water Hero Kit. When the Water Hero's parent pledges to save 20 gallons of water per day, too, then the child becomes a Water Superhero. The goal is to raise awareness of the need to conserve water and motivate county residents to reduce their water consumption by 20 gallons per day, per person. Since its inception in 2007, more than 20,000 Water Heroes and Superheroes have enrolled in the program. The O.C. Water Hero Program is undergoing an exciting revamp to include a smartphone application and will be re-launched by the end of 2016.

Orange County Water District Website

As a public agency, the District's website, which was newly designed in 2015, includes extensive documents, forms for tour reservations and public records requests, audio and video clips of meetings, and information that addresses not only duties and how OCWD performs its duties, but why—motivations for its management practices and decisions for better public understanding. The new website was crafted to reflect OCWD's core values that not only include transparency, but sound planning, investment and financial management, high-quality water, environmental stewardship, and a highly reliable water supply.

Facility Tours, Speaker's Bureau and Water 101

As a leader in water reuse and groundwater management, OCWD receives hundreds of requests annually to provide on-site tours and briefings for visitors from local colleges, water agencies, the surrounding community, and international organizations. Through its active speakers bureau program, OCWD also receives requests for representatives to go out to the community and speak to numerous organizations and schools, as well as at local, national and international conferences.

OCWD is committed to proactive public outreach and education and will make every effort to accommodate requests for speakers and tours. Educating the public about advanced wastewater

purification is important to garnering support for future GWRS-like projects that are being planned around the world.

Staff conducted nearly 230 tours in fiscal year 2016, and hosted far more than 4,000 guests.

O.C. Water 101 is a free water education class offered to residents and colleges. The class focuses on the global water crisis, how water affects health, California's unique water situation, what the future holds for water supplies in Orange County and what water agencies are doing to help conserve available water resources. The class also includes discussions on high-tech solutions to help alleviate water shortages today and in the future, as well as provides individuals with the resources and information necessary to save water.

SERVICE EFFORTS AND ACCOMPLISHMENTS

Many cities, towns and regions around the world are experiencing drought and water shortages, including the southwestern and southeastern United States, Singapore, the Middle East, and Australia. Government and water officials in these areas constantly seek new sources to provide a reliable, long-term water supply. As technology increases and public opinion shifts, treating wastewater at an advanced recycled water treatment facility is now a viable water source for many of these areas. Through the success of OCWD's Groundwater Replenishment System (GWRS), indirect potable reuse (IPR) projects have been implemented or are being planned. Nearly 34,000 visitors have toured GWRS since 2008, many of whom are international water experts and elected officials from six continents hoping to learn more about Indirect Potable Reuse (IPR) and ultimately replicate the project in their regions. As an example, guests have hailed from across the U.S., Mexico, Canada, Brazil, Israel, Spain, Greece, Kenya, Japan, China, Korea, Germany, Britain, Italy, Russia, Australia, Singapore, India, and Taiwan.

Some of the more notable visitors to the GWRS included Governor of California Jerry Brown; Senator Dianne Feinstein; Congresswomen Loretta Sanchez and Grace Napolitano; Congressmen Tom McClintock, Gary Miller, Dana Rohrabacher and Ed Royce; and Lt. Governor John Garamendi; dignitaries from the nations of Abu Dhabi, Australia, Brazil, Israel, Nairobi, Saudi Arabia, and Singapore; Lesley Stahl of 60 Minutes; and actor-comedian Paul Rodriguez.

In California alone, there are more than four other GWRS-like projects currently being developed by other agencies including the City of San Diego, Los Angeles Department of Water and Power, Santa Clara Valley Water District, and the GRIP Project sponsored by four water agencies in Los Angeles County.

The GWRS has been featured in hundreds of print and broadcast stories, both mainstream and trade press, locally, nationally and internationally. In 2004, four years before it was constructed and operational, the project had already been in more than 40 balanced media reports including ABC Nightly News with Peter Jennings, National Public Radio, and the Wall Street Journal.

The District has received numerous awards for its service efforts and accomplishments in the recent years. The District is known globally for its leadership and innovation. Its work on water

quality and reliability, the environment, and sound financial management has been recognized by local and international organizations.

The following list of awards is representative of the acclaim and recognition bestowed on the District and its GWRS from 2012 through June 2016.

2016

The Orange County Water District received the UV Engineering Project of the Year Award from the International Ultraviolet Association (IUVA). The presentation was made at the 2016 IUVA World Congress held in Vancouver, BC. This award recognizes an exemplary engineering project involving UV applications in operation. Each nominated engineering project was reviewed for development of UV research and technology and honored for innovation, excellence, and its impact on society. (February 2016)

The Groundwater Replenishment System was awarded the Electrical Excellence Award by the Orange County Chapter of the National Electrical Contractors Association (NECA). NECA advances the electrical contracting industry through advocacy, education, research, and standards development. (February 2016)

The Orange County Water District's Groundwater Replenishment System Initial Expansion was presented the "Membrane Facility of the Year" award by the American Membrane Technology Association and the American Water Works Association. The award recognizes an outstanding water/wastewater facility that uses any membrane technology with high efficiency in an environmentally friendly approach. (February 2016)

The Groundwater Replenishment System Initial Expansion received an Engineering Achievement Award from the Orange County Engineering Council (OCEC). The presentation was made February 27, 2016 at the OCEC Annual Honors and Awards Banquet, celebrated this year in Anaheim, Calif. OCEC is an umbrella organization of the American Society of Civil Engineers (ASCE). (February 2016)

The Groundwater Replenishment System Initial Expansion was awarded the American Society of Civil Engineers (ASCE) Orange County Branch's "Water/Wastewater Treatment Project of the Year" award. ASCE Orange County Branch (OCB) is part of a global civil engineering community. (March 2016)

The Orange County Water District (OCWD) was awarded the California Large Agency of the Year award by the WateReuse Association for its collaboration with the Orange County Sanitation District (OCSD) on the Groundwater Replenishment System Initial Expansion. OCWD received the award for successfully advancing the development of alternative water supplies and developing a novel approach to meeting local water needs. (March 2016)

OCWD was awarded the Partners in Excellence Award from the Disneyland Resort at the 2016 Children's Water Education Festival. The award was presented by Disneyland Resort Environmental Affairs to recognize the District's 20-year partnership and commitment to engaging Orange County youth in environmental education. (March 2016)

The Orange County Water District was the recipient of the Global Water Intelligence Water Reuse Project of the Year Distinction Award for significant advancement in terms of water reuse for the Groundwater Replenishment System Initial Expansion. The award was presented at the 2016 Global Water Summit. (April 2016)

The American Academy of Environmental Engineers and Scientists (AAEES) honored the Groundwater Replenishment System Initial Expansion with an Honor Award in the Design category. (April 2016)

OCWD's Groundwater Replenishment System received the 2016 Outstanding Membrane Plant Award - Large Facility from the Southwest Membrane Operators Association. The award was presented in recognition of outstanding plant operations and maintenance, and exemplary membrane treatment plant performance. (June 2016)

APEX 2016 Award for Publication Excellence
The Orange County Water District's website received an APEX Award for Publication Excellence. The award recognizes excellence in publishing by professional communicators in a variety of mediums. OCWD launched its redesigned website in October 2015. (June 2016)

2015
The Orange County Water District received a $500,000 Savings by Design grant award from Southern California Edison for energy-saving strategies that were incorporated into the design of the Groundwater Replenishment System Initial Expansion. (January 2015)

2014
Orange County Water and Sanitation Districts were honored with the U.S. Water Prize by the U.S. Water Alliance for their joint project, the Groundwater Replenishment System, and were lauded as global leaders in reclamation and reuse. (April 2014)

The Lee Kuan Yew Water Prize, an international water award, was presented to OCWD for its pioneering work in groundwater management and water reclamation using advanced water reuse technologies, as well as for its achievements in public policy and community outreach. (June 2014)

2013
American Academy for Environmental Engineers and Scientists recognized the District with the Environmental Education Award for its ongoing GWRS outreach campaign. (April 2013)

Southwest Membrane Operators Association recognized the District and the District's Principal Process Engineer & GWRS Program Manager Mehul Patel, P.E., with Distinguished Service

Awards. Patel received the award for five years of service on the SWMOA Board of Directors and the District for allowing its staff to participate and contribute to the goals and mission of the Association. (April 2013)

2012

American Water Works Association (AWWA) and American Membrane Technology Association (AMTA) recognized the GWRS with the Membrane Facility of the Year Award. (February 2012) Water Reuse Association, California Section recognized the District's Director of Water Production William (Bill) Dunivin with the 2012 Recycled Water Staff Person of the Year Award. (March 2012) Bolsa Chica Conservancy recognized the District with the 2012 Conservator of the Year Award for its leadership in environmental conservation in groundwater quality, reliability and sustainability, and for its commitment and dedication to conservation through its highly acclaimed GWRS and many other programs. (December 2012)

RELEVANT FINANCIAL POLICIES

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

A*ccounting and Budgetary Policies*

The District maintains its accounting records on an accrual basis. A great deal of consideration is given to the adequacy of internal accounting controls in developing and evaluating the District's accounting system. Internal accounting controls are designed to provide reasonable assurance regarding: (1) the safeguard of District assets against theft or unauthorized use: and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The District's Board of Directors adopts an annual budget prior to June 30 each fiscal year. The budget includes proposed expenses by department (function) and the means of financing them. Budgetary controls and evaluation are affected by comparisons of actual revenue and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. The District has adopted a Uniform Purchasing Policy that identifies agreed- upon purchasing standards.

Cash Management Policies and Practices

The District regulated by California Government Code Section 53600, et seq. as to the type of fixed-income securities in which it can invest cash assets. In addition, the Board of Directors annually adopts an investment policy that is generally more restrictive then the state codes. The District's standard practice is to maintain an appropriate balance between safety, liquidity and yield of investment while meeting required financial obligations.

Reserves Policy

The District has a reserve policy, which states the purpose, source, and funding limits for each of its designated reserves. The District has over billion dollars invested in capital assets that require constant repair and refurbishment. The reserves are essential to eliminate fluctuations in water rates, maintain consistent supply of water and maintaining liquidity in the marketplace, which enables the District to access the lowest cost-of-capital borrowing opportunities.

Debt Management

The District's debt mainly consists of Certificates of Participation (COP), revenue refunding bonds, state loans and commercial paper. The District has executed 14 issuances since 1989. Only three issuances are outstanding (2003A, 2009A & 2013A) as of June 30, 2016. Other issuances are either advanced refunded, defeased, or refinanced with the help of the state loans and refunding bonds.

The District has a letter of credit and reimbursement agreement supporting a commercial paper program with Sumitomo Mitsui Banking Corporation. The District has credit capacity of $70.0 million to meet its future financing needs through the commercial paper program.

During fiscal year 2013-14 the District used $28.4 million of commercial paper debt to purchase land for the creation of La Palma basin. The District has $20.7 million commercial paper debt currently outstanding.

During FY 2014-15, the District cash defeased $26.8 million of 2005B Certificate of Participation debt. This resulted in a reduction of senior debt service by an average $3.4 million between FY 2015-16 and FY 2024-25 and reduced the FY 2015-16 Replenishment Assessment (RA) by $10 per acer-foot.

The District has an AAA rating from Fitch and Standard & Poor's and an Aa1 rating from Moody's based on the District's long-term credit quality. The ratings mean the District is one of the highest rated water agencies in the State of California. Maintaining a high rating saves the District and local water rate payers millions of dollars by allowing the District to borrow money more easily and at lower rates.

The high ratings reflect great confidence in the District's general and fiscal management and its leadership in the water industry. It bears truth to the District's competitive replenishment assessment rates, particularly in comparison to alternative water supply options, strong debt

service coverage, and the District's ability to address Southern California's long-term water supply problems with new water projects like the GWRS.

OTHER INFORMATION

Independent Audit: The District's policy, as well as sound financial practice, requires an annual audit of financial records and transactions of all operations of the District by independent certified public accountants selected by the Board of Directors. The accounting firm of Lance, Soll & Lunghard, LLP, was selected to perform the (FY 2015-16) audit. The auditor's opinion is included in this report.

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orange County Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current CAFR continues to meet the Certificate of Achievement requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate of achievement.

Acknowledgements: The preparation of a comprehensive annual financial report on a timely basis is a large task, made possible only by the combined efforts of many persons. Employees of the Finance Department deserve special recognition. Without their efforts, the completion of this report would not have been possible.

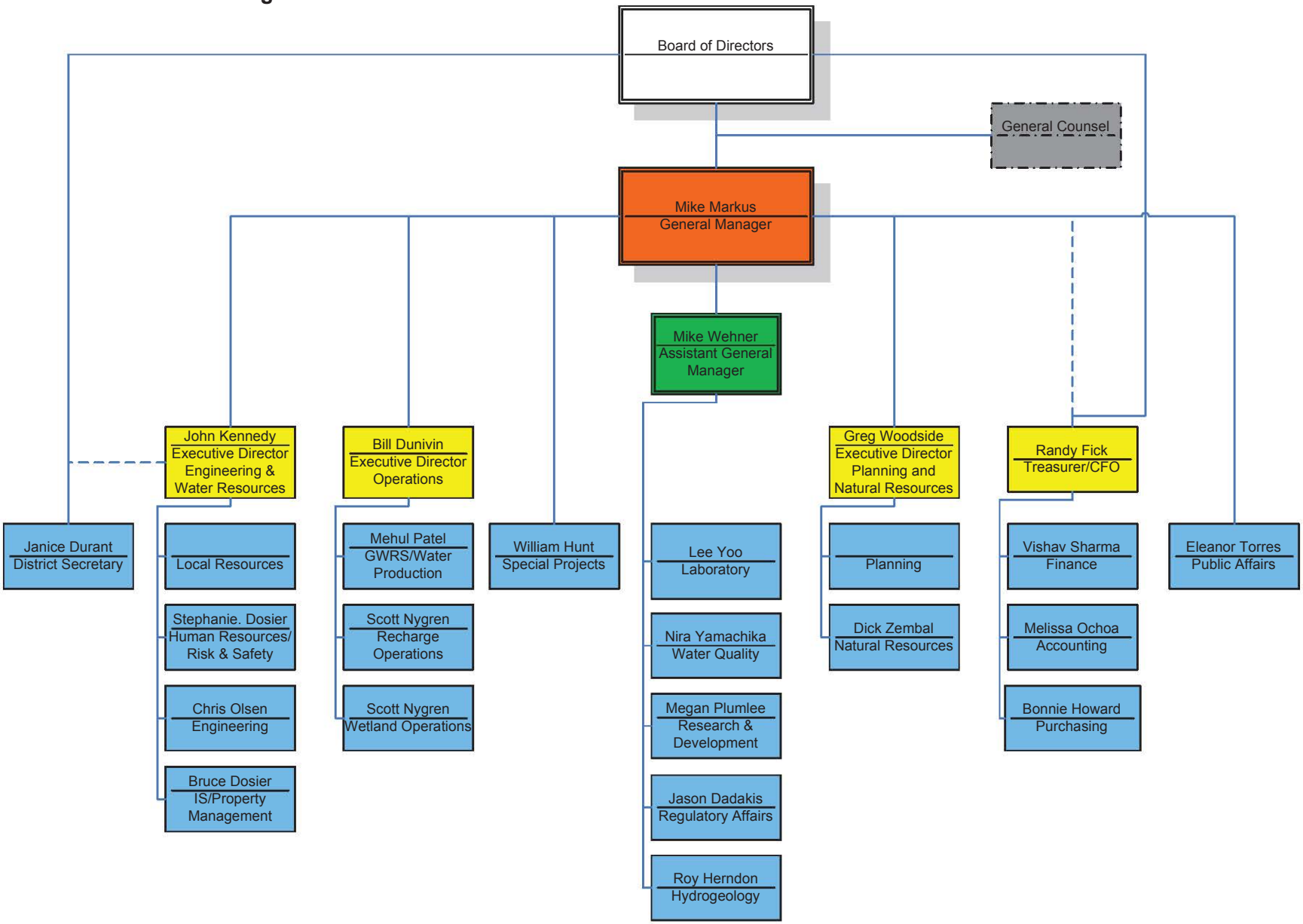
We would also like to thank and recognize the members of the Board of Directors, the General Manager, and especially the Administration and Finance Committee members for their continued support in the planning and implementation of the District's fiscal policies.

Respectfully submitted,

Michael R. Markus
General Manager

Randy Fick
Chief Financial Officer/Treasurer

OCWD Organizational Structure



Orange County Water District
Comprehensive Annual Financial Report
Fiscal Year 2015-16

Board of Directors

Dina Nguyen, Division 1

Denis Bilodeau, 1st Vice President, Division 2

Roger Yoh, Division 3

Philip Anthony, 2nd Vice President, Division 4

Stephen Sheldon, Division 5

Cathy Green, President, Division 6

Shawn Dewane, Division 7

Roman Reyna, Division 8

Jordan Brandman, Division 9

Jan Flory, Division 10

♦ ♦ ♦ ♦ ♦ ♦ ♦

Michael R. Markus, P.E.
General Manager

ORANGE COUNTY WATER DISTRICT

DISTRICT VITAL STATISTICS

Date of Enactment:	1933
Form of Government:	Special District of the State of California
Area (square miles):	358
Employees (full-time):	218.5

Major Groundwater Producing Agencies:

Anaheim, City of
Buena Park, City of
East Orange County Water District
Fountain Valley, City of
Fullerton, City of
Garden Grove, City of
Golden State Water Company
Huntington Beach, City of
Irvine Ranch Water District
La Palma, City of
Mesa Water District
Newport Beach, City of
Orange, City of
Santa Ana, City of
Seal Beach, City of
Serrano Water District
Tustin, City of
Westminster, City of
Yorba Linda Water District

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Water District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

SINCE 1933

Financial Section

Independent Auditors' Report

LSL
CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orange County Water District
Fountain Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Orange County Water District (the "District") as of and for the year ended June 30, 2016, and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

LSL CPAs AND ADVISORS

To the Board of Directors
Orange County Water District
Fountain Valley, California

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3-11 and page 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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.

Lance, Soll & Lunghard, LLP

Brea California
October 13, 2016

Management's Discussion and Analysis

Financial Highlights for the Fiscal Years Ended June 30, 2016 and 2015

ORANGE COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016 and 2015

The following summary analysis is a brief discussion of the Orange County Water District's (District) performance that provides an overview of the District's financial activities for the year ended June 30, 2016 and 2015. It has been prepared by District staff, and should be read in conjunction with the financial statements and the notes to the financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $330.05 million (net position), representing $135.27 million in net investment in capital assets, $11.41 million restricted for debt service, $9.99 million restricted for custodial costs and $173.37 million unrestricted for operations. This represents a decrease of $3.00 million or 0.90% versus the prior year net position of $333.05 million.
- In 2016, the District's operating revenues from all sources increased 1.64% or $1.70 million from the prior year due to the net effect of higher basin equity assessments of $2.58 million, lower replenishment assessments of $0.67 million and lower conjunctive use program revenues of $0.26 million. In 2015, operating revenues decreased 1.88% or $1.97 million due to lower replenishment assessments of $1.41 million. Water conservation efforts due to the drought resulted in lower water demand and lower replenishment assessment revenues for both years.
- The District's non-operating revenues increased 1.48% or $0.43 million in fiscal year 2016, primarily due to an increase in property tax revenues of $1.27 million that was offset with lower investment revenues of $0.57 million and $0.23 million less rental income. In 2015, non-operating revenues decreased 5.24% or $1.61 million, due to lower rental income of $1.53 million.
- Operating expenses before depreciation and amortization and water purchases increased 10.36% or $6.02 million in 2016 as compared to the prior year. In 2015, operating expenses before depreciation and amortization and water purchases increased 6.75% or $3.68 million. The GWRSIE project completed during the fiscal 2015 and the District was able to produce 10,306 acre feet more water and 25,372 acre feet more water in fiscal year 2016. This additional water production resulted in increased costs of electricity and chemicals for fiscal years 2016 and 2015.
- The District's water purchase expense during the current fiscal year decreased 18.81% or $7.14 million. In 2015, water purchase expense decreased 15.75% or $7.10 million. Due to the basin overdraft resulting largely from the current drought conditions within the groundwater basin and the availability of supplemental water from Metropolitan Water District (MWD) the District continues to purchase large quantities of MWD supplemental water.
- Total expenses increased 3.04% or $4.23 million, primarily due to the net effect of higher water production costs of $5.10 million that was offset with lower water purchase expense of $7.14 million. In 2015, total expenses decreased 2.83% or $4.07 million due to lower water purchase expense and non-operating expense.

- Total long-term debt was $580.60 million as compared to the $574.57 million in the prior year. The increase of $6.04 million or 1.05% is primarily due to the GWRS Initial Expansion project financed with CWSRF loan. In 2015, debt decreased $18.75 million or 3.16% primarily due to the cash defeasances of the 2005B certificates of participation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District operates as a utility enterprise and presents its financial statements using the full accrual basis of accounting. The basic financial statements of the District consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position provide information on the District's operations and can be used to determine whether the District has recovered all of its costs through its rates and other charges. This statement can also be used to determine the District credit worthiness and profitability.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash payments and changes in cash resulting from operations, investments and financing activities. Additionally, the Statement of Cash Flows provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

Our analysis of the District begins on page 12 of the Financial Statements. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question.

These two statements report the net position of the District and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, new or changed government legislation or accounting standards, population growth, and zoning.

STATEMENTS OF NET POSITION

Condensed Statements of Net Position

	2016	2015	Change	2014	Change
Assets:					
Current assets	$ 225,462,966	$ 237,459,858	$ (11,996,892)	$ 270,484,424	$ (33,024,566)
Capital assets	714,049,754	694,614,127	19,435,627	685,521,786	9,092,341
Other non-current assets	26,550,013	20,150,468	6,399,545	19,126,733	1,023,735
Total assets	966,062,733	952,224,453	13,838,280	975,132,943	(22,908,490)
Deferred outflows of resources	1,826,376	2,007,722	(181,346)	2,965,446	(957,724)
Liabilities:					
Current liabilities	60,781,480	55,994,076	4,787,404	61,425,926	(5,431,850)
Long-term debt	546,360,837	542,546,260	3,814,577	556,927,364	(14,381,104)
Other long-term liabilities	5,456,784	4,716,766	740,018	4,501,117	215,649
Total liabilities	612,599,101	603,257,102	9,341,999	622,854,407	(19,597,305)
Deferred inflows of resources	25,239,214	17,921,823	7,317,391	15,853,905	2,067,918
Net position:					
Net investment in capital assets	135,271,635	122,056,713	13,214,922	95,168,906	26,887,807
Restricted for construction and capital projects	-	-	-	484,565	(484,565)
Restricted for debt services	11,415,463	11,242,052	173,411	11,252,003	(9,951)
Restricted for custodial costs	9,989,114	11,518,861	(1,529,747)	5,803,869	5,714,992
Unrestricted	173,374,582	188,235,624	(14,861,042)	226,680,734	(38,445,110)
Total net position	$ 330,050,794	$ 333,053,250	$ (3,002,456)	$ 339,390,077	$ (6,336,827)

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, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $330.05 million at June 30, 2016 compared with $333.05 million at June 30, 2015.

A portion of the District's net position (41.00% and 36.65% as of June 30, 2016 and 2015, respectively) reflects the District's net 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 its customers; consequently, these assets are not available for future spending.

At the end of the fiscal years 2016 and 2015, the District's reflects a balance in its restricted net position of $11.42 million and $11.24 million, respectively, which is restricted for debt service payments.

An additional portion of the District's net position $9.99 million and $11.52 million as of June 30, 2016 and 2015, respectively are for custodial costs, which represents resources that are subject to external restrictions on how they may be used.

At the end of fiscal years 2016 and 2015, the District reflects a positive balance in its unrestricted net position of $173.37 million and $188.24 million, 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

	2016	2015	Change	2014	Change
Revenues:					
Operating revenues	$ 105,016,764	$ 103,318,416	$ 1,698,348	$ 105,293,285	$ (1,974,869)
Non-operating revenues	29,541,132	29,110,969	430,163	30,719,249	(1,608,280)
Total revenues	134,557,896	132,429,385	2,128,511	136,012,534	(3,583,149)
Expenses:					
Operating expenses	64,133,573	58,111,798	6,021,775	54,436,212	3,675,586
Water purchases	30,831,126	37,973,313	(7,142,187)	45,072,626	(7,099,313)
Depreciation and amortization	33,362,509	29,760,297	3,602,212	29,010,580	749,717
Non-operating expenses	15,340,907	13,589,732	1,751,175	14,983,945	(1,394,213)
Total expenses	143,668,115	139,435,140	4,232,975	143,503,363	(4,068,223)
Net loss before capital contributions	(9,110,219)	(7,005,755)	(2,104,464)	(7,490,829)	485,074
Capital contributions	6,107,763	668,928	5,438,835	1,029,678	(360,750)
Changes in net position	(3,002,456)	(6,336,827)	3,334,371	(6,461,151)	124,324
Net position - beginning of year	333,053,250	339,390,077	(6,336,827)	345,851,228	(6,461,151)
Net position - end of year	$ 330,050,794	$ 333,053,250	$ (3,002,456)	$ 339,390,077	$ (6,336,827)

Fiscal Year 2016

The statement of revenues, expenses and changes in net position indicates how the District's net position changed during the fiscal year. The District reported a decrease in net position of $3.00 million for the fiscal year ended June 30, 2016. Total revenues of $134.56 million were offset with total expenses of $143.67 million, and capital contributions of $6.11 million, which were the main sources of the change in net position for the year.

Operating revenues from all sources increased by $1.70 million or 1.64% from the prior year primarily due to the net effect of higher basin equity assessments of $2.58 million, lower replenishment assessments of $0.67 million and lower conjunctive use program revenues of $0.26 million. The District increased its basin pumping percentage to 75% from 72% and increased the replenishment assessment rate from $294 to $322 per acre-foot but water conservation efforts due to the drought resulted in lower water demand and decreased replenishment assessment revenues of $0.67 million or 0.76 % for the year.

The District's non-operating revenues, such as property taxes are pledged to pay down the District's debt service expenses. Non-operating revenues from all sources increased 1.48% or $0.43 million in this fiscal year, primarily due to an increase in property tax revenues of $1.27 million that was offset with lower investment revenues of $0.57 million and $0.23 million less rental income received.

Operating expenses before depreciation and amortization and water purchases increased 10.36% or $6.02 million as compared to the prior year. This increase is primarily due to increased costs of electricity and chemicals related to water production with the completion of GWRSIE and increased production. The District was able to produce 25,372 acre feet more water in 2016.

The District water purchase expense during the current fiscal year decreased 18.81% or $7.14 million primarily due to Metropolitan Water District (MWD) being in allocation the first ten months of the FY 2015-16.

Fiscal Year 2015

The statement of revenues, expenses and changes in net position indicates how the District's net position changed during the fiscal year. The District reported a decrease in net position of $6.34 million for the fiscal year ended June 30, 2015. Total revenues of $132.43 million were offset with total expenses of $139.44 million, and capital contributions of $0.67 million were the main sources of the change in net position for the year.

Operating revenues from all sources decreased by $1.97 million or 1.88 % from the prior year primarily due to lower replenishment assessment revenues. The District increased its basin pumping percentage to 72% from 70% and increased the replenishment assessment rate from $276 to $294 per acre-foot but water conservation efforts due to the drought resulted in lower water demand and decreased replenishment assessment revenue of $1.41 million or 1.56% for the year.

The District's non-operating revenues, such as property taxes are pledged to pay down the District's debt service expenses. Non-operating revenues from all sources decreased 5.24% or $1.61 million, due to the net effect of $1.65 million property tax increase, offset with decreases of $1.47 million of investment income, and $1.53 million of rental income.

Operating expenses before depreciation and amortization and water purchases increased $3.68 million or 6.75% as compared to the prior year. The GWRSIE project completed during the fiscal year and the District was able to produce 10,306 acre feet more water. This additional water production resulted in increased costs of electricity and chemicals.

The District water purchase expense in 2015 was $37.97 million as compared to $45.07 million in the prior year, a decrease of $7.10 million or 15.75%. Due to the basin overdraft resulting largely from the current drought conditions within the groundwater basin, the District continued to purchase large quantities of MWD supplemental water.

Total Revenues

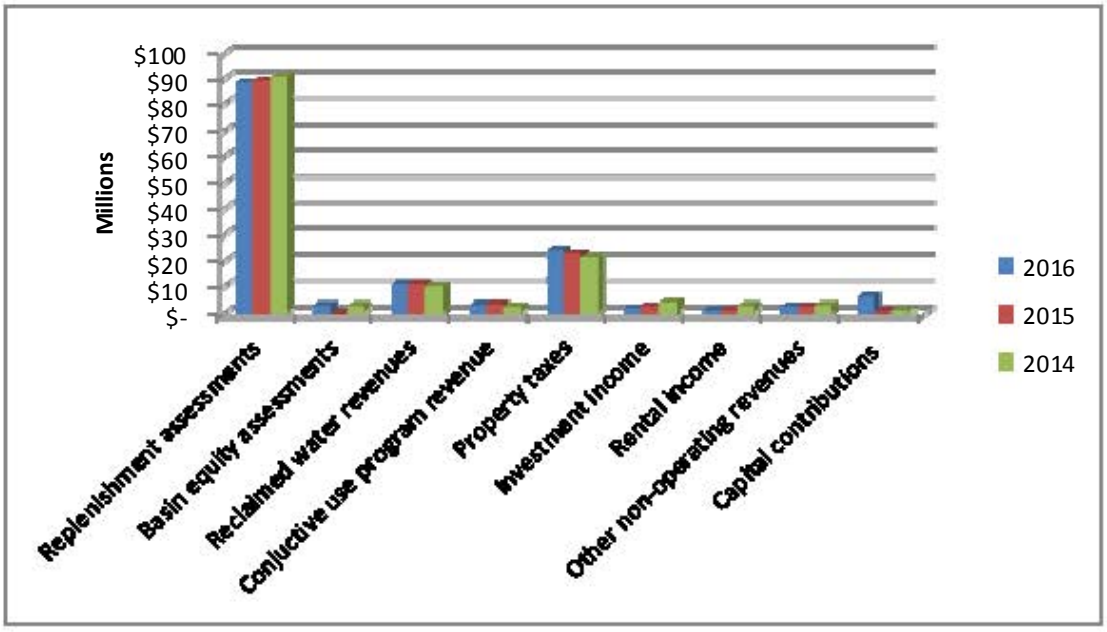
	2016	2015	Change	2014	Change
Operating revenues:					
Replenishment assessments	$ 88,464,251	$ 89,137,337	$ (673,086)	$ 90,550,510	$ (1,413,173)
Basin equity assessments	2,767,818	184,679	2,583,139	2,733,128	(2,548,449)
Reclaimed water revenues	10,699,469	10,656,130	43,339	9,714,520	941,610
Conjuctive use program revenue	3,085,226	3,340,270	(255,044)	2,295,127	1,045,143
Total operating revenues	105,016,764	103,318,416	1,698,348	105,293,285	(1,974,869)
Non-operating revenues:					
Property taxes	24,198,690	22,924,595	1,274,095	21,275,702	1,648,893
Investment income	1,864,297	2,430,152	(565,855)	3,901,722	(1,471,570)
Rental income, net of expenses	985,797	1,214,631	(228,834)	2,744,295	(1,529,664)
Other non-operating revenues	2,492,348	2,541,591	(49,243)	2,797,530	(255,939)
Total non-operating revenues	29,541,132	29,110,969	430,163	30,719,249	(1,608,280)
Capital contributions	6,107,763	668,928	5,438,835	1,029,678	(360,750)
Total revenues	$ 140,665,659	$ 133,098,313	$ 7,567,346	$ 137,042,212	$ (3,943,899)

In 2016, the District's total revenues increased 5.69% or $7.57 million, primarily due to $6.11 million of capital contributions received from various federal, state and local agencies towards the District's capital programs.

In 2015, the District's total revenues decreased 2.88% or $3.94 million, primarily due the $1.97 decrease in operating revenues and $1.61 million decrease in non-operating revenues.

Total Revenues

(2016, 2015 and 2014)



Total Expenses

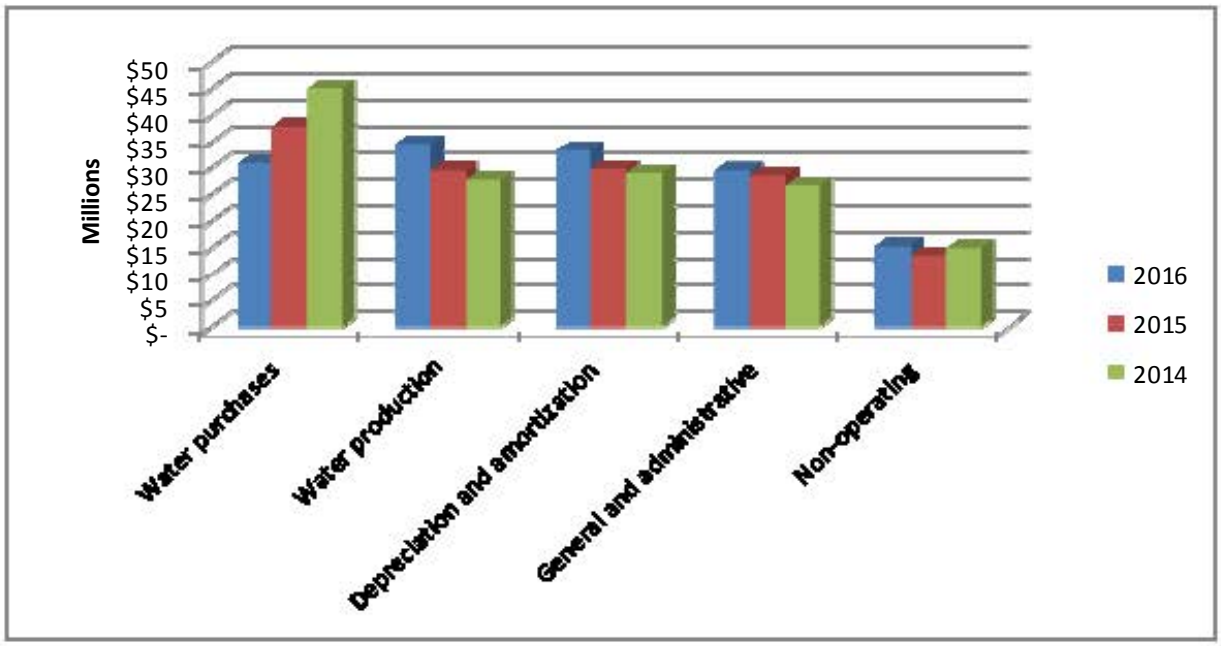
	2016	2015	Change	2014	Change
Operating expenses:					
Water purchases	$ 30,831,126	$ 37,973,313	$ (7,142,187)	$ 45,072,626	$ (7,099,313)
Water production	34,630,579	29,532,369	5,098,210	27,765,955	1,766,414
Depreciation and amortization	33,362,509	29,760,297	3,602,212	29,010,580	749,717
General and administrative	29,502,994	28,579,429	923,565	26,670,257	1,909,172
Total operating expenses	128,327,208	125,845,408	2,481,800	128,519,418	(2,674,010)
Non-operating expenses	15,340,907	13,589,732	1,751,175	14,983,945	(1,394,213)
Total expenses	$ 143,668,115	$ 139,435,140	$ 4,232,975	$ 143,503,363	$ (4,068,223)

In 2016, the District's total expenses increased 3.04% or $4.23 million primarily due to the increase of water production costs of $5.1 million, which was offset with lower water purchases of $7.14 million.

In 2015, total expenses decreased 2.83% or $4.07 million primarily due to lower water purchase costs of $7.10 million, which was offset with $1.91 increase in general and administrative costs.

Total Expenses

(2016, 2015 and 2014)



CAPITAL ASSETS

As of the fiscal year ending June 30, 2016, the District had invested $1,144.1 million in capital assets, including land, water rights, structures and improvements, infrastructure, equipment and construction-in-progress. Capital additions, net of transfers and retirements totaled $52.82 million and $38.87 million made during the fiscal years ended June 30, 2016 and 2015, respectively.

The main reasons for these capital additions were construction in progress, equipment, structure and infrastructure improvements on various water basin/water recycling projects in fiscal year ending 2016.

Net capital assets worth $24,426 and $19,707 were retired during the years ended June 30, 2016 and 2015, respectively. The following is a summary of the capital assets at June 30, 2016, June 30, 2015, and June 30, 2014 respectively:

	2016	2015	Change	2014	Change
Land	$ 74,146,641	$ 74,165,902	$ (19,261)	$ 74,165,902	$ -
Water Rights	6,823,570	6,823,570	-	6,823,570	-
Structures and improvements	666,382,825	658,459,139	7,923,686	658,234,094	225,045
Infrastructure	67,991,086	65,743,403	2,247,683	64,738,293	1,005,110
Equipment	261,102,162	104,086,281	157,015,881	101,972,638	2,113,643
Construction in progress	67,641,474	182,374,056	(114,732,582)	147,405,973	34,968,083
Subtotal	1,144,087,758	1,091,652,351	52,435,407	1,053,340,470	38,311,881
Less: accumulated depreciation	(430,038,004)	(397,038,224)	(32,999,780)	(367,818,684)	(29,219,540)
Total capital assets	$ 714,049,754	$ 694,614,127	$ 19,435,627	$ 685,521,786	$ 9,092,341

Additional information can be found in Note 4 of the notes to financial statements.

DEBT ADMINISTRATION

At June 30, 2016 the District had $580.60 million in total debt outstanding compared to $574.57 million at the fiscal year ended June 30, 2015. It includes loans from the State of California, commercial paper, revenue refunding bonds and installment purchase agreements associated with the certificates of participation. This amount represents a net increase of $6.04 million from the prior year. This increase is the result of net effect of $5.09 million in paying down the debt and $11.13 million of additional debt with the State Water Resources Control Board for the construction of the Groundwater Replenishment System Initial Expansion project, Fletcher Basin, La Palma Basin and Alamitos Barrier.

In 2015, total debt outstanding was $574.57 million, which represents a net decrease of $18.75 million from prior year, due to the net effect of a cash defeasance of the 2005B certificates of participation offset with additional debt with the State Water Resources Control Board for the construction of the Groundwater Replenishment System Initial Expansion project, Fletcher Basin and Alamitos Barrier.

The following is a summary of the long-term debt at June 30, 2016, June 30, 2015 and June 30, 2014 respectively:

	2016	2015	Change	2014	Change
Certificates-of-Participation	$ 267,280,690	$ 268,478,377	$ (1,197,687)	$ 299,672,360	$ (31,193,983)
Revenue refunding bonds	53,000,000	53,000,000	-	53,000,000	-
State of California loans	239,600,805	228,473,759	11,127,046	213,365,966	15,107,793
Commercial paper	20,723,000	24,613,000	(3,890,000)	27,280,000	(2,667,000)
Total	$ 580,604,495	$ 574,565,136	$ 6,039,359	$ 593,318,326	$ (18,753,190)

The District has received the following ratings from the three major credit rating agencies:

Fitch Ratings: AAA
Moody's: Aa1
Standard & Poor's: AAA

Additional information can be found in Note 6 of the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors approved the budget for the fiscal year 2016-17. The budget included $63.5 million for operations, $0.5 million for new equipment, $34.7 million for water purchase, $37.5 million for debt service, $1.3 million for retiree health expenditures and $31.0 million for R&R fund expenditure.

The Board increased the Replenishment Assessment from $322 per acre-foot to $402 per acre-foot and the basin pumping remains at 75%.

A multi-year construction-in-progress (CIP) budget of $26.9 million was adopted. These CIP projects will be funded by the District's restricted funds, State loans, project reimbursements and $6 million pay-as-you-go from the general fund.

The financial markets continue to do better and the United States economy is improving at a slower rate. Orange County's economy is also improving and it is expected to grow slowly in the next year. Orange County's unemployment rate in June 2016 is 4.4% versus 5.4% for California and 4.9 % for the nation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance department, at the Orange County Water District, 18700 Ward Street, Fountain Valley, CA, 92708.

SINCE 1933

Basic Financial Statements

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

SINCE 1933

ORANGE COUNTY WATER DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS:		
UNRESTRICTED ASSETS:		
Cash and cash equivalents	$ 55,763,167	$ 35,548,415
Investments	78,866,443	116,444,085
Accounts receivable	58,531,725	52,019,250
Accrued interest receivable	242,891	365,843
Inventory	4,389,987	3,947,549
Prepaid expenses	1,343,497	836,399
Due from other governments	2,174,012	-
Current portion of notes receivable	270,517	268,083
TOTAL UNRESTRICTED ASSETS	201,582,239	209,429,624
RESTRICTED ASSETS:		
Cash and cash equivalents	2,437,858	5,219,960
Investments	11,415,463	11,236,313
Accrued interest and other receivable	24,216	49,524
Custodial cash and investments	8,523,752	5,076,416
Custodial escrow retention	1,479,438	6,448,021
TOTAL RESTRICTED ASSETS	23,880,727	28,030,234
TOTAL CURRENT ASSETS	225,462,966	237,459,858
NONCURRENT ASSETS:		
CAPITAL ASSETS:		
Capital assets, not depreciated	148,611,685	263,363,528
Capital assets, depreciated, net	565,438,069	431,250,599
TOTAL CAPITAL ASSETS	714,049,754	694,614,127
OTHER NONCURRENT ASSETS:		
Due from other governments	-	211,063
Notes receivable, less current portion above	1,079,144	1,785,927
Other post-employment benefits (OPEB) asset	231,655	231,655
Derivative instruments	25,239,214	17,921,823
TOTAL OTHER NONCURRENT ASSETS	26,550,013	20,150,468
TOTAL NONCURRENT ASSETS	740,599,767	714,764,595
TOTAL ASSETS	966,062,733	952,224,453
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	1,826,376	2,007,722
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,826,376	2,007,722

The notes to the financial statements are an integral part of this statement.

ORANGE COUNTY WATER DISTRICT

STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2016 AND 2015

LIABILITIES	2016	2015
CURRENT LIABILITIES:		
PAYABLE FROM UNRESTRICTED CURRENT ASSETS:		
Accounts payable and accrued expenses	16,441,038	11,443,080
Accrued interest payable	5,786,159	4,221,434
Deposits	700	40,147
Current portion of compensated absences	401,293	367,590
Current portion of long-term debt	34,243,658	32,018,876
TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS:	56,872,848	48,091,127
PAYABLE FROM RESTRICTED ASSETS:		
Accounts payable and accrued expenses	2,173,139	1,400,594
Retentions payable	1,721,417	6,496,778
Custodial liability	14,076	5,577
TOTAL PAYABLE FROM RESTRICTED ASSETS:	3,908,632	7,902,949
TOTAL CURRENT LIABILITIES	60,781,480	55,994,076
NONCURRENT LIABILITIES:		
LONG-TERM DEBT:		
Certificates of participation	267,280,690	268,478,377
Revenue refunding bonds	53,000,000	53,000,000
State of California loans payable	239,600,805	228,473,759
Commercial paper	20,723,000	24,613,000
Subtotal	580,604,495	574,565,136
Less: current portion above	34,243,658	32,018,876
TOTAL LONG-TERM DEBT	546,360,837	542,546,260
OTHER NONCURRENT LIABILITIES:		
Accrued compensated absences	5,456,784	4,716,766
TOTAL OTHER NONCURRENT LIABILITIES	5,456,784	4,716,766
TOTAL NONCURRENT LIABILITIES	551,817,621	547,263,026
TOTAL LIABILITIES	612,599,101	603,257,102
DEFERRED INFLOWS OF RESOURCES		
Derivative instruments	25,239,214	17,921,823
TOTAL DEFERRED INFLOWS OF RESOURCES	25,239,214	17,921,823
NET POSITION		
Net Investment in Capital Assets	135,271,635	122,056,713
Restricted for debt service	11,415,463	11,242,052
Restricted for custodial costs	9,989,114	11,518,861
Unrestricted	173,374,582	188,235,624
TOTAL NET POSITION	$ 330,050,794	$ 333,053,250

The notes to the financial statements are an integral part of this statement.

SINCE 1933

ORANGE COUNTY WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Replenishment assessments	$ 88,464,251	$ 89,137,337
Basin equity assessments	2,767,818	184,679
Reclaimed water revenue	10,699,469	10,656,130
Conjunctive use program revenue	3,085,226	3,340,270
TOTAL OPERATING REVENUES	105,016,764	103,318,416
OPERATING EXPENSES:		
Water purchases	30,831,126	37,973,313
Water production	34,630,579	29,532,369
Depreciation and amortization	33,362,509	29,760,297
General and administrative	29,502,994	28,579,429
TOTAL OPERATING EXPENSES	128,327,208	125,845,408
OPERATING LOSS	(23,310,444)	(22,526,992)
NONOPERATING REVENUES (EXPENSES):		
Property taxes	24,198,690	22,924,595
Investment income	1,524,347	1,745,947
Net increase (decrease) in the fair value of investments	339,950	684,205
Rental income, net of expenses	985,797	1,214,631
Legal settlements, net of expenses	(978,153)	74,182
Other nonoperating revenues, net of expenses	2,448,557	1,442,484
Interest expense	(14,362,754)	(13,589,732)
Gain (loss) on disposal of capital assets	43,791	1,024,925
TOTAL NONOPERATING REVENUES (EXPENSES)	14,200,225	15,521,237
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(9,110,219)	(7,005,755)
CAPITAL CONTRIBUTIONS FROM OTHER PARTIES	6,107,763	668,928
CHANGES IN NET POSITION	(3,002,456)	(6,336,827)
NET POSITION - BEGINNING OF YEAR	333,053,250	339,390,077
NET POSITION - END OF YEAR	$ 330,050,794	$ 333,053,250

The notes to the financial statements are an integral part of this statement.

ORANGE COUNTY WATER DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 98,989,897	$ 112,897,828
Cash payments to suppliers for goods and services	(67,935,795)	(71,196,406)
Cash payments to employees for services	(26,249,024)	(26,104,022)
Rental income, net of expenses	985,797	1,214,631
Legal settlements, net of expenses	(978,153)	74,182
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,812,722	16,886,213
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from property taxes	24,198,690	22,953,275
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	24,198,690	22,953,275
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Repayments received (issuance) of notes receivable	704,349	1,163,983
Acquisition and construction of capital assets	(52,822,561)	(38,872,345)
Proceeds from sale of capital assets	68,216	1,044,631
Principal paid on commercial paper	(3,890,000)	(2,667,000)
Proceeds from loans payable	17,942,921	15,107,793
Principal paid on long-term debt	(7,405,875)	(29,265,000)
Interest paid on long-term debt	(13,224,370)	(15,154,734)
Payments received from capital contributions	6,107,763	668,928
NET CASH PROVIDED (USED) BY CAPITAL AND RELATING FINANCING ACTIVITIES	(52,519,557)	(67,973,744)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment transactions	39,268,188	27,154,869
Interest on investments	1,672,607	2,525,114
NET CASH PROVIDED BY INVESTING ACTIVITIES	40,940,795	29,679,983
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,432,650	1,545,727
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	40,768,375	39,222,648
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 58,201,025	$ 40,768,375

The notes to the financial statements are an integral part of this statement.

ORANGE COUNTY WATER DISTRICT

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	$ (23,310,444)	$ (22,526,992)
Adjustments to reconcile operating loss net cash provided (used) by operating activities:		
Depreciation and amortization	33,362,509	29,760,297
Other nonoperating revenues	2,448,557	1,442,484
Rental income, net of expenses	985,797	1,214,631
Legal settlements, net of expenses	(978,153)	74,182
Change in assets and liabilities		
(Increase) decrease in accounts receivables	(8,475,424)	8,136,928
(Increase) decrease in inventory	(442,438)	(931,908)
(Increase) decrease in prepaid expenses	(507,098)	(82,844)
Increase (decrease) in accounts payable and accrued expenses	5,770,503	(1,717,829)
Increase (decrease) in retentions payable	(4,775,361)	1,797,817
Increase (decrease) in deposits payable	(39,447)	(524,797)
Increase (decrease) in accrued compensated absences	773,721	244,244
Total Adjustments	28,123,166	39,413,205
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 4,812,722	$ 16,886,213
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:		
Unrestricted assets	$ 55,763,167	$ 35,548,415
Restricted assets	2,437,858	5,219,960
TOTAL CASH AND CASH EQUIVALENTS- FINANCIAL STATEMENT CLASSIFICATION	$ 58,201,025	$ 40,768,375
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Amortization of (discounts) premiums and deferred amounts on refunding	$ 426,341	$ 971,259
Net increase (decrease) in the fair value of investments	339,950	684,205
Gain/(Loss) on disposal of capital assets	16,508	(2,963)

The notes to the financial statements are an integral part of this statement.

SINCE 1933

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies

a. Organization and Description of the District

The Orange County Water District (the District) was formed by a special act of the California State Legislature in 1933. The District was formed because of the heavy overdraft of the Orange County groundwater supply and excessive diversion of the Santa Ana River by users upstream from the County of Orange. The major functions of the District are the management of the Orange County groundwater basin, the conservation of the basin groundwater and the protection of Orange County's water rights in the natural flows of the Santa Ana River. The legal boundaries of the District lie wholly within the County of Orange, California. Administration and operation of the District is conducted through a Board of Directors representing ten divisions, with seven being duly elected at large and three appointed.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14 as amended by GASB 39 and 61. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority or the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

The District's reporting entity includes the Orange County Water District Public Facilities Corporation (the Public Facilities Corporation). Although the District and the Public Facilities Corporation are legally separate entities, the District's Board of Directors is financially responsible for the Public Facilities Corporation and, therefore, the accompanying financial statements include the accounts and records of the Public Facilities Corporation using the blending method as required by accounting principles generally accepted in the United States of America. There are no separate financial statements for the Public Facilities Corporation.

b. Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Basic Financial Statements.

c. Measurement Focus and Basis of Accounting

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to producers for replenishment assessments, basin equity assessments and water sales. Operating expenses for the District include water purchases, water production, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenues consist of property taxes, rental income, investment income and other miscellaneous revenues.

d. Net Position

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

- Net investment in capital assets - This amount is the District's net investment in its various capital assets and includes capital assets net of accumulated depreciation and capital-related deferred outflows of resources and reduced by capital-related borrowings and deferred inflows of resources.

- Restricted for debt service - This amount is restricted for various bond issues and is not available for the general needs of the District. These funds must be maintained at specific levels, and are restricted by certain bond covenants.

- Restricted for custodial costs - This amount is restricted for custodial costs due to third parties.

Note 1: Summary of Significant Accounting Policies (Continued)

- Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted".

e. Property Taxes and Assessments

Property taxes and assessments are billed by the County of Orange to property owners. The amount apportioned to the District each year is based upon the District's tax receipts for the three-year period ended June 30, 1978 in relation to total County tax receipts and is adjusted annually for area growth. The District's property tax calendar for the fiscal years ended June 30, 2016 and 2015, were as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1
	Second Installment - February 1
Delinquent Date:	First Installment - December 10
	Second Installment - April 10

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. There were no taxes receivable at June 30, 2016 and 2015.

f. Inventory

Inventory consists primarily of supplies and parts and is valued at weighted average cost.

g. Investments

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Note 1: Summary of Significant Accounting Policies (Continued)

h. Capital Assets

Capital assets purchased or acquired are reported at historical cost. Contributed assets are reported at fair market value as of the date received. During the fiscal years ended June 30, 2016 and 2015, the District received capital contributions of $6,107,763 and $668,928, respectively. Capital outlays that cost $5,000 or more and that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	Useful Life
Structures and improvements	3-50 years
Infrastructure	3-75 years
Equipment	3-30 years

Depreciation totaled $33,362,509 and $29,760,297 for the years ended June 30, 2016 and 2015, respectively.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the District's statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is related to the derivative instruments interest rate swap agreements reported at fair value.

Note 1: Summary of Significant Accounting Policies (Continued)

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the District statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

k. Capitalized Interest

The District incurs interest charges on the Certificates of Participation, Commercial Paper, Revenue Refunding Bonds and the State of California loans payable. Capitalized interest totaled $8,365,910 and $0 for the years ended June 30, 2016 and 2015.

l. Classification of Liabilities

Certain liabilities which are currently payable have been classified as "payable from restricted assets" because they will be funded from restricted assets.

m. Compensated Absences

Vested or accumulated vacation and sick leave are expensed as benefits accrue to employees. The following is a summary of the changes in compensated absences for the years ended June 30, 2016 and 2015:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Compensated Absences	$ 5,084,356	$ 1,594,803	$ 821,082	$ 5,858,077	$ 401,293

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year
Compensated Absences	$ 4,840,112	$ 2,488,985	$ 2,244,741	$ 5,084,356	$ 367,590

Note 1: Summary of Significant Accounting Policies (Continued)

n. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

o. Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from the estimates.

p. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2: Cash and Investments

Cash and investments held by the District were comprised of the following at June 30, 2016 and 2015:

Financial Statement Classification:	2016	2015
Current:		
Cash and cash equivalents	$ 55,763,167	$ 35,548,415
Investments	78,866,443	116,444,085
Restricted:		
Cash and cash equivalents	2,437,858	5,219,960
Investments	11,415,463	11,236,313
Custodial cash and cash equivalents	8,523,752	5,076,416
Custodial escrow retention	1,479,438	6,448,021
Total	$ 158,486,121	$ 179,973,210

Note 2: Cash and Investments (Continued)

Cash and investments as of June 30, 2016 and 2015, consisted of the following:

	2016	2015
Cash on hand	$ 2,700	$ 2,700
Deposits with financial institutions	1,848,236	1,816,040
Investments	156,635,185	178,154,470
Total Cash and Investments	$ 158,486,121	$ 179,973,210

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No Limitation	No Limitation
Federal Agency Securities	5 years	No Limitation	No Limitation
Bankers Acceptance	180 days	15%	5%
Commercial Paper	180 days	15%	5%
Collateralized Certificates of Deposit	5 years	15%	No Limitation
Negotiable Certificates of Deposit	5 years	15%	5%
Fully Insured Deposits	5 years	15%	5%
Repurchase Agreements	30 days	10%	5%
Medium Term Notes	5 years	15%	5%
Mutual Funds	N/A	15%	5%
Asset Backed Securities	5 years	15%	5%
LAIF	N/A	No Limitation	$50 Million
County Pooled Investment Fund	N/A	No Limitation	$20 Million
High Grade State Municipal Bonds	N/A	15%	5%

Note 2: Cash and Investments (Continued)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
United States Treasury Obligations	No Limitation	No Limitation	No Limitation
Federal Agency Securities	No Limitation	No Limitation	No Limitation
Bankers Acceptances	180 days	No Limitation	No Limitation
Commercial Paper	270 days	No Limitation	No Limitation
Money Market Mutual Funds	N/A	No Limitation	No Limitation
Guaranteed Investment Contracts	30 days	No Limitation	No Limitation

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations are provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2016 and 2015.

Note 2: Cash and Investments (Continued)

June 30, 2016

Investment Type	Remaining Maturity 12 Months or Less	13 - 24 Months	25 - 60 Months	Total
Federal Agency Securities	$ 3,000,060	$ 43,529,822	$ 27,313,110	$ 73,842,992
Collateralized Certificates of Deposit	5,023,451	-	-	5,023,451
Escrow Deposits	1,479,438	-	-	1,479,438
Local Agency Investment Fund	36,559,865	-	-	36,559,865
Orange County Treasurer	19,792,936	-	-	19,792,936
Held by Bond Trustee:				
Money Market Mutual Funds	150,850	-	-	150,850
Federal Agency Securities	-	-	11,264,614	11,264,614
Held by SWAP Provider:				
Federal Agency Securities	-	8,521,039	-	8,521,039
	$ 66,006,600	$ 52,050,861	$ 38,577,724	$ 156,635,185

June 30, 2015

Investment Type	Remaining Maturity 12 Months or Less	13 - 24 Months	25 - 60 Months	Total
Federal Agency Securities	$ -	$ 2,991,480	$ 111,451,182	$ 114,442,662
Collateralized Certificates of Deposit	2,001,423	-	-	2,001,423
Escrow Deposits	6,448,021	-	-	6,448,021
Local Agency Investment Fund	19,292,829	-	-	19,292,829
Orange County Treasurer	19,656,644	-	-	19,656,644
Held by Bond Trustee:				
Money Market Mutual Funds	21,462	-	-	21,462
Federal Agency Securities	-	-	11,220,590	11,220,590
Held by SWAP Provider:				
Federal Agency Securities	-	-	5,070,839	5,070,839
	$ 47,420,379	$ 2,991,480	$ 127,742,611	$ 178,154,470

Note 2: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following tables are the Standard and Poor's credit ratings for the District's investments as of June 30, 2016 and 2015.

June 30, 2016

Investment Type	Minimum Legal Requirement	Total as of June 30, 2016	AAA	AA+	Unrated
Federal Agency Securities	N/A	$ 73,842,992	$ -	$ 73,842,992	$ -
Collaterized Certificates of Deposit	N/A	5,023,451	-	-	5,023,451
Escrow Deposits	N/A	1,479,438	-	-	1,479,438
Local Agency Investment Fund	N/A	36,559,865	-	-	36,559,865
Orange County Treasurer	N/A	19,792,936	-	-	19,792,936
Held by Bond Trustee:					
Money Market Mutual Funds	AAA	150,850	150,850	-	-
Federal Agency Securities	N/A	11,264,614	-	11,264,614	-
Held by SWAP Provider:					
Federal Agency Securities	N/A	8,521,039	-	8,521,039	-
		$ 156,635,185	$ 150,850	$ 93,628,645	$ 62,855,690

June 30, 2015

Investment Type	Minimum Legal Requirement	Total as of June 30, 2015	AAA	AA+	Unrated
Federal Agency Securities	N/A	$ 114,442,662	$ -	$ 114,442,662	$ -
Collateralized Certificates of Deposit	N/A	2,001,423	-	-	2,001,423
Escrow Deposits	N/A	6,448,021	-	-	6,448,021
Local Agency Investment Fund	N/A	19,292,829	-	-	19,292,829
Orange County Treasurer	N/A	19,656,644	-	-	19,656,644
Held by Bond Trustee:					
Money Market Mutual Funds	AAA	21,462	21,462	-	-
Federal Agency Securities	N/A	11,220,590	-	11,220,590	-
Held by SWAP Provider:					
Federal Agency Securities	N/A	5,070,839	-	5,070,839	-
		$ 178,154,470	$ 21,462	$ 130,734,091	$ 47,398,917

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

Investments in any one issuer that represents 5% or more of total District's investments as of June 30, 2016 and 2015, are as follows:

June 30, 2016

Issuer	Investment Type	Reported Amount	Percent of Investments
Federal Home Loan Bank	Federal Agency Securities	$ 9,050,891	5.78%
Federal National Mortgage Association	Federal Agency Securities	22,000,490	14.05%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	43,579,194	27.82%
Federal Farm Credit Banks	Federal Agency Securities	18,998,070	12.13%

June 30, 2015

Issuer	Investment Type	Reported Amount	Percent of Investments
Federal Home Loan Bank	Federal Agency Securities	$ 30,343,903	17.03%
Federal National Mortgage Association	Federal Agency Securities	41,207,053	23.13%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	41,216,345	23.14%
Federal Farm Credit Banks	Federal Agency Securities	14,953,200	8.39%

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged

Note 2: Cash and Investments (Continued)

securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

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

Investment in County Investment Pool

The Orange County Pooled Investment Fund (OCPIF) is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty.

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2016 and June 30, 2015:

Note 2: Cash and Investments (Continued)

June 30, 2016

Investment Type	Totals	Level 1	Level 2	Level 3
Federal Government Agency	$ 73,842,992	$ -	$ 73,842,992	$ -
Escrow Deposits	1,479,438	1,479,438	-	-
Collateralized Certificates of Deposit	5,023,451	5,023,451	-	-
Orange County Treasurer Fund	19,792,936	-	19,792,936	-
Local Agency Investment Fund	36,559,865	-	36,559,865	-
Held by Bond Trustee:				
Money Market Mutual Funds	150,850	150,850	-	-
Federal Agency Securities	11,264,614	-	11,264,614	-
Held by SWAP Provider:				
Federal Agency Securities	8,521,039	-	8,521,039	-
Total Investments	$ 156,635,185	$ 6,653,739	$ 149,981,446	$ -

June 30, 2015

Investment Type	Totals	Level 1	Level 2	Level 3
Federal Agency Securities	$ 114,442,662	$ -	$ 114,442,662	$ -
Escrow Deposits	6,448,021	6,448,021	-	-
Collateralized Certificates of Deposit	2,001,423	2,001,423	-	-
Orange County Treasurer Fund	19,656,644	-	19,656,644	-
Local Agency Investment Fund	19,292,829	-	19,292,829	-
Held by Bond Trustee:				
Money Market Mutual Funds	21,462	21,462	-	-
Federal Agency Securities	11,220,590	-	11,220,590	-
Held by SWAP Provider:				
Federal Agency Securities	5,070,839	-	5,070,839	-
Total Investments	$ 178,154,470	$ 8,470,906	$ 169,683,564	$ -

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Local Agency Investment Funds and Orange County Treasurer Funds classified in Level 2 of the fair value hierarchy are value using specified fair market value factors. Federal Agency Securities classified in Level 2 of the fair value hierarchy are valued using institutional bond quotes.

Note 3: Restricted Assets

Restricted assets were provided by, and are to be used for, the following at June 30, 2016:

Funding Source	Use	Amount
Reimbursement and Contribution from Various Agencies and Interest Earned	Construction of Capital Assets	$ 2,462,074
Certificates of Participation Proceeds and Interest Earned	Debt Service	11,415,463
Custodial Receipts	Custodial Costs	10,003,190
		$ 23,880,727

Restricted assets were provided by, and are to be used for, the following at June 30, 2015:

Funding Source	Use	Amount
Reimbursement and Contribution from Various Agencies and Interest Earned	Construction of Capital Assets	$ 5,263,744
Certificates of Participation Proceeds and Interest Earned	Debt Service	11,242,052
Custodial Receipts	Custodial Costs	11,524,438
		$ 28,030,234

When both restricted and unrestricted resources are available for a capital project, the District's policy is to use restricted resources first and then unrestricted resources as necessary.

Note 4: Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2016, is as follows:

	Beginning Balance July 1, 2015	Transfers	Additions	Deletions	Ending Balance June 30, 2016
Capital assets, not being depreciated:					
Land	$ 74,165,902	$ (19,261)	$ -	$ -	$ 74,146,641
Water rights	6,823,570	-	-	-	6,823,570
Construction in progress	182,374,056	(167,555,144)	52,822,562	-	67,641,474
Total capital assets, not being depreciated	263,363,528	(167,574,405)	52,822,562	-	148,611,685
Capital assets, being depreciated:					
Structure and improvements	658,459,139	7,923,686	-	-	666,382,825
Infrastructure	65,743,403	2,247,683	-	-	67,991,086
Equipment	104,086,281	157,403,036	-	(387,155)	261,102,162
Total capital assets, being depreciated	828,288,823	167,574,405	-	(387,155)	995,476,073
Less Accumulated Depreciation for:					
Structure and improvements	(326,666,997)	-	(15,281,137)	-	(341,948,134)
Infrastructure	(11,686,126)	-	(1,940,937)	-	(13,627,063)
Equipment	(58,685,101)	-	(16,140,435)	362,729	(74,462,807)
Total accumulated depreciation	(397,038,224)	-	(33,362,509)	362,729	(430,038,004)
Total capital assets being depreciated, net	431,250,599	167,574,405	(33,362,509)	(24,426)	565,438,069
Total capital assets, net	$ 694,614,127	$ -	$ 19,460,053	$ (24,426)	$ 714,049,754

Note 4: Capital Assets (Continued)

A summary of the changes in capital assets for the year ended June 30, 2015, is as follows:

	Beginning Balance July 1, 2014	Transfers	Additions	Deletions	Ending Balance June 30, 2015
Capital assets, not being depreciated:					
Land	$ 74,165,902	$ -	$ -	$ -	$ 74,165,902
Water rights	6,823,570	-	-	-	6,823,570
Construction in progress	147,405,973	(3,904,262)	38,872,345	-	182,374,056
Total capital assets, not being depreciated	228,395,445	(3,904,262)	38,872,345	-	263,363,528
Capital assets, being depreciated:					
Structure and improvements	658,234,094	225,045	-	-	658,459,139
Infrastructure	64,738,293	1,005,110	-	-	65,743,403
Equipment	101,972,638	2,674,107	-	(560,464)	104,086,281
Total capital assets, being depreciated	824,945,025	3,904,262	-	(560,464)	828,288,823
Less Accumulated Depreciation for:					
Structure and improvements	(305,268,088)	-	(21,398,909)	-	(326,666,997)
Infrastructure	(9,855,410)	-	(1,830,716)	-	(11,686,126)
Equipment	(52,695,186)	-	(6,530,672)	540,757	(58,685,101)
Total accumulated depreciation	(367,818,684)	-	(29,760,297)	540,757	(397,038,224)
Total capital assets being depreciated, net	457,126,341	3,904,262	(29,760,297)	(19,707)	431,250,599
Total capital assets, net	$ 685,521,786	$ -	$ 9,112,048	$ (19,707)	$ 694,614,127

Note 5: Notes Receivable

The District contracts with other local agencies to provide long-term, low-interest financing for the construction of conjunctive use wells and other facilities projects. Costs incurred for construction of these facilities are recorded as capital assets. Notes receivable are recorded for the project costs with the offsetting amount to contributed capital. The capital assets are depreciated over the life of the corresponding note receivable. Notes receivable consists of the following at June 30, 2016 and 2015:

	2016	2015
Balance at July 1	$ 2,054,010	$ 3,217,993
Less: Payments received	(704,349)	(1,163,983)
Balance at June 30	1,349,661	2,054,010
Less: Current portion	(270,517)	(268,083)
Total noncurrent notes receivable	$ 1,079,144	$ 1,785,927

Payment requirements on the notes receivable subsequent to June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 270,517	$ 20,427	$ 290,944
2018	536,366	10,893	547,259
2019	441,024	6,300	447,324
2020	87,750	3,325	91,075
2021	14,004	245	14,249
Total	$ 1,349,661	$ 41,190	$ 1,390,851

Note 6: Long-Term Debt

Certificates of Participation

2003A Certificates of Participation

In June 2003, the Public Facilities Corporation issued $129,815,000 of Certificates of Participation, Series A, to assist the District in refunding the remaining portion of the 1993 Fixed Rate Revenue Certificates of Participation and to finance the cost of certain capital improvements. A portion of the issuance proceeds used to refund the 1993 Certificates of Participation were placed in an irrevocable trust with an escrow agent. As a result, $113,500,000 of the 1993 Certificates of Participation are considered to be in substance defeased, and the related liabilities have been removed from the District's financial statements. The defeased Certificates have been redeemed.

Note 6: Long-Term Debt (Continued)

The Certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement, by and between the District and the Public Facilities Corporation. The Installment Purchase Agreement requires the District to prescribe, assess and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District are reasonably expected to be at least sufficient to yield Net Revenues during such fiscal year equal to 125% of debt service payable in such fiscal year.

The 2003 Series A Certificates of Participation are due in annual installments of $13,755,000 to $18,535,000 from August 2035 to August 2042 with interest at an adjustable rate calculated weekly and payable monthly. The 2003A Certificates of Participation outstanding totaled $129,815,000 as of June 30, 2016 and 2015. The interest rate at June 30, 2016 and 2015, was 0.40% and 0.05%, respectively.

2009A Certificates of Participation

In August 2009, the Public Facilities Corporation issued $130,080,000 Revenue Refunding Certificates of Participation, Series A, to assist the District in refunding the remaining portion of the 2008A Certificates of Participation, the funding of a reserve fund for the Certificates, and to pay certain costs of executing and delivering the Certificates. The proceeds were placed in an irrevocable trust with an escrow agent. As a result, the 2008A Certificates are considered to be in substance defeased, and the related liabilities have been removed from the District's financial statements. The defeased Certificates have been redeemed.

The Certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement, by and between the District and the Corporation. The Installment Purchase Agreement requires the District to prescribe, assess and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District are reasonably expected to be at least sufficient to yield Net Revenues during such fiscal year equal to 125% of debt service payable in such fiscal year. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,526,835.

The 2009 Series A Certificates of Participation are due in annual installments of $595,000 to $13,585,000 from August 2015 to August 2030; interest at 2% to 5.25%. Certificates are due in annual installments of $1,335,000 to $18,400,000 from August 2030 to August 2041; interest at 4.75% to 5%, payable semiannually on February 15 and August 15. The 2009A Certificates of Participation outstanding totaled $126,705,000 and $127,295,000 as of June 30, 2016 and 2015, respectively.

Note 6: Long-Term Debt (Continued)

2013A Refunding Revenue Bonds

In June 2013, the District issued $53,000,000 of Refunding Revenue Bonds to defease the remaining $63,170,000 of 2003B Certificates of Participation.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,534,199.

The 2013 Series A Refunding Revenue Bonds consist of $53,000,000 of serial bonds. The bonds accrue interest at rates between 4.00% and 5.00% and mature between August, 2025 and August, 2033, in amounts ranging from $675,000 to $13,900,000. The 2013A Refunding Revenue Bonds outstanding totaled $53,000,000 as of June 30, 2016 and 2015.

The District will, to the fullest extent permitted by law, prescribe and assess, at the commencement of each Fiscal Year, replenishment assessments and additional replenishment assessments in accordance with the provisions of the Orange County Water District Act which when combined with other Revenues of the District, are reasonably expected to be at least sufficient to yield Net Revenues during such Fiscal Year equal to one hundred twenty-five percent (125%) of Debt Service payable in such Fiscal Year. The District may make adjustments from time to time in such replenishment assessments and additional replenishment assessments, and may make such classification thereof as it deems necessary, but shall not reduce the replenishment assessments and additional replenishment assessments then in effect unless the Net Revenues are reasonably expected to be sufficient to meet the foregoing requirements.

Other Defeased Certificates of Participation

In prior years, the District defeased certain certificates of participation, including the 1999A, 2003B, 2005B and 2007A certificates, by placing the proceeds of the new bonds with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2015 and June 30, 2016, $93,310,000 and $89,500,000 million of bonds outstanding to be paid by the escrow agent, respectively, are considered defeased.

Note 6: Long-Term Debt (Continued)

The following is a summary of the changes in Certificates of Participation and Revenue Refunding Bonds for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Certificates of Participation (COP) and Revenue Refunding Bonds:					
2003A COP	$ 129,815,000	$ -	$ -	$ 129,815,000	$ -
2009A COP	127,295,000	-	(590,000)	126,705,000	720,000
2013A Revenue Refunding Bonds	53,000,000	-	-	53,000,000	-
	310,110,000	-	(590,000)	309,520,000	$ 720,000
Add: Unamortized (discount) premium	11,368,377	-	(607,687)	10,760,690	
Total	$ 321,478,377	$ -	$ (1,197,687)	$ 320,280,690	

The following is a summary of the changes in Certificates of Participation and Revenue Refunding Bonds for the year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year
Certificates of Participation (COP) and Revenue Refunding Bonds:					
2003A COP	$ 129,815,000	$ -	$ -	$ 129,815,000	$ -
2005B COP	28,670,000	-	(28,670,000)	-	-
2009A COP	127,890,000	-	(595,000)	127,295,000	590,000
2013A Revenue Refunding Bonds	53,000,000	-	-	53,000,000	-
	339,375,000	-	(29,265,000)	310,110,000	$ 590,000
Add: Unamortized (discount) premium	13,297,360	-	(1,928,983)	11,368,377	
Total	$ 352,672,360	$ -	$ (31,193,983)	$ 321,478,377	

Note 6: Long-Term Debt (Continued)

Aggregate maturities of the Certificates of Participation, Revenue Refunding Bonds and interest payments (using 0.40% on the 2003A variable rate debt) subsequent to June 30, 2016, are as follows:

Year Ending	Principal	Interest	Total
2017	$ 720,000	$ 9,501,260	$ 10,221,260
2018	680,000	9,476,660	10,156,660
2019	685,000	9,452,760	10,137,760
2020	690,000	9,425,260	10,115,260
2021	740,000	9,392,960	10,132,960
2022-2026	7,430,000	46,296,050	53,726,050
2027-2031	49,935,000	40,170,600	90,105,600
2032-2036	83,490,000	23,026,750	106,516,750
2037-2041	110,390,000	10,319,910	120,709,910
2042-2043	54,760,000	677,270	55,437,270
Total	$ 309,520,000	$ 167,739,480	$ 477,259,480

State of California Loans Payable

Green Acres Phase II

In July 1997, the District entered into a loan contract with the State Water Resources Control Board for the construction of an extension of pipeline into Newport Beach including appurtenances and service meters. The District may borrow up to $4,380,132 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $4,292,529 under the loan contract. The loan has an interest rate of 2.8% with maturities through 2017. The outstanding balance totaled $378,876 and $650,979 as of June 30, 2016 and 2015, respectively.

Groundwater Replenishment System (GWRS)

In May 2006, the District entered into an agreement with the State Water Resources Control Board for the construction of Groundwater Replenishment System project. The District may borrow up to $8,659,470 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $7,216,196 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2024. The outstanding balance totaled $3,523,063 and $3,925,355 as of June 30, 2016 and 2015, respectively.

Note 6: Long-Term Debt (Continued)

GWRS Barrier Facilities

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new injection wells. The District may borrow up to $4,491,018 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $3,479,837 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled $1,984,557 and $2,163,234 as of June 30, 2016 and 2015, respectively.

GWRS Pipeline Unit 1

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the first portion of the Groundwater Replenishment System pipeline. The District may borrow up to $5,310,891 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $4,425,725 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled $2,523,389 and $2,750,522 as of June 30, 2016 and 2015, respectively.

GWRS Pipeline Unit 2

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the second portion of the Groundwater Replenishment System pipeline. The District may borrow up to $3,452,552 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $2,877,115 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled $1,639,600 and $1,787,102 as of June 30, 2016 and 2015, respectively.

GWRS Pipeline Unit 3

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the third portion of the Groundwater Replenishment System pipeline. The District may borrow up to $4,137,559 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $3,429,338 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled $1,851,023 and $2,017,018 as of June 30, 2016 and 2015, respectively.

Note 6: Long-Term Debt (Continued)

GWRS Advanced Water Treatment Facility

In June 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new advanced wastewater treatment facility for the District's Groundwater Replenishment System. The District may borrow up to $136,802,193 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $114,000,776 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2028. The outstanding balance totaled $73,219,081 and $78,641,254 as of June 30, 2016 and 2015, respectively.

Groundwater Replenishment System Initial Expansion

In August 2011, the District entered into an agreement with the State Water Resources Control Board for construction of the Groundwater Replenishment System Initial Expansion project. The District may borrow up to $137,442,775 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $137,442,775. The loan has an interest rate of 2.6% with maturities through 2036. The outstanding balance totaled $145,784,734 and $134,770,341 as of June 30, 2016 and 2015, respectively.

Fletcher Basin

In November 2013, the District entered into an agreement with the State Water Resources Control Board for the construction of the Fletcher Basin Improvement project. The District may borrow up to $2,879,342 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $2,572,819. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled $2,885,284 and $1,223,146 as of June 30, 2016 and 2015, respectively.

Alamitos Barrier

In November 2013, the District entered into an agreement with the State Water Resources Control Board for expansion of the Alamitos Seawater Intrusion Barrier. The District may borrow up to $10,623,910 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $130,000. The loan has an interest rate of 1.9% with a repayment period of 20 years after project completion. The outstanding balance totaled $2,494,709 and $534,808 as of June 30, 2016 and 2015, respectively.

Note 6: Long-Term Debt (Continued)

La Palma Basin

In February 2016, the District entered into an agreement with the State Water Resources Control Board for construction of a groundwater recharge basin. The District may borrow up to $8,570,970 or the eligible costs of the project, whichever is less. At June 30, 2016, the State Water Resources Control Board had disbursed $379,654. The loan has an interest rate of 1.0% with a repayment period of 30 years after project completion. The outstanding balance totaled $3,316,489 as of June 30, 2016.

The following is a summary of the changes in loans payable to the State of California for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Green Acres Phase II	$ 650,979	$ -	$ (272,103)	$ 378,876	$ 378,876
GWRS	3,925,355	-	(402,292)	3,523,063	410,367
GWRS Barrier Facilities	2,163,234	-	(178,677)	1,984,557	182,072
GWRS Pipeline Unit 1	2,750,522	-	(227,133)	2,523,389	231,459
GWRS Pipeline Unit 2	1,787,102	-	(147,502)	1,639,600	150,327
GWRS Pipeline Unit 3	2,017,018	-	(165,995)	1,851,023	169,268
GWRS Advanced Water Treatment Facility	78,641,254	-	(5,422,173)	73,219,081	5,519,934
GWRS Initial Expansion	134,770,341	11,014,393	-	145,784,734	5,649,834
Fletcher Basin	1,233,146	1,652,138	-	2,885,284	108,521
Alamitos Barrier	534,808	1,959,901	-	2,494,709	-
La Palma Basin	-	3,316,489	-	3,316,489	-
Total	$ 228,473,759	$ 17,942,921	$ (6,815,875)	$ 239,600,805	$ 12,800,658

Note 6: Long-Term Debt (Continued)

The following is a summary of the changes in loans payable to the State of California for the year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year
Green Acres Phase II	$ 915,671	$ -	$ (264,692)	$ 650,979	$ 272,102
GWRS	4,319,731	-	(394,376)	3,925,355	402,292
GWRS Barrier Facilities	2,338,580	-	(175,346)	2,163,234	178,678
GWRS Pipeline Unit 1	2,973,409	-	(222,887)	2,750,522	227,133
GWRS Pipeline Unit 2	1,931,835	-	(144,733)	1,787,102	147,503
GWRS Pipeline Unit 3	2,179,804	-	(162,786)	2,017,018	165,995
GWRS Advanced Water Treatment Facility	83,967,396	-	(5,326,142)	78,641,254	5,422,173
GWRS Initial Expansion	114,739,540	20,030,801	-	134,770,341	-
Fletcher Basin	-	1,233,146	-	1,233,146	-
Alamitos Barrier	-	534,808	-	534,808	-
Total	$ 213,365,966	$ 21,798,755	$ (6,690,962)	$ 228,473,759	$ 6,815,876

Debt service requirements on the loans payable to the State of California subsequent to June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 12,800,658	$ 5,395,168	$ 18,195,826
2018	12,691,969	5,113,443	17,805,412
2019	12,968,848	4,836,564	17,805,412
2020	13,251,956	4,553,457	17,805,413
2021	13,541,437	4,263,976	17,805,413
2022-2026	71,311,218	16,753,683	88,064,901
2027-2031	52,459,928	9,207,629	61,667,557
2032-2036	44,763,593	3,512,331	48,275,924
Alamitos Barrier Principal as of June 30, 2016*	2,494,709	-	2,494,709
La Palma Basin Principal as of June 30, 2016*	3,316,489	-	3,316,489
Total	$ 239,600,805	$ 53,636,251	$ 293,237,056

*As of June 30, 2016, the future debt service requirements have not been determined.

Note 6: Long-Term Debt (Continued)

Commercial Paper

The Public Facilities Corporation issued commercial paper from which the proceeds were used to provide capital funds for the District to purchase land. The commercial paper has a maximum maturity of 270 days. The District issues, from time-to-time, Tax and Revenue Anticipation Notes which are additionally secured by revenue to service the commercial paper. On January 13, 2014, the District issued 2013-2014, Tax and Revenue Anticipation Notes amounting to $28,400,000 to the Public Facilities Corporation. The outstanding balance for the notes $20,723,000 and $24,613,000 for the year ended June 30, 2016 and June 30, 2015, respectively.

The following is a summary of the changes in commercial paper for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Commercial Paper	$ 24,613,000	$ -	$ (3,890,000)	$ 20,723,000	$ 20,723,000

The following is a summary of the changes in commercial paper for the year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year
Commercial Paper	$ 27,280,000	$ -	$ (2,667,000)	$ 24,613,000	$ 24,613,000

Note 7: Derivative Instruments Interest Rate Swap Agreements

Objective

The District executed two interest rate swap agreements on February 5, 2007, (the swaps) with swap provider Citibank, N.A. (counterparty), which were subsequently amended and restated as of April 1, 2008, to hedge debt service cost on a portion of the District's 2003A Adjustable Rate Refunding Certificates of Participation by achieving a synthetic fixed rate.

Details on the swap agreements are as follows:

Notional Amount	Fixed Rate	COP Issue	Termination Date	Initial Effective Date
$ 58,800,000	3.314	2003A	07/25/2037	02/07/2007
23,750,000	3.314	2003A	08/01/2029	05/16/2007
$ 82,550,000				

Terms

Under the swap agreements, the District will make a fixed rate payment to the swap counterparty, at a rate of 3.314%, and then receive a variable rate payment of 56% of the monthly LIBOR rate plus 23 basis points from the swap counterparty that would effectively offset the payment on the underlying variable rate Certificates. The swaps are for a total notional amount of $82,550,000 and terminate on various dates.

A portion of the 2003A Certificates maturity dates matches the maturity of the related swap agreements. The swaps notional amount is equal to a portion of the principal amounts of the 2003A Certificates issued and will decline as the principal amount of the associated proportion debt declines.

Summary of Activities in Cash Flow Hedging Derivative Instruments

Notional Amount	Fair Value at July 1, 2014	Change in Fair Value	Fair Value at June 30, 2015	Change in Fair Value	Fair Value at June 30, 2016
$ 58,800,000	$ (11,603,703)	$ (1,671,739)	$ (13,275,442)	$ (5,667,426)	$ (18,942,868)
23,750,000	(4,250,202)	(396,179)	(4,646,381)	(1,649,965)	(6,296,346)
$ 82,550,000	$ (15,853,905)	$ (2,067,918)	$ (17,921,823)	$ (7,317,391)	$ (25,239,214)

As of June 30, 2016 and 2015, the fair value of $(25,239,214) and $(17,921,823) respectively, is reported as a noncurrent asset and deferred inflows of resources in the Statements of Net Position.

Note 7: Derivative Instruments Interest Rate Swap Agreements (Continued)

Credit Risk

As of June 30, 2016 and 2015, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

The swaps counterparty, Citibank N.A., has the following credit ratings:

	Standard & Poor's	Moody's
Citibank N.A.	A	A1

Basis Risk

The swaps do expose the District to basis risk, which refers to a mismatch between the interest rate received from the swap contract and the interest paid on the variable rate payments to be made on the debt. The District pays the counterparty a fixed rate and receives a variable rate based on 56% of the 1 month UDS-LIBOR-BBA plus a spread of .23% which may be different than the variable rate payments to be made on the debt. The District is at risk that the variable interest rate payments received from the counterparty will be less than the variable rate payments owed on the debt.

Termination Risk

The swaps may be terminated by the District or the counterparty if the other party fails to perform under the terms of the swap agreements. In addition, the District has the option to terminate the swaps upon proper notification to the counterparty. If the swaps are terminated, the District would prospectively pay the variable rates on the portion of 2003A Certificates related to the swap agreements rather than a fixed rate. The termination of the swap agreements could therefore increase the District's total debt service. Also, if at the time of the termination, the swaps have a negative fair value, the District would be liable to the counterparty for a payment equal to such negative fair value, or be paid an amount equal to a positive fair value. As of June 30, 2016 and 2015, and the swap had a negative fair value of $25,239,214 and $17,921,823, respectively.

Swap Payments and Associated Debt

Using a variable rate of 0.40% for the 2003A COP as of June 30, 2016, debt service requirements of the Certificates and the swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, the variable rate interest payments and net swap payments will vary.

Note 7: Derivative Instruments Interest Rate Swap Agreements (Continued)

Year Ending June 30,	Variable Rate Debt Principal	Variable Rate Debt Interest	Variable Rate Debt Total	Interest Rate Swap, Net	Fixed Debt Service
2017	$ -	$ 330,200	$ 330,200	$ 2,330,165	$ 2,660,365
2018	-	330,200	330,200	2,330,165	2,660,365
2019	-	330,200	330,200	2,330,165	2,660,365
2020	-	330,200	330,200	2,330,165	2,660,365
2021	-	330,200	330,200	2,330,165	2,660,365
2022-2026	1,625,000	1,644,500	3,269,500	13,229,957	14,874,457
2027-2031	40,125,000	1,142,200	41,267,200	48,185,311	49,327,511
2032-2036	29,475,000	551,300	30,026,300	33,365,430	33,916,730
2037-2039	11,325,000	23,600	11,348,600	11,491,541	11,515,141
Total	$ 82,550,000	$ 5,012,600	$ 87,562,600	$ 117,923,066	$ 122,935,666

Fair Value Measurement

The model used to value the interest rate swaps is based upon well recognized financial principles, and interest rate yield curves can be validated through readily observable data by external sources. Although readily observable data is used in the valuation of the interest rate swaps, methodologies could have an effect on the estimated fair value. Accordingly, the interest rate swaps are categorized as Level 2.

Note 8: Joint Ventures

The District is a participant in the Santa Ana Watershed Project Authority (SAWPA). SAWPA is a joint venture of five water districts that provide for the construction, ownership, operation, and maintenance of facilities involved in the collection, transmission, treatment, disposal, and reclamation of sewage, wastewater, groundwater, and storm water in the Santa Ana River Watershed area. Each participating district appoints two commissioners to SAWPA to form a governing Board of Authority. Equal contributions are made by each member district for administration and contributions are based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each district.

As of June 30, 2015, the SAWPA has total assets of $173,051,031 and total net position of $65,034,558. As of June 30, 2014, the SAWPA has total assets of $177,502,546 and total net position of $66,595,968. The District does not have a measurable equity interest in SAWPA. The District is also a participant in other joint ventures in which the District does not have a material equity interest or material ongoing financial interest or responsibility. Separate financial statements of SAWPA can be obtained at 11615 Sterling Avenue, Riverside, California 92503.

Note 9: Defined Contribution Pension Plan

The Money Purchase Plan for employees of Orange County Water District (Money Purchase Plan) is a defined contribution pension plan administered by a committee of the Board of Directors and District employees. The Money Purchase Plan covers all employees, except part-time or temporary employees, immediately upon date of hire. For the first layer, the Money Purchase Plan requires each employee, upon date of hire, to contribute monthly to a mandatory contributions account, by payroll deduction, an amount equal to the current FICA rate not limited to the FICA wage cap. For the first layer, the District may elect in any year to contribute any portion or all of the participant's first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District is required to make a contribution in an amount equal to the then current Social Security contribution requirement (7.65% for the years ended December 31, 2016 and 2015) for the employer contribution. In addition, the District may elect in any year to contribute any portion or all of the participant's first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District elected to contribute 3% for the years ended December 31, 2016 and 2015, of the participant's mandatory contribution.

Each eligible employee becomes a participant in the second layer of contribution as of the first day of the month following completion of twelve months of covered service. The District is required to contribute 6% of the participant's total monthly compensation each month.

Employees are required to make a mandatory contribution of 4.65% of compensation. Employees may elect to contribute to a voluntary contribution account in the Money Purchase Plan. Voluntary contributions may be an amount not less than 2% of compensation, nor more than an amount that would cause all contributions to exceed the lesser of $53,000 or 25.00% of his or her paid compensation for the year. In addition, the District may elect in any year to contribute any portion or all of each employee's Money Purchase Plan contribution, thereby reducing the employee's Money Purchase Plan contribution by the amount contributed by the District.

The Money Purchase Plan may be amended by resolution of the Board of Directors, subject to limitations obtained in the Plan document. Total contributions to the Money Purchase Plan for the years ended June 30, 2016 and 2015, were $3,600,218 and $3,407,730, respectively.

Separate audited financial statements of the Money Purchase Plan can be obtained from the District offices at 18700 Ward Street, Fountain Valley, California 92708.

Note 10: Other Post-Employment Benefits (OPEB)

Plan Description

The District contributes to a single-employer defined benefit plan to provide post-employment health care benefits. Specifically, the District provides health insurance for its retired employees and eligible directors, their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board resolutions. Medical coverage is provided for retired employees who are age 55 or over and who have a minimum of 12 years' service with the District. The District pays a flat dollar cap towards the premium for the retiree and the dependent coverage. Medical coverage is provided for the surviving spouse of retired employees and the surviving spouse of active employees who upon death had attained age 55 and who had a minimum of 12 years of service with the District. The District will pay the flat dollar amount premium cap until the surviving spouse remarries, becomes enrolled under another group health plan, or cancels coverage. Employees who qualify for post-retirement health coverage must designate Medicare as their primary insurance coverage provider at the time they become eligible for Medicare (the District's coverage will then become secondary). Retiree and survivor medical coverage for employees hired on or after July 1, 2009 will terminate upon eligibility for Medicare. The plan does not provide a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2016 and 2015, the District elected to fund 100% of the annual required contribution (ARC) of the employer an amount actuarially determined in accordance with the parameters of GASB Statement 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 over a period not to exceed thirty years. The ARC totaled $1,300,733 and $1,319,560 for the year ended June 30, 2016 and 2015, respectively.

Note 10: Other Post-Employment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The following table shows the component of the District's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset as of June 30, 2016 and 2015.

	2016	2015
Annual required contribution (ARC)	$ 1,300,733	$ 1,319,560
Interest on Net OPEB asset	(12,741)	(12,741)
Amortization of Net OPEB obligations	15,939	15,939
Annual OPEB cost	1,303,931	1,322,758
Contribution made	1,303,931	1,322,758
Increase in Net OPEB obligation (asset)	-	-
Beginning Net OPEB obligation (asset)	(231,655)	(231,655)
Ending Net OPEB obligation (asset)	$ (231,655)	$ (231,655)

The net OPEB asset is included as part of other noncurrent assets in the District's Statement of Net Position.

Three Year Trend Information

Information on the annual OPEB cost, percentage of Annual OPEB Cost contributed, and Net OPEB Obligation for the past three fiscal years is presented below.

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/2014	$ 1,322,758	$ 1,322,758	100.00%	$ (231,655)
06/30/2015	1,322,758	1,322,758	100.00%	(231,655)
06/30/2016	1,303,931	1,303,931	100.00%	(231,655)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial date, the actuarial accrued liability was $16,230,918. The Plan has an asset value of $7,767,364 resulting in an unfunded accrued liability (UAL) of $8,463,555 and a 47.86% funded ratio. The covered payroll (annual payroll of active employees covered by the plan) was $22,098,609 and the ratio of the UAL to the covered payroll was 38.30%.

Note 10: Other Post-Employment Benefits (OPEB) (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.50% investment rate of return (net of administrative expenses), 5% inflation rate and the District's share of premium cost will increase at a rate of 4% per year for all future years. The healthcare trend rates range from 8% in year one decreasing annually by 1% until holding constant at 5% for future years. The District's unfunded actuarial accrued liability will be amortized by level dollar contributions over thirty years as a level dollar amount. The remaining closed amortization period at June 30, 2016, was twenty-three years.

Note 11: Risk Management

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

At June 30, 2016 and 2015, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to $100,000 per occurrence and has purchased excess insurance coverage up to $150,000,000 (total insurable value of $354,708,180). The District has a $25,000 deductible for buildings, personal property and fixed equipment and a $25,000 deductible for mobile equipment and licensed vehicles.

General Liability - The Insurance Authority has pooled self-insurance up to $2,000,000 per occurrence and has purchased excess insurance coverage up to $60,000,000.

Auto Liability - The Insurance Authority has pooled self-insurance up to $2,000,000 per occurrence and has purchased excess insurance coverage up to $60,000,000.

Public Officials' Liability - The Insurance Authority has pooled self-insurance up to $2,000,000 per occurrence and has purchased excess insurance coverage up to $60,000,000.

PVBHC Employer Fidelity Bond - The Insurance Authority has pooled self-insurance up to $100,000 per occurrence and the District has purchased excess insurance coverage up to $5,000,000. The District has a $1,000 deductible.

Note 11: Risk Management (Continued)

Workers' Compensation - Insured up to the statutory limit; the Insurance Authority is self-insured up to $2,000,000 and excess insurance coverage has been purchased up to the statutory limit. Employer's liability is insured up to a $4,000,000 limit. The Insurance Authority has pooled self-insurance up to $2,000,000 and has purchased excess insurance coverage up to $2,000,000.

Fiduciary Liability - Purchased coverage up to $1,000,000. The District has no deductible.

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

Note 12: Commitments and Contingencies

The District has entered into various contracts for the purchase of material and construction of the utility plant. The amounts contracted for are based on the contractor's estimated cost of construction. At June 30, 2016 and 2015, the total unpaid amount on these contracts are approximately $13,706,830 and $10,190,243, respectively. During fiscal year ended June 30, 2016, the District has entered into various contracts for the construction and rehabilitation of various wells and basins throughout the region. At June 30, 2016 and 2015, the total unpaid amount on these contracts are approximately $15,089,824 and $10,015,725, respectively. These commitments may be funded from restricted assets.

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the District's financial position.

Note 13: Leasing Arrangements

The District leases land and unused pipelines to several commercial and government entities.

The following is a schedule of future minimum rentals under leases at June 30, 2016, not including renewal option increases.

Year Ending	Amount
2017	$ 797,744
2018	260,149
2019	180,313
2020	146,650
Total	$ 1,384,856

SINCE 1933

Required Supplementary Information

Other Post-Employment Benefits
Schedule of Funding Progress

ORANGE COUNTY WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDING JUNE 30, 2016 AND 2015

OTHER POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

Retiree Health Plan

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded liability (UL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UL as a Percentage of Payroll [(a)-(b)]/(c)
1/1/2007	$ 11,206,023	$ -	$ 11,206,023	0.00%	$ 15,880,684	70.56%
7/1/2009	12,185,213	1,218,052	10,967,161	10.00%	17,292,114	63.42%
7/1/2011	12,204,844	3,458,552	8,746,292	28.34%	20,113,287	43.49%
7/1/2013	14,846,659	5,489,095	9,357,564	36.97%	20,711,758	45.18%
7/1/2015	16,230,918	7,767,364	8,463,554	47.86%	22,098,609	38.30%

SINCE 1933

Statistical Section

Financial Trends
Revenue Capacity
Debt Capacity
Demographic and Economic Information
Operating Information

ORANGE COUNTY WATER DISTRICT

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2016

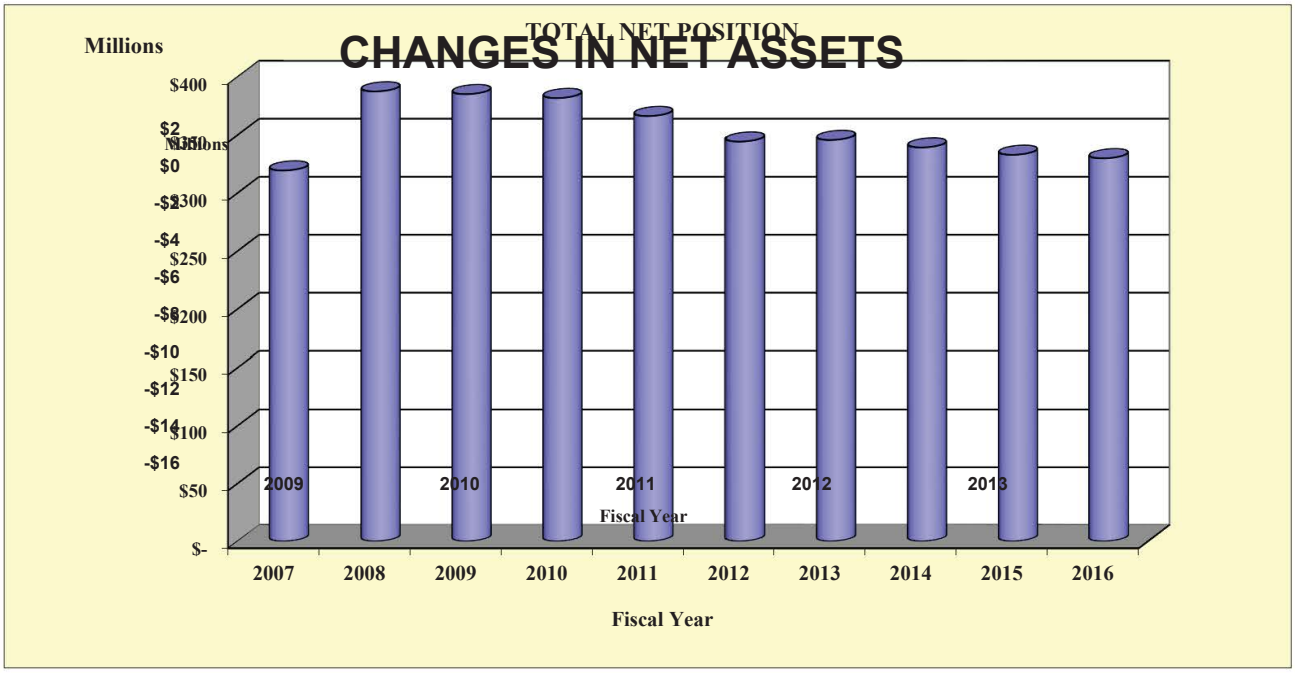
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and the note disclosures say about the government's overall financial health.

Contents:	Pages
Financial Trends schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	54-57
Revenue Capacity schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	58-60
Debt Capacity schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	61-64
Demographic and Economic Information schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	65-66
Operating Information schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	67-70

SINCE 1933

Net Position by Component
Last Ten Fiscal Years

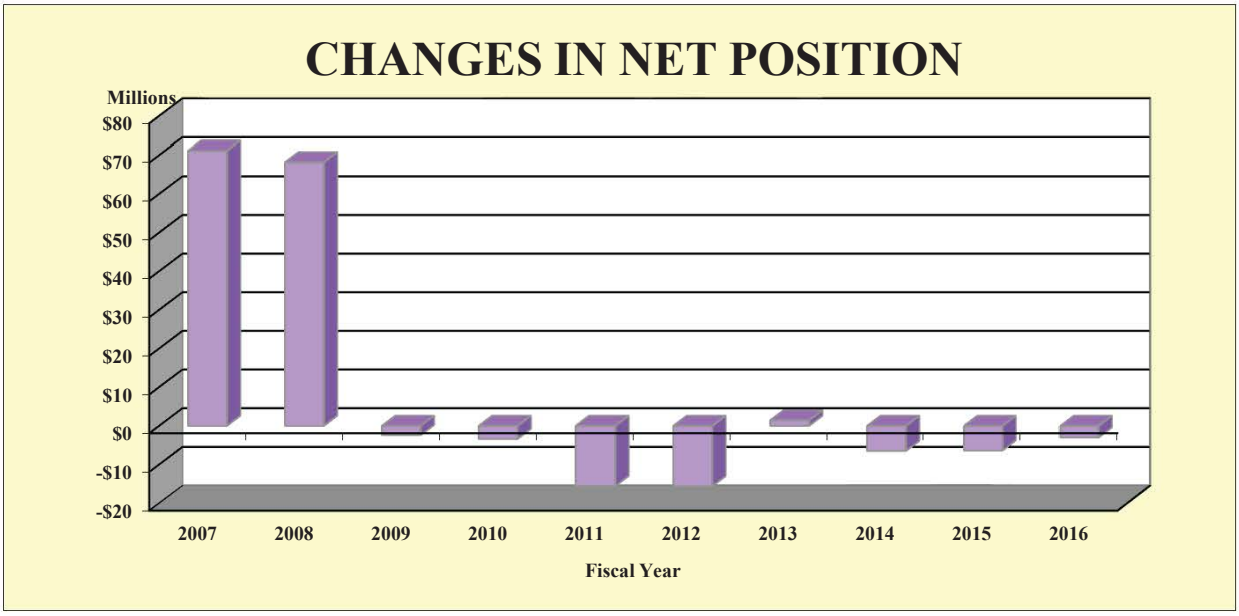
Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2007	$ 192,018,083	$ -	$ 127,538,276	$ 319,556,359
2008	219,850,233	2,438,010	165,421,027	387,709,270
2009	147,140,291	466,011	237,737,869	385,344,171
2010	125,709,435	50,790,670	205,481,065	381,981,170
2011	116,111,449	43,270,828	207,082,254	366,464,531
2012	111,571,069	39,078,897	193,794,385	344,444,351
2013	99,650,065	21,514,322	224,686,841	345,851,228
2014	95,168,906	17,540,437	226,680,734	339,390,077
2015	122,056,713	22,760,913	188,235,624	333,053,250
2016	135,271,635	21,404,577	173,374,582	330,050,794



Source: OCWD Finance Department

Changes in Net Position
Last Ten Fiscal Years

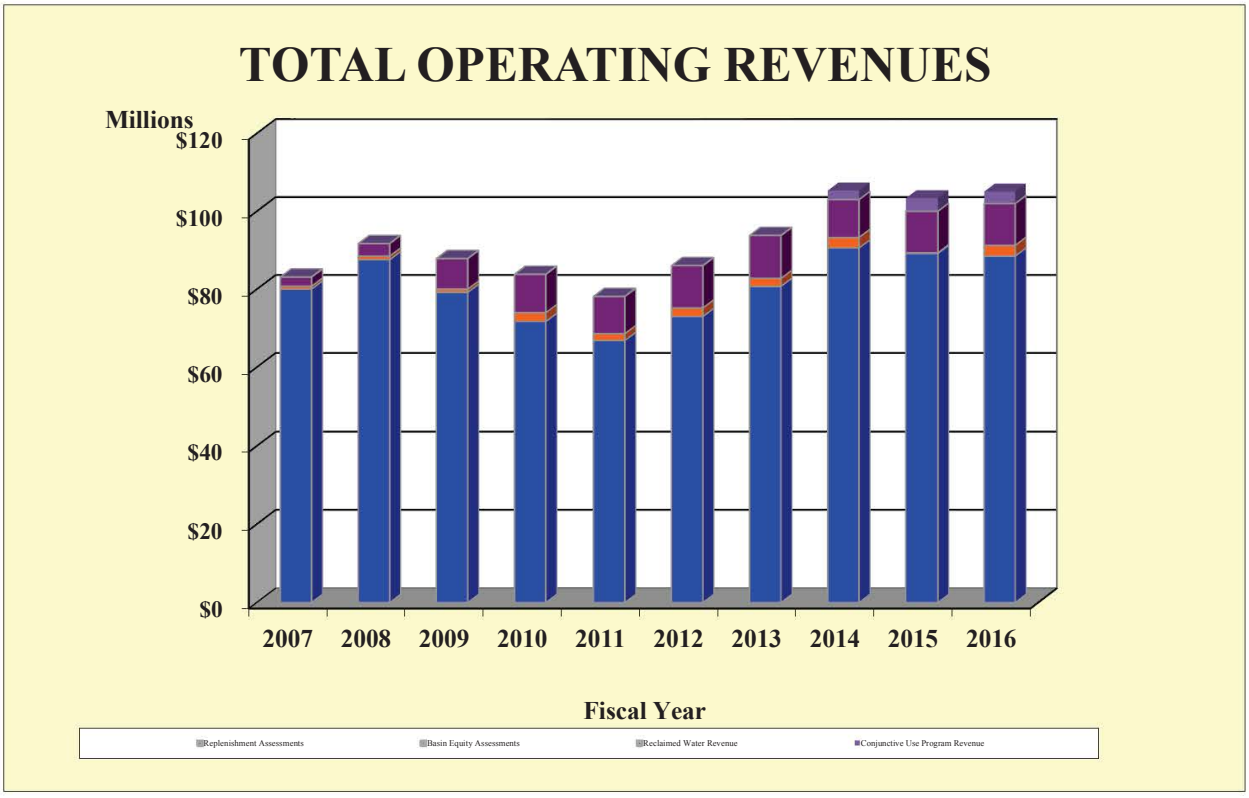
Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Non-Operating Revenues (Expenses)	Net Income (Loss) Before Capital Contributions	Capital Contributions	Change in Net Position
2007	$ 83,082,421	$ 67,398,010	$ 15,684,411	$ 12,734,800	$ 28,419,211	$ 42,678,490	$ 71,097,701
2008	91,669,760	64,258,149	27,411,611	18,959,831	46,371,442	21,781,469	68,152,911
2009	87,831,679	95,052,735	(7,221,056)	(1,561,521)	(8,782,577)	6,417,475	(2,365,102)
2010	83,794,246	96,157,265	(12,363,019)	7,103,633	(5,259,386)	1,896,385	(3,363,001)
2011	78,110,405	98,315,531	(20,205,126)	3,522,527	(16,682,599)	1,165,960	(15,516,639)
2012	86,014,152	115,240,940	(29,226,788)	12,864,561	(16,362,227)	778,674	(15,583,553)
2013	93,756,691	98,781,253	(5,024,562)	6,372,002	1,347,440	59,437	1,406,877
2014	105,293,285	128,519,418	(23,226,133)	15,735,304	(7,490,829)	1,029,678	(6,461,151)
2015	103,318,416	125,845,408	(22,526,992)	15,521,237	(7,005,755)	668,928	(6,336,827)
2016	105,016,764	128,327,208	(23,310,444)	14,200,225	(9,110,219)	6,107,763	(3,002,456)



Source: OCWD Finance Department

Operating Revenues By Source
Last Ten Fiscal Years

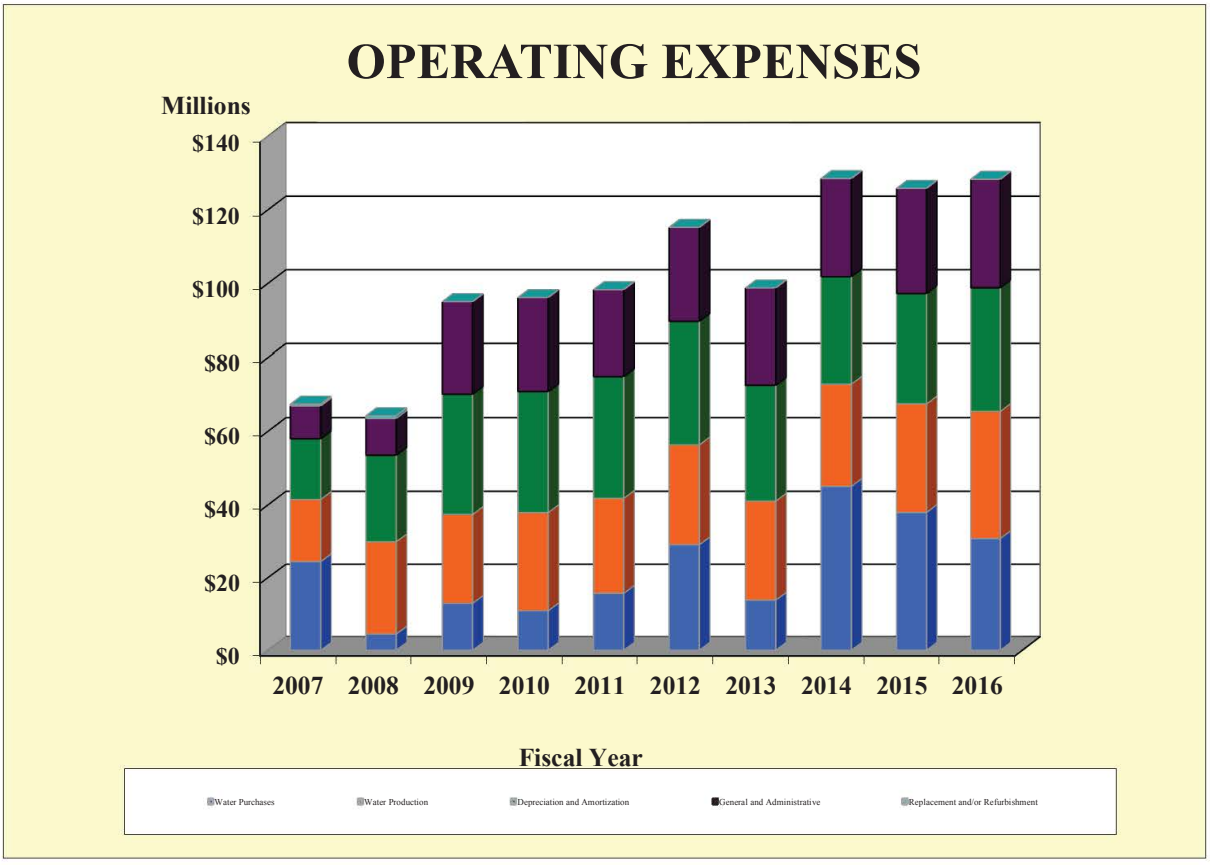
Fiscal Year	Replenishment Assessments	Basin Equity Assessments	Reclaimed Water Revenue	Conjunctive Use Program Revenue	Total	Percent Change
2007	$ 79,983,287	$ 793,177	$ 2,305,957	$ -	$ 83,082,421	-
2008	87,541,655	961,516	3,166,589	-	91,669,760	10.3%
2009	79,167,471	852,787	7,811,421	-	87,831,679	-4.2%
2010	71,682,764	2,292,388	9,819,094	-	83,794,246	-4.6%
2011	66,799,060	1,771,328	9,540,017	-	78,110,405	-6.8%
2012	72,961,431	2,219,153	10,833,568	-	86,014,152	10.1%
2013	80,694,951	2,082,761	10,978,979	-	93,756,691	9.0%
2014	90,550,510	2,733,128	9,714,520	2,295,127	105,293,285	12.3%
2015	89,137,337	184,679	10,656,130	3,340,270	103,318,416	-1.9%
2016	88,464,251	2,767,818	10,699,469	3,085,226	105,016,764	1.6%



Source: OCWD Finance Department

Operating Expenses by Function
Last Ten Fiscal Years

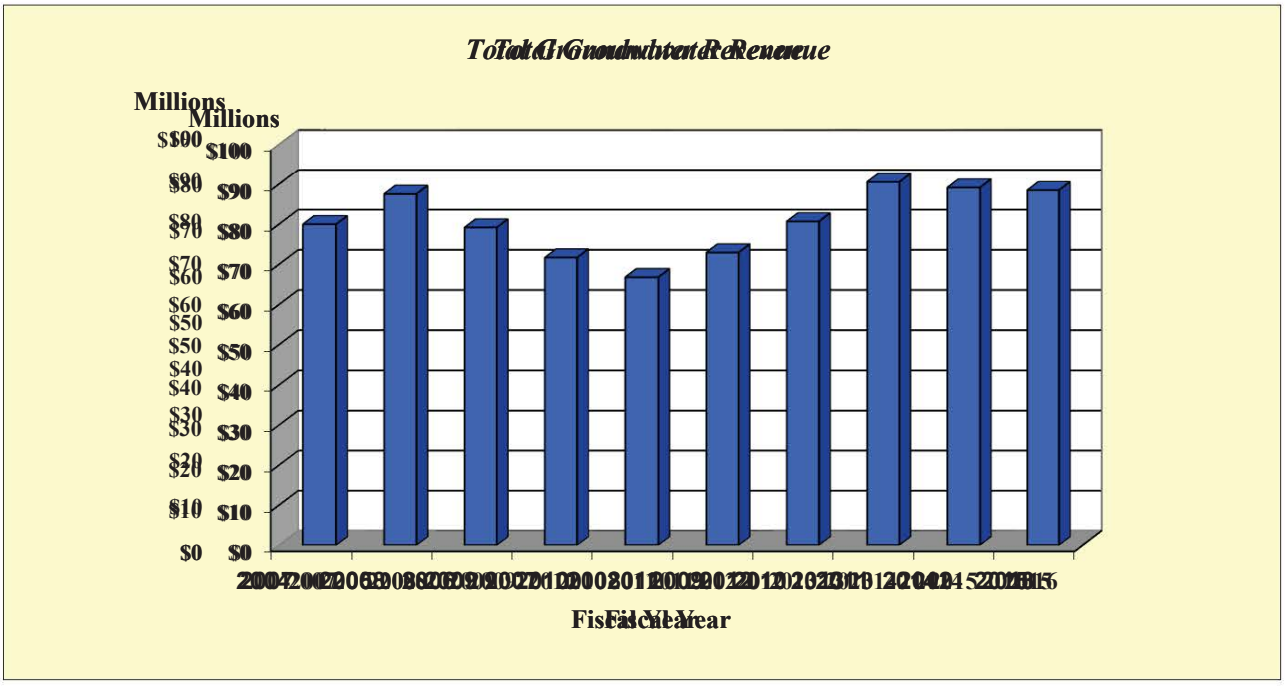
Fiscal Year	Water Purchases	Water Production	Depreciation and Amortization	General and Administrative	Replacement and/or Refurbishment	Total	Percent Change
2007	$ 24,451,766	$ 17,061,821	$ 16,474,892	$ 8,943,107	$ 466,424	$ 67,398,010	-
2008	4,462,320	25,487,715	23,576,893	9,996,039	735,182	64,258,149	-4.7%
2009	12,945,102	24,497,498	32,651,566	24,958,569	-	95,052,735	47.9%
2010	10,892,330	27,041,080	32,878,812	25,345,043	-	96,157,265	1.2%
2011	15,708,425	26,116,735	33,069,585	23,420,786	-	98,315,531	2.2%
2012	29,139,553	27,222,877	33,346,141	25,532,369	-	115,240,940	17.2%
2013	13,825,244	27,242,617	31,453,784	26,259,608	-	98,781,253	-14.3%
2014	45,072,626	27,765,955	29,010,580	26,670,257	-	128,519,418	30.1%
2015	37,973,313	29,532,369	29,760,297	28,579,429	-	125,845,408	-2.1%
2016	30,831,126	34,630,579	33,362,509	29,502,994	-	128,327,208	2.0%



Source: OCWD Finance Department

Total Sales Acre-Feet and Revenue by Water Type
Last Ten Fiscal Years

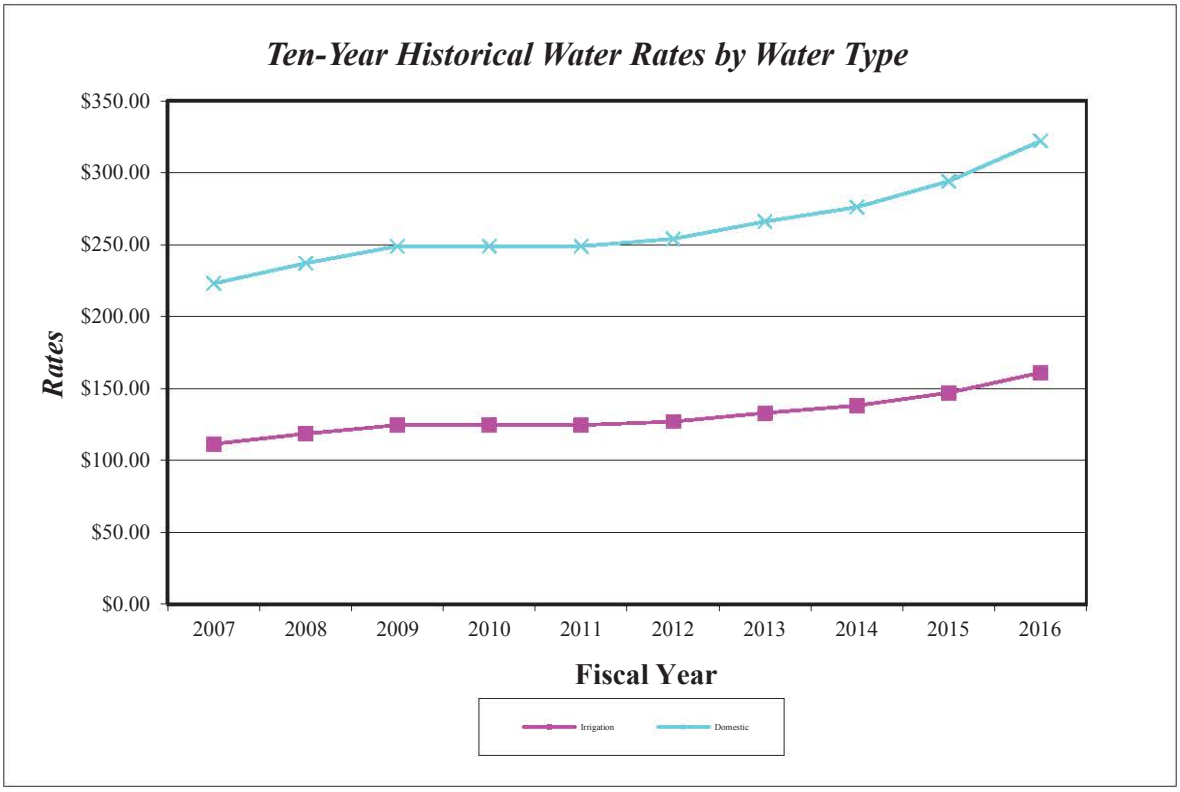
Fiscal Year	Irrigation (Acre-Feet)	Domestic (Acre-Feet)	In-Lieu Delivery (Acre-Feet)	Replenishment Assessment Revenue
2007	3,301.6	295,816.0	50,740.3	$ 79,983,287
2008	1,992.8	364,192.1	0.0	87,541,655
2009	2,515.6	321,631.2	0.0	79,167,471
2010	1,222.6	284,352.3	0.0	71,682,764
2011	3,684.2	256,176.3	10,435.4	66,799,060
2012	4,455.5	236,626.1	40,563.5	72,961,431
2013	4,181.7	305,113.5	0.0	80,694,951
2014	3,066.9	327,715.4	0.0	90,550,510
2015	2,624.6	302,634.5	0.0	89,137,337
2016	2,047.8	275,022.2	0.0	88,464,251



Source: OCWD Finance Department

Water Rates by Water Type
Last Ten Fiscal Years
($ per Acre-Foot)

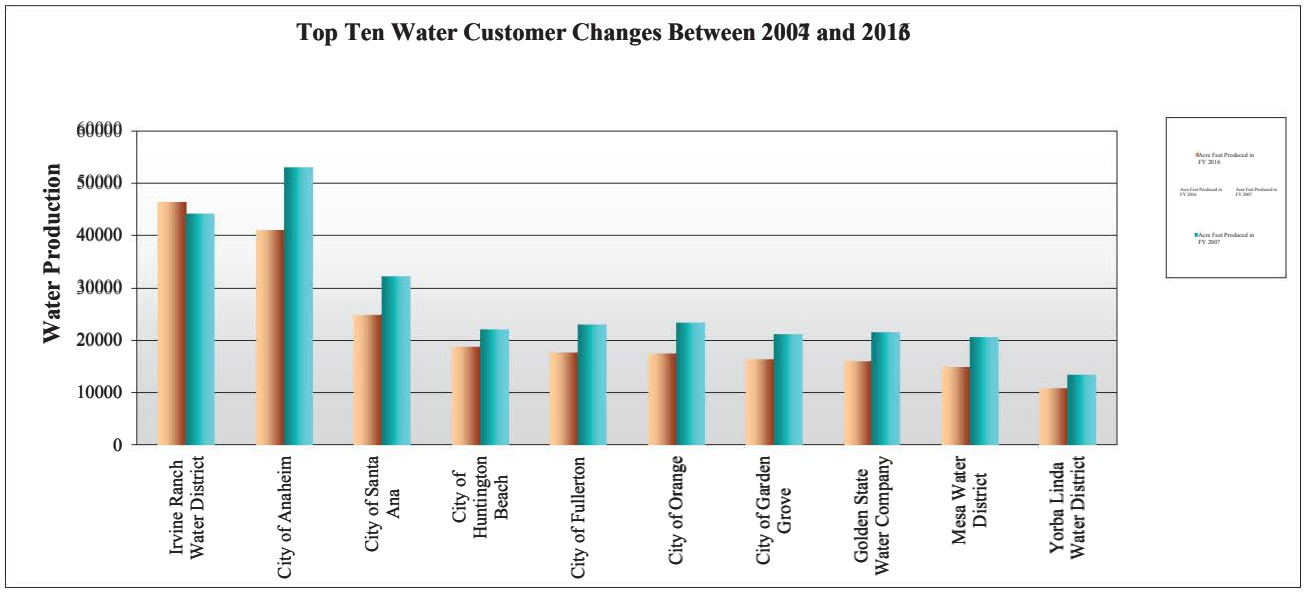
Fiscal Year	Irrigation	Domestic
2007	$ 111.50	$ 223.00
2008	118.50	237.00
2009	124.50	249.00
2010	124.50	249.00
2011	124.50	249.00
2012	127.00	254.00
2013	133.00	266.00
2014	138.00	276.00
2015	147.00	294.00
2016	161.00	322.00



Source: OCWD Finance Department

Changes In Top Ten Customer's Groundwater Production
Current Fiscal Year and Ten Years Ago

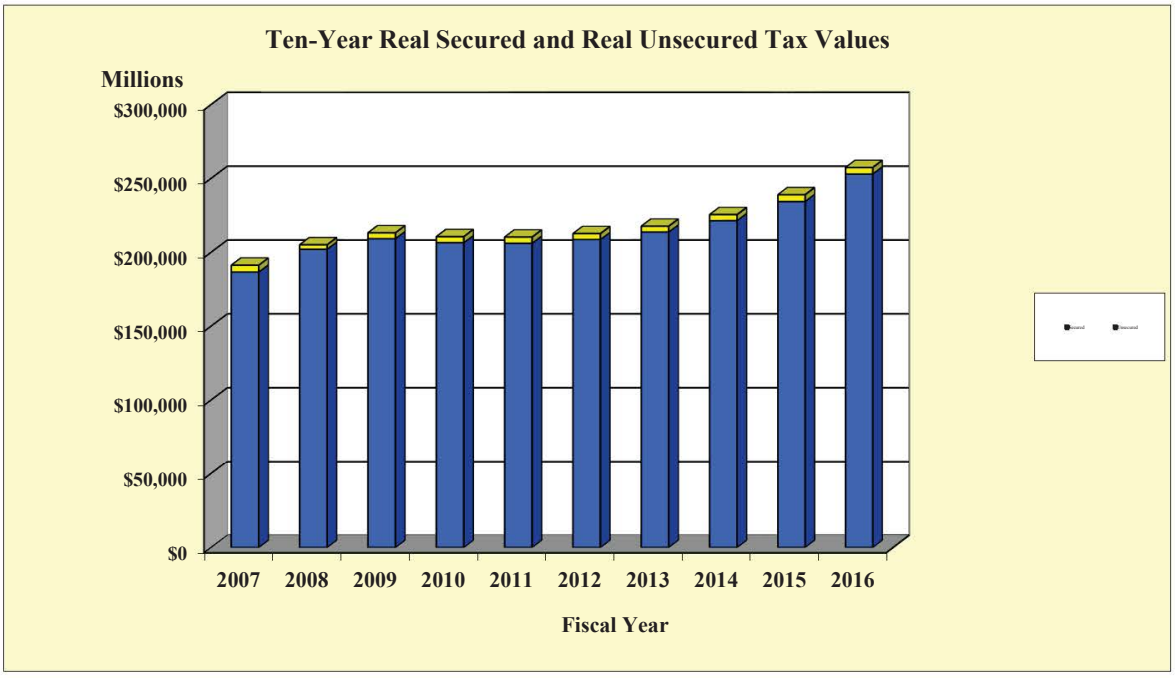
Member Cities & Agencies	Acre Feet Produced in FY 2016	% of Water Produced in FY 2016	Acre Feet Produced in FY 2007	% of Water Produced in FY 2007
Irvine Ranch Water District	46,396.1	20.77%	44,147.9	16.12%
City of Anaheim	40,988.9	18.35%	52,890.4	19.32%
City of Santa Ana	24,745.3	11.08%	32,066.5	11.71%
City of Huntington Beach	18,667.6	8.35%	22,055.2	8.06%
City of Fullerton	17,545.8	7.85%	22,866.4	8.35%
City of Orange	17,375.9	7.78%	23,332.3	8.52%
City of Garden Grove	16,189.5	7.24%	21,125.4	7.72%
Golden State Water Company	15,860.8	7.10%	21,506.9	7.85%
Mesa Water District	14,854.5	6.65%	20,489.7	7.48%
Yorba Linda Water District	10,796.0	4.83%	13,322.5	4.87%
Totals	**223,420.4**	**100%**	**273,803.2**	**100%**



Source: OCWD Finance Department

Ten-Year Real Secured and Real Unsecured Assessed Tax Values
Last Ten Fiscal Years

Fiscal Year	Real Secured	Real Unsecured	Total	Total Direct Tax Rate Percent (1)
2007	$ 186,687,569,533	$ 4,612,164,881	$ 191,299,734,414	1.00
2008	202,161,581,329	2,952,885,446	205,114,466,775	1.00
2009	209,272,754,630	3,946,106,787	213,218,861,417	1.00
2010	206,556,983,619	4,066,318,613	210,623,302,232	1.00
2011	206,226,283,216	4,108,102,919	210,334,386,135	1.00
2012	208,722,653,628	3,972,740,372	212,695,394,000	1.00
2013	213,779,477,681	3,899,614,817	217,679,092,498	1.00
2014	221,507,329,588	4,038,705,285	225,546,034,873	1.00
2015	234,453,148,467	4,557,572,558	239,010,721,025	1.00
2016	253,073,090,395	4,339,622,163	257,412,712,558	1.00

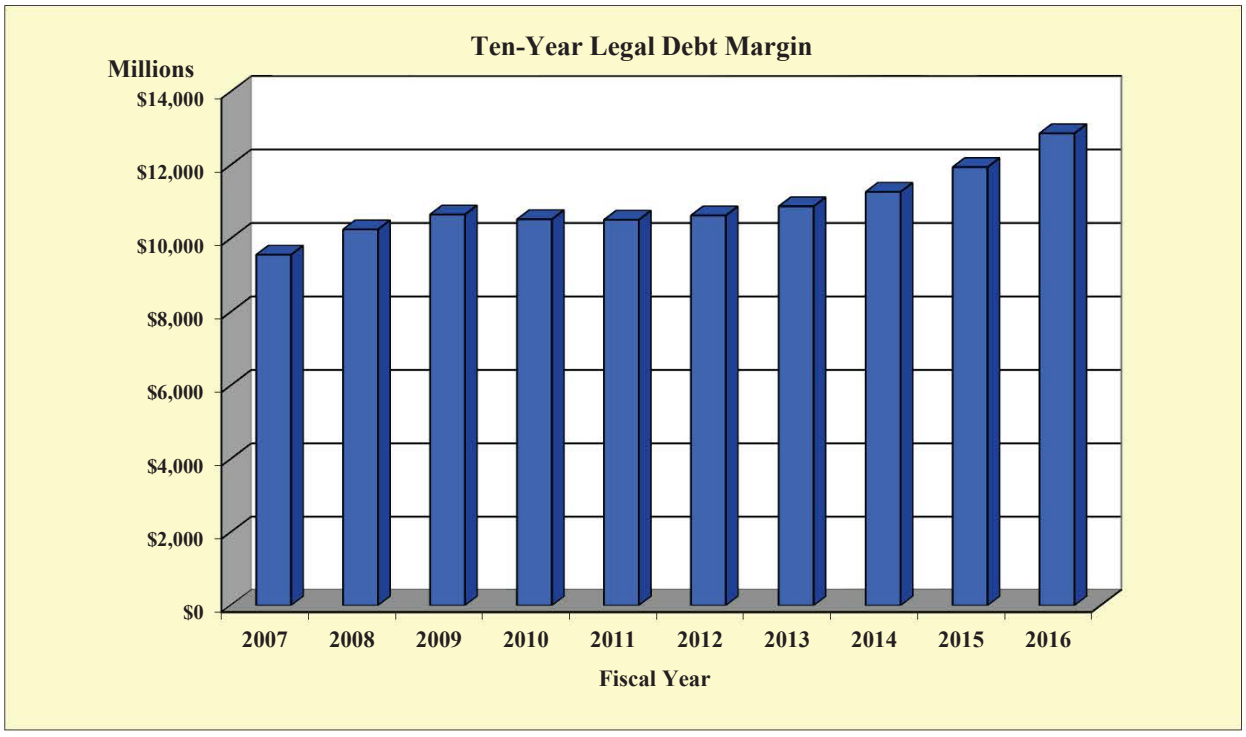


(1) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold.

Source: County of Orange Office of Auditor/Controller-Property Tax Unit

Ten-Year Computation of Legal Debt Margin
Fiscal Year 2007 Through 2016

Fiscal Year	Total Real Secured & Real Unsecured Assessed Value (1)	Legal Debt Limit (2)	Net Bonded Debt (3)	Legal Debt Margin (4)
2007	$ 191,299,734,414	$ 9,564,986,721	0	$ 9,564,986,721
2008	205,114,466,775	10,255,723,339	0	10,255,723,339
2009	213,218,861,417	10,660,943,071	0	10,660,943,071
2010	210,623,302,232	10,531,165,112	0	10,531,165,112
2011	210,334,386,135	10,516,719,307	0	10,516,719,307
2012	212,695,394,000	10,634,769,700	0	10,634,769,700
2013	217,679,092,498	10,883,954,625	0	10,883,954,625
2014	225,546,034,873	11,277,301,744	0	11,277,301,744
2015	239,010,721,025	11,950,536,051	0	11,950,536,051
2016	257,412,712,558	12,870,635,628	0	12,870,635,628



(1) Assessed Value is stated at taxable full cash value.
(2) Legal Debt Limit is 5% of Assessed Value.
(3) Net Bonded Debt is zero for the District.
(4) Legal Debt Margin is computed by subtracting Net Bonded Debt from the Legal Debt Limit.

Source: County of Orange Office of Auditor/Controller-Property Tax Unit

Pledged-Revenue Coverage
Last Two Fiscal Years
Debt Service

Fiscal Year	Revenue (1)	Less Operating & Maintenance Expenses (2)	Net Revenue	Senior Debt Service	Senior Debt Coverage	Net Revenues Available for Junior Debt Service	Junior Debt Service	Junior Debt Coverage	Total Debt Service (3)		Total Coverage
2015	134,683,979	62,260,201	72,423,778	16,057,765	4.51	56,366,013	8,207,931	6.87	24,265,696	(4) (5)	2.98
2016	132,106,337	65,811,725	66,294,612	12,422,316	5.34	53,872,296	8,207,931	6.56	20,630,247	(4)	3.21

(1) Revenues include replenishment assessment, reclaimed water revenues, conjunctive use program revenues, property tax revenue, investment income (excluding fair market value adjustment), rental income, and other revenues.

(2) Expenses are net of depreciation, amortization, water purchases, and interest expenses.

(3) The District has executed, in total, fourteen Certificates of Participation and Revenue Refunding Bonds issuances since 1989. Only three debt issuances are outstanding (2003A, 2009A, & 2013A) as of June 30, 2016. Other COP's are either advanced refunded, defeased, or refinanced with the help of the State loans, current COP's and Revenue Refunding Bonds.

(4) Commercial paper principal payments of $2,667,000 and $3,890,000 were made in September 2014 and March 2016 respectively. These principal payments were not included in total principal payments because these were not scheduled District debt service payments.

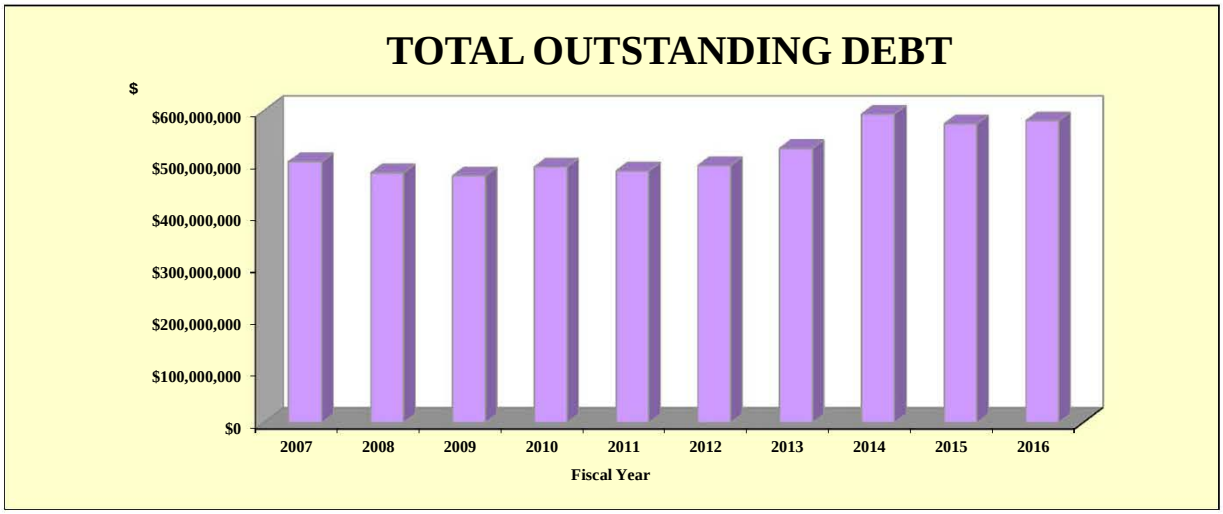
(5) COP 2005B principal of $26,845,000 was defeased in May 2015 but was not included in total principal payment because this was not a scheduled District debt service payment.

(6) The District has elected to show only two years of data for its pledged-revenue coverage.

Source: OCWD Finance Department

Ratios of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	COP Debt (2)	Revenue Refunding Bonds (2)	Commercial Paper (2)	State of California Loans (2)	Total Outstanding Debt (2)	Per Capita (1) (3)	Percentage of Personal Income (1) (3)
2007	$ 474,192,144	$ -	$ 2,100,000	$ 25,486,649	$ 501,778,793	$ 169	0.340%
2008	344,702,736	-	1,450,000	133,965,158	480,117,894	161	0.323%
2009	341,627,148	-	1,450,000	131,382,154	474,459,302	159	0.338%
2010	351,597,368	-	15,050,000	124,893,464	491,540,832	163	0.339%
2011	350,269,778	-	15,050,000	118,439,002	483,758,780	160	0.313%
2012	357,673,503	-	-	136,313,916	493,987,419	162	0.299%
2013	302,731,085	53,000,000	-	171,706,235	527,437,320	171	0.318%
2014	299,672,360	53,000,000	27,280,000	213,365,966	593,318,326	191	0.342%
2015	268,478,377	53,000,000	24,613,000	228,473,759	574,565,136	183	0.330%
2016	267,280,690	53,000,000	20,723,000	239,600,805	580,604,495	183	0.332%



(1) See the Schedule of Demographic Statistics on page 65 for personal income and population data. Data is for the entire County of Orange. The Orange County Water District services 358 square miles or 45% of the total 799 square miles that make up the boundaries of the County of Orange.
(2) Data Source: Orange County Water District - Finance Department
(3) Data Source: Refer to Orange County Water District, CAFR Schedule - Demographic Statistics

Source: OCWD Finance Department

Demographic Statistics
Covering The Entire County of Orange (1)
Last Ten Fiscal Years

Fiscal Year	Population Estimates (2)	Total Personal Income (in Thousands)	Per Capita Personal Income	Median Family Income (4)	Unemployment Rate (5)
2007	2,960,659	$ 147,503,532 (3)	$ 49,821	$ 83,015	4.0%
2008	2,974,321	148,866,191 (3)	50,050	85,985	5.3%
2009	2,990,805	140,171,320 (3)	46,867	80,111	9.0%
2010	3,008,855	144,888,672 (3)	48,154	79,146	9.8%
2011	3,017,217	154,486,157 (3)	51,202	81,663	9.4%
2012	3,051,472	164,970,595 (3)	54,063	81,653	8.3%
2013	3,086,260	165,857,885 (3)	53,741	82,861	6.8%
2014	3,113,370	173,305,650 (3)	55,665	85,313	5.5%
2015	3,139,615	174,055,650 (6)	55,439	85,913 (6)	4.5%
2016	3,165,203	174,805,650 (6)	55,227	86,513 (6)	4.4%

Notes and Data Sources

(1) The Orange County Water District services 358 square miles or 45% of the total 799 square miles that make up the boundaries of the County of Orange.
(2) Data Source: Demographic Research Unit, California Department of Finance.
(3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
(4) Data Source: Center for Demographic Research, California State University, Fullerton.
(5) Data Source: State of California, Employment Development Department as of June 30 of each fiscal year.
(6) Forecasted number.

Source: OCWD Finance Department

Principal Employers
Last Year and Nine Years Ago

2015

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	29,000	1	1.90%
University of California, Irvine	23,102	2	1.52%
County of Orange	18,053	3	1.18%
St. Joseph Health	11,925	4	0.78%
Kaiser Permanente	7,348	5	0.48%
Boeing Co.	6,470	6	0.42%
Wal-Mart Stores Inc.	6,000	7	0.39%
California State University, Fullerton	5,750	8	0.38%
Bank of America, Corp.	5,500	9	0.36%
Universal Services of America	5,500	10	0.36%

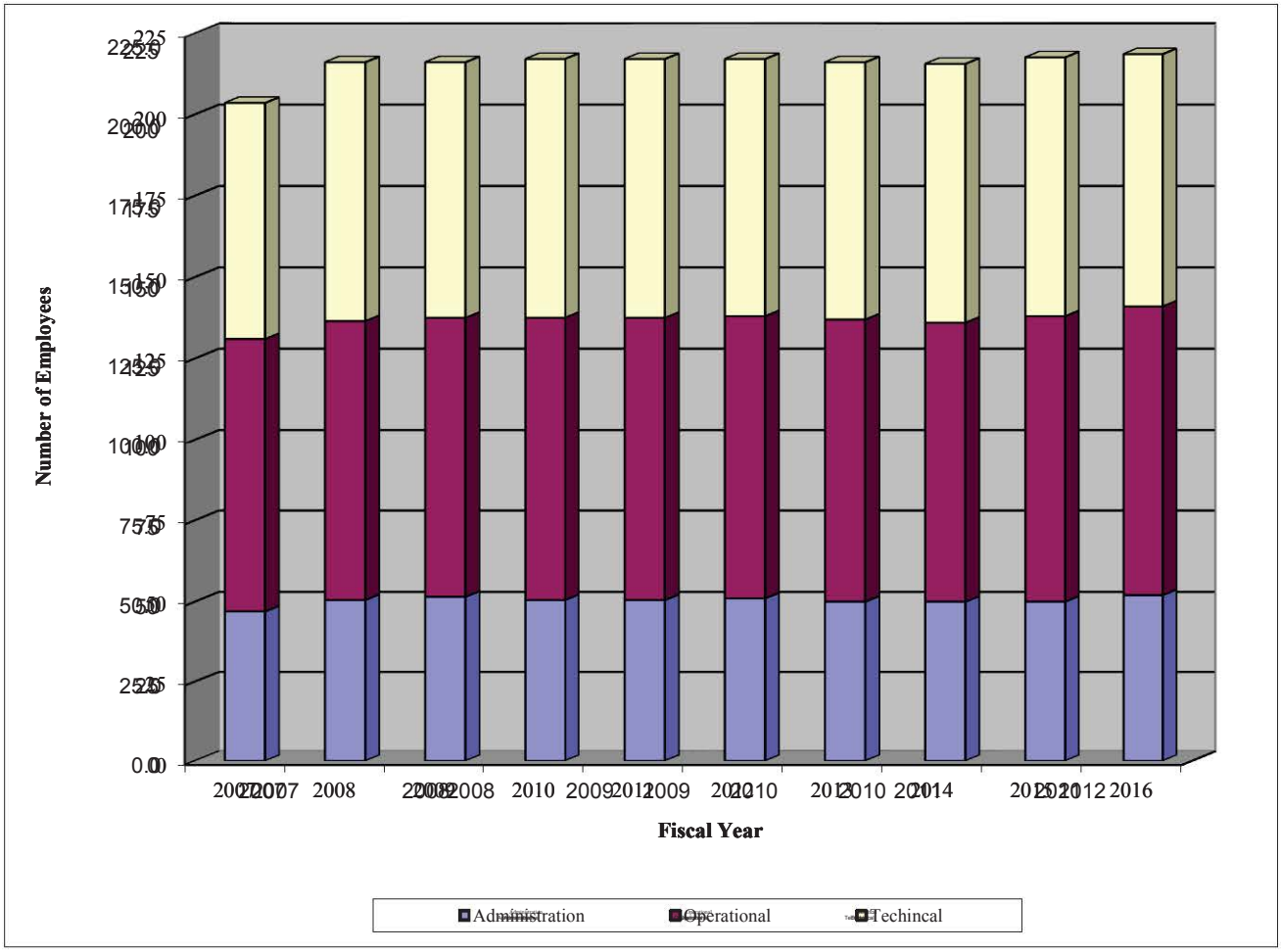
2007

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,250	1	1.32%
County of Orange	18,301	2	1.19%
University of California, Irvine	16,374	3	1.07%
Boeing Co.	11,242	4	0.73%
St. Joseph Health System	9,482	5	0.62%
Yum! Brands Inc.	7,000	6	0.46%
AT&T Inc.	6,116	7	0.40%
California State University, Fullerton	5,337	8	0.35%
Home Depot Inc.	5,200	9	0.34%
Memorial Health Services Inc.	4,961	10	0.32%

Source: Orange County Business Journal, Book of Lists 2015 and 2007, County of Orange, Final Budget FY2006-07 and FY2014-2015, Position Summary

Personnel Trends
Last Ten Fiscal Years

	FUNCTIONS			
Fiscal Year	**Administration**	**Operations**	**Technical**	**Total**
2007	47.0	84.0	72.5	203.5
2008	50.5	86.0	79.5	216.0
2009	51.5	86.0	78.5	216.0
2010	50.5	87.0	79.5	217.0
2011	50.5	87.0	79.5	217.0
2012	51.0	87.0	79.0	217.0
2013	50.0	87.0	79.0	216.0
2014	50.0	86.0	79.5	215.5
2015	50.0	88.0	79.5	217.5
2016	52.0	89.0	77.5	218.5



Source: OCWD Finance Department

Fiscal Year 2015-16 Groundwater Production
By Agency
(Acre-Feet)

City/Agency	Irrigation	Domestic	Total	% of water sold
Anaheim, City of		40,988.9	40,988.9	14.79%
Buena Park, City of		8,887.1	8,887.1	3.21%
County of Orange		135.1	135.1	0.05%
E.O.C.W.D.		468.7	468.7	0.17%
Fountain Valley, City of		5,961.8	5,961.8	2.15%
Fullerton, City of	8.0	17,537.8	17,545.8	6.33%
Garden Grove, City of		16,189.5	16,189.5	5.84%
Golden State Water Company		15,860.8	15,860.8	5.72%
Huntington Beach, City of		18,667.6	18,667.6	6.74%
Irvine Ranch Water District	933.0	45,463.1	46,396.1	16.75%
La Palma, City of		1,223.7	1,223.7	0.44%
Mesa Water District	68.4	14,786.1	14,854.5	5.36%
Newport Beach, City of		9,589.0	9,589.0	3.46%
Orange, City of		17,375.9	17,375.9	6.27%
Orange County Water District		63.1	63.1	0.02%
Santa Ana, City of		24,745.3	24,745.3	8.93%
Seal Beach, City of		2,187.8	2,187.8	0.79%
Serrano Water District		1,210.6	1,210.6	0.44%
Tustin, City of		7,702.3 `	7,702.3	2.78%
Westminster, City of		7,726.2	7,726.2	2.79%
Yorba Linda Water District	7.4	10,788.6	10,796.0	3.90%
All Operations Other Than Above	1,031.0	7,463.2	8,494.2	3.07%
Totals	**2,047.8**	**275,022.2**	**277,070.0**	**100%**

Source: OCWD Finance Department

Demographic and Production Indicators
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Demographics										
Service Area (Square Miles)	358	358	358	358	358	358	358	358	358	358
Population Estimate (1), (2)	3,165,203	3,139,615	3,113,370	3,086,260	3,051,472	3,017,217	3,008,855	2,990,805	2,974,321	2,960,659
Median Family Income (1), (3)	$ 86,513 (6)	$ 85,913 (6)	$ 85,313	$ 82,861	$ 81,653	$ 81,663	$ 79,146	$ 80,111	$ 85,985	$ 83,015
Production Data (A.F.) (4)										
Groundwater										
Non-Irrigation Pumping	275,022.2 (6)	302,634.5	327,715.4	305,113.5	236,626.1	256,176.3	284,352.3	321,631.2	364,192.1	295,816.0
In-lieu Delivery	-	-	-	-	40,563.5	10,435.4	-	-	-	50,740.3
Irrigation Pumping	2,047.8 (6)	2,624.6	3,066.9	4,181.7	4,455.5	3,684.2	1,222.6	2,515.6	1,992.8	3,301.6
Supplemental Water										
Non-Irrigation Delivery	70,298.3 (6)	98,501.9	103,907.4	111,097.8	119,864.6	123,854.9	127,535.0	118,770.1	96,627.4	139,919.8
Conservation Credit	2,007.1 (6)	1,731.8	1,448.9	1,401.5	1,386.8	1,372.0	1,383.4	1,191.8	1,271.7	1,726.0
Irrigation Delivery	-	-	-	-	-	-	-	19.3	6,391.9	2,765.2
Non-Local Water Purchased by OCWD (A.F.) (5)										
Western Municipal Water District	-	-	-	-	-	-	-	3,663.5	2,882.4	1,745.0
Alamitos Barrier	2,360.5 (6)	2,236.3	2,370.2	1,721.8	1,198.7	1,689.1	1,321.9	2,094.2	1,505.7	534.1
Talbert Barrier - Fountain Valley	-	-	-	-	-	-	-	-	-	143.9
Talbert Barrier - Mesa Water District	7.0 (6)	17.7	6.2	3.7	1.9	100.5	176.9	4,140.3	4,581.4	7,394.7
Forebay Recharge	45,118.0 (6)	48,616.8	50,700.5	39,926.9	48,940.4	27,538.6	20,535.7	18,100.0	-	42,173.0
In-lieu Program	-	-	-	-	40,563.5	10,435.4	-	-	-	50,740.3
Basin Water Supply Management Program	-	-	-	-	-	-	-	-	-	-
Arlington Desalter	-	-	-	-	-	-	106.2	428.2	1,266.6	227.6
San Bernadino Valley MWD	-	-	-	-	-	-	-	-	-	-

Notes and Data Sources:

(1) The Orange County Water District services 358 square miles or 45% of the total 799 square miles that make up the boundaries of the County of Orange.
(2) Data Source: Demographic Research Unit, California Department of Finance.
(3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
(4) Data Source: Appendix I, OCWD Engineer's Reports, from WY 2007 to WY 2015.
(5) Data Source: Appendix 4, OCWD Engineer's Reports, from WY 2007 to WY 2015.
(6) Preliminary data for WY 2016

Source: OCWD Finance Department

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2016	2015	2014	2013	2012
Water Treatment					
Facilities (million gallons per day)					
Groundwater Replenishment System (GWRS)	100	100	70	70	70
Pipeline (miles)					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
Recharge					
Recharge Facilities	25	25	25	25	25
Recharge System Storage (acre feet)	26,278	26,278	26,278	26,278	26,278
Basin Management					
Groundwater Monitoring Wells	424	397	395	391	401
Injection Wells	64	60	61	61	62
Soil Gas Monitoring Wells	10	10	10	10	10
Other Wells	16	16	16	16	4

Function	2011	2010	2009	2008	2007
Water Treatment					
Facility (million gallons per day)					
Groundwater Replenishment System (GWRS)	70	70	70	70	70
Pipeline (miles)					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
Recharge					
Recharge Facilities	24	24	24	24	23
Recharge System Storage (acre feet)	26,000	26,000	26,000	26,000	26,000
Basin Management					
Groundwater Monitoring Wells	398	398	393	378	376
Injection Wells	61	61	61	61	61
Soil Gas Monitoring Wells	21	21	21	21	21
Other Wells	4	4	3	3	3

SINCE 1933

Orange County Water District
Finance Department
P.O. Box 8300
Fountain Valley, CA 92728
Phone: 714-378-3200
Fax: 714-378-3373
www.ocwd.com