

MISSION SPRINGS WATER DISTRICT
DESERT HOT SPRINGS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
FINANCIAL STATEMENTS, REQUIRED
SUPPLEMENTARY INFORMATION AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2016

MISSION SPRINGS WATER DISTRICT

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MISSION SPRINGS WATER DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mission Springs Water District
Desert Hot Springs, California

Report on the Financial Statements

We have audited the accompanying combined statement of net position, combined statement of revenues, expenses and changes in net position, and combined statement of cash flows of Mission Springs Water District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year summarized information has been derived from the District's 2015 financial statements and, in our report dated November, 12, 2015 we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

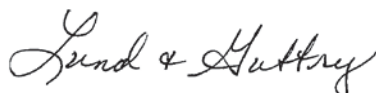
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 7 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of the Mission Springs Water 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 Mission Springs Water District's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of our audit.



November 21, 2016

MANAGEMENT'S DISCUSSION
AND ANALYSIS

MISSION SPRINGS WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

DESCRIPTION AND SCOPE OF MISSION SPRINGS WATER DISTRICT

Mission Springs Water District , formerly called Desert Hot Springs County Water District, was formed in 1953. The District is located in the Coachella Valley of Southern California, ten miles north of the City of Palm Springs. The boundaries encompass an area of 135 square miles, within which the district maintains and operates pipelines, 14 water wells, 24 reservoirs and 2 waste water treatment plants. The primary service area is the City of Desert Hot Springs.

Mission Springs Water District is comprised of the following:

Water District – The water district serves 13,030 water accounts, of which 95% are residential customers.

Sewer District – The sewer district provides sewage collection, treatment and disposal services to 7,696 single-family residences and 874 commercial establishments.

General District – The general district provides administrative support to operate the water and sewer districts.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

Mission Springs Water District operates as a utility enterprise fund. The governing body intends to provide service to the general public on a continuing basis and to recover costs through a system of user fees. The district maintains its financial records and prepares financial statements using the accrual basis of accounting. Required financial statements included in this report are a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. Additional statements and notes to the financial statements are provided to explain some of the information in the financial statements and provide more detailed data.

CONDENSED FINANCIAL INFORMATION

The following condensed financial information provides an overview of M.S.W.D.'s financial activities for the fiscal year ended June 30, 2016.

NET POSITION

Net position, the difference between assets and liabilities, increased 2.2 percent, or \$2,829,946 to \$129,210,784 from June 30, 2015.

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>Change</u>
Assets			
Capital assets, net	\$ 117,876,944	\$ 119,619,976	(\$ 1,743,032)
Other assets	<u>33,813,322</u>	<u>28,986,767</u>	<u>4,826,555</u>
Total assets	<u>151,690,266</u>	<u>148,606,743</u>	<u>3,083,523</u>
Liabilities			
Long-term liabilities	10,784,912	11,343,094	(558,182)
Other liabilities	<u>11,694,570</u>	<u>10,882,811</u>	<u>811,759</u>
Total liabilities	<u>22,479,482</u>	<u>22,225,905</u>	<u>253,577</u>
Net Position			
Invested in capital assets, net of debt	103,429,630	104,495,939	(1,066,309)
Restricted for:			
Debt service	811,250	807,507	3,743
Other purposes	29,768,998	23,656,558	6,112,440
Unrestricted (Deficit)	<u>(4,799,094)</u>	<u>(2,579,166)</u>	<u>(2,219,928)</u>
Total net position	<u>\$ 129,210,784</u>	<u>\$ 126,380,838</u>	<u>\$ 2,829,946</u>

MISSION SPRINGS WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

CAPITAL ASSETS, NET

Decreased \$1,743,032, or 1.5 percent. The following list presents a summary of capital expenditures.

Water meters	\$ 86,041
Sewer lines	63,817
Other acquisitions	410,491
Increase in construction in progress	2,005,233
Deletions	(341,128)
Less depreciation	(3,967,486)
 Total, net	 (<u>\$ 1,743,032</u>)

Schedule of Capital Assets (net of depreciation)

	June 30, <u>2016</u>	June 30, <u>2015</u>	<u>Change</u>	
Intangible plant	\$ 1,735,162	\$ 1,852,714	(\$ 117,552)	
Land and land rights	1,375,568	1,375,597	(29)	
Source of supply	5,043,733	5,234,289	(190,556)	
Pumping plant	11,112,659	11,558,022	(445,363)	
Transmission, distribution and storage	36,273,420	37,571,470	(1,298,050)	
Buildings and grounds	623,539	682,676	(59,137)	
Furniture and fixtures	441,478	418,767	22,711	
Radio equipment	401	802	(401)	
Shop equipment	4,789	6,100	(1,311)	
Autos, trucks and heavy equipment	106,485	132,707	(26,222)	
Sewage collection facilities	43,916,722	45,320,666	(1,403,944)	
Sewage treatment plants	9,420,746	9,745,866	(325,120)	
Other plant in service	218,401	121,692	96,709	
Construction in progress	<u>7,603,841</u>	<u>5,598,608</u>	<u>2,005,233</u>	
 Capital assets, net	 <u>\$ 117,876,944</u>	 <u>\$ 119,619,976</u>	 <u>(\$ 1,743,032)</u>	

OTHER ASSETS

Increased \$4,826,555, or 16.7 percent. The following list presents a summary of other assets and changes from June 30, 2015.

<u>Description</u>	June 30, <u>2016</u>	June 30, <u>2015</u>	<u>Change</u>	<u>Explanation</u>
Current assets – cash	\$ 1,125,644	\$ 1,181,628	(\$ 55,984)	
Restricted assets – cash	<u>17,830,638</u>	<u>16,141,679</u>	<u>1,688,959</u>	
Total cash	18,956,282	17,323,307	1,632,975	(1)
Assessments receivable	8,692,172	9,298,044	(605,872)	
Accounts and notes receivable	3,704,997	1,646,891	2,058,106	(2)
All other	<u>2,459,871</u>	<u>718,525</u>	<u>1,741,346</u>	(3)
 Totals	 <u>\$ 33,813,322</u>	 <u>\$ 28,986,767</u>	 <u>\$ 4,826,555</u>	

(1) Refer to pages 14-15, Combined Statement of Cash Flows.

(2) Increase in grants receivable during the year.

(3) Deferred inflows of resources associated with GASB 68.

MISSION SPRINGS WATER DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

LONG-TERM LIABILITIES

Decreased \$558,182, or 5.0 percent. This decrease consisted of payments on debt during the year.

LIABILITIES OTHER THAN LONG-TERM DEBT

Increased \$811,759 or 7.5 percent. Effective June 30, 2015, prior year Liabilities other than Long-Term were restated to conform to GASB 68 requirements with an increase of \$5,388,133 to liabilities and decrease to net position at June 30, 2014. Net pension liability at June 30, 2016 amounted to \$5,847,824.

NET POSITION

Invested In Capital Assets, Net of Debt:

Decreased \$1,066,309 or 1.0 percent, from June 30, 2015.

Restricted “Net Position” increased \$6,116,183. The balances are reserved primarily for capital replacements and debt service.

Unrestricted Net Position decreased \$2,219,928, or 86.1 percent, from the previous year. Unrestricted Net Position consists of net amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” However, certain of the unrestricted net position are authorized by the Board to be used for the CIP program.

CHANGES IN NET POSITION

The increase in net position for fiscal year 2016 was \$2,829,946. A comparative detailed analysis of all operating revenues, functional operating expenses and non-operating revenues and expense items are presented in the “COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUNCTION”, on page 46.

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>Change</u>
Total operating revenues	\$ 11,164,122	\$ 11,193,123	(\$ 29,001)
Total operating expenses	(8,698,143)	(8,834,594)	136,451
Operating income (loss) before depreciation	2,465,979	2,358,529	107,450
Depreciation	(3,967,486)	(3,913,728)	(53,758)
Operating income (loss)	(1,501,507)	(1,555,199)	53,692
Non-operating revenues, net	4,331,453	2,408,175	1,923,278
Increase (decrease) in net position	2,829,946	852,976	1,976,970
Beginning net position	<u>126,380,838</u>	<u>125,527,862</u>	<u>852,976</u>
Ending net position	<u>\$ 129,210,784</u>	<u>\$ 126,380,838</u>	<u>\$ 2,829,946</u>

On December 21, 2015 the board approved a five year revision to the rates for both water and sewer services. The first rate increase of 11.25% was applied to water and 11% applied to sewer services on March 1, 2016. An additional increase of 11.25% will be applied to water services on January 1, 2017 and 9.5% on January 1, 2018, 2019 and 2020, respectively. An additional increase of 11% will be applied to sewer services on January 1, 2017 and 2018, and 5% on January 1, 2019 and 2020.

MISSION SPRINGS WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

CHANGES IN NET POSITION (continued)

Operating revenue analysis:

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>Change</u>
Water service charge	\$ 1,555,857	\$ 1,426,763	\$ 129,094
Water consumption charge	4,433,456	4,830,181	(396,725)
Water meter sales	46,849	17,566	29,283
Sewer service charges	4,356,867	4,151,325	205,542
Other	<u>771,093</u>	<u>767,288</u>	<u>3,805</u>
Total operating revenue	<u>\$ 11,164,122</u>	<u>\$ 11,193,123</u>	<u>(\$ 29,001)</u>

Operating expense analysis:

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>Change</u>	<u>Explanation</u>
Salaries and benefits	\$ 4,340,821	\$ 4,543,836	(\$ 203,015)	(1)
Electricity	1,047,063	1,185,057	(137,994)	(2)
Water replenishment fees	71,842	94,391	(22,549)	
Engineering	45,844	48,960	(3,116)	
Legal	287,313	175,325	111,988	(3)
Interest	739,491	528,887	210,604	(4)
Other	<u>2,165,769</u>	<u>2,258,138</u>	<u>(92,369)</u>	
Total operating expense before depreciation	<u>\$ 8,698,143</u>	<u>\$ 8,834,594</u>	<u>(\$ 136,451)</u>	
Depreciation expense	<u>\$ 3,967,486</u>	<u>\$ 3,913,728</u>	<u>\$ 53,758</u>	

Depreciation expense increased \$53,758 or 1.4 percent, due to additional capital assets placed into service at June 30, 2016 and 2015 with a cost basis of \$560,349 and \$1,584,155, respectively, and other assets becoming fully depreciated during 2016.

- (1) Additional reduction in staff in the year including employees on disability or worker's comp.
- (2) Reduction of electric costs due to Well #27 being out of service since September of 2015.
- (3) Increase in legal services related to California's Sustainable Groundwater Management Act.
- (4) Additional Assessment District ("AD") #12 Long Term Debt incurred during the year ended June 30, 2015 (See also Footnote No. 5).

MISSION SPRINGS WATER DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

CHANGES IN NET POSITION (continued)

“Net non-operating revenues”, increased \$1,923,278 or 79.9 percent.

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>	<u>Change</u>
Backup and front footage fees, water and sewer	\$ 322,860	\$ 250,226	\$ 72,634
Contributed infrastructure	-	776,168	(776,168)
Federal and State grants	1,789,298	200,897	1,588,401
Property taxes	1,625,177	1,584,299	40,878
Interest on investments	724,909	436,837	288,072
Interest expenses	(739,491)	(528,887)	(210,604)
Deferred inflows/outflows of resources (GASB68)	946,657	346,744	599,913
Other	(337,957)	(658,109)	320,152
Total operating revenue	<u>\$ 4,331,453</u>	<u>\$ 2,408,175</u>	<u>\$ 1,923,278</u>

Increases in backup and front footage fees, water and sewer and Federal and State grants are due to areas D2 and J1 of AD #12 being constructed during the year ended June 30, 2016. A decrease in the amount of contributed infrastructure is due to the decrease in development and construction. Increase in deferred inflows/outflows of resources is due to a recalculated amount of the District’s liability related to its retirement program.

Connection fees are charged when customers connect to the water and/or sewer systems. Single-family residences pay \$4,353 water connection fee and \$2,520 sewer connection fee.

Grants were received in fiscal year 2016 and 2015 to assist with the construction of water and sewer infrastructure. (See Note 19)

Property tax revenues are allocated to the district by Riverside County.

Additional Assessment District #12 projects were completed towards the end of the 2015 fiscal year, resulting in an increase of property tax interest collections of approximately \$240,000.

Interest collected from property assessments related to sewer assessment districts increased approximately \$2,000.

Interest on investments increased \$40,425 from the Local Agency Investment Fund (L.A.I.F.) and yields increased from 0.28% to 0.55% between July 1, 2015 and June 30, 2016. The District’s investment on deposit with L.A.I.F. increased \$1,659,810 for the same period.

ASSESSMENT DISTRICT #13

Assessment District #13 was sponsored by the District . This A.D. was for Century Vintage Homes, Mountain View Estates sub-division in Desert Hot Springs. The project consisted of “on-site” water and sewer systems and water and sewer connection fees paid to the District for 439 single family residential units. Bonds in the amount of \$7,200,000 were issued on December 13, 2005. All financial activity is excluded from the financial statements and footnotes of this audit report. Following is an excerpt from the official statement prepared by the underwriters, Stone & Youngberg, LLC.

“The bonds are limited obligation improvement bonds and are secured solely by the assessments and the amounts pledged under the indenture. Neither the faith and credit nor the taxing power of the water district... is pledged to the payment of the bonds.”

FINANCIAL STATEMENTS

MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF NET POSITION
JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	<u>2016</u>				<u>2015</u>
	<u>Water District</u>	<u>Sewer District</u>	<u>General District</u>	<u>Total Combined</u>	<u>(Memorandum only) Combined</u>
CURRENT ASSETS					
Cash	\$ 381,567	\$ 361,963	\$ 382,114	\$ 1,125,644	\$ 1,181,628
Accounts receivable:					
Water and sewer	1,492,054	308,595	-	1,800,649	1,472,101
Other	1,185,647	718,701	-	1,904,348	174,790
Note receivable due in 12 months	11,565	-	-	11,565	11,734
Interest receivable	-	-	10,975	10,975	5,736
Prepaid expenses	-	-	138,180	138,180	135,722
Inventory	-	-	327,049	327,049	324,231
Total current assets	<u>3,070,833</u>	<u>1,389,259</u>	<u>858,318</u>	<u>5,318,410</u>	<u>3,305,942</u>
OTHER ASSETS					
Note receivable, long term	98,595	-	-	98,595	127,815
Deferred inflows of resources	-	-	1,753,091	1,753,091	-
Total other assets	<u>98,595</u>	<u>-</u>	<u>1,753,091</u>	<u>1,851,686</u>	<u>127,815</u>
RESTRICTED ASSETS					
Cash	2,947,257	4,806,495	10,076,886	17,830,638	16,141,679
Assessments receivable	-	8,692,172	-	8,692,172	9,298,044
Interest receivable	4,081	6,696	2,411	13,188	5,257
Taxes receivable	47,703	15,171	23,070	85,944	84,273
Issuance costs for long-term debt	11,343	9,941	-	21,284	23,757
Total restricted assets	<u>3,010,384</u>	<u>13,530,475</u>	<u>10,102,367</u>	<u>26,643,226</u>	<u>25,553,010</u>
UTILITY PLANT					
Utility plant	90,136,827	77,603,407	5,017,948	172,758,182	170,634,249
Less accumulated depreciation	<u>(33,575,597)</u>	<u>(18,659,122)</u>	<u>(2,646,519)</u>	<u>(54,881,238)</u>	<u>(51,014,273)</u>
Total utility plant	<u>56,561,230</u>	<u>58,944,285</u>	<u>2,371,429</u>	<u>117,876,944</u>	<u>119,619,976</u>
TOTAL ASSETS	<u>\$ 62,741,042</u>	<u>\$ 73,864,019</u>	<u>\$ 15,085,205</u>	<u>\$ 151,690,266</u>	<u>\$ 148,606,743</u>

(The accompanying notes are an integral part of these financial statements)

MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016				2015
	Water District	Sewer District	General District	Total Combined	(Memorandum only) Combined
CURRENT LIABILITIES					
Accounts payable	\$ -	\$ 31,614	\$ 948,198	\$ 979,812	\$ 769,217
Accrued expenses	6,298	110,817	767,249	884,364	986,457
Customer deposits	258,993	-	-	258,993	226,518
Current portion of long-term debt	18,358	539,684	-	558,042	676,580
Total current liabilities	<u>283,649</u>	<u>682,115</u>	<u>1,715,447</u>	<u>2,681,211</u>	<u>2,658,772</u>
LONG-TERM DEBT					
Notes and contracts	293,894	10,629,659	-	10,923,553	11,581,273
Special assessment bonds	-	139,000	-	139,000	152,000
Certificates of participation, U.S.D.A	280,401	-	-	280,401	286,401
Total	574,295	10,768,659	-	11,342,954	12,019,674
Less current portion	(18,358)	(539,684)	-	(558,042)	(676,580)
Total long-term debt	<u>555,937</u>	<u>10,228,975</u>	<u>-</u>	<u>10,784,912</u>	<u>11,343,094</u>
OTHER LIABILITIES					
Net pension liability	-	-	5,847,824	5,847,824	4,849,312
Deferred outflows of resources	-	-	-	-	192,077
Funds held in trust	35,359	2,780	-	38,139	38,139
Advance construction deposits	41,500	3,062,958	22,938	3,127,396	3,144,511
Total other liabilities	<u>76,859</u>	<u>3,065,738</u>	<u>5,870,762</u>	<u>9,013,359</u>	<u>8,224,039</u>
TOTAL LIABILITIES	<u>916,445</u>	<u>13,976,828</u>	<u>7,586,209</u>	<u>22,479,482</u>	<u>22,225,905</u>
NET POSITION					
Invested in capital assets, net of debt	55,945,436	45,112,765	2,371,429	103,429,630	104,495,939
Restricted for:					
Debt service	81,924	729,326	-	811,250	807,507
Other purposes	16,229,889	11,404,862	2,134,247	29,768,998	23,656,558
Unrestricted	(10,432,652)	2,640,238	2,993,320	(4,799,094)	(2,579,166)
Total net assets	<u>61,824,597</u>	<u>59,887,191</u>	<u>7,498,996</u>	<u>129,210,784</u>	<u>126,380,838</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 62,741,042</u>	<u>\$ 73,864,019</u>	<u>\$ 15,085,205</u>	<u>\$ 151,690,266</u>	<u>\$ 148,606,743</u>

(The accompanying notes are an integral part of these financial statements)

MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2016				2015
	Water District	Sewer District	General District	Total Combined	(Memorandum only) Combined
OPERATING REVENUES					
Base service charge	\$ 1,555,857	\$ -	\$ -	\$ 1,555,857	\$ 1,426,763
Water consumption	4,433,456	-	-	4,433,456	4,830,181
Meter installations	46,849	-	-	46,849	17,566
Sewer service	-	4,356,867	-	4,356,867	4,151,325
Standby charges	230,299	12,177	-	242,476	243,192
Other	524,842	3,775	-	528,617	524,096
Total operating revenues	<u>6,791,303</u>	<u>4,372,819</u>	<u>-</u>	<u>11,164,122</u>	<u>11,193,123</u>
OPERATING EXPENSES					
Pumping	1,645,671	-	-	1,645,671	1,947,284
Transmission and distribution	1,108,651	-	-	1,108,651	1,182,577
Customer accounts	712,226	-	442,934	1,155,160	910,022
Sewage collection	-	145,064	-	145,064	197,654
Sewage treatment	-	1,143,537	-	1,143,537	1,175,620
Standby	76,132	32,521	-	108,653	111,656
Human Resources	-	-	141,127	141,127	127,415
Building and grounds maintenance	-	-	65,293	65,293	72,018
Vehicle maintenance	-	-	136,564	136,564	168,031
Operations support	-	-	432,610	432,610	409,016
Engineering	45,844	-	-	45,844	48,960
Insurance	-	-	128,871	128,871	122,145
Audit	-	-	21,460	21,460	24,372
Legal	-	-	287,313	287,313	175,325
Public affairs	-	-	211,603	211,603	186,406
Board of Directors	-	-	145,485	145,485	141,058
Administration	-	-	1,279,312	1,279,312	1,226,731
Accounting	-	-	623,995	623,995	608,861
Depreciation	2,279,971	1,492,519	194,996	3,967,486	3,913,728
Standby reports	12,066	3,691	-	15,757	14,749
Ground water management	-	-	30,000	30,000	15,000
General District allocation	2,943,921	1,023,815	(4,141,563)	(173,827)	(30,306)
Total operating expenses	<u>8,824,482</u>	<u>3,841,147</u>	<u>-</u>	<u>12,665,629</u>	<u>12,748,322</u>
Operating income (loss)	<u>(2,033,179)</u>	<u>531,672</u>	<u>-</u>	<u>(1,501,507)</u>	<u>(1,555,199)</u>
NON-OPERATING REVENUES					
Backup and front footage fees	261,510	61,350	-	322,860	250,226
Contributed infrastructure	-	-	-	-	776,168
Property taxes	675,482	369,490	580,205	1,625,177	1,584,299
Interest	12,489	669,393	43,027	724,909	436,837
Grants	1,084,379	704,919	-	1,789,298	200,897
Recovery of prior year expense	12	-	80	92	43,734
Gain (loss) from asset disposals - net	1,573	-	2,786	4,359	(297,115)
Total non-operating revenues	<u>2,035,445</u>	<u>1,805,152</u>	<u>626,098</u>	<u>4,466,695</u>	<u>2,995,046</u>

- CONTINUED -

(The accompanying notes are an integral part of these financial statements)

MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

- CONTINUED -

	2016				2015
	Water District	Sewer District	General District	Total Combined	(Memorandum only) Combined
NON-OPERATING EXPENSES					
Interest	26,707	712,784	-	739,491	528,887
Public Employees Retirement System - Prior year costs	-	-	330,640	330,640	267,629
Pension inflows/outflows of resources	-	-	(946,657)	(946,657)	(346,744)
Uncollectible accounts	7,167	-	-	7,167	1,532
Other	2,811	1,790	-	4,601	135,567
Total non-operating expenses	36,685	714,574	(616,017)	135,242	586,871
Net non-operating revenues	1,998,760	1,090,578	1,242,115	4,331,453	2,408,175
CHANGE IN NET POSITION	(34,419)	1,622,250	1,242,115	2,829,946	852,976
NET POSITION, BEGINNING OF YEAR	61,859,016	58,264,941	6,256,881	126,380,838	125,527,862
NET POSITION, END OF YEAR	\$ 61,824,597	\$ 59,887,191	\$ 7,498,996	\$ 129,210,784	\$ 126,380,838

(The accompanying notes are an integral part of these financial statements)

MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Water District			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
OPERATING REVENUES				
Base service charge	\$ 1,417,500	\$ 1,417,500	\$ 1,555,857	\$ 138,357
Water consumption	3,798,892	3,798,892	4,433,456	634,564
Meter installations	2,280	2,280	46,849	44,569
Sewer service	-	-	-	-
Standby charges	237,200	237,200	230,299	(6,901)
Other	475,310	475,310	524,842	49,532
Total operating revenues	<u>5,931,182</u>	<u>5,931,182</u>	<u>6,791,303</u>	<u>860,121</u>
OPERATING EXPENSES				
Pumping	2,247,229	2,224,229	1,645,671	578,558
Transmission and distribution	1,160,592	1,160,492	1,108,651	51,841
Customer accounts	1,123,383	1,123,383	712,226	411,157
Sewage collection	-	-	-	-
Sewage treatment	-	-	-	-
Standby	56,922	56,922	76,132	(19,210)
Human Resources	-	-	-	-
Building and grounds maintenance	-	-	-	-
Vehicle maintenance	-	-	-	-
Operations support	-	-	-	-
Engineering	48,000	48,000	45,844	2,156
Insurance	-	-	-	-
Audit	-	-	-	-
Legal	-	-	-	-
Public affairs	-	-	-	-
Board of Directors	-	-	-	-
Administration	-	-	-	-
Accounting	-	-	-	-
Depreciation	2,191,149	2,191,149	2,279,971	(88,822)
Standby reports	13,200	13,200	12,066	1,134
Other	-	-	-	-
General District allocation	2,685,733	2,809,605	2,943,921	(134,316)
Total operating expenses	<u>9,526,208</u>	<u>9,626,980</u>	<u>8,824,482</u>	<u>802,498</u>
Operating income (loss)	<u>(3,595,026)</u>	<u>(3,695,798)</u>	<u>(2,033,179)</u>	<u>1,662,619</u>
NON-OPERATING REVENUES				
Backup and front footage fees	52,236	52,236	261,510	209,274
Property taxes	572,722	572,722	675,482	102,760
Interest	3,296	3,296	12,489	9,193
Grant	3,920,546	3,920,546	1,084,379	(2,836,167)
Recovery of prior year expense	-	-	12	12
Gain from asset disposals - net	-	-	1,573	1,573
Total non-operating revenues	<u>4,548,800</u>	<u>4,548,800</u>	<u>2,035,445</u>	<u>(2,513,355)</u>

-CONTINUED-

(The accompanying notes are an integral part of these financial statements)

Sewer District

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
4,009,160	4,009,160	4,356,867	347,707
12,000	12,000	12,177	177
3,250	3,250	3,775	525
<u>4,024,410</u>	<u>4,024,410</u>	<u>4,372,819</u>	<u>348,409</u>
-	-	-	-
-	-	-	-
-	-	-	-
227,433	211,245	145,064	66,181
1,189,184	1,175,472	1,143,537	31,935
27,892	27,892	32,521	(4,629)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,700,568	1,700,568	1,492,519	208,049
1,020	1,020	3,691	(2,671)
-	-	-	-
<u>1,121,624</u>	<u>1,173,355</u>	<u>1,023,815</u>	<u>149,540</u>
<u>4,267,721</u>	<u>4,289,552</u>	<u>3,841,147</u>	<u>448,405</u>
<u>(243,311)</u>	<u>(265,142)</u>	<u>531,672</u>	<u>796,814</u>
2,833,127	2,833,127	61,350	(2,771,777)
298,333	298,333	369,490	71,157
645,626	393,110	669,393	276,283
3,329,000	3,329,000	704,919	(2,624,081)
-	-	-	-
-	-	-	-
<u>7,106,086</u>	<u>6,853,570</u>	<u>1,805,152</u>	<u>(5,048,418)</u>

General District

Budget		Actual	Variance with Final Budget
Original	Final		Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
472,876	473,364	442,934	30,430
-	-	-	-
-	-	-	-
-	-	-	-
127,793	178,943	141,127	37,816
173,369	177,599	65,293	112,306
200,771	197,271	136,564	60,707
421,084	391,084	432,610	(41,526)
-	-	-	-
129,750	129,750	128,871	879
24,000	21,500	21,460	40
120,000	282,200	287,313	(5,113)
393,690	395,965	211,603	184,362
255,326	212,226	145,485	66,741
1,262,901	1,303,108	1,279,312	23,796
565,777	587,377	623,995	(36,618)
225,125	225,125	194,996	30,129
-	-	-	-
30,000	30,000	30,000	-
(4,402,462)	(4,605,512)	(4,141,563)	(463,949)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
458,233	458,233	580,205	121,972
27,300	27,300	43,027	15,727
-	-	-	-
-	-	80	80
-	-	2,786	2,786
485,533	485,533	626,098	140,565

Combined Districts

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 1,417,500	\$ 1,417,500	\$ 1,555,857	\$ 138,357
3,798,892	3,798,892	4,433,456	634,564
2,280	2,280	46,849	44,569
4,009,160	4,009,160	4,356,867	347,707
249,200	249,200	242,476	(6,724)
478,560	478,560	528,617	50,057
<u>9,955,592</u>	<u>9,955,592</u>	<u>11,164,122</u>	<u>1,208,530</u>
2,247,229	2,224,229	1,645,671	578,558
1,160,592	1,160,492	1,108,651	51,841
1,596,259	1,596,747	1,155,160	441,587
227,433	211,245	145,064	66,181
1,189,184	1,175,472	1,143,537	31,935
84,814	84,814	108,653	(23,839)
127,793	178,943	141,127	37,816
173,369	177,599	65,293	112,306
200,771	197,271	136,564	60,707
421,084	391,084	432,610	(41,526)
48,000	48,000	45,844	2,156
129,750	129,750	128,871	879
24,000	21,500	21,460	40
120,000	282,200	287,313	(5,113)
393,690	395,965	211,603	184,362
255,326	212,226	145,485	66,741
1,262,901	1,303,108	1,279,312	23,796
565,777	587,377	623,995	(36,618)
4,116,842	4,116,842	3,967,486	149,356
14,220	14,220	15,757	(1,537)
30,000	30,000	30,000	-
<u>(595,105)</u>	<u>(622,552)</u>	<u>(173,827)</u>	<u>(448,725)</u>
<u>13,793,929</u>	<u>13,916,532</u>	<u>12,665,629</u>	<u>1,250,903</u>
<u>(3,838,337)</u>	<u>(3,960,940)</u>	<u>(1,501,507)</u>	<u>2,459,433</u>
2,885,363	2,885,363	322,860	(2,562,503)
1,329,288	1,329,288	1,625,177	295,889
676,222	423,706	724,909	301,203
7,249,546	7,249,546	1,789,298	(5,460,248)
-	-	92	92
-	-	4,359	4,359
<u>12,140,419</u>	<u>11,887,903</u>	<u>4,466,695</u>	<u>(7,421,208)</u>

MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

-CONTINUED-

	Water District			Variance with Final Budget Positive (Negative)
	Budget		Actual	
	Original	Final		
NON-OPERATING EXPENSES				
Interest	25,940	25,940	26,707	(767)
Public Employees Retirement System - Prior year costs	-	-	-	-
Pension inflows/outflows of resources	-	-	-	-
Uncollectible accounts	-	-	7,167	(7,167)
Other	2,783	2,783	2,811	(28)
Total non-operating expenses	28,723	28,723	36,685	(7,962)
Net non-operating revenues	4,520,077	4,520,077	1,998,760	(2,521,317)
CHANGE IN NET POSITION	\$ 925,051	\$ 824,279	(34,419)	\$ (858,698)
NET POSITION, BEGINNING OF YEAR			61,859,016	
NET POSITION, END OF YEAR			\$ 61,824,597	

(The accompanying notes are an integral part of these financial statements)

Sewer District

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
712,670	712,670	712,784	(114)
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,672</u>	<u>1,672</u>	<u>1,790</u>	<u>(118)</u>
<u>714,342</u>	<u>714,342</u>	<u>714,574</u>	<u>(232)</u>
<u>6,391,744</u>	<u>6,139,228</u>	<u>1,090,578</u>	<u>(5,048,650)</u>
<u>\$ 6,148,433</u>	<u>\$ 5,874,086</u>	1,622,250	<u>\$ (4,251,836)</u>
		<u>58,264,941</u>	
		<u>\$ 59,887,191</u>	

General District

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
-	-	-	-
347,976	347,976	330,640	17,336
-	-	(946,657)	946,657
-	-	-	-
-	-	-	-
<u>347,976</u>	<u>347,976</u>	<u>(616,017)</u>	<u>963,993</u>
<u>137,557</u>	<u>137,557</u>	<u>1,242,115</u>	<u>1,104,558</u>
<u>\$ 137,557</u>	<u>\$ 137,557</u>	1,242,115	<u>\$ 1,104,558</u>
		<u>6,256,881</u>	
		<u>\$ 7,498,996</u>	

Combined Districts

Budget		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
738,610	738,610	739,491	(881)
347,976	347,976	330,640	17,336
-	-	(946,657)	946,657
-	-	7,167	(7,167)
<u>4,455</u>	<u>4,455</u>	<u>4,601</u>	<u>(146)</u>
<u>1,091,041</u>	<u>1,091,041</u>	<u>135,242</u>	<u>955,799</u>
<u>11,049,378</u>	<u>10,796,862</u>	<u>4,331,453</u>	<u>(6,465,409)</u>
<u>\$ 7,211,041</u>	<u>\$ 6,835,922</u>	2,829,946	<u>\$ (4,005,976)</u>
		<u>126,380,838</u>	
		<u>\$ 129,210,784</u>	

MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Water District	Sewer District
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from water and sewer sales and services	\$ 6,218,952	\$ 4,327,297
Cash received from standby charges	229,947	12,241
Cash received from water meter installations	46,849	-
Cash received (paid) for operating and maintenance expenses	(3,867,154)	(1,438,155)
Cash paid to employees	(1,772,657)	(788,256)
Cash paid for electricity	(880,423)	(175,061)
Cash paid to employees included in - Additions to utility plant	20,328	84,559
Net cash provided (used) by operating activities	<u>(4,158)</u>	<u>2,022,625</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Backup and front footage fees	290,899	61,350
Property taxes	673,429	369,436
Grants	-	47,363
Unfunded retirement liability reduction	-	-
Other	(9,136)	(757)
Net cash provided by noncapital financing activities	<u>955,192</u>	<u>477,392</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond assessments collected	-	605,872
Interfund loan or repayment	-	-
Long-term debt retired	(17,669)	(659,051)
Long-term debt additions	-	-
Interest paid	(26,860)	(719,064)
Net cash provided (used) by financing activities	<u>(44,529)</u>	<u>(772,243)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid acquiring utility plant	(334,142)	(1,424,305)
Cash refunded for construction deposits	-	580
Interest earned	10,153	665,159
Net cash used by investing activities	<u>(323,989)</u>	<u>(758,566)</u>
INCREASE IN CASH	582,516	969,208
BALANCE OF CASH AT BEGINNING OF YEAR	<u>2,746,308</u>	<u>4,199,250</u>
BALANCE OF CASH AT END OF YEAR	<u>\$ 3,328,824</u>	<u>\$ 5,168,458</u>

-CONTINUED-

(The accompanying notes are an integral part of these financial statements)

2016		2015	
General District	Total Combined	(Memorandum only) Combined	
\$ -	\$ 10,546,249	\$ 10,982,922	
-	242,188	238,919	
-	46,849	17,566	
2,199,922	(3,105,387)	(2,005,149)	
(1,882,188)	(4,443,101)	(4,596,818)	
(28,833)	(1,084,317)	(1,179,537)	
(30,037)	74,850	39,359	
<u>258,864</u>	<u>2,277,331</u>	<u>3,497,262</u>	
-	352,249	138,051	
580,641	1,623,506	1,579,018	
-	47,363	1,375,434	
(330,640)	(330,640)	(267,629)	
80	(9,813)	29,354	
<u>250,081</u>	<u>1,682,665</u>	<u>2,854,228</u>	
-	605,872	605,701	
-	-	-	
-	(676,720)	(783,065)	
-	-	3,030,753	
(5,239)	(751,163)	(488,069)	
<u>(5,239)</u>	<u>(822,011)</u>	<u>2,365,320</u>	
(464,121)	(2,222,568)	(1,733,686)	
-	580	1,067	
41,666	716,978	429,266	
<u>(422,455)</u>	<u>(1,505,010)</u>	<u>(1,303,353)</u>	
81,251	1,632,975	7,413,457	
<u>10,377,749</u>	<u>17,323,307</u>	<u>9,909,850</u>	
<u>\$ 10,459,000</u>	<u>\$ 18,956,282</u>	<u>\$ 17,323,307</u>	

MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

-CONTINUED-

	Water District	Sewer District
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net operating income (loss)	\$ (2,033,179)	\$ 531,672
Add (deduct) items not affecting cash in the year:		
Depreciation	2,279,971	1,492,519
(Increase) decrease in accounts receivable	(283,995)	(29,093)
(Increase) decrease in inventory	-	-
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in customer deposits	32,475	(1,160)
Increase (decrease) in accounts payable	(40)	28,687
Increase (decrease) in accrued liabilities	<u>610</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (4,158)</u>	<u>\$ 2,022,625</u>

(The accompanying notes are an integral part of these financial statements)

2016		2015
General District	Total Combined	(Memorandum only) Combined
\$ -	\$ (1,501,507)	\$ (1,555,199)
194,996	3,967,486	3,913,728
-	(313,088)	988,270
(2,818)	(2,818)	847
(2,458)	(2,458)	3,428
(17,145)	14,170	24,294
181,948	210,595	35,194
<u>(95,659)</u>	<u>(95,049)</u>	<u>86,700</u>
<u>\$ 258,864</u>	<u>\$ 2,277,331</u>	<u>\$ 3,497,262</u>

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District maintains and prepares its financial statements using the accrual basis of accounting as prescribed by reporting standards applicable to California governmental agencies.

Inventory is carried at the lower of cost or market using the first-in, first-out method.

The utility plant is carried at cost or contributed fair market value, less accumulated depreciation and amortization computed on the straight-line method using the following approximate lives:

Intangible plant	5 - 25 years
Source of supply	10 - 50 years
Pumping plant	7 - 60 years
Treatment plant	5 - 60 years
Transmission, distribution and storage	10 - 75 years
Buildings and grounds	5 - 40 years
Furniture and fixtures	5 - 20 years
Radio equipment	5 - 15 years
Shop equipment	5 - 15 years
Autos, trucks and heavy equipment	5 - 25 years
Sewage collection facilities	40 - 75 years
Data processing equipment	7 - 10 years
Other assets	5 - 10 years

Fully depreciated utility plant of \$10,438,693 was still in service at June 30, 2016 and is reported in these financial statements.

The District increased its capitalization policy from \$1,000 to \$10,000 beginning July 1, 2016.

Delinquent accounts receivable are reported to the County of Riverside for collection with property taxes.

The District makes an allocation of all general and administrative costs to the water district, sewer district and to capital improvements based on a percentage of labor hours. The allocations are made on a monthly basis.

The District accrued property taxes receivable of \$85,944 at June 30, 2016. The accrual is equivalent to the actual tax revenue received from Riverside County plus \$29,059 estimated for the "Teeter" plan payout.

The District maintains four debt service funds to account for the collection and payment of principal and interest on debt incurred to acquire sewer facilities. These debt service funds are reported in the sewer district for financial statement presentation.

Advance deposits are required when a constructed asset has specific benefit to one or more identifiable customers. A portion of these advances are generally reimbursable to developers within a ten year period if others connect. After ten years the district keeps any unreimbursed amount and amortizes it over the remaining useful life of the asset.

"Net" interest costs related to funds borrowed for capital expenditures are capitalized into construction in progress during the construction period. Subsequently, "Net" interest costs are reclassified into capital projects.

The District accrues vacation and sick leave pay in the period the employees earn the benefits.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board of Directors approves an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various departments. The budget for 2015-2016 was prepared by department supervisors and administrative staff using the zero-base method.

The Board of Directors may approve supplemental budget requests. The General Manager may transfer funds between general ledger accounts within the operating budgets as long as the total budget is not affected.

All operating budget appropriations lapse at the end of the fiscal year and are rebudgeted for the ensuing year. Uncompleted capital budget projects are carried over into the subsequent fiscal year.

Budget information is presented for all District activity, whether operating or capital in nature. Budgeted revenue and expenditure amounts in the financial statements represent the original budget and final budget modified by Board authorized adjustments during the year.

The District utilizes a purchase order system as a technique to assist in controlling expenditures. Department heads request expenditures which must be approved by the General Manager who reviews the general ledger accounts and ascertains that the actual expenditures have not exceeded the budgeted amounts.

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

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

Under Governmental Accounting Standards Board Statement #34 (GASB 34), enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

2. PRINCIPLES OF COMBINATION

The combined financial statements reflect the combination of all districts which comprise the Mission Springs Water District and the Mission Springs Water District Improvement Corporation including the assessment districts, with the exception of Assessment District #13.

The combined columns on the financial statements are captioned "Memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. CASH AND INVESTMENTS

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

Pooled Cash	\$ 18,956,282
Total Cash and Investments	<u>\$ 18,956,282</u>

Cash and investments are presented in the Combined Statement of Net Position as follows:

Restricted Assets:	
Cash	\$ 17,830,638
Unrestricted Assets:	
Cash	<u>1,125,644</u>
	<u>\$ 18,956,282</u>

Restricted cash of \$17,830,638 consists of customer deposits, reserves required by bond agreements, escrowed cash held for retention payments, cash held by assessment districts, debt service funds, reserves for self-insurance and reserves for capital replacements. Cash reported with current assets is cash for operations.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the average month-end cash balances. Interest income from cash and investments with fiscal agent is credited directly to the related fund.

Pooled Cash and Negotiable Certificates of Deposit

All pooled cash and negotiable certificates of deposit are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure a district's deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits.

Authorized Investments

In accordance with Section 53601 of the California Government Code, the District may invest in various prescribed investments. The District's policy is to hold only those investments as set forth in Section 53601 of the California Government Code.

Credit Risk, Carrying Amount, and Fair Value

Investments are recorded at cost which approximates fair value.

Cash and investments of the District are summarized below and are represented by specific identifiable investment securities that are classified as to credit risk by three categories as follows: Category 1 includes deposits and investments that are insured or registered or for which securities are held by the District or its agent in the District's name; Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but in the District's name; Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. CASH AND INVESTMENTS (continued)

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand Deposits	<u>\$ 1,195,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,356</u>	<u>\$ 1,195,356</u>
State of California					
Local Agency Investment					
Fund (LAIF)				<u>17,760,926</u>	<u>17,771,960</u>
Total Investments				<u>17,760,926</u>	<u>17,771,960</u>
Total Cash and					
Investments				<u>\$ 18,956,282</u>	<u>\$ 18,967,316</u>

Cash and Investments with Fiscal Agent

During the year the District had monies held by trustees or fiscal agents pledged to the payment of construction of specifically identifiable capital projects. The California Government Code provides these monies, in the absence of specific statutory provisions governing the issuance of bonds or certificates; may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the District's general investment policy. In no instance have additional types of investments, not permitted by the District's general investment policy, been authorized. These monies were invested in a U.S. Treasury Obligation funds or U.S. Government money market funds and therefore presented no credit risk to the District.

At June 30, 2016 there were no funds for which the District was at risk, held by trustees or fiscal agents.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the District defines cash and cash equivalents as demand account balances, cash on hand and short-term investments purchased with original maturities of less than 90 days. In accordance with GASB 34, the District has utilized the direct method to present cash flows from operating activities.

Concentration of Credit Risk

The District maintains checking accounts at local financial institutions. The District at June 30, 2016 has maintained balances in the accounts in excess of federally insured limits. The District has not experienced any losses in its cash equivalents.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

4. UTILITY PLANT IN SERVICE

Utility plant in service consisted of the following:

	Cost			Accumulated Depreciation				
	Balance 06-30-15	Additions	Deletions	Balance 06-30-16	Balance 06-30-15	Additions	Deletions	Balance 06-30-16
Intangible plant	\$ 2,592,167	\$ 110,191	\$ -	\$ 2,702,358	\$ 739,453	\$ 227,743	\$ -	\$ 967,196
Land and land rights	1,376,497	-	-	1,376,497	900	29	-	929
Source of supply	8,700,058	-	-	8,700,058	3,465,769	190,556	-	3,656,325
Pumping plant	18,097,848	36,794	-	18,134,642	6,539,826	482,157	-	7,021,983
Transmission, distribution, and storage	57,285,674	86,041	-	57,371,715	19,714,204	1,384,091	-	21,098,295
Buildings and grounds	1,742,587	-	-	1,742,587	1,059,911	59,137	-	1,119,048
Furniture and fixtures	1,393,403	127,045	-	1,520,448	974,636	104,334	-	1,078,970
Radio equipment	19,670	-	-	19,670	18,868	401	-	19,269
Shop equipment	156,433	-	-	156,433	150,333	1,311	-	151,644
Autos trucks and heavy equipment	1,771,597	29,907	100,521	1,700,983	1,638,890	56,129	100,521	1,594,498
Sewage collection facilities	56,801,594	63,817	341,128	56,524,283	11,480,928	1,126,633	-	12,607,561
Sewage treatment plants	14,686,180	-	-	14,686,180	4,940,314	325,120	-	5,265,434
Other plant in service	411,933	106,554	-	518,487	290,241	9,845	-	300,086
Construction in progress	5,598,608	2,565,583	560,350	7,603,841	-	-	-	-
Total	<u>\$ 170,634,249</u>	<u>\$ 3,125,932</u>	<u>\$ 1,001,999</u>	<u>\$ 172,758,182</u>	<u>\$ 51,014,273</u>	<u>\$ 3,967,486</u>	<u>\$ 100,521</u>	<u>\$ 54,881,238</u>

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

5. LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>Balance at 6/30/15</u>	<u>New Debt</u>	<u>Principal Repayments</u>	<u>Balance at 6/30/16</u>
Installment Sale Agreement, Note payable to LaSalle National Bank, dated July 25, 2003 original amount \$1,800,000 with interest rate of 4.060%, principal and interest payments are due each January 28 and July 28, final payment due July 28, 2015.	\$ 93,589	\$ -	\$ 93,589	\$ -
Assessment District #4, Special Assessment Bond – Series R-1, Date of issue February 15, 1983, original issue amount \$88,200, 11.375% coupon rate, secured by cash and assessments receivable, interest payable semiannually, principal payable in annual installments through July 2, 2022.	32,000	-	4,000	28,000
Installment Sale Agreement, Note payable to La Salle National Bank, dated June 26, 2006, original amount \$2,200,000 with interest rate of 5.340%, principal and interest payments are due each June 26 and December 26, final payment due June 26, 2026.	1,485,669	-	102,348	1,383,321
Assessment District #7, Special Assessment Bonds - Date of issue February 28, 1985, original amount \$222,000, 7.25% coupon rate, secured by cash and assessments receivable, interest due semiannually, principal due annually through July 2, 2024.	120,000	-	9,000	111,000
Installment Sale Agreement, Note Payable to La Salle National Bank, dated September 21, 2007, original amount \$1,600,000 with interest rate of 5.020%, principal and interest payments are due each March 21 and September 21, final payment due September 21, 2027.	1,174,967	-	69,569	1,105,398
Certificates of Participation - (U.S. Dept. of Agriculture) Date of issue July 3, 2001, original amount \$348,000, Interest rate is 4.5%, interest payments due February 1 and August 1, with principal payments due each February 1, the final principal payment is due February 1, 2041.	286,401	-	6,000	280,401

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

5. LONG-TERM DEBT (continued)

	Balance at 6/30/15	New Debt	Principal Repayments	Balance at 6/30/16
Government Obligation Contract, Note Payable to Kansas State Bank of Manhattan, Dated December 9, 2011, original amount \$374,675, Interest rate is 4.4%, principal and interest payments due monthly, final payment due November 1, 2015.	\$ 44,118	\$ -	\$ 44,118	\$ -
Installment Purchase Agreement, Note payable to Holman Capital Corporation, dated June 21, 2013, original amount \$328,000, interest rate is 4.19%, principal and interest payments due each June 7 and December 7, the final payment due June 7, 2033.	305,563	-	11,669	293,894
State Revolving Fund Loan – (CA State Water Resources Control Board), dated August 21, 2012 as amended on January 24, 2013, total agreement amount of up to \$9,957,921 of which 50% qualifies for principal forgiveness, interest rate is 2.2%, principal and interest payments due annually on January 31 beginning in 2015, final payment due January 31, 2034	4,657,175	-	200,685	4,456,490
Installment purchase agreement, Note payable to City National Bank, dated December 19, 2013, original amount \$1,215,000, interest rate is 4.10%, principal and interest payments due each March 2 and September 2, the final payment due September 2, 2033	1,182,847	-	43,793	1,139,054
Installment purchase agreement, Note payable to BBVA Compass Bank, dated November 1, 2014, original amount \$2,700,000, interest rate is 3.95%, principal and interest payments due each March 2 and September 2, the final payment due September 2, 2029	2,637,345	-	91,949	2,545,396
	12,019,674	-	676,720	11,342,954
	(676,580)			(558,042)
	\$ 11,343,094			\$ 10,784,912

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. LONG-TERM DEBT (continued)

Minimum annual debt service requirements to maturity for long-term debt outstanding at June 30, 2016 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 558,042	\$ 406,539	\$ 964,581
2018	579,619	384,838	964,457
2019	602,048	362,197	964,245
2020	624,339	338,643	962,982
2021	648,629	314,040	962,669
2022 – 2026	3,614,910	1,165,336	4,780,246
2027 – 2031	3,433,353	507,572	3,940,925
2032 – 2036	1,199,113	82,468	1,281,581
2037 – 2041	<u>82,901</u>	<u>11,520</u>	<u>94,421</u>
	<u>\$ 11,342,954</u>	<u>\$ 3,573,153</u>	<u>\$ 14,916,107</u>

6. CERTIFICATES OF PARTICIPATION (C.O.P.'s)

U.S. Dept. Of Agriculture (U.S.D.A.)

On July 3, 2001, the District entered into a loan agreement with the U.S.D.A. and a C.O.P. was issued in the amount of \$348,000. The proceeds were used to improve waterlines in Improvement District "E". There are unamortized debt issuance costs of \$8,006 at June 30, 2016.

7. INSTALLMENT SALE AGREEMENTS

Assessment District #11, Areas C-2 and E

On July 25, 2003, the District entered into an installment sale agreement with LaSalle National Bank in the amount of \$1,800,000. The proceeds from this contract were used to purchase Assessment District #11 bonds totaling \$1,697,391. These bond proceeds were used for Assessment District #11, areas C-2 and E, costs and supplemented the District's share of costs with the remaining \$102,609. Unamortized debt issuance costs were \$0 at June 30, 2016.

Assessment District #12, Phase I

On June 26, 2006, the District entered into an installment sale agreement with La Salle National Bank in the amount of \$2,200,000. The proceeds from this contract were used to purchase Assessment District #12 bonds totaling \$1,630,024. The bond proceeds were used for Assessment District #12, phase I, costs and supplemented the District's share of costs with the remaining \$569,976. Unamortized debt issuance costs were \$2,863 at June 30, 2016.

Assessment District #12, Phase II

On September 21, 2007, the District entered into an installment sale agreement with La Salle National Bank in the amount of \$1,600,000. The proceeds from this contract were used to purchase Assessment District #12 bonds totaling \$1,329,530. The bond proceeds were used for Assessment District #12, phase II, costs and supplemented the District's share of costs with the remaining \$270,470. Unamortized debt issuance costs were \$7,078 at June 30, 2016.

Water Improvements

On June 21, 2013, the District entered into an installment purchase agreement with Holman Capital Corporation in the amount of \$328,000. The proceeds were used to purchase 80 acres of land for future water system improvements. Unamortized debt issuance costs were \$3,337 at June 30, 2016.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7. INSTALLMENT SALE AGREEMENTS (continued)

Assessment District #12, Phase V

On December 19, 2013, the District entered into an installment sale agreement with City National Bank in the amount of \$1,215,000. The proceeds from this contract were used to purchase Assessment District #12 Bonds totaling \$1,096,329. The bond proceeds were used for Assessment District #12, Phase V costs and supplemented the District's share of costs with the remaining \$118,671. Debt issuance costs amounted to \$64,000 and were reflected in the statement of revenues, expenses and changes in net position at June 30, 2014.

Assessment District #12, Phase VI

On November 1, 2014, the District entered into an installment sale agreement with BBVA Compass Bank in the amount of \$2,700,000. The proceeds from this contract were used to purchase Assessment District #12 Bonds totaling \$2,582,000. The bond proceeds will be used for Assessment District #12, Phase VI. Debt issuance costs amounted to \$118,000 and were reflected in the statement of revenues, expenses and changes in net position at June 30, 2015.

In accordance with provisions of the installment sale agreements, the District has complied with minimum net revenues required for the fiscal year ended June 30, 2016.

8. CALIFORNIA STATE REVOLVING FUND LOAN

On August 21, 2012, the District entered into a financing agreement with the California State Water Resources Control Board in the amount of \$9,957,921. This program is a loan from the Clean Water State Revolving Fund ("SRF") of which 50% of the principal amount was forgiven. This is made possible through Federal Environmental Protection Agency funds granted to the SRF. The proceeds of this agreement were used for Assessment District #12, Phase III costs.

9. PENSION PLANS

On September 13, 2001, the Directors of the Mission Springs Water District adopted Resolution No. 2001-29 authorizing a contract with the California Public Employees' Retirement System (CalPERS). On September 17, 2001, a contract was executed with CalPERS. An amendment to the contract to increase the benefit calculation from 2.5% at 55 years of age to 2.7% at 55 years of age was authorized by the board of directors. This amendment became effective on July 1, 2005. On December 17, 2012, the Directors of the Mission Springs Water District adopted Resolution No. 2012-19 amending the contributions schedules of the plan in accordance with the California Public Employee Pension Reform Act of 2013 (PEPRA). Employees hired after January 1, 2013, and meeting the definition of a "new member" under PEPRA, shall begin at a benefit of 1% after age 52 with an annual increment of 0.025% for every quarter year thereafter with a maximum retirement benefit of 2.5% at age 67 with early retirement available at age 52. Under PEPRA, the District and the new member will share equally the normal contributions to the new member's retirement on a pre-tax basis.

Employees who elected to participate in CalPERS received years of service credit from their hire date to September 17, 2001, the contract date. Partial funding for the prior years of service credit was accomplished by a transfer of plan assets from a defined contribution plan, previously sponsored by the district, to CalPERS. This transfer of plan assets occurred on October 30, 2001. An unfunded pension liability resulted from the above transaction in the amount of \$1,346,655. An additional \$517,000 was added to the unfunded liability resulting from the contract amendment that was effective July 1, 2005.

This unfunded liability is being amortized over the period ending 2018, with contributions by the employer of 8.227% being applied to qualified payroll, after July 1, 2011. The "Funded Status of the Plan" is presented at the end of this discussion.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

9. PENSION PLANS (continued)

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

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

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

	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2.7% @ 55	2.5% @ 67
Benefit vesting schedule	5 year service	5 year service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 – 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.250%
Required employer contribution rates	10.298%	6.237%

Contributions

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense were as follows:

Contributions – employer	\$ 578,949
Contributions – employee (paid by employer)	<u>100,901</u>
Total employer contributions	<u>\$ 679,850</u>

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

9. PENSION PLANS (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources

As of June 30, 2016, the District's proportionate share of the net pension liability amounted to \$5,847,824.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2014 and 2015 was as follows:

Proportion – June 30, 2014	0.19621%
Proportion – June 30, 2015	0.14127%
Change – Increase (Decrease)	0.05494%

For the year ended June 30, 2016, the District recognized pension expense of \$390,630. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 43,573	\$ -
Changes of Assumptions		(412,243)
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	112,811	-
Deferred Contributions	897,794	
Adjustments due to Differences in Proportions	<u>1,111,156</u>	<u>-</u>
Total	<u>\$ 2,165,334</u>	<u>(\$ 412,243)</u>

\$1,753,091 reported as deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

<u>Year Ended June 30</u>	
2016	\$ (461,340)
2017	(461,340)
2018	(461,340)
2019	(369,071)
2020	-
Thereafter	<u>-</u>
	<u>(\$ 1,753,091)</u>

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

9. PENSION PLANS (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality	Derived using CalPERS Membership data for all Funds

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. The investment return excludes administrative expenses at 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the differences in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the differences in calculation until such time as we have changed our methodology.

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

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

9. PENSION PLANS (continued)

Discount Rate (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>New Strategic Plan</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	(0.55%)	(1.05%)
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

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

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

1% Decrease	6.65%
Net Pension Liability	\$ 9,807,209
Current Discount Rate	7.65%
Net Pension Liability	\$ 5,847,824
1% Increase	8.65%
Net Pension Liability	\$ 2,578,892

Pension Fiduciary Net Position

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

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

9. PENSION PLANS (continued)

Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$15,762 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

On July 16, 2012 the District Board adopted Resolution 2012-13 providing a designated period for two years additional service credit for eligible District members of CalPERS. This early retirement program offered eligible employees two years of additional service credit toward their PERS retirement calculations as well as 18 months of COBRA insurance premiums paid by the District, following their retirement date, at the coverage level as of their retirement date. Six eligible employees accepted the early retirement agreement. The COBRA premiums paid by the District were paid during the 18 months following each member's retirement date through July 31, 2014. The additional costs related to PERS will be amortized over twenty years and included in the actuarially determined annual employer contribution rate.

10. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Retirement law allows "rollovers" of 457 plan assets into other qualified retirement plans. Participants are fully vested at all times and the District or creditors of the District have no claim against the plan. All funds are held by an outside trustee and excluded from the combined statement of net position in conformity with Government Auditing Standards.

11. REFUNDING AGREEMENTS

Refunding agreements are amounts due to developers for water and sewer systems donated to the District. Refunds are based on new connections to each system. The District is not liable for amounts not refunded at the expiration of an agreement. Refer to Note 12 for refunding agreements on front footage charges.

12. COMMITMENTS AND CONTINGENCIES

The District has entered into agreements to partially reimburse developers for payments made to construct water and/or sewer lines donated to the District. Reimbursement is to be made from the front footage charges collected by the District when new connections are made to the lines.

13. SELF INSURANCE

The Board of Directors established a reserve for self insurance in the amount of \$150,000. The reserve is intended to fund the purchase of liability and property coverage and to assure that cash is available for deductibles and self-insurance purposes.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

14. CASH FLOW INFORMATION

Interest paid during the year amounted to \$751,163. The following schedule represents a reconciliation of combined cash as shown on the Combined Statement of Net Position and the Combined Statement of Cash Flows:

Combined Statement of Net Position - Cash	
Cash - Restricted	\$ 17,830,638
Cash - Current Assets	<u>1,125,644</u>
Combined Statement of Net Position - Cash	<u>\$ 18,956,282</u>
Combined Statement of Cash Flows - Cash	<u>\$ 18,956,282</u>

15. ASSESSMENT DISTRICT #12

A special election was held on July 20, 2004 where the electorate voted to form Sewer Assessment District #12. The engineers estimated project costs are \$52,424,417. The estimated project costs do not include any bond issuance costs, septic system abatement costs or any allowances for inflationary or deflationary considerations. The project consists of 7,383 “equivalent dwelling units” represented by 6,787 individual parcels. As grants become available portions of the Assessment District are “phased” for construction to the extent that grant funds combined with other available funding will provide for completion of parts of the total project.

During fiscal year June 30, 2011 the District received grant assistance from the U.S. Army Corps of Engineers which paid for engineering of future phases of the project.

Area “L” which consisted of 1,161 parcels was completed as of June 30, 2009. Area “F-1” which consisted of 69 parcels was completed as of June 30, 2013. Area “F & M-1” which consisted of 1,047 parcels was completed at June 30, 2014. Area “D1” which consisted of 305 parcels was completed at June 30, 2014. Area D2 and J1 are expected to be completed in the 2017 fiscal year.

The District, in cooperation with State authorities, is diligently pursuing the connection of any remaining, unconnected parcels.

On July 19, 2014, in accordance with California’s Municipal Improvement Act of 1913, Assessment District #12 expired.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

15. ASSESSMENT DISTRICT #12 – (continued)

Presented below is a schedule of funding status for the project.

	<u>Total Project</u>	<u>Areas Completed</u>	<u>Future Phases</u>
Equivalent dwelling units	<u>7,383</u>		
Number of parcels	<u>6,787</u>	<u>2,582</u>	<u>4,205</u>
Project costs: (estimated)			
Public right-of-way	\$52,424,417	\$21,830,070	\$30,594,347
“On-site” abatement	<u>1,357,511</u>	<u>1,357,511</u>	-
Total	<u>\$53,781,928</u>	<u>\$23,187,581</u>	<u>\$30,594,347</u>
Project costs: (actual to June 30, 2016)			
Public right-of-way construction	\$ -	\$ 11,721,184	\$ -
Connection fees	-	6,767,716	-
Front footage fees	-	3,179,183	-
“On-site” abatement	-	1,357,511	-
Capitalized interest	-	161,987	-
Engineering costs for future phases	-	-	1,830,803
Total	<u>\$ -</u>	<u>\$ 23,187,581</u>	<u>\$ 1,830,803</u>
Project funding			
Grant awards –			
Environment protection agency –			
Public right-of-way construction	\$ 912,962	\$ 912,962	\$ -
“On-site” abatement	1,131,538	1,131,538	-
California Proposition #40	1,169,906	1,169,906	-
California Proposition #13	744,507	744,507	-
California Proposition #84	966,650	966,650	-
California State Water Resources			
County Board	4,813,602	4,813,602	-
Army Corps of Engineers	1,168,000	-	1,168,000
Property assessments	24,989,703	11,077,122	13,912,581
Property grants and local funding	<u>17,885,060</u>	<u>2,371,294</u>	<u>15,513,766</u>
Total	<u>\$53,781,928</u>	<u>\$23,187,581</u>	<u>\$30,594,347</u>

16. PROPERTY TAX CALENDAR

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1
Levy Date	July 1 through June 30
Due Dates	November 1 st – 1 st Installment
	March 1 st – 2 nd Installment
Delinquent Dates	December 10 th – 1 st Installment
	April 10 th – 2 nd Installment

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

17. CONTINGENCIES

The District is involved from time to time in claims arising in the ordinary course of its business. While the ultimate liability, if any, arising from these claims cannot be predicted with certainty, the District believes that the resolution of these matters will not likely have a material effect on the District's financial statements.

18. SUBSEQUENT EVENTS

The District evaluated all potential subsequent events as of November 21, 2016 when the financial statements were authorized and available to be issued.

On April 21, 2014 Resolution 2014-9 was adopted to establish procedures and requirements for implementation of the Coachella Valley Multiple Species Habitat Conservation Plan and the Coachella Valley Multiple Species Habitat Conservation Plan/Natural Community Conservation Plan, as revised by the Major Amendment. The District, as a permittee of the plan, will be required to contribute \$350,000. The Major Amendment received its final approval by state wildlife agencies on August 22, 2016. The required contribution is not due and payable until the Major Amendment is approved and financing options are offered through the Amendment for up to five years.

No subsequent events or transactions other than those mentioned above were identified after June 30, 2016 or as of November 21, 2016 that require disclosure to the financial statements.

MISSION SPRINGS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

19. GRANT AWARDS

Summarized below are grants included in the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position. Reimbursable costs are included in "Grants Receivable" on the Statement of Net Position. Revenue from the grants is presented in the Statement of Revenue, Expenses and Changes in Net Position under "Non-Operating Revenues". (Refer to Note 15)

		Fiscal Year Ending June 30, 2016							
<u>Grantor</u>	<u>Purpose</u>	Grant Amount	Grants Receivable (Reimbursable Costs)		Grant Income				Unexpended Portion of Grant
			Water District	Sewer District	Water District		Sewer District		
					Prior	Current	Prior	Current	
California South Coast Air Quality Management District	Solar Photovoltaic Ground Mounted System	\$ 3,330,546	\$ 764,071	\$ -	\$ -	\$ 764,071	\$ -	\$ -	\$ 2,566,475
California Department of Water Resources (Prop #84)	Regional Water Conservation Program	169,050	103,166	-	45,196	68,646	-	-	55,208
California Department of Water Resources (Prop #84)	Regional Water Conservation Drought Grant	403,972	251,662	-	-	251,662	-	-	152,310
California Department of Water Resources (Prop #84)	Assessment District #12 Sewer Project D2 (Note 7)	1,845,000	-	37,150	-	-	29,631	35,668	1,779,701
California State Water Resources Control Board	Assessment District #12 Sewer Project J1 (Note 7)	<u>960,000</u>	<u>-</u>	<u>671,874</u>	<u>-</u>	<u>-</u>	<u>52,462</u>	<u>669,251</u>	<u>238,287</u>
Totals		<u>\$ 6,708,568</u>	<u>\$ 1,118,899</u>	<u>\$ 709,024</u>	<u>\$ 45,196</u>	<u>\$ 1,084,379</u>	<u>\$ 82,093</u>	<u>\$ 704,919</u>	<u>\$ 4,791,981</u>

REQUIRED SUPPLEMENTARY INFORMATION

MISSION SPRINGS WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2016

	2016
Proportion of the net pension liability	0.08520%
Proportionate share of the net pension liability	\$ 5,847,824
Covered - employee payroll	\$ 2,585,702
Proportionate Share of the net pension liability as percentage of covered-employee payroll	226.16%
Plan fiduciary net position	\$ (253,573)
Plan fiduciary net position as a percentage of the total pension liability	69.65%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

MISSION SPRINGS WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS
JUNE 30, 2016

	2016
Contractually required contribution (actuarially determined)	\$ 679,850
Contributions in relation to the actuarially determined contributions	679,850
Contribution deficiency (excess)	\$ -
 Covered-employee payroll	 \$2,585,702
 Contributions as a percentage of covered-employee payroll	 26.29%

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014 - 15 were derived from the June 30, 2012 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2011 to the June 30, 2012 funding valuation report.

SUPPLEMENTARY INFORMATION

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS
ASSESSMENT DISTRICT #4 SPECIAL ASSESSMENT BONDS, SERIES R-1

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2016	\$ -	-	\$ -	\$ -	\$ 28,000
7/2/16	1,593	11.375	4,000	5,593	24,000
1/2/17	1,365	11.375	-	1,365	24,000
7/2/17	1,365	11.375	4,000	5,365	20,000
1/2/18	1,138	11.375	-	1,138	20,000
7/2/18	1,138	11.375	4,000	5,138	16,000
1/2/19	910	11.375	-	910	16,000
7/2/19	910	11.375	4,000	4,910	12,000
1/2/20	683	11.375	-	683	12,000
7/2/20	683	11.375	4,000	4,683	8,000
1/2/21	455	11.375	-	455	8,000
7/2/21	455	11.375	4,000	4,455	4,000
1/2/22	228	11.375	-	228	4,000
7/2/22	228	11.375	4,000	4,228	-
	<u>\$ 11,151</u>		<u>\$ 28,000</u>	<u>\$ 39,151</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS
ASSESSMENT DISTRICT #7 SPECIAL ASSESSMENT BONDS

<u>Date</u>	<u>Interest</u> <u>Due</u>	<u>Coupon</u> <u>Rate</u>	<u>Principal</u> <u>Payment</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>Balance</u> <u>Principal</u> <u>Unpaid</u>
6/30/2016	\$ -	-	\$ -	\$ -	\$ 111,000
7/2/16	4,023	7.250	9,000	13,023	102,000
1/2/17	3,697	7.250	-	3,697	102,000
7/2/17	3,697	7.250	10,000	13,697	92,000
1/2/18	3,335	7.250	-	3,335	92,000
7/2/18	3,335	7.250	11,000	14,335	81,000
1/2/19	2,936	7.250	-	2,936	81,000
7/2/19	2,936	7.250	11,000	13,936	70,000
1/2/20	2,537	7.250	-	2,537	70,000
7/2/20	2,537	7.250	12,000	14,537	58,000
1/2/21	2,102	7.250	-	2,102	58,000
7/2/21	2,102	7.250	13,000	15,102	45,000
1/2/22	1,631	7.250	-	1,631	45,000
7/2/22	1,631	7.250	14,000	15,631	31,000
1/2/23	1,123	7.250	-	1,123	31,000
7/2/23	1,123	7.250	15,000	16,123	16,000
1/2/24	580	7.250	-	580	16,000
7/2/24	580	7.250	16,000	16,580	-
	<u>\$ 39,905</u>		<u>\$ 111,000</u>	<u>\$ 150,905</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS

CERTIFICATES OF PARTICIPATION

UNITED STATES DEPARTMENT OF AGRICULTURE

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2016	\$ -	-	\$ -	\$ -	\$ 280,401
8/1/16	6,309	4.500	-	6,309	280,401
2/1/17	6,309	4.500	6,300	12,609	274,101
8/1/17	6,167	4.500	-	6,167	274,101
2/1/18	6,167	4.500	6,600	12,767	267,501
8/1/18	6,019	4.500	-	6,019	267,501
2/1/19	6,019	4.500	6,900	12,919	260,601
8/1/19	5,864	4.500	-	5,864	260,601
2/1/20	5,864	4.500	7,200	13,064	253,401
8/1/20	5,702	4.500	-	5,702	253,401
2/1/21	5,702	4.500	7,500	13,202	245,901
8/1/21	5,533	4.500	-	5,533	245,901
2/1/22	5,533	4.500	7,900	13,433	238,001
8/1/22	5,355	4.500	-	5,355	238,001
2/1/23	5,355	4.500	8,200	13,555	229,801
8/1/23	5,171	4.500	-	5,171	229,801
2/1/24	5,171	4.500	8,600	13,771	221,201
8/1/24	4,977	4.500	-	4,977	221,201
2/1/25	4,977	4.500	8,900	13,877	212,301
8/1/25	4,777	4.500	-	4,777	212,301
2/1/26	4,777	4.500	9,400	14,177	202,901
8/1/26	4,565	4.500	-	4,565	202,901
2/1/27	4,565	4.500	9,800	14,365	193,101
8/1/27	4,345	4.500	-	4,345	193,101
2/1/28	4,345	4.500	10,200	14,545	182,901
8/1/28	4,115	4.500	-	4,115	182,901
2/1/29	4,115	4.500	10,700	14,815	172,201
8/1/29	3,875	4.500	-	3,875	172,201
2/1/30	3,875	4.500	11,100	14,975	161,101
8/1/30	3,625	4.500	-	3,625	161,101
2/1/31	3,625	4.500	11,600	15,225	149,501
8/1/31	3,364	4.500	-	3,364	149,501
2/1/32	3,364	4.500	12,200	15,564	137,301
8/1/32	3,089	4.500	-	3,089	137,301
2/1/33	3,089	4.500	12,700	15,789	124,601

-CONTINUED-

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS

CERTIFICATES OF PARTICIPATION

UNITED STATES DEPARTMENT OF AGRICULTURE

-CONTINUED-

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
8/1/33	2,804	4.500	-	2,804	124,601
2/1/34	2,804	4.500	13,300	16,104	111,301
8/1/34	2,504	4.500	-	2,504	111,301
2/1/35	2,504	4.500	13,900	16,404	97,401
8/1/35	2,192	4.500	-	2,192	97,401
2/1/36	2,192	4.500	14,500	16,692	82,901
8/1/36	1,865	4.500	-	1,865	82,901
2/1/37	1,865	4.500	15,200	17,065	67,701
8/1/37	1,523	4.500	-	1,523	67,701
2/1/38	1,523	4.500	15,800	17,323	51,901
8/1/38	1,168	4.500	-	1,168	51,901
2/1/39	1,168	4.500	16,500	17,668	35,401
8/1/39	797	4.500	-	797	35,401
2/1/40	797	4.500	17,300	18,097	18,101
8/1/40	407	4.500	-	407	18,101
2/1/41	407	4.500	18,101	18,508	-
	<u>\$ 192,224</u>		<u>\$ 280,401</u>	<u>\$ 472,625</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS

INSTALLMENT SALE AGREEMENT

ASSESSMENT DISTRICT #12, PHASE I

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2016	\$ -	\$ -	\$ -	\$ -	\$ 1,383,321
12/26/16	36,935	5.340	53,232	90,167	1,330,089
6/26/17	35,513	5.340	54,655	90,168	1,275,434
12/26/17	34,054	5.340	56,113	90,167	1,219,321
6/26/18	32,556	5.340	57,611	90,167	1,161,710
12/26/18	31,018	5.340	59,149	90,167	1,102,561
6/26/19	29,438	5.340	60,729	90,167	1,041,832
12/26/19	27,817	5.340	62,350	90,167	979,482
6/26/20	26,152	5.340	64,015	90,167	915,467
12/26/20	24,443	5.340	65,724	90,167	849,743
6/26/21	22,688	5.340	67,479	90,167	782,264
12/26/21	20,886	5.340	69,281	90,167	712,983
6/26/22	19,037	5.340	71,130	90,167	641,853
12/26/22	17,137	5.340	73,030	90,167	568,823
6/26/23	15,188	5.340	74,979	90,167	493,844
12/26/23	13,186	5.340	76,981	90,167	416,863
6/26/24	11,130	5.340	79,037	90,167	337,826
12/26/24	9,020	5.340	81,147	90,167	256,679
6/26/25	6,854	5.340	83,313	90,167	173,366
12/26/25	4,629	5.340	85,538	90,167	87,828
6/26/26	<u>2,338</u>	5.340	<u>87,828</u>	<u>90,166</u>	-
	<u>\$ 420,019</u>		<u>\$ 1,383,321</u>	<u>\$ 1,803,340</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS

INSTALLMENT SALE AGREEMENT

ASSESSMENT DISTRICT #12, PHASE II

<u>Date</u>	<u>Interest Due</u>	<u>Coupon Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2016	\$ -	-	\$ -	\$ -	\$ 1,105,398
9/21/16	27,746	5.020	36,100	63,846	1,069,298
3/21/17	26,840	5.020	37,006	63,846	1,032,292
9/21/17	25,910	5.020	37,935	63,845	994,357
3/21/18	24,959	5.020	38,886	63,845	955,471
9/21/18	23,982	5.020	39,863	63,845	915,608
3/21/19	22,982	5.020	40,863	63,845	874,745
9/21/19	21,957	5.020	41,888	63,845	832,857
3/21/20	20,905	5.020	42,940	63,845	789,917
9/21/20	19,827	5.020	44,018	63,845	745,899
3/21/21	18,722	5.020	45,123	63,845	700,776
9/21/21	17,590	5.020	46,255	63,845	654,521
3/21/22	16,428	5.020	47,417	63,845	607,104
9/21/22	15,239	5.020	48,606	63,845	558,498
3/21/23	14,018	5.020	49,827	63,845	508,671
9/21/23	12,768	5.020	51,077	63,845	457,594
3/21/24	11,486	5.020	52,359	63,845	405,235
9/21/24	10,172	5.020	53,673	63,845	351,562
3/21/25	8,824	5.020	55,021	63,845	296,541
9/21/25	7,443	5.020	56,402	63,845	240,139
3/21/26	6,028	5.020	57,817	63,845	182,322
9/21/26	4,577	5.020	59,268	63,845	123,054
3/21/27	3,089	5.020	60,756	63,845	62,298
9/21/27	1,545	5.020	62,298	63,843	-
	<u>\$ 363,037</u>		<u>\$ 1,105,398</u>	<u>\$ 1,468,435</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS

INSTALLMENT SALE AGREEMENT

MISSION CREEK - 80 ACRES

<u>Date</u>	<u>Interest Due</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2016	\$ -	-	\$ -	\$ -	\$ 293,894
12/7/16	6,239	4.190	5,952	12,191	287,942
6/7/17	6,079	4.190	6,106	12,185	281,836
12/7/17	5,983	4.190	6,208	12,191	275,628
6/7/18	5,819	4.190	6,372	12,191	269,256
12/7/18	5,716	4.190	6,475	12,191	262,781
6/7/19	5,547	4.190	6,644	12,191	256,137
12/7/19	5,437	4.190	6,754	12,191	249,383
6/7/20	5,294	4.190	6,897	12,191	242,486
12/7/20	5,147	4.190	7,044	12,191	235,442
6/7/21	4,970	4.190	7,221	12,191	228,221
12/7/21	4,845	4.190	7,346	12,191	220,875
6/7/22	4,663	4.190	7,528	12,191	213,347
12/7/22	4,529	4.190	7,662	12,191	205,685
6/7/23	4,342	4.190	7,849	12,191	197,836
12/7/23	4,200	4.190	7,991	12,191	189,845
6/7/24	4,030	4.190	8,161	12,191	181,684
12/7/24	3,857	4.190	8,334	12,191	173,350
6/7/25	3,660	4.190	8,531	12,191	164,819
12/7/25	3,499	4.190	8,692	12,191	156,127
6/7/26	3,296	4.190	8,895	12,191	147,232
12/7/26	3,125	4.190	9,066	12,191	138,166
6/7/27	2,917	4.190	9,274	12,191	128,892
12/7/27	2,736	4.190	9,455	12,191	119,437
6/7/28	2,535	4.190	9,656	12,191	109,781
12/7/28	2,330	4.190	9,861	12,191	99,920
6/7/29	2,109	4.190	10,082	12,191	89,838
12/7/29	1,907	4.190	10,284	12,191	79,554
6/7/30	1,679	4.190	10,512	12,191	69,042
12/7/30	1,466	4.190	10,725	12,191	58,317
6/7/31	1,231	4.190	10,960	12,191	47,357
12/7/31	1,005	4.190	11,186	12,191	36,171
6/7/32	768	4.190	11,423	12,191	24,748
12/7/32	525	4.190	11,666	12,191	13,082
6/7/33	276	4.190	13,082	13,358	-
	<u>\$ 121,761</u>		<u>\$ 293,894</u>	<u>\$ 415,655</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS
STATE REVOLVING FUND ASSESSMENT DISTRICT #12, PHASE IV

<u>Date</u>	<u>Interest Due</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2016	\$ -	-	\$ -	\$ -	\$ 4,456,490
1/31/17	98,043	2.200	204,467	302,510	4,252,023
1/31/18	93,544	2.200	208,966	302,510	4,043,057
1/31/19	88,947	2.200	213,563	302,510	3,829,494
1/31/20	84,249	2.200	218,261	302,510	3,611,233
1/31/21	79,447	2.200	223,063	302,510	3,388,170
1/31/22	74,540	2.200	227,970	302,510	3,160,200
1/31/23	69,525	2.200	232,985	302,510	2,927,215
1/31/24	64,399	2.200	238,111	302,510	2,689,104
1/31/25	59,160	2.200	243,350	302,510	2,445,754
1/31/26	53,807	2.200	248,703	302,510	2,197,051
1/31/27	48,335	2.200	254,175	302,510	1,942,876
1/31/28	42,743	2.200	259,767	302,510	1,683,109
1/31/29	37,029	2.200	265,481	302,510	1,417,628
1/31/30	31,188	2.200	271,322	302,510	1,146,306
1/31/31	25,219	2.200	277,291	302,510	869,015
1/31/32	19,118	2.200	283,392	302,510	585,623
1/31/33	12,884	2.200	289,626	302,510	295,997
1/31/34	<u>6,512</u>	2.200	<u>295,997</u>	<u>302,509</u>	-
	<u>\$ 988,689</u>		<u>\$ 4,456,490</u>	<u>\$ 5,445,179</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS

INSTALLMENT SALE AGREEMENT

ASSESSMENT DISTRICT #12, PHASE V

<u>Date</u>	<u>Interest Due</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2016	\$ -	-	\$ -	\$ -	\$ 1,139,054
9/2/16	23,351	4.100	22,572	45,923	1,116,482
3/2/17	22,888	4.100	23,035	45,923	1,093,447
9/2/17	22,416	4.100	23,507	45,923	1,069,940
3/2/18	21,934	4.100	23,989	45,923	1,045,951
9/2/18	21,442	4.100	24,481	45,923	1,021,470
3/2/19	20,940	4.100	24,983	45,923	996,487
9/2/19	20,429	4.100	25,494	45,923	970,993
3/2/20	19,906	4.100	26,017	45,923	944,976
9/2/20	19,372	4.100	26,551	45,923	918,425
3/2/21	18,828	4.100	27,095	45,923	891,330
9/2/21	18,272	4.100	27,651	45,923	863,679
3/2/22	17,706	4.100	28,217	45,923	835,462
9/2/22	17,127	4.100	28,796	45,923	806,666
3/2/23	16,537	4.100	29,386	45,923	777,280
9/2/23	15,935	4.100	29,988	45,923	747,292
3/2/24	15,320	4.100	30,603	45,923	716,689
9/2/24	14,692	4.100	31,231	45,923	685,458
3/2/25	14,052	4.100	31,871	45,923	653,587
9/2/25	13,399	4.100	32,524	45,923	621,063
3/2/26	12,732	4.100	33,191	45,923	587,872
9/2/26	12,051	4.100	33,872	45,923	554,000
3/2/27	11,358	4.100	34,565	45,923	519,435
9/2/27	10,648	4.100	35,275	45,923	484,160
3/2/28	9,926	4.100	35,997	45,923	448,163
9/2/28	9,188	4.100	36,735	45,923	411,428
3/2/29	8,434	4.100	37,489	45,923	373,939
9/2/29	7,666	4.100	38,257	45,923	335,682
3/2/30	6,882	4.100	39,041	45,923	296,641
9/2/30	6,081	4.100	39,842	45,923	256,799
3/2/31	5,265	4.100	40,658	45,923	216,141
9/2/31	4,431	4.100	41,492	45,923	174,649
3/2/32	3,581	4.100	42,342	45,923	132,307
9/2/32	2,712	4.100	43,211	45,923	89,096
3/2/33	1,827	4.100	44,096	45,923	45,000
9/2/33	923	4.100	45,000	45,923	-
	<u>\$ 468,251</u>		<u>\$ 1,139,054</u>	<u>\$ 1,607,305</u>	

MISSION SPRINGS WATER DISTRICT

SCHEDULE OF PRINCIPAL AND INTEREST REPAYMENTS

INSTALLMENT SALE AGREEMENT

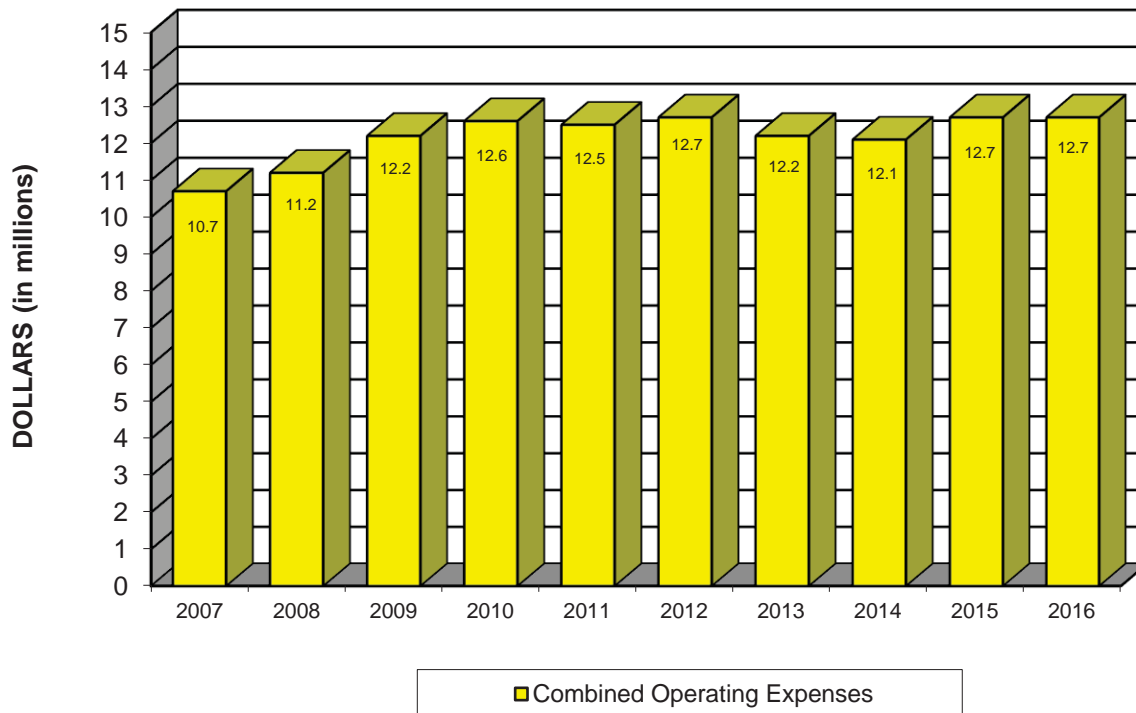
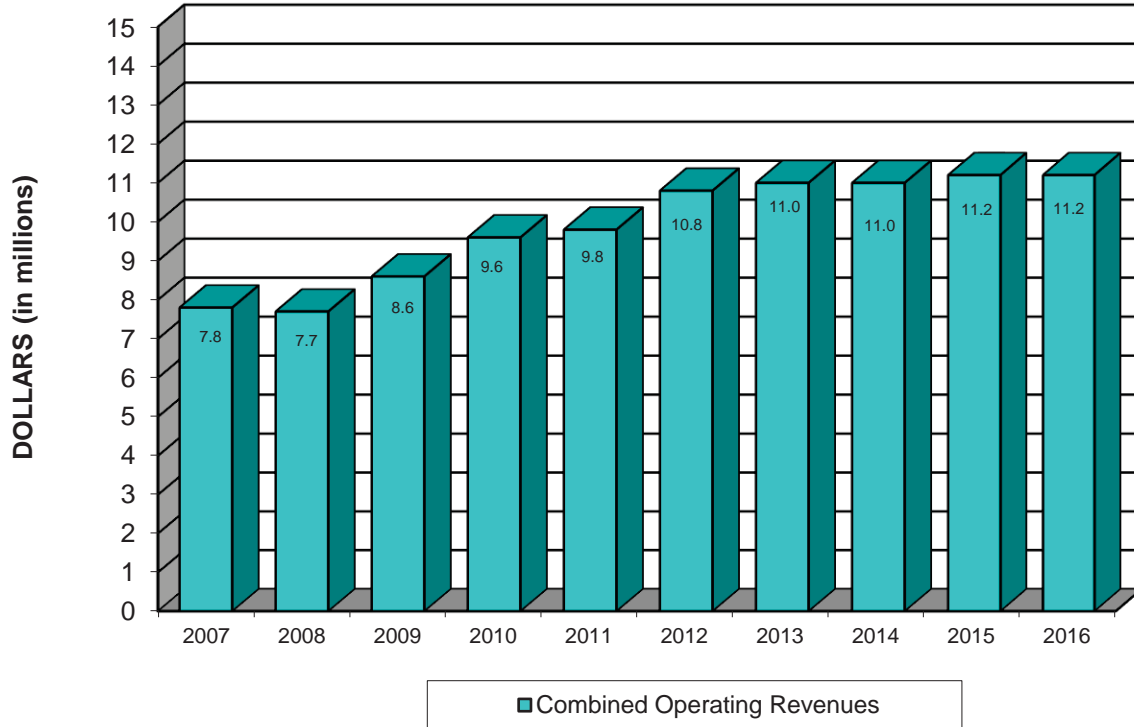
ASSESSMENT DISTRICT #12, PHASE VI

<u>Date</u>	<u>Interest Due</u>	<u>Interest Rate</u>	<u>Principal Payment</u>	<u>Total Debt Service</u>	<u>Balance Principal Unpaid</u>
6/30/2016	\$ -	-	\$ -	\$ -	\$ 2,545,396
9/2/16	50,272	3.950	47,341	97,613	2,498,055
3/2/17	49,337	3.950	48,276	97,613	2,449,779
9/2/17	48,383	3.950	49,230	97,613	2,400,549
3/2/18	47,411	3.950	50,202	97,613	2,350,347
9/2/18	46,420	3.950	51,193	97,613	2,299,154
3/2/19	45,408	3.950	52,205	97,613	2,246,949
9/2/19	44,377	3.950	53,236	97,613	2,193,713
3/2/20	43,326	3.950	54,287	97,613	2,139,426
9/2/20	42,254	3.950	55,359	97,613	2,084,067
3/2/21	41,161	3.950	56,452	97,613	2,027,615
9/2/21	40,046	3.950	57,567	97,613	1,970,048
3/2/22	38,909	3.950	58,704	97,613	1,911,344
9/2/22	37,749	3.950	59,864	97,613	1,851,480
3/2/23	36,567	3.950	61,046	97,613	1,790,434
9/2/23	35,361	3.950	62,252	97,613	1,728,182
3/2/24	34,132	3.950	63,481	97,613	1,664,701
9/2/24	32,878	3.950	64,735	97,613	1,599,966
3/2/25	31,600	3.950	66,013	97,613	1,533,953
9/2/25	30,296	3.950	67,317	97,613	1,466,636
3/2/26	28,966	3.950	68,647	97,613	1,397,989
9/2/26	27,610	3.950	70,003	97,613	1,327,986
3/2/27	26,228	3.950	71,385	97,613	1,256,601
9/2/27	24,818	3.950	72,795	97,613	1,183,806
3/2/28	23,380	3.950	74,233	97,613	1,109,573
9/2/28	21,914	3.950	75,699	97,613	1,033,874
3/2/29	20,419	3.950	77,194	97,613	956,680
9/2/29	18,894	3.950	956,680	975,574	-
	<u>\$ 968,116</u>		<u>\$ 2,545,396</u>	<u>\$ 3,513,512</u>	

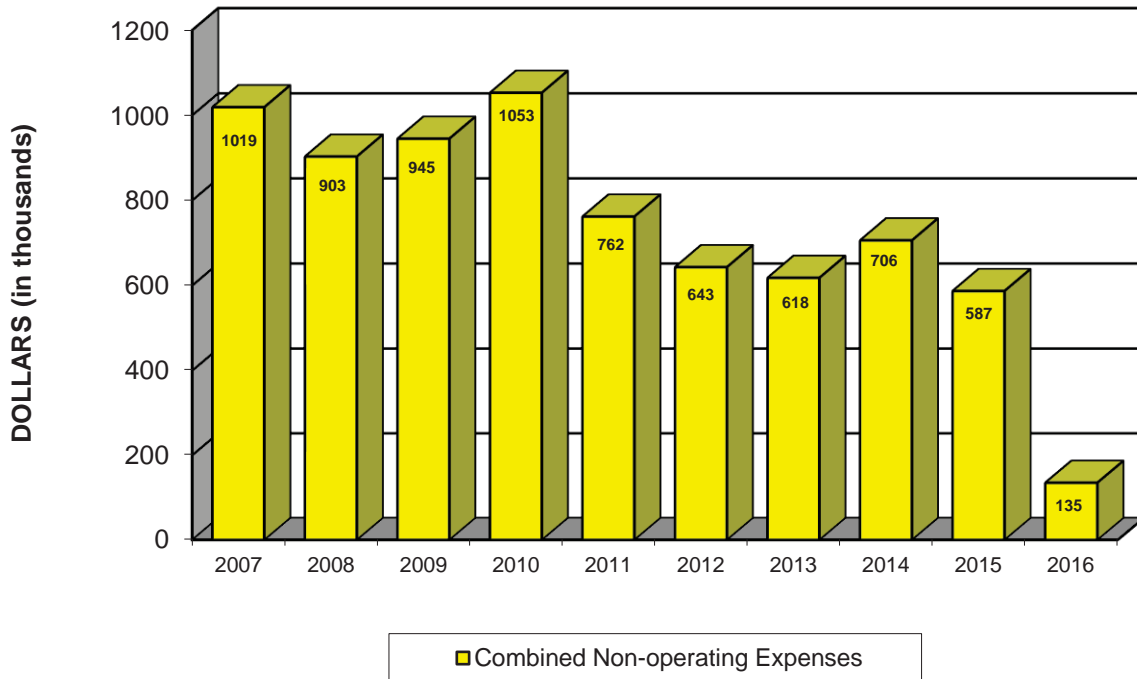
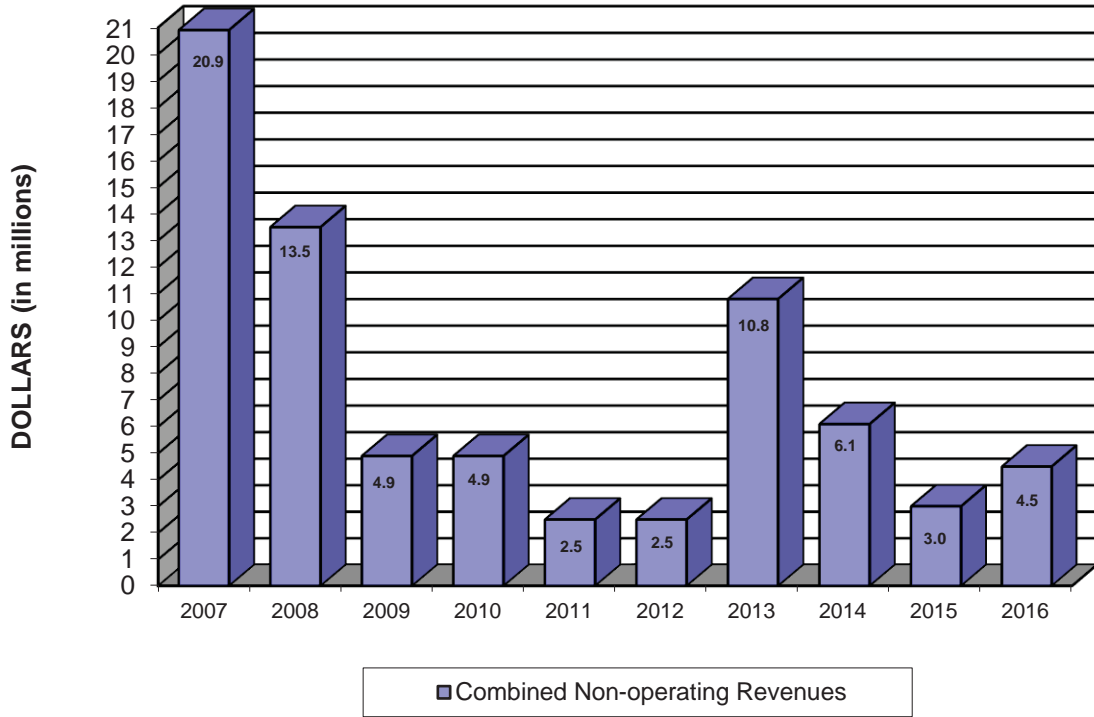
MISSION SPRINGS WATER DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION BY OBJECT
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2015

	2016			2015	
	Water District	Sewer District	General District	(Memorandum only) Combined	(Memorandum only) Combined
REVENUES					
Base service charge	1,555,857	\$ -	\$ -	1,555,857	\$ 1,426,763
Water consumption	4,433,456	-	-	4,433,456	4,830,181
Meter installations	46,849	-	-	46,849	17,566
Sewer service	-	4,356,867	-	4,356,867	4,151,325
Other operating revenue	524,842	-	-	524,842	520,420
Backup and front footage fees	261,510	61,350	-	322,860	250,226
Contributed infrastructure	-	-	-	-	776,168
Property taxes	675,482	369,490	580,205	1,625,177	1,584,299
Standby charges	230,299	12,177	-	242,476	243,192
Fats, oils & grease fees	-	3,775	-	3,775	3,676
Interest	12,489	669,393	43,027	724,909	436,837
Grants	1,084,379	704,919	-	1,789,298	200,897
Recovery of prior year expense	12	-	80	92	43,734
Amortization of deposit for maintenance	-	580	-	580	1,067
Gain (loss) from asset disposals	1,573	-	2,786	4,359	(297,115)
Total revenues	<u>8,826,748</u>	<u>6,178,551</u>	<u>626,098</u>	<u>15,631,397</u>	<u>14,189,236</u>
EXPENSES					
Salaries and wages	1,118,315	450,546	1,177,763	2,746,624	2,923,882
Employee benefits	634,014	253,151	707,032	1,594,197	1,619,954
Pension inflows/outflows of resources	-	-	(946,657)	(946,657)	(346,744)
Public Employees Retirement -Prior year costs	-	-	330,640	330,640	267,629
Materials and supplies	519,500	69,787	244,675	833,962	709,274
Outside services	347,211	372,216	1,191,987	1,911,414	1,785,668
Ground water replenishment fees	71,842	-	-	71,842	94,391
Utilities	845,068	172,933	29,062	1,047,063	1,185,057
Directors' fees	-	-	30,180	30,180	34,660
Engineering	45,844	-	-	45,844	48,960
Insurance	-	-	128,871	128,871	122,145
Legal	-	-	287,313	287,313	175,325
Audit	-	-	21,460	21,460	24,372
Depreciation	2,279,971	1,492,519	194,996	3,967,486	3,913,728
Interest	26,707	712,784	-	739,491	528,887
Standby reports	12,066	3,691	-	15,757	14,749
Dues and subscriptions	-	573	40,182	40,755	46,266
Training and conferences	6,120	2,496	57,987	66,603	67,311
Amortization	1,440	1,033	-	2,473	121,672
Ground water management	-	-	30,000	30,000	15,000
Other expenses	9,148	757	55	9,960	14,380
Subtotal	<u>5,917,246</u>	<u>3,532,486</u>	<u>3,525,546</u>	<u>12,975,278</u>	<u>13,366,566</u>
General District Allocation	<u>2,943,921</u>	<u>1,023,815</u>	<u>(4,141,563)</u>	<u>(173,827)</u>	<u>(30,306)</u>
Total expenses	<u>8,861,167</u>	<u>4,556,301</u>	<u>(616,017)</u>	<u>12,801,451</u>	<u>13,336,260</u>
CHANGE IN NET POSITION	(34,419)	1,622,250	1,242,115	2,829,946	852,976
NET POSITION, BEGINNING OF YEAR	<u>61,859,016</u>	<u>58,264,941</u>	<u>6,256,881</u>	<u>126,380,838</u>	<u>125,527,862</u>
NET POSITION, END OF YEAR	<u>\$ 61,824,597</u>	<u>\$ 59,887,191</u>	<u>\$ 7,498,996</u>	<u>\$ 129,210,784</u>	<u>\$ 126,380,838</u>

MISSION SPRINGS WATER DISTRICT
COMBINED OPERATING REVENUES AND OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007-2016



MISSION SPRINGS WATER DISTRICT
COMBINED NON-OPERATING REVENUES AND NON-OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007-2016



MISSION SPRINGS WATER DISTRICT
OPERATING INCOME/(LOSS) AND CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2007-2016

