

**ORANGE COUNTY WATER UTILITIES SYSTEM
STATEMENTS OF NET POSITION
JULY 31 AND JUNE 30, 2016**

	JULY	JUNE
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash and investments	\$ 137,764,988	\$ 134,354,436
Accrued interest receivable	163,257	163,257
Accounts receivable, net	18,836,357	18,482,823
Due from other governmental agencies	13,460,815	13,445,022
Inventories and prepaid costs	18,597,890	19,680,988
Total current assets	188,823,307	186,126,526
Restricted assets:		
Cash and investments	17,555,730	17,312,438
Capital assets:		
Land	103,497,426	103,469,968
Construction in progress	239,854,715	236,825,416
Buildings and improvements	1,905,063,771	1,894,038,696
Machinery and equipment	97,460,371	96,534,915
Intangible assets	73,905,512	71,503,062
Less accumulated depreciation and amortization	(1,126,110,806)	(1,120,159,139)
Total capital assets	1,293,670,989	1,282,212,918
Total noncurrent and restricted assets	1,311,226,719	1,299,525,356
Total assets	1,500,050,026	1,485,651,882
Deferred outflows of resources:		
Related to pensions	7,794,037	7,794,037
Total assets and deferred outflows of resources	\$ 1,507,844,063	\$ 1,493,445,919
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,618,694	\$ 18,887,514
Due to other governmental agencies	695,915	707,087
Net pension liability	430,543	430,543
Total current liabilities	19,745,152	20,025,144
Liabilities payable from restricted assets:		
Accrued interest payable on bonds and loans	783,078	550,415
Customer deposits	9,024,554	8,995,032
Total liabilities payable from restricted assets	9,807,632	9,545,447
Noncurrent liabilities:		
Compensated absences payable	1,719,337	1,719,337
Loans payable	66,146,820	66,146,820
Revenue bonds payable (net of unamortized costs)	94,353,700	94,442,080
Net pension liability	22,788,393	22,788,393
Total noncurrent liabilities	185,008,250	185,096,630
Total liabilities	214,561,034	214,667,221
Deferred inflows of resources:		
Related to pensions	7,606,830	7,606,830
Total liabilities and deferred inflows of resources	222,167,864	222,274,051
<u>NET POSITION</u>		
Net investment in capital assets	1,133,170,469	1,121,624,018
Restricted for debt service	7,748,098	7,766,991
Unrestricted	144,757,632	141,780,859
Total net position	1,285,676,199	1,271,171,868
Total liabilities and net position	\$ 1,507,844,063	\$ 1,493,445,919

**ORANGE COUNTY WATER UTILITIES SYSTEM
CASH AND INVESTMENTS DETAIL
JULY 31 AND JUNE 30, 2016**

	<u>JULY</u>	<u>JUNE</u>
Current:		
Revenue	\$ -	\$ -
Operation and maintenance	318	1,318
Series 2016 account	21,251,152	22,614,569
Reserve revenue	64,357,014	61,501,661
Water connection fees	3,509,167	3,105,208
Wastewater connection fees	17,482,600	15,949,720
Petty cash	1,600	1,600
Operation and maintenance reserve	23,161,436	23,174,052
Renewal and replacement	<u>8,001,701</u>	<u>8,006,308</u>
Total current cash and investments	<u>137,764,988</u>	<u>134,354,436</u>
Restricted:		
Issuance Costs	60,096	60,045
Bond reserve (1)	6,174,241	6,173,825
Bond interest	504,524	252,248
Loan debt service	1,032,016	1,070,558
Loan repayment reserve	760,299	760,730
Customer deposits	<u>9,024,554</u>	<u>8,995,032</u>
Total restricted cash and investments	<u>17,555,730</u>	<u>17,312,438</u>
Total cash and investments	<u>\$ 155,320,718</u>	<u>\$ 151,666,874</u>

Note: (1) The Bond Reserve requirement is prescribed in the bond covenants as the maximum annual debt service for all bonds outstanding, \$6,173,644. The amount reflected in this statement represents the current market value of this account.

June 30, 2016 balances have been revised from that previously reported.

**ORANGE COUNTY WATER UTILITIES SYSTEM
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION
FOR THE MONTH ENDED JULY 31, 2016**

	<u>JULY</u>	<u>FISCAL YEAR TO DATE</u>
Operating revenues:		
Water service	\$ 4,328,806	\$ 39,792,421
Wastewater service	9,845,387	95,886,669
Reclaimed water service	678,882	5,610,544
Miscellaneous	329,645	3,220,683
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Total operating revenues	15,182,720	144,510,317
Operating and maintenance expenses:		
Personal services	3,988,008	38,752,335
Contractual services	2,239,031	24,321,227
Materials and supplies	618,996	4,427,694
Utilities	1,094,694	10,629,202
Repairs and maintenance	1,651,073	13,423,612
Other administrative expenses	663,463	7,332,802
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Total operating and maintenance expenses	10,255,265	98,886,872
Operating income before depreciation	4,927,455	45,623,445
Depreciation and amortization	5,951,667	59,742,654
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Operating loss	(1,024,212)	(14,119,209)
Nonoperating revenues (expenses):		
Interest revenue	74,255	555,612
Interest expense and fiscal charges	(240,173)	(1,000,372)
Gain (Loss) on the disposal of assets	-	(195,634)
Bond issuance costs	(45,000)	(1,341,781)
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Total net nonoperating revenues (expenses)	(210,918)	(1,982,175)
Loss before contributions and transfers	(1,235,130)	(16,101,384)
Capital contributions	15,739,461	61,953,802
Transfers out	-	(7,400,000)
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Change in net position	14,504,331	38,452,418
Total net position, beginning of period	1,271,171,868	1,247,223,781
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Total net position, end of period	\$ 1,285,676,199	\$ 1,285,676,199
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See accompanying notes to financial statements

**ORANGE COUNTY WATER UTILITIES SYSTEM
OPERATING REVENUE DETAIL
FOR THE MONTH ENDED JULY 31, 2016**

	JULY BUDGET	JULY ACTUAL	FISCAL YTD BUDGET	FISCAL YTD ACTUAL	ANNUAL BUDGET	FISCAL YTD (STD 83%)
Water service:						
Residential	\$ 1,908,566	\$ 1,956,063	\$ 19,085,660	\$ 19,471,148	\$ 22,902,786	85%
Commercial	1,121,386	1,275,742	11,213,860	11,681,427	13,456,628	87%
Conservation surcharge	860,798	1,097,001	8,607,980	8,639,846	10,329,573	84%
Total water service	<u>3,890,750</u>	<u>4,328,806</u>	<u>38,907,500</u>	<u>39,792,421</u>	<u>46,688,987</u>	85%
Wastewater service:						
Residential	4,826,980	4,998,389	48,269,800	49,145,472	57,923,764	85%
Commercial	4,154,897	4,645,887	41,548,970	44,092,840	49,858,768	88%
Environmental surcharge	206,772	144,403	2,067,720	2,020,854	2,481,260	81%
Industrial	2,262	2,375	22,620	51,816	27,146	191%
Septic and portable	21,925	52,061	219,250	455,961	263,100	173%
Capacity maintenance fees	12,490	2,272	124,900	119,726	149,874	80%
Total wastewater service	<u>9,225,326</u>	<u>9,845,387</u>	<u>92,253,260</u>	<u>95,886,669</u>	<u>110,703,912</u>	87%
Reclaimed water service:						
Reclaimed service	403,900	666,295	4,039,000	5,456,989	4,846,803	113%
Reclaimed water-cooling tower	19,781	12,587	197,810	153,555	237,373	65%
Total reclaimed water service	<u>423,681</u>	<u>678,882</u>	<u>4,236,810</u>	<u>5,610,544</u>	<u>5,084,176</u>	110%
Miscellaneous:						
Initiate account service	43,153	51,088	431,530	423,556	517,841	82%
Turn off/on service	26,699	25,695	266,990	293,819	320,388	92%
Lien fee charges	430	320	4,300	4,380	5,165	85%
Meter removal/testing	4,025	3,318	40,250	41,109	48,303	85%
Meter/line damage	13,259	18,522	132,590	50,879	159,112	32%
NSF charges	4,033	3,940	40,330	43,227	48,395	89%
Plans and specifications	73,163	25,281	731,630	557,445	877,961	63%
Charges to other funds	1,116	1,268	11,160	10,087	13,393	75%
Developer reimb of plan review	19,216	29,124	192,160	219,765	230,591	95%
Miscellaneous	109,157	171,089	1,091,570	1,576,416	1,309,878	120%
Total miscellaneous	<u>294,251</u>	<u>329,645</u>	<u>2,942,510</u>	<u>3,220,683</u>	<u>3,531,027</u>	91%
Total operating revenues	<u>\$ 13,834,008</u>	<u>\$ 15,182,720</u>	<u>\$ 138,340,080</u>	<u>\$ 144,510,317</u>	<u>\$ 166,008,102</u>	87%

**ORANGE COUNTY WATER UTILITIES SYSTEM
OPERATING AND MAINTENANCE EXPENSES DETAIL
FOR THE MONTH ENDED JULY 31, 2016**

	JULY BUDGET	JULY ACTUAL	FISCAL YTD BUDGET	FISCAL YTD ACTUAL	ANNUAL BUDGET	FISCAL YTD (STD 83%)
Personal services:						
Salaries	\$ 3,102,312	\$ 3,090,111	\$ 31,023,120	\$ 29,734,884	\$ 37,227,745	80%
Fringe benefits	1,083,470	897,897	10,834,700	9,017,451	13,001,635	69%
Total personal services	4,185,782	3,988,008	41,857,820	38,752,335	50,229,380	77%
Contractual services:						
Research and studies	87,861	66,511	878,610	710,865	1,054,337	67%
Legal services	11,036	20,946	110,360	92,543	132,435	70%
Indirect costs	514,586	483,753	5,145,860	4,837,533	6,175,035	78%
Purchased water	42,394	4,255	423,940	101,323	508,726	20%
Effluent disposal	159,874	113,618	1,598,740	1,585,261	1,918,490	83%
Comptroller fees	131,227	131,142	1,312,270	1,312,445	1,574,727	83%
Officer fees	1,232	510	12,320	6,156	14,783	42%
Payments to other governments	179,105	105,154	1,791,050	1,616,782	2,149,259	75%
Janitorial	36,213	28,116	362,130	296,072	434,554	68%
Employment agency	103,848	92,996	1,038,480	922,990	1,246,173	74%
Training	15,241	14,684	152,410	56,460	182,890	31%
Paving	158,978	63,949	1,589,780	976,897	1,907,733	51%
Software licensing/support fee	168,245	118,649	1,682,450	1,205,153	2,018,936	60%
Other professional fees	113,482	111,671	1,134,820	541,070	1,361,784	40%
Contractual services	1,333,872	883,077	13,338,720	10,059,677	16,006,467	63%
Total contractual services	3,057,194	2,239,031	30,571,940	24,321,227	36,686,329	66%
Materials and supplies:						
Graphic reproduction services	4,181	828	41,810	15,364	50,169	31%
Office supplies	12,673	17,959	126,730	78,968	152,073	52%
Event/meal reimbursement	434	-	4,340	600	5,210	12%
Software <\$1000	11,569	395	115,690	39,995	138,826	29%
Computer equipment <\$500	11,556	1,058	115,560	171,898	138,677	124%
Equipment <\$1000	20,152	30,352	201,520	185,134	241,823	77%
Tools	9,691	18,768	96,910	100,863	116,286	87%
Medical	149	-	1,490	190	1,790	11%
Liquid oxygen	12,184	8,155	121,840	85,233	146,212	58%
Chemical and pesticides	13	-	130	-	150	0%
Solar salt	12,231	13,522	122,310	137,664	146,775	94%
Chlorine	102,814	130,265	1,028,140	922,347	1,233,772	75%
Fluoride	15,173	-	151,730	72,868	182,070	40%
Polymer	56,126	77,569	561,260	460,430	673,508	68%
Sealing chemicals	208	-	2,080	2,770	2,500	111%
Corrosion control	52,770	65,302	527,700	480,894	633,242	76%
Carbon dioxide	33,775	44,126	337,750	292,059	405,296	72%
Sodium hydroxide	46,158	26,403	461,580	226,478	553,894	41%
Miscellaneous chemicals	35,736	49,089	357,360	223,912	428,834	52%
Material for construction	24,145	6,409	241,450	200,668	289,743	69%
Clothing	15,072	16,736	150,720	130,488	180,862	72%
Gas-oil-lube-brfl-ant	17,194	26,761	171,940	79,491	206,330	39%
Miscellaneous expenses	52,214	85,299	522,140	519,380	626,568	83%
Total materials & supplies	546,218	618,996	5,462,180	4,427,694	6,554,610	68%

**ORANGE COUNTY WATER UTILITIES SYSTEM
OPERATING AND MAINTENANCE EXPENSES DETAIL, (continued)
FOR THE MONTH ENDED JULY 31, 2016**

	JULY BUDGET	JULY ACTUAL	FISCAL YTD BUDGET	FISCAL YTD ACTUAL	ANNUAL BUDGET	FISCAL YTD (STD 83%)
Utilities:						
Communications	\$ 60,668	\$ 34,100	\$ 606,680	\$ 531,427	\$ 728,019	73%
Water	7,483	5,402	74,830	75,454	89,793	84%
Solid waste tipping fees	3,500	-	35,000	25,367	42,000	60%
Garbage disposal	48,896	1,163	488,960	324,789	586,748	55%
Gas	12,897	11,953	128,970	96,288	154,764	62%
Electric	1,032,921	1,042,076	10,329,210	9,575,877	12,395,046	77%
Total utilities	1,166,365	1,094,694	11,663,650	10,629,202	13,996,370	76%
Repairs and maintenance:						
Building and grounds	441,653	455,411	4,416,530	4,781,721	5,299,833	90%
Equipment	641,388	861,641	6,413,880	5,300,722	7,696,658	69%
Vehicle maintenance	388,508	305,725	3,885,080	2,964,202	4,662,092	64%
Services	42	-	420	741	500	148%
Mains	24,124	24,584	241,240	245,397	289,491	85%
Water meters	2,150	3,712	21,500	3,712	25,800	14%
Fire lines	2,988	-	29,880	88,608	35,855	247%
Meter installations	42	-	420	935	500	187%
Valves	4,541	-	45,410	37,574	54,486	69%
Utility relocations	42	-	420	-	500	0%
Total repairs & maintenance	1,505,478	1,651,073	15,054,780	13,423,612	18,065,715	74%
Other administrative:						
Local travel	2,436	1,611	24,360	12,823	29,236	44%
Out of county travel	1,956	1,010	19,560	8,005	23,477	34%
Postage and messenger services	57,972	147,899	579,720	612,551	695,663	88%
Moving expenses	92	-	920	-	1,100	0%
Toll charges	17,930	19,633	179,300	154,842	215,154	72%
Rental of equipment	35,383	132,686	353,830	721,317	424,594	170%
Dues and memberships	13,231	1,250	132,310	105,333	158,773	66%
Subscriptions	2,456	-	24,560	8,129	29,476	28%
Training fees	11,078	8,368	110,780	63,255	132,941	48%
License and certification	1,731	1,708	17,310	4,004	20,774	19%
Advertising	440	-	4,400	2,935	5,280	56%
Promotional	9,021	12,334	90,210	36,846	108,250	34%
Educational assistance	2,499	-	24,990	5,118	29,989	17%
Scholarships, awards	581	-	5,810	-	6,975	0%
Bad debt expense	40,039	34,600	400,390	65,553	480,462	14%
Bank charges	63,792	76,171	637,920	618,658	765,500	81%
Self insurance	284,894	271,735	2,848,940	2,835,783	3,418,731	83%
Refunds of prior year revenue	25,000	-	250,000	203,069	300,000	68%
Operating permits	11,654	-	116,540	-	139,849	0%
Accrued expenses	-	(45,542)	-	1,874,581	-	0%
Total other administrative	582,185	663,463	5,821,850	7,332,802	6,986,224	105%
Total O&M expenses	\$ 11,043,222	\$ 10,255,265	\$ 110,432,220	\$ 98,886,872	\$ 132,518,628	75%

**ORANGE COUNTY WATER UTILITIES SYSTEM
NON-OPERATING REVENUE AND EXPENSE DETAIL
FOR THE MONTH ENDED JULY 31, 2016**

	JULY BUDGET	JULY ACTUAL	FISCAL YTD BUDGET	FISCAL YTD ACTUAL	ANNUAL BUDGET	FISCAL YTD (STD 83%)
Interest revenue:						
Net revenue	\$ 42,172	\$ 72,607	\$ 421,720	\$ 526,300	\$ 506,065	104%
Connection fees	-	2,470	-	38,395	-	0%
Bond reserve	-	466	-	657	-	0%
Less: Customer deposits expense	-	(1,288)	-	(9,740)	-	0%
Total interest revenue	<u>42,172</u>	<u>74,255</u>	<u>421,720</u>	<u>555,612</u>	<u>506,065</u>	110%
Interest expense:						
Bonds and revolving loans	(360,937)	(328,553)	(3,609,370)	(1,177,133)	(4,331,243)	27%
Capital lease	(73)	-	(730)	-	(871)	0%
Debt service fees	(17,500)	-	(175,000)	-	(210,000)	0%
Amortization of bond premium	-	88,380	-	176,761	-	(1)
Total interest expense	<u>(378,510)</u>	<u>(240,173)</u>	<u>(3,785,100)</u>	<u>(1,000,372)</u>	<u>(4,542,114)</u>	22%
Gain/(loss) on disposal of assets:						
Gain on disposal of fixed assets	-	-	-	33,315	-	(1)
Loss on abandoned projects	-	-	-	(228,949)	-	(1)
Total gain/(loss) on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(195,634)</u>	<u>-</u>	(1)
Bond issuance costs	<u>(116,667)</u>	<u>(45,000)</u>	<u>(1,166,670)</u>	<u>(1,341,781)</u>	<u>(1,400,000)</u>	96%
Total non-operating revenues (expenses)	<u>\$ (453,005)</u>	<u>\$ (210,918)</u>	<u>\$ (4,530,050)</u>	<u>\$ (1,982,175)</u>	<u>\$ (5,436,049)</u>	36%

(1) These are noncash items, and therefore not included in adopted budget.

**ORANGE COUNTY WATER UTILITIES SYSTEM
CAPITAL CONTRIBUTIONS DETAIL
FOR THE MONTH ENDED JULY 31, 2016**

	JULY BUDGET	JULY ACTUAL	FISCAL YTD BUDGET	FISCAL YTD ACTUAL	ANNUAL BUDGET	FISCAL YTD (STD 83%)
CONNECTION FEES COLLECTED:						
Water connection fees:						
Residential/Commercial	\$ 661,745	\$ 956,878	\$ 6,617,450	\$ 10,945,024	\$ 7,940,944	138%
Irrigation	35,638	46,260	356,380	552,420	427,659	129%
Total water connection fees	<u>697,383</u>	<u>1,003,138</u>	<u>6,973,830</u>	<u>11,497,444</u>	<u>8,368,603</u>	137%
Wastewater connection fees:						
Residential/Commercial	<u>1,333,472</u>	<u>2,096,440</u>	<u>13,334,720</u>	<u>23,854,039</u>	<u>16,001,665</u>	149%
Total wastewater connection fees	<u>1,333,472</u>	<u>2,096,440</u>	<u>13,334,720</u>	<u>23,854,039</u>	<u>16,001,665</u>	149%
Less reductions:						
Refunds of prior year collections	(83,333)	(24,010)	(833,330)	(41,615)	(1,000,000)	4%
Donations	(1,250)	-	(12,500)	-	(15,000)	0%
Total reductions	<u>(84,583)</u>	<u>(24,010)</u>	<u>(845,830)</u>	<u>(41,615)</u>	<u>(1,015,000)</u>	4%
Net connection fees	<u>1,946,272</u>	<u>3,075,568</u>	<u>19,462,720</u>	<u>35,309,868</u>	<u>23,355,268</u>	151%
DONATED SYSTEMS:						
Donated easements	-	2,402,450	-	6,660,650	-	0%
Developer fixed assets	-	10,245,266	-	19,719,221	-	0%
Developer reimbursements	-	12,087	-	190,826	-	0%
Line extensions	-	4,090	-	73,237	-	0%
Total donated systems	<u>-</u>	<u>12,663,893</u>	<u>-</u>	<u>26,643,934</u>	<u>-</u>	0%
Total capital contributions	<u>\$ 1,946,272</u>	<u>\$ 15,739,461</u>	<u>\$ 19,462,720</u>	<u>\$ 61,953,802</u>	<u>\$ 23,355,268</u>	265%

**ORANGE COUNTY WATER UTILITIES SYSTEM
OTHER DISBURSEMENTS DETAIL
FOR THE MONTH ENDED JULY 31, 2016**

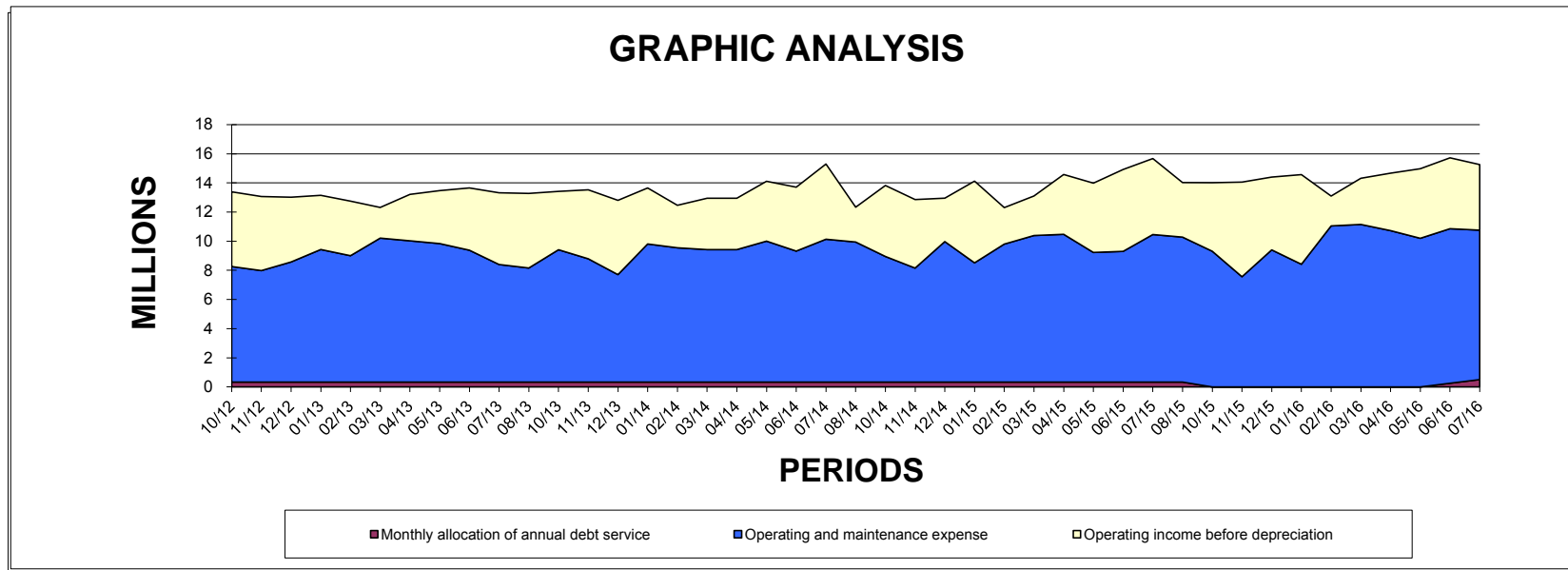
	JULY BUDGET	JULY ACTUAL	FISCAL YTD BUDGET	FISCAL YTD ACTUAL	ANNUAL BUDGET	FISCAL YTD (STD 83%)
Capital outlay:						
Land	\$ 40,381	\$ 27,458	\$ 403,810	\$ 1,631,886	\$ 484,577	337%
Buildings	161,234	20,888	1,612,340	195,910	1,934,812	10%
Structures	15,683,612	3,788,219	156,836,120	66,250,467	188,203,341	35%
Equipment	784,199	925,456	7,841,990	2,777,939	9,410,387	30%
Total capital outlay	16,669,426	4,762,021	166,694,260	70,856,202	200,033,117	35%
Debt service principal	201,041	191,724	2,010,410	1,695,437	2,412,491	70%
Total other disbursements	<u>\$ 16,870,467</u>	<u>\$ 4,953,745</u>	<u>\$ 168,704,670</u>	<u>\$ 72,551,639</u>	<u>\$ 202,445,608</u>	36%

**ORANGE COUNTY WATER UTILITIES SYSTEM
ANALYTICAL DATA
FISCAL YEAR 2016**

	<u>Year to Date</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>
Operating Ratios												
Overall	0.68	0.67	0.56	0.66	0.58	0.85	0.78	0.73	0.69	0.68	0.68	
Water	0.88	0.98	0.76	0.88	0.73	1.04	1.07	1.00	0.79	0.76	0.82	
Wastewater	0.56	0.51	0.44	0.53	0.49	0.70	0.62	0.59	0.59	0.58	0.54	
Bond Coverage Ratios*	90.44	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20.05 **	19.54	

*Net operating income (excluding connection fees) divided by the annual debt service payments. The bond resolution requires coverage of 1.10.

**The bond coverage ratio has been adjusted to reflect the bond's initial year pro-rated interest sinking fund deposits.



**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
FOR THE MONTH ENDED JULY 31, 2016**

Pursuant to Section 37-304 of Orange County Ordinance No. 92-10, water and wastewater capacity has been sold net of \$10.5 million in affordable multi-family housing discounts, since inception of the program. Pursuant to Orange County ordinance No. 94-21, the County also offers a discount on water & wastewater connection fees for each residential lot that receives service from a Reclaimed Water Distribution System. Since inception of this program water & wastewater capacity has been sold net of \$9.4 million.