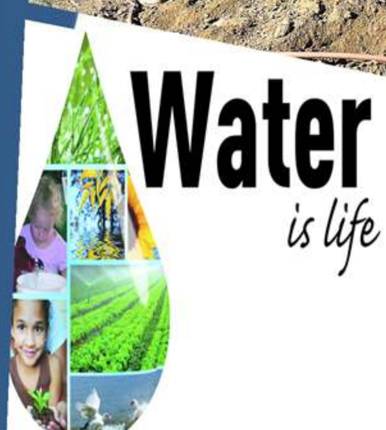
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016



NEWHALL COUNTY WATER DISTRICT
Newhall, CA

Serving the community for over 60 years

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

Prepared by:
Finance Department
Newhall, California

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NCWD

Introductory Section

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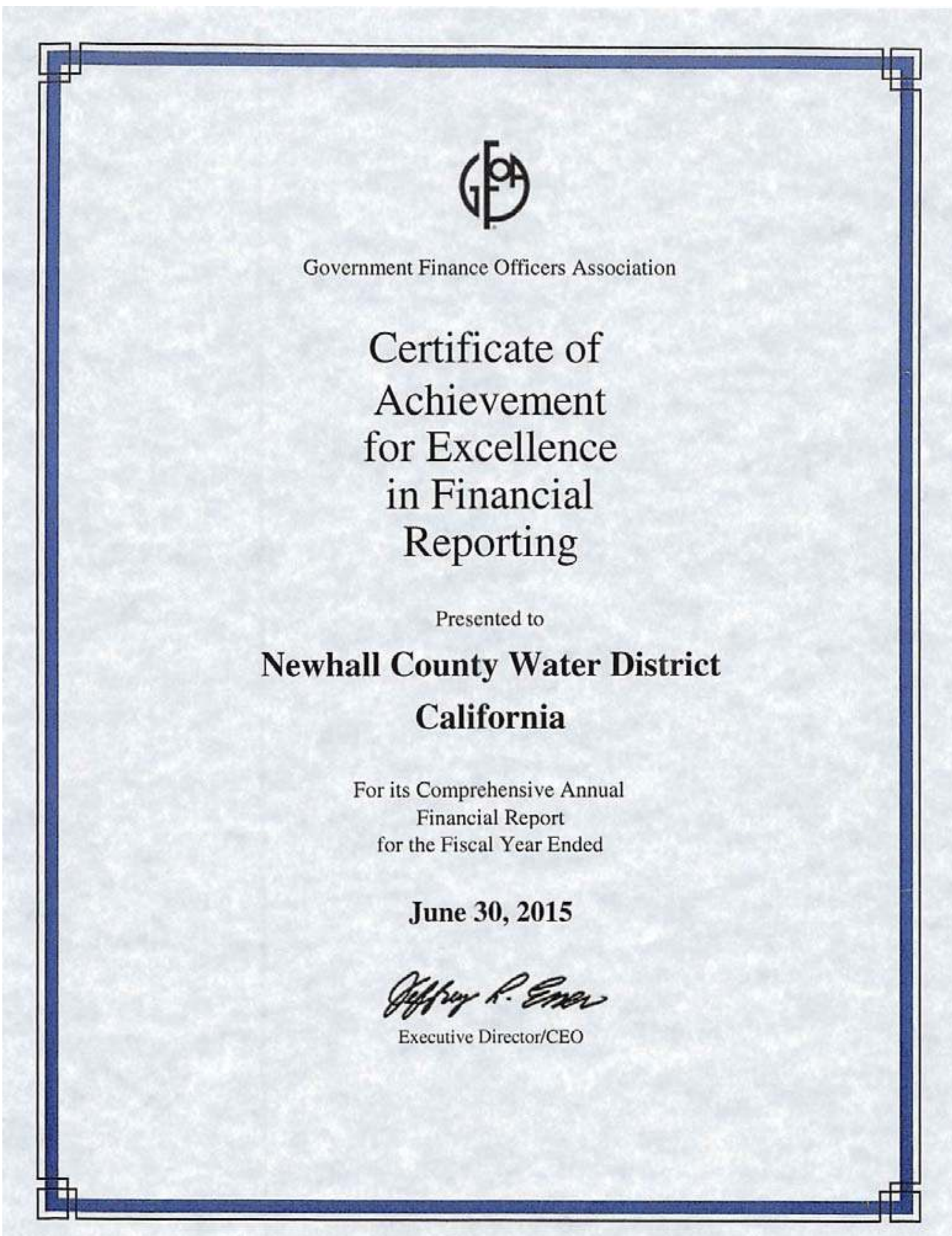
AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Certificate of Achievement for Excellence in Financial Reporting to Newhall County Water District, California for its Comprehensive Annual Financial Report ending June 30, 2015.

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Newhall County Water District

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

NEWHALL COUNTY WATER DISTRICT
23780 North Pine Street • P.O. Box 220970 • Santa Clarita, CA 91322-0970
(661) 259-3610 Phone • (661) 253-9420 Fax • email: mail@ncwd.org
NCWD

November 10, 2016

Honorable Board of Directors
Newhall County Water District

I am pleased to present the Newhall County Water District's (District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2016.

This report was prepared by the District's Finance Department following guidelines set forth by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rest with District management. We believe the data, as presented is accurate in all material respects and it is presented in a manner that provides a fair representation of the financial position and results of operations of the District. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the District. GAAP requires management provide a narrative introduction, overview, and analysis, to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A), which should be read in conjunction with this report. The District's MD&A can be found immediately following the Independent Auditors' Report.

The District's financial statements have been audited by Leaf & Cole, LLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

REPORTING ENTITY

The District's Service Area

Newhall County Water District headquarters is located in the City of Santa Clarita within the northwest region of Los Angeles County and is blessed with all the beauties and amenities of a large city with a small town charm. The District is one of four purveyors in the area and its boundaries encompass approximately 37-square miles in portions of the City of Santa Clarita and Los Angeles County.

Local Economy

The District boundaries encompass the City of Santa Clarita, a city with strong economic base with a large and diverse labor pool. According to the Santa Clarita Valley Economic Development Corporation, the job market in the City has been stellar the last two years. Nearly 6,000 wage and salary jobs have been created. The population of the City increased by 1.7 percent and the median household income was estimated at $92,363, among the highest levels in the state in 2015. The unemployment rate has steadily declined over the last 5 years to 5.3 percent. New and existing home sales rose 10 percent in 2015. Due to the downturn of the economy in recent years, there were few new housing projects, which limited the supply. Recently prices for new homes have eclipsed their pre-recession peak. The median home selling price for both new and existing homes rose 5.5 percent. Since 2011, selling values have jumped 37 percent.

The 2016 forecast for the region shows a reduced rate of job growth along with an expansion of income and retail spending. There is an increase in housing projects forecast for the next few years. The annual projected population growth rate is estimated at 1.7 percent in 2016 and 1.6 percent in 2017. The Santa Clarita Valley will continue to draw residents from other parts of Los Angeles County, as well as other parts of the state, due to its high standard of living and prosperous job base.

The District's Authority

The District was formed as a County Water District under Division 12 of the California Water Code by voters on January 13, 1953 to serve as a California special district. The District is a "revenue-neutral" public agency, meaning that each end-user pays only their fair share of the District's costs of water production and the operation and maintenance of the public facilities.

As a special district under the authority of Division 12 of the California Water Code, the District is also authorized to exercise the power of eminent domain; to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water, the use of facilities or property for the provision of service; and to fix in each fiscal year a water standby or availability charge on land within the boundaries of the District to which water services are made available by the District. The District may also issue bonds, borrow money and incur indebtedness.

Governance

The District's ordinances, policies, taxes, and rates for service are set by five Directors, elected by voters to serve staggered four-year terms on its governing board. The District currently employs a staff of 30 under the direction of the Board-appointed General Manager. The General Manager reports directly to the Board of Directors, and through an Assistant General Manager and a Director of Finance/Administration, oversees day-to-day operations. The Assistant General Manager oversees Water Operations and Engineering and under the direction of the Assistant General Manager, the Director of Finance/Administration oversees the departments of Administrative Services, Finance, and Information Technology. These and other lines of reporting are shown on the organizational flow chart on page 8.

Water Services

The District owns, operates, and maintains over 150 miles of distribution and transmission mains, 22 above ground welded steel reservoirs, 15 booster pump stations, and 11 active groundwater wells. In FY 2016, the District purchased approximately 40% of its water demand from the State Water Project through the wholesaler, Castaic Lake Water Agency. The remaining 60% was pumped from the District's 11 active groundwater wells.

The District also owns a sewer lift station and approximately five miles of sewer main in the Pinetree service area. In addition, the District owns and operates five chloramination facilities throughout the service areas to treat the District's well water.

The District produces nearly eight million gallons of treated water on an average daily basis and has more than 9,700 service connections. Of the total connections, 88% are single-family residential, 4% are commercial and municipal, and 4% are multi-family residential. The remainder is made up of landscape, construction water and fire service revenue accounts.

ECONOMIC CONDITIONS & OUTLOOK

As we are facing one of the worst dry periods in over a decade, the District is doing its part in conveying the importance of conservation to its customers. The District has planned for a reduction in water sales and has adjusted its rate structure in an effort to mitigate the fluctuations in water sales.

The District has also made significant efforts in the last few years to increase its ability to respond to changes in the economy, environment and customer base through the efficient use of existing assets, the optimization of available resources and greater focus on customer knowledge. Efforts are being made to identify additional opportunities to reduce costs, improve processes and appropriately adjust expenditures.

Signs of the area's recovery are evident in the City, although the District's projections are slow for new service connection applications in future years, account growth and water consumption. Specifically, it is projected that no new service connections will be added in FY 2017.

As our economy continues to recover, we do not expect to return to pre-recession revenue levels for several years. We have endured six years of belt tightening and cost containment but believe we have emerged with a financial plan to meet the needs of our customers. It sets our spending and staffing to affordable and sustainable levels while maintaining a high level of service quality.

The District, as well as the State of California, is enduring one of the worst drought periods the state has experienced. In April 2015, Governor Jerry Brown issued an executive order implementing a 25% mandatory restriction in water use. In response to the Governor's executive order, the District adopted Ordinance No. 116, which requires that water resources available to the District be put to the maximum beneficial use, and that water efficient practices be used to reach the objective.

In May 2016, due to above average rainfall in Northern California and the success of the mandatory water restrictions the Governor issued an Executive Order extending the emergency water conservation regulations through January 2017 but allowed water agencies to complete the State Board Self-Certification of Supply Reliability. The District identified ample supply to meet the demand for three additional years of drought. The District lifted the mandatory regulations but encouraged customers to continue with their conservation efforts.

Looking ahead, the District anticipates the trend of reduced revenue due to water conservation efforts by our customers to continue through the coming fiscal year. As a result, the District will continue to monitor and make appropriate adjustments to ensure the organization's financial integrity is maintained, while continuing to meet its obligation to provide a safe and reliable water supply.

BUDGET SUMMARY

The Districts long-standing commitment to living within our means through both good and bad times has enabled the District to maneuver through this economy without major impacts on the District's customers. It should be clearly understood we have not been immune to its effects. The District continues to evaluate the way we do business and engage our employees to help find innovative and effective ways of serving our customers.

There is no such thing as "business as usual" at the District. The District has had the opportunity to learn some valuable lessons since 2008. The District's staff are working smarter and harder than ever to get things done - doing more with less and in a more competitive environment. The Board of Directors and staff continue to evaluate and implement innovative strategies and have worked hard to implement creative solutions to serve our employees and customers. Through this process, we have also realized the importance of moving forward despite our challenges.

The actions taken by the District in the past few years minimized the adopted rate increases. The adopted rates and assumptions have been used by the District in the preparation of its five-year water revenue projections. Further pressure comes from increased costs, which must be incorporated into department budgets. The budget emphasizes short and long-term planning, recognizing the lack of growth, drought conservation and increased costs within the District's fiscal constraints. It is the responsibility of the District to make sure expenses do not exceed revenues to ensure a balanced budget.

In June 2015, the District approved new water rates based on the Revenue Requirement and Water Rates report, updated in April 2015. The rates were designed to appropriately recover water system cost, address customer affordability issues for the average customer and promote the efficient use of water resources. The adopted rates also incorporated a Water Revenue Adjustment Factor allowing for adjustments to the commodity rate based on inflation or deflation in unit costs attributed to fluctuations in real demand. Directional, strategic and policy guidance around the preparation of the report was developed from several Board of Director and staff meetings.

The new water rates aim to protect the District's long-term financial stability through June 2020. The adopted rates estimate no utilization of the District's operating reserves, which are maintained to support the financial position of the District.

The District is not expecting to add any new services in FY 2017 with water revenues expected to be $11,099,384 (total revenues $13,334,450) which is a 8.1% decrease from the previous budget year. Since FY 2011, the District made an adjustment to the demand projection methodology used resulting in a more conservative projection of future revenues. This method uses the last recorded eight months (July 2015 - February 2016) of actual usage and four months of estimated usage to more accurately estimate operating revenues.

The last few years of drought and economically challenging conditions have a direct effect on nearly every aspect of the District's operations. Every department has worked to analyze processes, systems, and structures to identify opportunities and implement plans to reduce costs. Many actions have made the District more adaptable, effective and responsive to customer needs.

The $13,334,450 Operating Budget, which is a decrease of 2.1% from the previous budget year, consists of three components; operating expenses, capital, and debt service. These categories include forecasting the costs of purchased water, purchased power, vehicle operating costs, asset maintenance, employee benefits, and the increase of day-to-day business responsibilities.

This year's Capital Improvement Plan (CIP) places emphasis on completion of pipeline replacements, meter replacements and re-occurring projects. CIP is expected to be $2,155,000, which is an 8.8% increase from the prior year. The District's 5-year CIP project list is estimated at $12,490,000 including projects, such as; pipeline replacements and reservoir rehabilitations. Each year the projects are reviewed and prioritized based on need and available funding.

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the District even as we move forward through uncertain times. We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure the well-being of the people we serve.

Significant aspects of the Operating Budget are:

- A balanced budget meeting the needs of customers and the goals set by the District
- An updated CIP plan incorporating Master Plan goals
- Continuation of Resolution 2015-8 setting the water rates
- Instituting the WRAF to recover revenue shortfall from FY 2016
- One reduction to the employee count
- Funding to complete CIP
- Continuation of water use efficiency programs
- No utilization of reserves
- Debt retirement on target to move to pay-as-you-go for CIP
- Benefit reform continues to set the District apart as a leader in the industry

FINANCIAL POLICIES

The District has formally adopted the following four financial policies:

Reserve Policy

It is the policy of the Board of Directors to maintain prudent reserve amounts in order to maintain needed operations and maintenance, rate stabilization, capital improvement, debt service, and emergency funds in the event of an unanticipated event or disaster. The appropriate amount of reserves for a given fund varies by fund due to the differences in services required. The policy explains how the reserves are funded and what the reserve can be used for. It also explains the difference between funds as well as the target funding level. The reserve funding level is updated each year as part of the budget process.

Investment Policy

The District annually reviews and updates the District's Investment Policy. It is the policy of the District to invest funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of the District funds. The policy follows the "prudent investor" standard of California Government Code section 53600.3.

Debt Management Policy

The Debt Management Policy was established to serve as a guideline for the use of debt for financing the District's infrastructure and project needs. The policy identifies the criteria for issuing new debt that includes the Standards for Use and guidelines to determine when refinancing of outstanding debt will be beneficial to the District and its customers.

Asset Capitalization Policy
The purpose of the Asset Capitalization Policy is to establish a financial accounting for capitalizing land, land improvements, buildings, equipment, reservoirs, pipelines and appurtenances, vehicles and intangible assets of the District. All purchases for any fixed assets including, related professional services, materials, and labor, must adhere to the methods, authority and dollar limits of the policy.

ACCOUNTING SYSTEM

The Finance Department is responsible for providing financial services for the District including financial accounting and reporting, payroll, accounts payable and receivable, custody and investment of funds, billing and collection of water charges, and other revenues. The District accounts for its activities as an enterprise fund and prepares financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. It is the intent of the Board of Director's and District Management to manage the District's operations as a business, thus matching revenues against the costs of providing the services.

BUDGETING CONTROLS

The budget process is the product of a comprehensive team effort from every level within the organization and an essential tool for proper financial management. It is designed and presented for the general needs of the District, its staff, and customers.

It is a detailed and balanced financial plan that features District services, resources and their allocation, financial policies, and other useful information to allow the users to gain a general understanding of the District's financial status and future. During the year, each department receives a monthly budget and detail cost reports that are essential to monitor and control costs. Any major changes, to the adopted budget are presented to the Board of Director's for review and acceptance. Each month comparison reports of budget to actual are prepared at a summary level and presented to the Board of Directors.

INTERNAL ACCOUNTING CONTROLS

Internal accounting controls for the District are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

STRATEGIC PLAN

The District's Strategic Plan serves as a framework for decision-making. It is a disciplined effort to produce fundamental decisions that shape what the District plans to accomplish by selecting a rational course of action.

The District's plan has incorporated an assessment of the present state of District operation, gathering and analyzing information, setting goals, and making decisions for the future. This plan seeks to strengthen and build upon opportunities while addressing areas of concern.

This plan also identifies actions, activities, and planning efforts that are currently active and needed for continued success in operations and management of the District, and provides for periodic reviews and updates.

The strategic planning effort has focuses on the following task areas:

- Collaboration with partner agencies.
- Technology that can provide new opportunities.
- Regulatory changes that can significantly affect District operations.
- Changes in Federal, State and local laws and land use policies that can have significant effects on District operations.
- Employee development that is critical to meeting the District's service goals.

CASH MANAGEMENT

The District invests its available funds in investments legally permissible by California Government Code Sections 53601 et seq., and in accordance with its own approved investment policy adopted annually by the Board of Directors. The investment objectives of the District, in order of priority, are: 1) to preserve the capital of the portfolio; 2) to maintain adequate liquidity to meet cash flow requirements; and 3) to obtain a reasonable rate of return without compromising the first two objectives.

RISK MANAGEMENT

The District continues its proactive liability risk management role through careful monitoring of losses and designing and implementing programs to minimize risks and losses. In addition, the District's Safety Committee monitors work conditions, and the organizing and implementing of safety training programs to reduce employee exposure to hazards.

PENSION PLANS

In addition to participating in Social Security, the District provides a defined benefit pension plan for its employees through the California Public Employees' Retirement System (CalPERS). The District contributes a specified percentage of covered employees' payroll, which is invested by CalPERS. Upon retirement, District employees are entitled to a specified retirement benefit. The plan is more fully described in Note 8 to the Financial Statements.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The District provides other post-employment benefits (OPEB) as a part of the total compensation to all qualified employees. A qualified employee has reached the age of 55, has been employed by the District for at least 10 years, and was hired prior to November 1, 2009. OPEB includes medical and dental, in addition to the benefits provided from specific pension plans. During Fiscal Year 2010, the District elected to set up an OPEB trust fund with CalPERS and paid its net OPEB obligation. Each year the District plans to contribute 100% of the annual required contribution, as stated in the actuarial report. The plan is more fully described in Note 7 to the Financial Statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the District with the Distinguished Budget Presentation Award for the District's Operating and Capital Budget for Fiscal Year beginning July 1, 2014, with special recognition in the area of performance measures. The District has received the award for seven consecutive years.

In addition, the District has also received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year ending June 30, 2014 from GFOA. The District has received this award for five consecutive years. These prestigious awards recognize conformance with the highest standards for preparation of state and local government financial reports.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

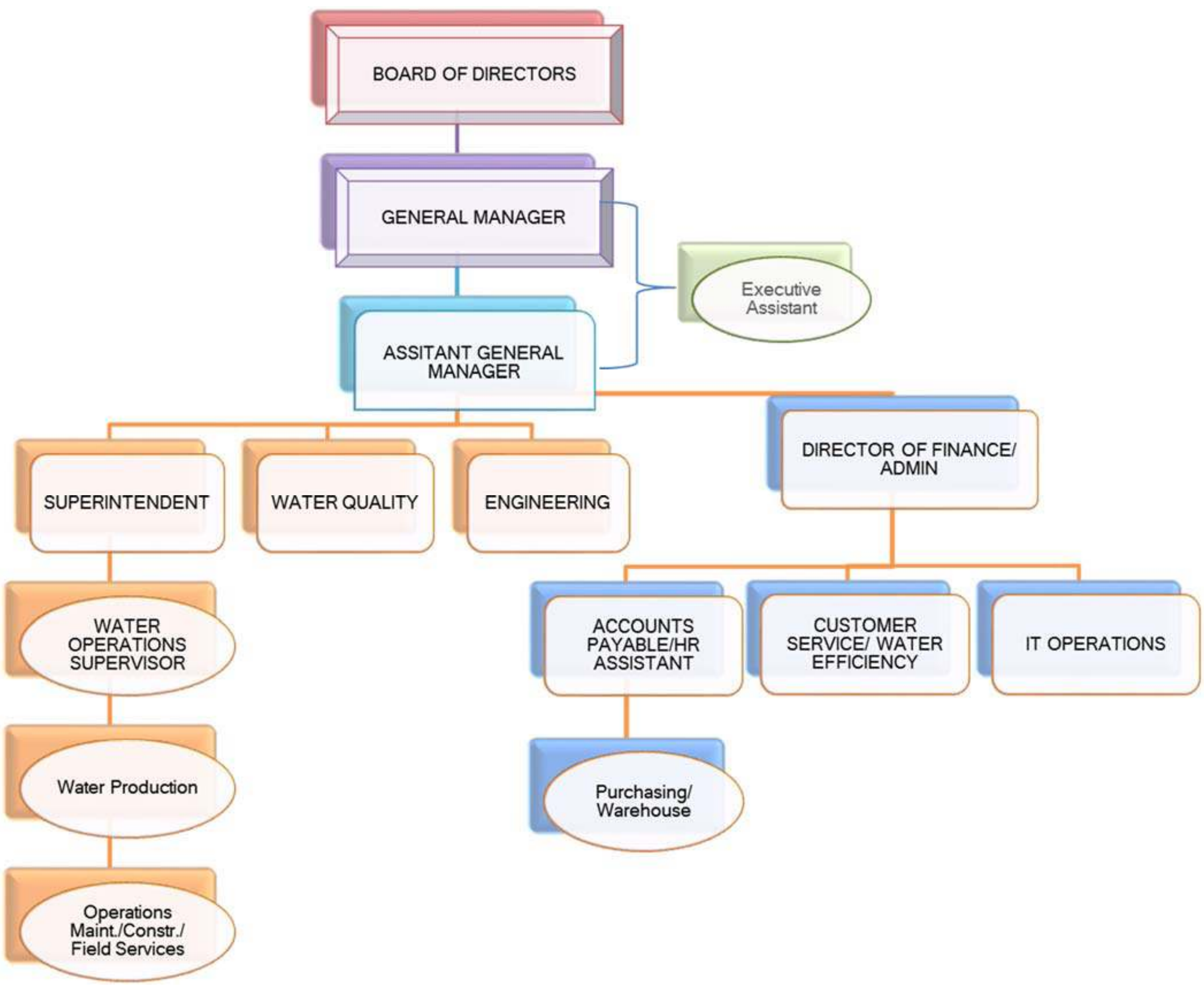
I would like to thank all the staff and express my appreciation to the Finance Department for their efforts in preparing this Comprehensive Annual Financial Report, and for their hard work to ensure a successful outcome.

I would also like to thank the firm of Leaf & Cole, LLC, for their professional work and opinion. Staff and I acknowledge and appreciate the Board of Director's continued support and direction in achieving excellence in financial management.

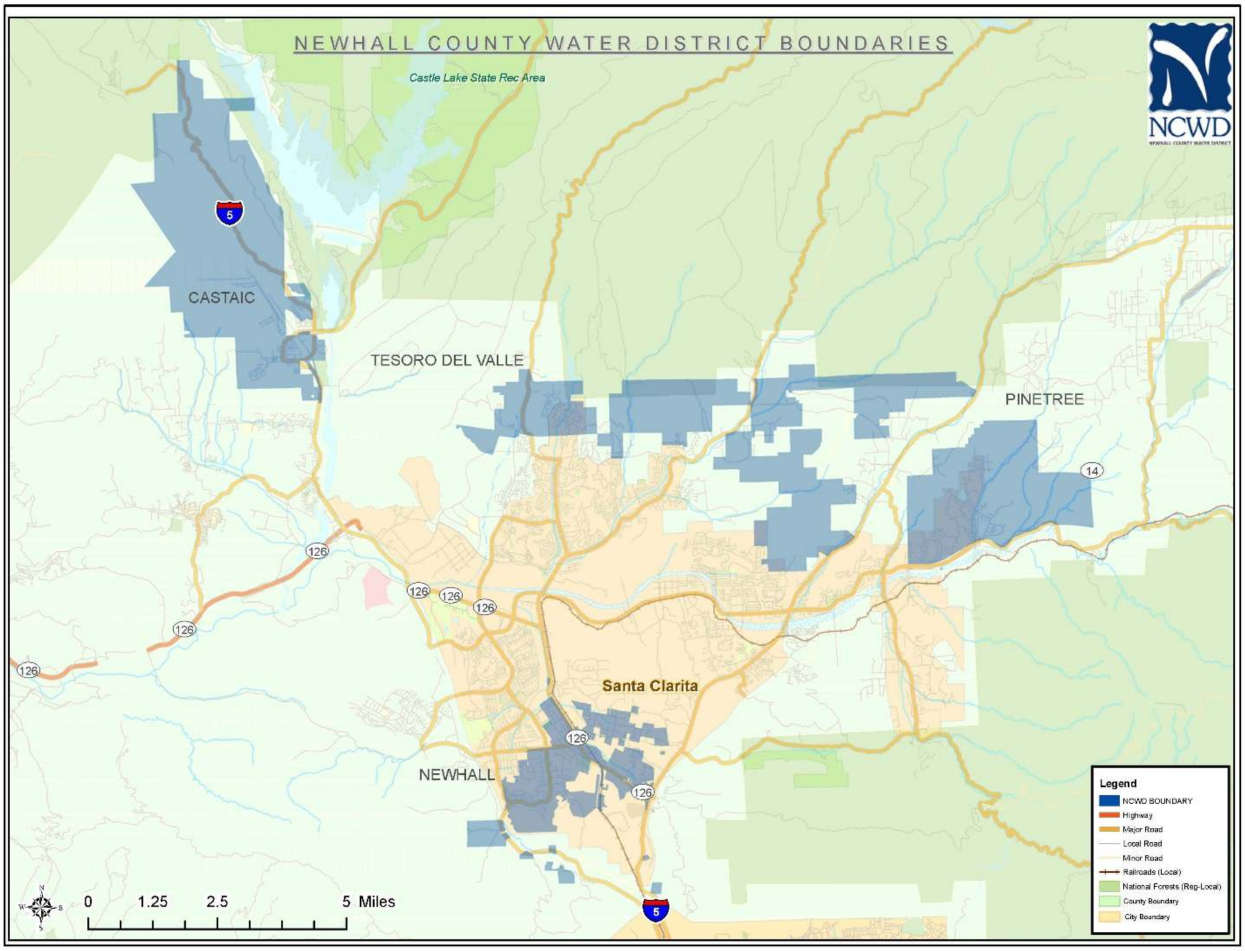
Respectfully submitted,

Stephen L. Cole
General Manager

Organizational Chart



NEWHALL COUNTY WATER DISTRICT
SERVICE AREA MAP



LIST OF DISTRICT OFFICIALS
FISCAL YEAR 2016

Board of Directors

B. J. Atkins
President

Maria Gutzeit
Vice President

Daniel R. Mortensen
Director

Kathy Colley
Director

Lynne Plambeck
Director

District Financial Management

Stephen L. Cole - General Manager

Michael E. Alvord - Assistant General Manager

Rochelle Patterson - Director of Finance and Administration

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FINANCIAL SECTION

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Steven W. Northcote, C.P.A.
Michael S. Schreibman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Newhall County Water District
Post Office Box 220970
Santa Clarita, California 91322

Report on Financial Statements

We have audited the accompanying financial statements of Newhall County Water District, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of proportionate share of the net pension liability and the schedules of plan contributions as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Newhall County Water District. The introductory section, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

San Diego, California
November 10, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the Newhall County Water District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the District’s financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the District’s financial statements that follow Management’s Discussion and Analysis.

OVERVIEW

The District

Newhall County Water District headquarters is located in the City of Santa Clarita within the northwest region of Los Angeles County and is blessed with all the beauties and amenities of a large city with a small town charm. The District was formed on January 13, 1953 and is currently one of four water purveyors in the area. Water is received from two sources, District owned groundwater wells and the State Water Project (SWP) via the areas wholesaler.

The District boundaries encompass approximately 37-square miles in portions of the City of Santa Clarita and Los Angeles County. The District provides treated water to areas of Newhall, Canyon Country (Pinetree), Valencia (Tesoro), and Castaic. Today, the District provides treated water to over 9,700 metered customers through more than 150 miles of transmission and distribution pipeline, 22 above ground steel reservoirs, 15 booster pump stations, and 11 active groundwater wells.

Financial Highlights

- The District’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $80.7 million (net position). Of this amount, $5.6 million (unrestricted net position) may be used to meet the District’s ongoing obligations to its customers and creditors.
- The District's total net position increased by $1.6 million during the year ended June 30, 2016. This is attributable in part to the partial prepayment of a long-term debt obligation and a decrease of deferred inflows of resources related to pensions.
- The District’s long-term debt decreased by $2.4 million primarily due to a refinancing of a debt issuance, which included a pay down of the principal balance and the District’s forward-thinking debt elimination strategy to achieve pay-as-you-go financing for capital improvements.
- The District’s operating revenues decreased by $147 thousand as compared to the prior year’s total revenues ($11,082,672 in FY 2016 as compared to $11,230,157 in FY 2015). The decrease in revenues is the result of reduced water sales due to the mandatory water restrictions imposed by the Governor of California.
- The District’s total expenses decreased by $176 thousand compared to the prior year’s expenses ($12,203,271 in FY 2016 as compared to $12,379,011 in FY 2015). Although there were small increases in the General and Administrative and Depreciation categories, a majority of the decrease was attributed to the reduction in demand in the Source of Supply and Pumping categories.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening. However, one must consider other nonfinancial factors such as changes in economic or environment conditions, population growth, and new or changed government legislation.

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

The *Statement of Cash Flows* presents information on cash receipts and payments for the fiscal year. From this statement, the reader can obtain comparative information on the sources and uses of the District's cash.

The *Notes to the Financial Statements* provide additional information that is essential to fully understand the data supplied in each of the specific financial statements listed above.

Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of an entity's financial strength. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $80.7 million as of the close of the most recent fiscal year.

By far, the largest portion of the District's net position, $75 million (93%), reflects its net investment in capital assets, less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current fiscal year major additions to fixed assets include the following (in thousands): New Pipeline for Castaic High School - $628, Pipeline Replacement on Shadeland - $243, Equipment Replacements - $252, and Meter Replacements - $221.

Statements of Net Position

	2016	2015	Variance
Assets			
Current and Other Assets	$ 9,743,236	$ 9,385,735	$ 357,501
Capital Assets	81,637,480	82,155,019	(517,539)
Total Assets	91,380,716	91,540,754	(160,038)
Deferred Outflows of Resources			
Deferred Amount on Refunding	36,912	73,105	(36,193)
Deferred Outflows Related to Contributions	261,244	224,036	37,208
Total Deferred Outflows of Resources	298,156	297,141	1,015
Liabilities			
Non-Current Liabilities	6,981,052	9,400,627	(2,419,575)
Current Liabilities	3,418,580	2,512,540	906,040
Total Liabilities	10,399,632	11,913,167	(1,513,535)
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	579,677	798,065	(218,388)
Net Position			
Net Investment in Capital Assets	75,032,549	73,152,045	1,880,504
Unrestricted	5,667,014	5,974,618	(307,604)
Total Net Position	$ 80,699,563	$ 79,126,663	$ 1,572,900

The largest portion of the District's net position $75 million (or 93%) reflects its net investment in capital assets (e.g. land, structures and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. There was an increase in the District's net investment in capital assets of approximately 1.9 million from the prior year. This increase is primarily due to the completion of several capital projects consisting of new pipeline and pipeline replacements and the ongoing meter replacement program.

Unrestricted net position (which represents the residual balance of total net position after the elimination of net investment in capital assets) decreased by $308 thousand from $6 million at June 30, 2015 to $5.7 million at June 30, 2016.

Statements of Revenues, Expenses, and Changes in Net Position

	2016	2015	Variance
Water Sales	$ 11,070,030	$ 11,204,859	$ (134,829)
Other Operating Revenues	12,642	25,298	(12,656)
Taxes and Assessments	549,459	531,672	17,787
Investment Income	56,841	48,917	7,924
Other Nonoperating Income	1,903,369	436,549	1,466,820
Total Revenues	13,592,341	12,247,295	1,345,046
General and Administrative	3,790,153	3,506,553	283,600
Depreciation Expense	3,098,454	2,934,848	163,606
Source of Supply	2,042,010	2,453,096	(411,086)
Pumping Plant	1,383,397	1,517,510	(134,113)
Other	620,439	590,349	30,090
Transmission and Distribution	466,301	560,112	(93,811)
Customer Accounts	451,897	459,680	(7,783)
Water Treatment	350,620	356,863	(6,243)
Interest Expense	313,558	362,310	(48,752)
Total Expenses	12,516,829	12,741,321	(224,492)
Income Before Capital Contributions	1,075,512	(494,026)	1,569,538
Capital Contributions	497,388	30,802	466,586
Change in Net Position	1,572,900	(463,224)	2,036,124
Net Position at Beginning of Year	79,126,663	79,589,887	(463,224)
Net Position at End of Year	$ 80,699,563	$ 79,126,663	$ 1,572,900

Charges for water sales and other nonoperating revenues of $13,592,341 were offset by $12,516,829 in operating and nonoperating expenses. The decrease of $134,829 in water sales from the prior year is largely the result of mandatory water restrictions as mandated by the Governor of California.

The increase in other nonoperating income was a result of entering into a settlement agreement with the wholesale agency, Castaic Lake Water Agency (CLWA). In 2013, the District filed a lawsuit challenging CLWA’s rate increase. The District prevailed at the trial and appellate courts, which facilitated a settlement agreement. This increase is not expected in subsequent years.

Total expenses decreased by $224,492. The largest decrease in Source of Supply and Pumping expense ($411,086 and $134,113, respectively) is attributable to the reduction in demand caused by the water restrictions.

The District received $497,388 in Capital Contributions in FY 2016 compared to $30,802 in FY 2015 due in part to the construction of facilities for the new Castaic High School. It is expected that Capital Contributions will continue to fluctuate.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets as of June 30, 2016, totaled $81.6 million (net of accumulated depreciation). The total decrease in the District's capital assets was less than 1% in FY 2016.

Capital Assets

	2016	2015	Variance
Land	$ 9,808,489	$ 9,808,489	$ -
Construction in Progress	525,862	234,725	291,137
Water System	98,287,631	96,984,535	1,303,096
Organization Costs	40,486	40,486	-
General Plant	13,162,337	13,032,895	129,442
Depreciation	(40,187,325)	(37,946,111)	(2,241,214)
	$ 81,637,480	$ 82,155,019	$ (517,539)

As shown in the table above, the majority of capital assets added to the District's water system in FY 2016 were related to the completion of major pipeline construction and the meter replacement program. Additional information can be found in Note 4 of the notes to Financial Statements.

Noncurrent Liabilities

At June 30, 2016, the District had $7 million in noncurrent liabilities, net of current position. The installment notes payable decreased by $2.5 million during FY 2016. All decreases in obligations were from the normal repayment of principal on existing outstanding debt except for the Municipal Leasing Associates 2009 loan, which was refinanced, and an additional $800,000 was paid towards the principal balance.

Additional information on the District's noncurrent liabilities can be found in Note 6 of the Notes to Financial Statements. Noncurrent liabilities consists of the following:

	2016	2015	Variance
Installment Notes Payable	$ 4,844,189	$ 7,347,939	$ (2,503,750)
Net Pension Obligations	1,977,917	1,876,184	101,733
Compensated Absenses	158,946	176,504	(17,558)
Total Noncurrent Liabilities	$ 6,981,052	$ 9,400,627	$ (2,419,575)

Fiscal Year 2017 Budget

Economic Factors

The Districts long-standing commitment to living within our means through both good and bad times has enabled the District to maneuver through this drought without major impacts on the District customers. It should be clearly understood we have not been immune to its effects. The District continues to evaluate the way we do business and engage our employees to help find innovative and effective ways of serving our customers.

The good news, District customers met the challenge of meeting the conservation goal outlined in the Governor's mandate, but as a result, water sales received were less than expected. Because water utilities are dependent on the sale of water to recoup costs, reduced sales can result in deficits. As part of the Revenue Requirements and Water Rates Report (April 2015), the total reduction in water use was not incorporated into the estimate of revenues at proposed rates to recognize that customers may not respond exactly as expected when it comes to actual water use behavior. In June 2015, the District approved a rate adjustment based on the report. The Board also adopted Resolution 2015-5 establishing a balancing account and the Water Revenue Adjustment Factor (WRAF) allowing for adjustments based on inflation within the parameters set by California Government Code Section 53756. The WRAF is intended to adjust the commodity rate due to inflation or deflation in unit cost attributed to fluctuations in real demand. Although there is an indication of slow economic recovery, due to the uncertainty of the drought, new connections remain dramatically low and few are projected to be added in the next five years.

The District is projecting to purchase 16% less water than the previous year due to the reduction in demand caused by the drought. CLWA will be increasing their rates for wholesale water in FY 2017 and is projecting to increase each subsequent year. The District has established a pass through mechanism to recover costs associated with purchased water (Resolution 2012-5). The unit (CCF) charge for FY 2017 will be $.6474 versus $.6787 in FY 2016.

Based on current trends, the District is projecting no growth in FY 2017. In addition, the District has assumed customers (as a whole) will continue to respond to the Districts messages of conservation and efficient use of water and reduce consumption by 25% (from 2013 consumption). The District has already met and exceeded the conservation mandates as required in SBx7-7.

Financial

Challenging drought conditions continue to impact local and State communities. Southern California has seen its share of highs and lows. The budget was presented nearly seven years after the most challenging period in District history. Like many who were affected by the downturn in the housing market and the increasing cost of goods and supplies, the District has had to adjust its budget to accommodate changing economic conditions. The most recent recession helped prepare the District to react quickly to changes. We have endured seven years of belt tightening and cost containment and will continue to do more through this period of drought and financial instability. We believe we have emerged with a budget which meets the needs of our customers. It sets our spending and staffing to affordable and sustainable levels while maintaining a high level of service quality.

Prior to FY 2011, the District used a 10 year rolling average of consumption by meter size to determine water revenue and the amount of acre feet that needed to be purchased from the wholesaler to serve the District's customers, but due to the reduction in demand resulting from mandatory conservation, the average has dramatically decreased. Since FY 2011, the District has used the most current 12-month consumption (nine months actual and three months projected) by meter size to determine revenue projections and purchased water estimates. The District projects the current drought restrictions will continue through FY 2017.

Management is unaware of any other conditions that could have a material impact on the District's current financial position or operating results.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Newhall County Water District's finances for the Board of Directors, customers, taxpayers, creditors and other interest parties. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District's Financial Department, PO Box 220970, Santa Clarita, CA 91322-0970.

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BASIC FINANCIAL STATEMENTS

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STATEMENTS OF NET POSITION
JUNE 30, 2016

	2016	2015
ASSETS		
Current Assets: (Notes 1 and 2)		
Cash and Cash Equivalents	$ 4,458,914	$ 4,866,990
Investments	2,240,000	2,240,000
Accounts Receivable, Net	1,361,704	1,213,075
Taxes Receivable	5,207	6,603
Accounts Receivable - Other	531,973	26,278
Accrued Interest Receivable	15,009	12,221
Inventory	867,912	666,947
Prepaid Expenses	65,786	136,756
Total Current Assets	9,546,505	9,168,870
Noncurrent Assets: (Notes 1, 2, 3 and 4)		
Restricted Assets:		
Cash and Cash Equivalents	196,731	216,865
Total Restricted Assets	196,731	216,865
Capital Assets		
Nondepreciable	10,334,351	10,043,214
Depreciable, Net of Accumulated Depreciation	71,303,129	72,111,805
Total Capital Assets, Net	81,637,480	82,155,019
Total Noncurrent Assets	81,834,211	82,371,884
Total Assets	91,380,716	91,540,754
DEFERRED OUTFLOWS OF RESOURCES (Notes 1, 6 and 8)		
Deferred Amount on Refunding	36,912	73,105
Deferred Outflows Related to Contributions	261,244	224,036
Total Deferred Outflows of Resources	298,156	297,141

(Continued)

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF NET POSITION (Continued)
JUNE 30, 2016

	2016	2015
LIABILITIES		
Current Liabilities: (Notes 1, 5 and 6)		
Accounts Payable	$ 533,210	$ 439,066
Accrued Expenses and Other Liabilities	42,536	109,474
Accrued Interest Payable	48,764	76,114
Deposits	196,731	216,865
Unearned Revenue	838,655	34,554
Current Portion of Installments Notes Payable	1,703,749	1,607,148
Current Portion of Compensated Absences Payable	54,935	29,319
Total Current Liabilities	3,418,580	2,512,540
Noncurrent Liabilities: (Notes 1. 6 and 8)		
Long-term Debt:		
Installment Notes Payable, Net of Current Portion	4,844,189	7,347,939
Other Noncurrent Liabilities:		
Net Pension Liability	1,977,917	1,876,184
Compensated Absences Payable, Net of Current Position	158,946	176,504
	2,136,863	2,052,688
Total Noncurrent Liabilities	6,981,052	9,400,627
Total Liabilities	10,399,632	11,913,167
Deferred Inflows of Resources: (Notes 1 and 8)		
Deferred Inflows Related to Pensions	579,677	798,065
Commitments and Contingencies (Notes 7, 8 and 9)		
NET POSITION:		
Net Investment in Capital Assets	75,032,549	73,152,045
Unrestricted	5,667,014	5,974,618
Total Net Position	$ 80,699,563	$ 79,126,663

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2016	2015
Operating Revenues:		
Water Sales	$ 11,070,030	$ 11,204,859
Other Operating Revenues	12,642	25,298
Total Operating Revenues	11,082,672	11,230,157
Operating Expenses:		
General and Administrative	3,790,153	3,506,553
Depreciation and Amortization	3,098,454	2,934,848
Source of Supply	2,042,010	2,453,096
Pumping Plant	1,383,397	1,517,510
Other	620,439	590,349
Transmission and Distribution	466,301	560,112
Customer Accounts	451,897	459,680
Water Treatment	350,620	356,863
Total Operating Expenses	12,203,271	12,379,011
Operating Loss	(1,120,599)	(1,148,854)
Nonoperating Revenues and (Expenses):		
Taxes and Assessments	1,903,369	531,672
Other Nonoperating Revenue	549,459	436,549
Investment Income	56,841	48,917
Interest Expense	(313,558)	(362,310)
Total Nonoperating Revenues and (Expenses)	2,196,111	654,828
Income (Loss) Before Capital Contributions	1,075,512	(494,026)
Capital Contributions	497,388	30,802
Change in Net Position	1,572,900	(463,224)
Net Position at Beginning of Year, as restatee	79,126,663	79,589,887
NET POSITION AT END OF YEAR	$ 80,699,563	$ 79,126,663

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

		2016		2015
Cash Flow From Operating Activities:				
Cash Received from Customers	$	11,212,315	$	11,792,423
Cash Payments to Suppliers for Goods and Services		(6,559,531)		(7,314,692)
Cash Payments to Employees for Services		(2,793,880)		(2,303,850)
Other Operating Cash Receipts		1,903,369		436,549
Net Cash Provided by Operating Activities		3,762,273		2,610,430
Cash Flow From Noncapital and Related Financing Activities:				
Receipts from Taxes, Assessments and Other Nonoperating Income		550,855		529,378
Net Cash Provided By Related Noncapital Financing Activities		550,855		529,378
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets		(2,580,915)		(2,056,942)
Principal Paid on Installment Notes Payable		(2,407,149)		(1,558,716)
Interest Paid on Installment Notes Payable		(304,715)		(330,837)
Capital Contributions		497,388		30,802
Net Cash Uses in Capital and Related Financing Activities		(4,795,391)		(3,915,693)
Cash Flows From Investing Activities:				
Investment Income		54,053		48,655
Net Cash (Used In) Provided by Investing Activities		54,053		48,655
Net Decrease in Cash and Cash Equivalents		(428,210)		(727,230)
Cash and Cash Equivalents at Beginning of Year		5,083,855		5,811,085
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	4,655,645	$	5,083,855

(Continued)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
Cash Provided by Operating Activities:		
Operating Loss	$ (1,120,599)	$ (1,148,854)
Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,098,454	2,934,848
Other Nonoperating Revenue	1,903,369	436,549
(Increase) Decrease In:		
Accounts Receivable, Net	(148,629)	499,729
Accounts Receivable - Other	(505,695)	28,018
Inventory	(200,965)	189,420
Prepaid Expenses	70,970	(68,529)
Deferred Outflows Related to Contributions	(37,208)	(18,878)
Increase (Decrease) In:		
Accounts Payable	94,144	(310,792)
Accrued Expenses and Other Liabilities	(66,938)	15,206
Deposits	(20,134)	(35)
Unearned Revenue	804,101	34,554
Net Pension Liability	101,733	(792,637)
Compensated Absences Payable	8,058	13,766
Deferred Inflows Related to Pensions	(218,388)	798,065
Net Cash Provided by Operating Activities	$ 3,762,273	$ 2,610,430
Cash and Cash Equivalents - Financial Statement Classification:		
Cash and Cash Equivalents	$ 4,458,914	$ 4,866,990
Restricted Cash and Cash Equivalents	196,731	216,865
Total Cash and Cash Equivalents - Financial Statement Classification	$ 4,655,645	$ 5,083,855
Noncash, Investing, Capital and Financing Activities:		
Amortization of Deferred Amount on Refunding	$ 36,193	$ 47,557

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Organization:

The Newhall County Water District (the "District") was organized in January 1953 under provisions of the California Water District Law. Improvement District No. 1 and Improvement Districts 2-S and 2-W were annexed by the District. The District is governed by a Board of Directors made up of five members elected by the qualified voters of the District. The purpose of the District is to finance, construct, operate and maintain a water system to serve properties within the District's boundaries.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100 "Defining the Financial Reporting Entity". The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

Significant Accounting Policies

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net position and the statements of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District has not elected to apply the option allowed in GASB Cod. Sec. P80.103 "Proprietary Fund Accounting and Financial Reporting" and as a consequence will continue to apply GASB Statements and Interpretations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The District recognizes revenues from water sales and other operating revenues when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers fees received from water sales and other operating revenues to be operating revenues. Taxes and assessments are recognized as revenue based upon amounts reported to the District by the County of Los Angeles, net of an allowance for estimated uncollectible taxes.

Note 1 - Organization: (Continued)

Significant Accounting Policies (Continued)

Investments

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

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful accounts receivables totaled $3,385 and $3,093 at June 30, 2016 and 2015, respectively.

Taxes and Assessments

Property taxes and assessments are billed by the County of Los Angeles to property owners. The District's property tax calendar for the fiscal year ended June 30, 2016 was as follows:

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

Taxes receivable of $5,207 and $6,603 at June 30, 2016 and 2015, respectively have been reduced by an allowance for estimated uncollectible taxes receivable in the amount of $1,588 and $-0- at June 30, 2016 and 2015, respectively.

Inventory

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at a moving weighted average cost.

Note 1 - Organization: (Continued)

Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding $5,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Transmission and distribution	14 - 61 years
General plant	4 - 88 years
Organization costs	30 - 33 years

Depreciation and amortization aggregated $3,098,454 and $2,934,848 for the years ended June 30, 2016 and 2015, respectively.

Interest

The District incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the years ended June 30, 2016 and 2015.

Compensated Absences

Accumulated and unpaid vacation and sick leave totaling $213,881 and $205,823 is accrued when incurred and included in noncurrent liabilities, net of current portion, at June 30, 2016 and 2015, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively. Deferred outflows of resources include a deferred amount on refunding. Deferred outflows of resources and deferred inflows of resources related to pensions are more fully described in Note 8.

Note 1 - Organization: (Continued)

Significant Accounting Policies (Continued)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium for commercial insurance covering general liability, automobile, real and personal property, cyber liability, employee dishonesty, excess liability and notification and credit monitoring. The general liability coverage limits are $1,000,000 per occurrence and $3,000,000 in aggregate with a $5,000 deductible. Automobile coverage is $1,000,000 with a $1,000 deductible. Real and personal property is covered up to $32,147,642 with a $5,000 deductible per occurrence. Employee dishonesty coverage limits are $1,000,000 per occurrence with a $5,000 deductible. Excess liability coverage is $5,000,000 in excess of underlying coverage limits. In addition, the District carries commercial insurance for all other risks of loss including workers compensation and employee health and life insurance. The District also carries pollution and remediation legal liability coverage with a $1 million limit each loss and in aggregate with a $25,000 retention for each loss.

The District purchased earthquake and flood insurance with coverage limits of $10,000,000 per occurrence and in the annual aggregate, with an earthquake deductible of 15% per unit of insurance including time element, business income, extra expense and rental value. The minimum deductible for earthquake and flood insurance is $50,000 and a $25,000 deductible for all other perils. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS financial office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	June 30, 2014 to June 30, 2015

Note 1 - Organization: (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- U.S. Agency securities and negotiable certificates of deposit are considered Level 2 assets and are reported at the fair value reported by the counter-party.
- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

Economic Dependency

The District purchases more than 50% of its water from the Castaic Lake Water Agency. Interruption of this source would impact the District negatively.

Cash and Cash Equivalents

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

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition and disclosure through November 10, 2016, the date the financial statements were available.

Note 2 - Cash and Investments:

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

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA. Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

The District's Investment Policy is more restrictive than the California Government Code in the following ways:

- The District shall not invest any funds covered by this investment policy in inverse floaters, range notes, interest only strips derived from mortgage pools or any investment that may result in a zero interest accrued if held to maturity.

Note 2 - Cash and Investments: (Continued)

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

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

	Maturity in Years			
	One Year or Less	1 - 5 Years	2016 Total	2015 Total
Cash on Hand	$ 1,175	$ -	$ 1,175	$ 1,175
Deposits with Financial Institutions	757,415	-	757,415	449,275
California Local Agency Investment Fund	3,897,055	-	3,897,055	4,633,405
Investments:				
Negotiable Certificates of Deposit	200,000	1,940,000	2,140,000	1,440,000
U.S. Securities	-	100,000	100,000	800,000
Total Cash and Investments	$4,855,645	$2,040,000	$6,895,645	$7,323,855

	2016 Total	2015 Total
Financial Statement Classification:		
Current:		
Cash and Cash Equivalents	$4,458,914	$4,866,990
Investments	2,240,000	2,240,000
Restricted:		
Cash and Cash Equivalents	196,731	216,865
Total Cash and Investments	$6,895,645	$7,323,855

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity at June 30, 2016.

Note 2 - Cash and Investments: (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year-end for each investment type.

	Rating as of Year End Standard & Poors
California Local Agency Investment Fund	Not Rated
Negotiable Certificates of Deposit	Not Rated
U.S. Agency Securities	AA+

The District's investment policy does not address credit risk for the above investments.

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude of the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2016 the District had no investments (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note 2 - Cash and Investments: (Continued)

Custodial Credit Risk (Continued)

At June 30, 2016, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2016 no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities. In addition, certain financial institutions used by the District participate in the certificates of deposit account registry service in an effort to further reduce custodial credit risk.

Investment in State Investment Pool

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

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at June 30:

	2016	2015
California Local Agency Investment Fund	$ 3,897,055	$ 4,633,405
Deposits with Financial Institutions	757,415	449,275
Cash on Hand	1,175	1,175
	$ 4,655,645	$ 5,083,855

Note 3 - Restricted Assets:

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

Funding Source	Use	2016	2015
Receipts from Customers	Deposits	$ 196,731	$ 216,865

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

Note 4 - Capital Assets:

Capital assets consist of the following at June 30:

	2016			
	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Capital Assets, Not Being Depreciated:				
Land, Franchises and Water Rights	$ 9,808,489	$ -	$ -	$ 9,808,489
Construction in Progress	234,725	2,582,505	(2,291,368)	525,862
Total Capital Assets, Not Being Depreciated	10,043,214	2,582,505	(2,291,368)	10,334,351
Capital Assets, Being Depreciated:				
Transmission and Distribution	96,984,535	1,932,533	(629,437)	98,287,631
General Plant	13,032,895	357,245	(227,803)	13,162,337
Organization Costs	40,486	-	-	40,486
Total Capital Assets, Being Depreciated	110,057,916	2,289,778	(857,240)	111,490,454
Less Accumulated Depreciation for:				
Transmission and Distribution	(33,387,778)	(2,558,398)	629,437	(35,316,739)
General Plant	(4,534,839)	(538,795)	227,803	(4,845,831)
Organization Costs	(23,494)	(1,261)	-	(24,755)
Total Accumulated Depreciation	(37,946,111)	(3,098,454)	857,240	(40,187,325)
Net Capital Assets Being Depreciated	72,111,805	(808,676)	-	71,303,129
Net Capital Assets	$ 82,155,019	$ 1,773,829	$ (2,291,368)	$ 81,637,480

	2015			
	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Capital Assets, Not Being Depreciated:				
Land, Franchises and Water Rights	$ 9,808,489	$ -	$ -	$ 9,808,489
Construction in Progress	666,979	2,064,230	(2,496,484)	234,725
Total Capital Assets, Not Being Depreciated	10,475,468	2,064,230	(2,496,484)	10,043,214
Capital Assets, Being Depreciated:				
Transmission and Distribution	95,258,062	2,279,539	(553,066)	96,984,535
General Plant	12,906,560	209,657	(83,322)	13,032,895
Organization Costs	40,486	-	-	40,486
Total Capital Assets, Being Depreciated	108,205,108	2,489,196	(636,388)	110,057,916
Less Accumulated Depreciation for:				
Transmission and Distribution	(31,375,457)	(2,493,224)	553,066	(33,315,615)
General Plant	(4,245,279)	(440,363)	83,322	(4,602,320)
Organization Costs	(26,915)	(1,261)	-	(28,176)
Total Accumulated Depreciation	(35,647,651)	(2,934,848)	636,388	(37,946,111)
Net Capital Assets Being Depreciated	72,557,457	(445,652)	-	72,111,805
Net Capital Assets	$ 83,032,925	$ 1,618,578	$ (2,496,484)	$ 82,155,019

Note 5 - Unearned Revenue:

Unearned revenue consists of unearned connection fees and other contract related costs for the installation of services and other infrastructure. Unearned revenue totaled $838,655 and $34,554 at June 30, 2016 and 2015, respectively.

Note 6 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	2016				
	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016	Current Portion
Long-Term Debt:					
Installment Notes Payable:					
Municipal Leasing Associates:					
2007	$ 3,727,173	$ -	$ (344,559)	$ 3,382,614	$ 354,973
2009	1,578,697	-	(882,220)	$ 696,477	132,730
Municipal Finance Corporation:					
2012	3,649,217	-	(1,180,370)	2,468,847	1,216,046
Total Long-Term Debt	8,955,087	-	(2,407,149)	6,547,938	1,703,749
Other Noncurrent Liabilities:					
Net Pension Obligation	1,876,184	101,733	-	1,977,917	-
Compensated Absences	205,823	8,058	-	213,881	54,935
Total Other Noncurrent Liabilities	2,082,007	109,791	-	2,191,798	54,935
Total Noncurrent Liabilities	$ 11,037,094	$ 109,791	$ (2,407,149)	$ 8,739,736	$1,758,684

	2015				
	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015	Current Portion
Long-Term Debt:					
Installment Notes Payable:					
Municipal Leasing Associates:					
2007	$ 4,061,623	$ -	$ (334,450)	$ 3,727,173	$ 344,559
2009	1,657,223	-	(78,526)	$ 1,578,697	82,220
Municipal Finance Corporation:					
2012	4,794,957	-	(1,145,740)	3,649,217	1,180,369
Total Long-Term Debt	10,513,803	-	(1,558,716)	8,955,087	1,607,148
Other Noncurrent Liabilities:					
Net Pension Obligation	2,668,821	-	(792,637)	1,876,184	-
Compensated Absences	192,057	13,766	-	205,823	29,319
Total Other Noncurrent Liabilities	2,860,878	13,766	(792,637)	2,082,007	29,319
Total Noncurrent Liabilities	$ 13,374,681	$ 13,766	$ (2,351,353)	$ 11,037,094	$1,636,467

Note 6 - Noncurrent Liabilities: (Continued)

Debt service requirements on the installment notes payable are as follows:

	Principal				Interest			
Years Ended June 30	MLA 2007	MLA 2009	MFC 2012	Total	MLA 2007	MLA 2009	MFC 2012	Total
2017	$ 354,973	$ 132,730	$ 1,216,046	$ 1,703,749	$ 98,836	$ 15,924	$ 65,013	$ 179,773
2018	365,702	135,934	1,252,801	1,754,437	88,107	12,719	28,258	129,084
2019	376,756	139,216	-	515,972	77,054	9,437	-	86,491
2020	388,143	142,577	-	530,720	65,666	6,076	-	71,742
2021	399,875	146,020	-	545,895	53,934	2,634	-	56,568
2022 - 2026	1,497,165	-	-	1,497,165	91,168	-	-	91,168
Total	$ 3,382,614	$ 696,477	$ 2,468,847	$ 6,547,938	$ 474,765	$ 46,790	$ 93,271	$ 614,826

Municipal Leasing Associates, Inc. (2007)

On October 18, 2007, the District entered into an Installment Sale Agreement with Municipal Leasing Associates, Inc. (MLA). MLA provided $5,500,000 for the purpose of financing the cost of the District's project. The Installment Sale Agreement was amended on October 26, 2012. The original 4.5% installment note was payable over twenty years in semi-annual installments of principal and interest of $209,976. The amended Installment Sale Agreement is payable in semi-annual installments of $226,905 of principal and interest at 3% payable in April and October each year and matures October 2024. The Installment Sale Agreement had an outstanding balance of $3,382,614 and $3,727,173 at June 30, 2016 and 2015, respectively.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each fiscal year (which, together with existing unencumbered cash which is lawfully available to the District) are at least equal to 115% of the aggregate amount of the installment payments and all principal of the interest on the prior parity obligations and any additional parity obligations as they become due and payable during such fiscal year.

Municipal Leasing Associates, Inc. (2009)

On April 1, 2009, the District entered into an Installment Sale Agreement with MLA. MLA provided $2,000,000 for the purpose of financing costs related to the construction of a new administrative facility. The Installment Sale Agreement was amended June 8, 2016. The original 4.65% installment note was payable over 20 years in semi-annual installments of principal and interest of $77,342. The Amended Installment Sale Agreement is payable in semi-annual installments of $74,320 of principal and interest at 2.4% payable in June and December each year and matures June 2021. The Installment Sale Agreement had an outstanding balance of $696,477 and $1,578,697 at June 30, 2016 and 2015, respectively.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System which, together with existing unencumbered cash which are lawfully available to the District are at least equal to 115% of the aggregate amount of parity obligations coming due and payable during the fiscal year.

Note 6 - Noncurrent Liabilities: (Continued)

Municipal Finance Corporation (2012)

On December 15, 2011, the District entered into an installment sale agreement with Municipal Finance Corporation (MFC). MFC provided $6,986,579 for the purpose of a current refunding of the G.E. Government Finance 2003 note payable and the City National Bank note payable, resulting in defeasance of debt. The liability for the two notes have been removed from long-term debt. The MFC 2012 note is payable over six years in semi-annual installments of principal and interest of $640,530 payable in August and February each year. The note bears interest at 3.0%. The installment sale agreement had an outstanding balance of $2,468,847 and $3,649,217 at June 30, 2016 and 2015, respectively.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System, which, together with existing unencumbered cash (which are lawfully available to the District) are at least equal to 115% of the aggregate amount of parity obligations coming due and payable during the fiscal year.

Although the refunding resulted in a deferred amount on refunding of $20,991, the deferred amount on refunding from the previous current refunding of the City National Bank note at the time of the refunding was $250,712. This resulted in a total deferred amount on refunding of $271,703. The Newhall County Water District in effect reduced its aggregate debt service payments by approximately $263,718 over the next six years and obtained an economic gain (difference between the present values of the old and the new debt service payments) of approximately $213,161. The deferred amount on refunding is being amortized over the remaining life of the refunded debt. The amortization expense totaled $36,193 and $47,557 for the years ended June 30, 2016 and 2015, respectively and is included in interest expense. The deferred amount on refunding was $36,912 and $73,105 at June 30, 2016 and 2015, respectively and is recognized as a deferred outflow of resources in the statements of net position.

Note 7 - Post Employment Benefits:

Plan Description

The District's defined benefit postemployment healthcare plan, (Newhall County Water District Retiree Healthcare Plan, NCWDRHP) provides medical and dental benefits to eligible retired District employees. To be eligible, an employee must be hired prior to November 1, 2009 and eligible for retirement under PERS. Eligible employees are also entitled to receive continued coverage under the District's health plan, provided that the employee is at least fifty-five (55) years old and has at least ten (10) years of service with the District at time of retirement. NCWDRHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), a multiple-employer defined benefit healthcare plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employee's Retirement Law. NCWDRHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Note 7 - Post Employment Benefits: (Continued)

Funding Policy and Annual OPEB Costs

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's annual other post employment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Cod. Sec. P50 "Post-Employment Benefits Other Than Pension Benefits - Employer Reporting". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District opted to amortize the unfunded actuarial liability over a period of one year. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for the years ended June 30:

	2016	2015
Annual Required Contribution	$ 74,458	$ 73,322
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	74,458	73,322
Contributions (Including Benefits Paid)	(74,458)	(73,322)
Increase (Decrease) in Net OPEB Asset	-	-
Net OPEB Asset - Beginning of Year	-	-
Net OPEB Asset - End of Year	$ -	$ -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the five preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2011	$ 23,665	100%	$ -
June 30, 2012	25,274	100%	-
June 30, 2013	51,900	100%	-
June 30, 2014	53,669	100%	-
June 30, 2015	72,322	100%	-
June 30, 2016	74,458	100%	-

Note 7 - Post Employment Benefits: (Continued)

Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the District's actuarial accrued liability for benefits was $2,029,498 of which $178,214 was unfunded. The covered payroll (annual payroll of active employees covered by plan) was $2,057,758 with a ratio of the UAAL to the covered payroll of 9%.

Schedule of Funding Progress for NCWDRHP

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B - A)	(A/B)	(C)	[(B-A)/C]
June 30, 2010	$ 1,474,977	$ 1,214,311	$ (260,666)	121%	$ 1,983,006	-13%
June 30, 2011	1,678,959	1,574,859	(104,100)	107%	1,916,197	-5%
June 30, 2013	1,851,284	2,029,498	178,214	91%	2,057,758	9%

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

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements of .5% per year to an ultimate rate of 6.5% after the ninth year. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over a closed amortization period of 30 years. It is assumed the District's payroll will increase 3.25% per year

Note 8 - Defined Benefit Pension Plan:

General Information About the Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Newhall County Water District, (All Plans) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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. The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	10.338%	6.237%

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (measurement date), the active employee contribution rate is for employees hired prior to January 1, 2013 is 7.0% of annual payroll with the District paying 3.662% of that amount, and the employer's contribution rate is 10.338% of annual payroll. The active employee contribution rate for those employees hired on or after January 1, 2013 is 6.25% of annual pay, and the average employer contribution rate is 6.237% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

Note 8 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plan (Continued)

The District's contribution to the Plan for the year ended June 30, 2016 were as follows:

Contributions - Employer	$ 164,145
Contributions - Employee (Paid by Employer)	$ 82,694

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial valuation. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense.

Note 8 - Defined Benefit Pension Plan: (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

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 for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns on all the funds' asset classes, expected compound (geometric) 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 the set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent

The table below reflects long-term expected real rate of return by asset class.

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11 +[2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

[1] An expected inflation of 2.5% used for this period.

[2] An expected inflation of 3.0% used for this period.

Note 8 - Defined Benefit Pension Plan: (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The following table shows the District's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2014	$ 12,274,062	$ 10,397,878	$ 1,876,184
Balance at June 30, 2015	12,573,985	10,596,068	1,977,917
Net Changes During 2014 - 2015	$ 299,923	$ 198,190	$ 101,733

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

	Miscellaneous
Proportion – June 30, 2014	0.075913%
Proportion – June 30, 2015	0.092188%
Change - Increase (Decrease)	0.016275%

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability	$ 3,690,326	$ 1,977,917	$ 564,124

Note 8 - Defined Benefit Pension Plan: (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Note 8 - Defined Benefit Pension Plan: (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized a pension expense of $92,976 for the Plan. As of June 30, 2016, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 246,839	$ -
Differences between actual contributions made and the proportionate share of contributions	-	141,001
Differences between expected and actual expense	14,405	-
Changes of assumptions	136,283	-
Net difference between projected and actual earnings on pension plan investments	-	68,320
Adjustments due to difference in proportions	-	234,073
Total	$ 261,244	$ 579,677

The $246,839 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2016	$ (198,113)
2017	(196,126)
2018	(153,953)
2019	(17,080)
2020	-
Thereafter	
Total	$ (565,272)

Note 9 - Contingencies:

In the opinion of District counsel and management, the District had no material claims which would require loss provision in the financial statements at June 30, 2016 and 2015.

Note 10 - New Governmental Accounting Standards:

GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2014. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The effects of this pronouncement on the financial statements of the District resulted in a reduction in net position at June 30, 2014.

GASB No. 71

In November 2013, The Governmental Accounting Standards Board issue Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. This pronouncement is effective simultaneously with the implementation of Statement 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The effects of this pronouncement on the financial statements of the District are included in the explanation of GASB 68 above.

GASB No. 72

In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, "Fair Value Measurement and Application." This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

Note 10 - New Governmental Accounting Standards: (Continued)

GASB No. 73

In June 2015, The Governmental Accounting Standards Board issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This pronouncement establishes requirements for defined benefit pension plans that are not with the scope of Statement No. 68, as well as assets accumulated for purposes of providing those pensions. It establishes requirements for defined contribution pension plans that are not within the scope of Statement No. 68 and amends certain provisions of Statement No. 67. The pronouncement extends the approach to accounting and financial reporting established in Statement 68 to all pensions with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in the notes and required supplementary information by all similarly situated employers and nonemployer contributing entities. The requirements of this statement addressing accounting and financial reporting for employers that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016. All other provisions are effective for periods beginning after June 15, 2015. This pronouncement is not anticipated to have a material effect on the financial statements of the District.

GASB No. 74

In June 2015, the Governmental Accounting Standards Board issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans." This pronouncement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This pronouncement replaces Statement No. 42 and Statement No. 57. It also includes requirements for defined contributions OPEB plans that replace the requirements for those OPEB plans in Statement No.25, Statement No. 43 and Statement No. 50. This pronouncement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This pronouncement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 10 - New Governmental Accounting Standards: (Continued)

GASB No. 75

In June 2015, the Government Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". This pronouncement replaces the requirements of Statement No. 45, and Statement No. 57. Statement No 74 establishes new accounting and financial reporting requirements for OPEB plans. This pronouncement addresses accounting and financial report for OPEB that is provided to the employees of state and local governmental employers. It also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For define benefit OPEB, this pronouncement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This pronouncement also addresses note disclosure and required supplementary information about defined benefit OPEB. This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 76

In June 2015, the Government Accounting Standards Board issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The objective of this pronouncement is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). This pronouncement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This pronouncement supersedes Statement No. 55. The requirement of this pronouncement are effective for financial statements for period beginning after June 15, 2015 and should be applied retroactively. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, "Tax Abatement Disclosures". This pronouncement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This pronouncement requires governments that enter into tax abatement agreements to disclose brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during period and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 10 - New Governmental Accounting Standards: (Continued)

GASB No. 78

In December 2015, the Governmental Accounting Standards Board issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan". This pronouncement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local government pension plan, that is used to provide defined benefit pensions both to employees of state or local governmental employers and to employers, and that has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Pronouncement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Pronouncement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation

GASB No. 79

In December 2015, the Governmental Accounting Standards Board issued Statement No. 79, "Certain External Investment Pools and Pool Participants". This pronouncement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This pronouncement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirement of this pronouncement are effective for reporting periods beginning after June 15, 2015 except for certain provisions on portfolio quality, custodial credit risk, and shadowing pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 80

In January 2016, the Government Accounting Standards Board issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". This pronouncement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units including in the financial reporting entity pursuant to the provision of Statement No. 39. The requirements of this pronouncement are effective for reporting period beginning after June 15, 2016. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 10 - New Governmental Accounting Standards: (Continued)

GASB No. 81

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, "Irrevocable Split- Interest Agreements". This Pronouncement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Pronouncement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Pronouncement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 82

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73". This Pronouncement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Pronouncement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN YEARS *

	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Proportion of the Collective Net Pension Liability	0.092188%	0.075913%
Proportionate Share of the Collective Net Pension Liability	1,977,917	1,876,184
Covered-Employee Payroll	2,376,060	2,372,536
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	83.24%	79.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.27%	84.71%

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 (aka Golden Handshakes).

Changes in Assumptions - The discount rate was changes from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

SCHEDULES OF PLAN CONTRIBUTIONS
LAST TEN YEARS *

	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarial Determined Contribution	$ 249,839	$ 224,036
Contributions in Relation to the Actuarially Determined Contribution	246,839	224,036
Contribution Deficiency (Excess)	$ -	$ -
Covered Payroll	$ 2,581,137	$ 2,376,060
Contributions as a Percentage of Covered-Employee Payroll	9.56%	9.43%

Notes to Schedule:

Fiscal Year End	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates:

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

*Fiscal year 2015 was the first year of implementation; therefore, only two years are shown.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Newhall County Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Newhall County Water District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Newhall County Water District's basic financial statements, and have issued our report thereon dated November 10, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

San Diego, California
November 10, 2016

STATISTICAL SECTION

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STATISTICAL SCHEDULES

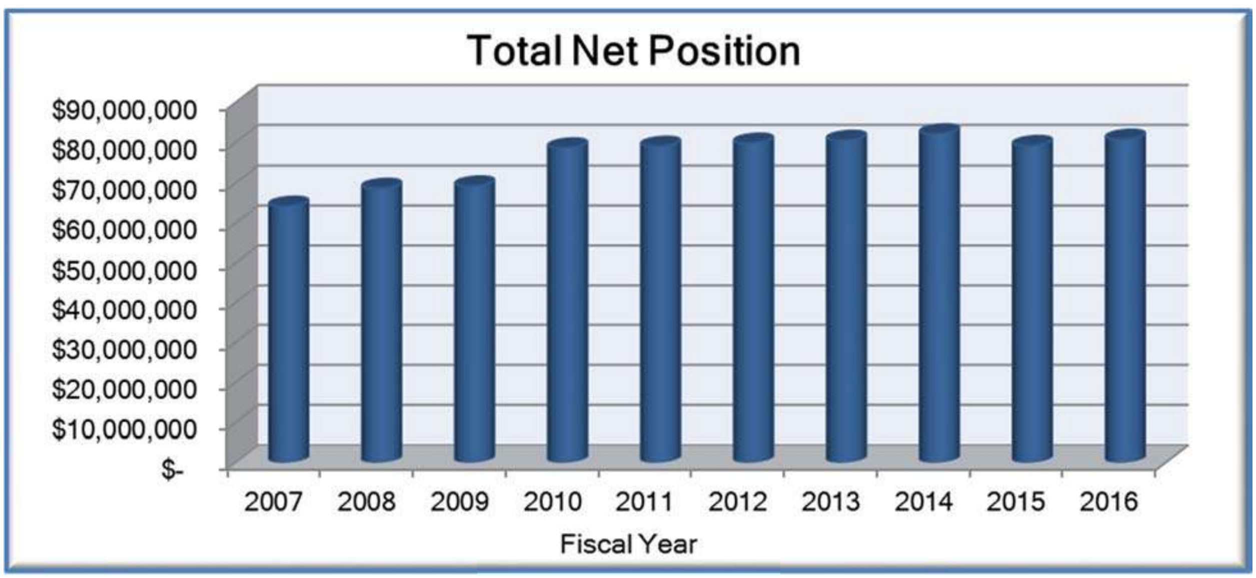
This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements say about the District's overall financial health.

Sources

Unless otherwise noted, the information in these schedules is derived from the budgets and annual financial reports of the relevant year.

TABLE I - NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2016	$ 75,032,549	$ -	$ 5,667,014	80,699,563
2015	73,152,045	-	5,974,618	79,126,663
2014	72,547,586	-	9,505,964 [1]	82,053,550
2013	71,660,490	-	8,759,542	80,420,032
2012	70,853,289	-	8,864,535	79,717,824
2011	71,700,345	509,659	6,724,370	78,934,374
2010	72,142,619	-	6,388,970	78,531,589
2009	62,724,820	193,555	6,251,661	69,170,036
2008	60,684,967	493,407	7,403,219	68,581,593
2007	59,020,276	633,030	4,437,929	64,091,235

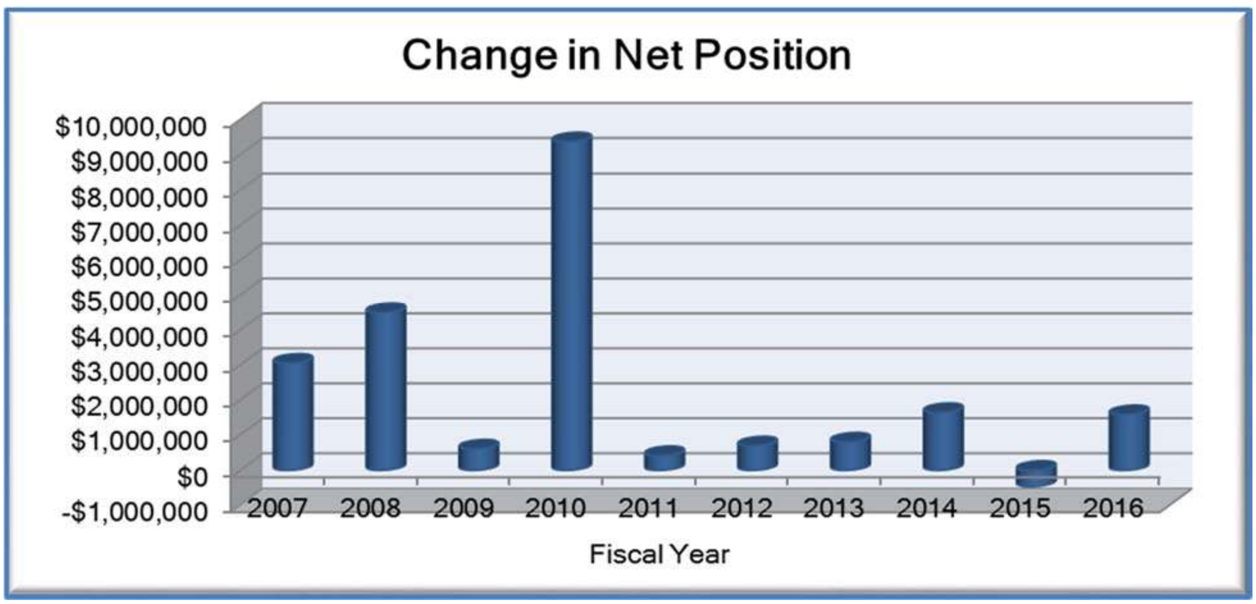


1 – Unrestricted decreased as a result of the implementation of GASB 68. "Accounting and Financial Reporting for Pensions"

Source: Newhall County Water District

TABLE II - CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

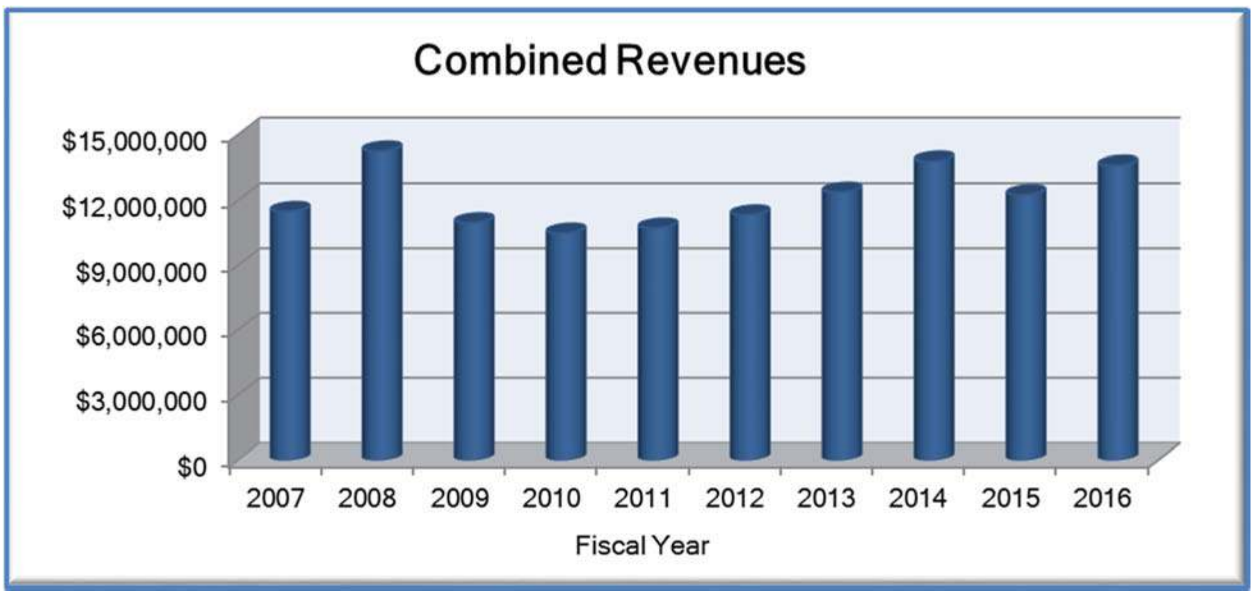
Fiscal Year	Operating Revenues	Operating Expenses	Operating Income/ (Loss)	Total Non-Operating Revenues/ (Expenses)	Income (Loss) Before Capital Contributions	Capital Contributions	Special Items	Change in Net Position
2016	$ 11,082,672	$ 12,203,271	(1,120,599)	$ 2,196,111	$ 1,075,512	$ 497,388	$ -	$ 1,572,900
2015	11,230,157	12,379,011	(1,148,854)	654,828	(494,026)	30,802	-	(463,224)
2014	13,016,631	12,123,374	893,257	309,870	1,203,127	430,391	-	1,633,518
2013	11,499,825	11,152,630	347,195	367,549	714,744	74,616	-	789,360
2012	10,585,011	10,072,035	512,976	108,908	621,884	57,381	-	679,265
2011	9,971,457	10,316,776	(345,319)	21,496	(323,823)	726,608	-	402,785
2010	9,757,539	10,009,873	(252,334)	286,121	33,787	9,000,628	327,138	9,361,553
2009	9,937,715	9,874,862	62,853	229,746	292,599	295,844	-	588,443
2008	10,011,031	9,758,816	252,215	3,229,054	3,481,269	1,009,089	-	4,490,358
2007	9,792,539	9,480,317	312,222	255,336	567,558	2,477,145	-	3,044,703



Source: Newhall County Water District

TABLE III - OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS

	Operating Revenues		Non-operating Revenues			
Fiscal Year	Water Sales	Connection and Other Fees	Property Taxes	Investment and Other Income	Total	Percent Change
2016	$ 11,070,030	$ 12,642	$ 549,459	$ 1,960,210 [2]	13,592,343	10.98%
2015	11,204,859	25,298	531,672	485,466	12,247,295	-11.14%
2014	13,008,264	8,367	497,330	268,799	13,782,760	11.43%
2013	11,482,554	17,271	533,884	335,145	12,368,854	9.25%
2012	10,510,558	74,453	492,128	244,337	11,321,476	5.68%
2011	9,828,183	143,274	494,467	247,491	10,713,415	2.23%
2010	9,491,331	266,208	459,920	262,685	10,480,144	-4.38%
2009	9,814,009	123,706	541,836	480,364	10,959,915	-23.04%
2008	10,011,031	232,006	519,330	3,479,472 [1]	14,241,839	24.05%
2007	9,792,539	767,408	482,970	437,715	11,480,632	22.80%

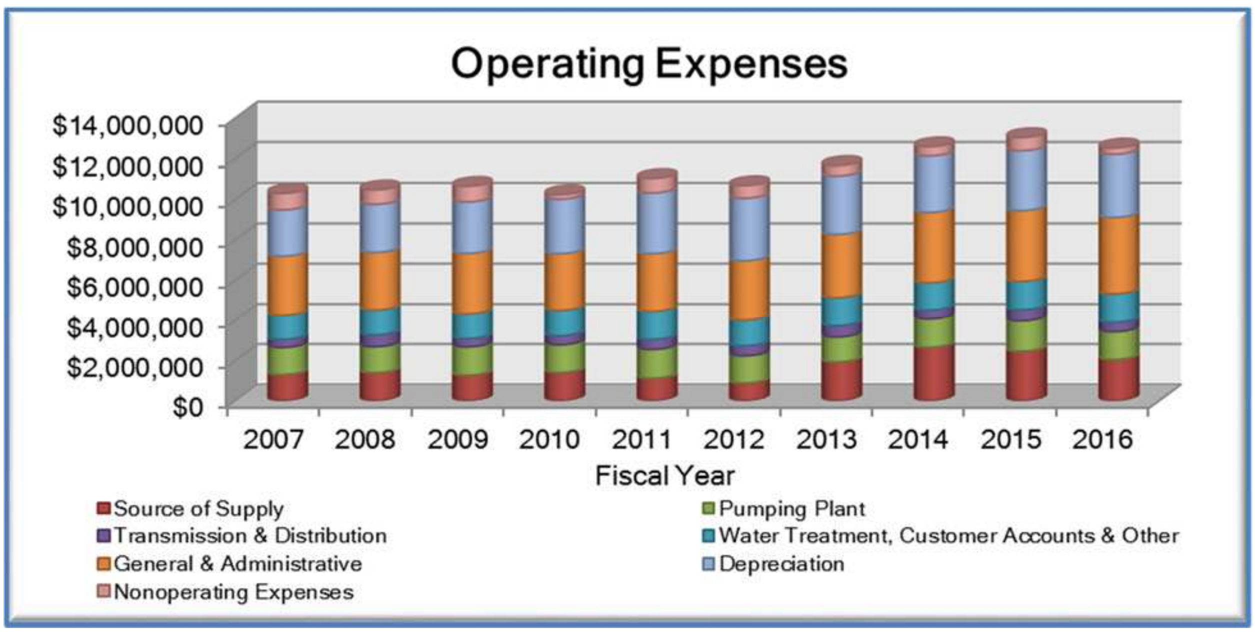


1 - The District received a litigation settlement of $2.5 million in Fiscal Year 2008.
2 - The District received a litigation settlement of $1.6 million in Fiscal Year 2016.

Source: Newhall County Water District

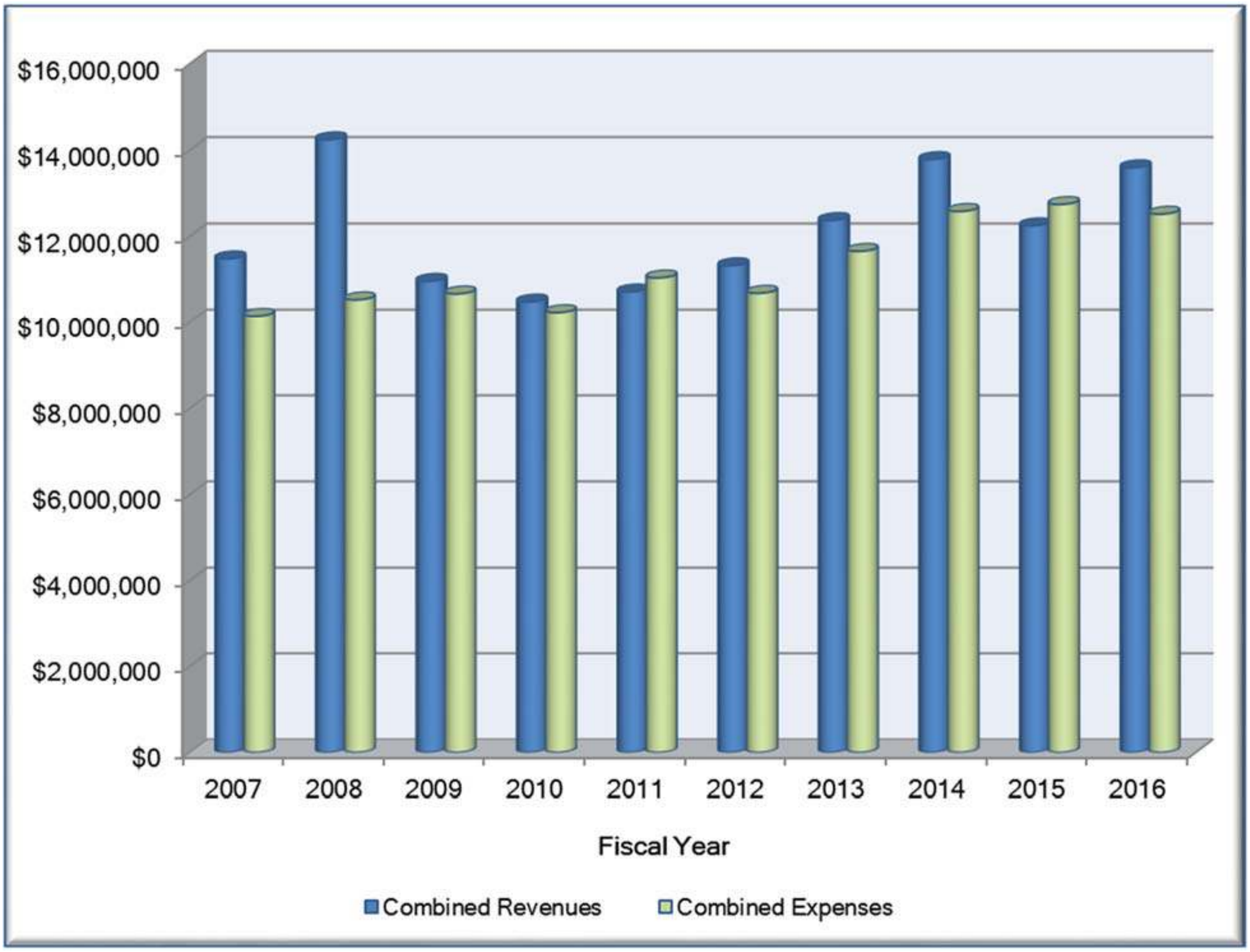
TABLE IV - EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

	Operating Expenses								
Fiscal Year	Source of Supply	Pumping Plant	Transmission & Distribution	Water Treatment, Customer Accounts & Other	General & Adminis-trative	Depre-ciation	Non-Operating Expenses	Total	Percent Change
2016	$ 2,042,010	$ 1,383,397	$ 466,301	$ 1,422,956	$ 3,790,153	$ 3,098,454	$ 313,558	$ 12,516,829	-0.50%
2015	2,453,096	1,517,510	560,112	1,406,892	3,506,553	2,934,848	362,310	12,741,321	9.33%
2014	2,647,046	1,415,627	451,283	1,349,675	3,486,969	2,772,774	456,259	12,579,633	7.94%
2013	1,926,141	1,238,141	559,540	1,401,187	3,138,271	2,889,350	501,480	11,654,110	9.09%
2012	874,101	1,355,990	496,600	1,274,254	2,957,338	3,096,719	627,557	10,682,559	-3.21%
2011	1,113,337	1,430,663	502,026	1,406,846	2,856,965	3,006,939	720,462	11,037,238	7.87%
2010	1,396,816	1,381,196	447,040	1,274,035	2,811,106	2,699,680	222,240	10,232,113	-4.08%
2009	1,261,369	1,414,290	407,289	1,241,327	3,000,307	2,550,280	792,454	10,667,316	1.32%
2008	1,386,572	1,295,922	579,390	1,250,859	2,858,669	2,387,404	769,748	10,528,564	3.77%
2007	1,294,298	1,351,589	401,778	1,207,209	2,930,980	2,294,463	665,349	10,145,666	1.11%



Source: Newhall County Water District

CHART I – REVENUE AND EXPENSES
LAST TEN FISCAL YEARS

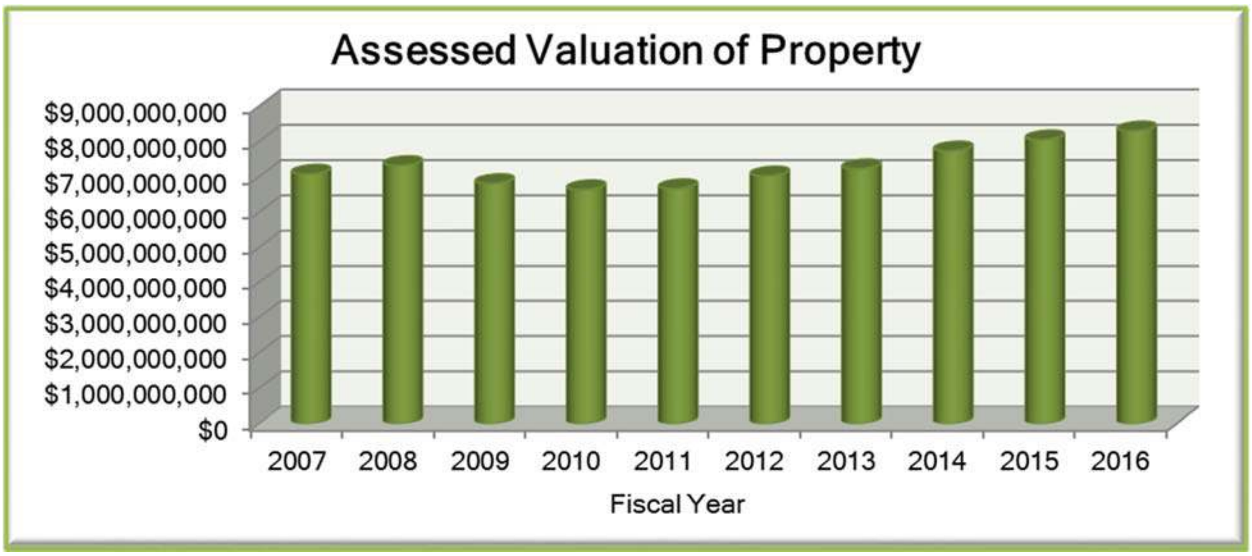


2008 – Increase due to the District receiving a litigation settlement of $2.5 million and a rate increase.

Source: Newhall County Water District

TABLE V - ASSESSED VALUATION OF TAXABLE PROPERTY WITHIN THE DISTRICT
LAST TEN FISCAL YEARS

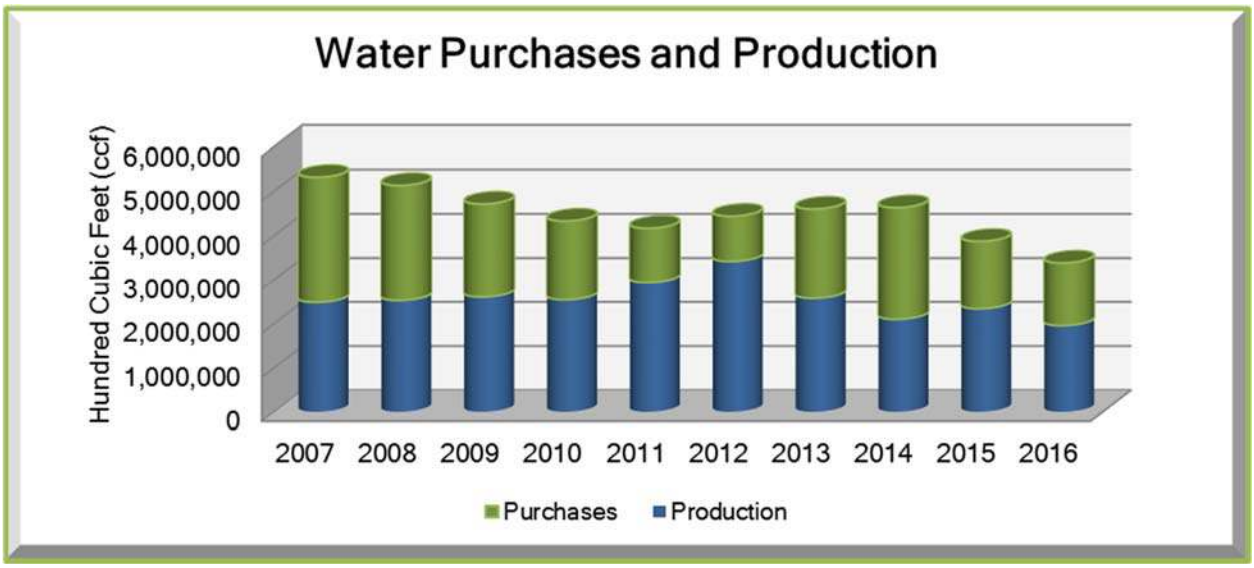
Fiscal Year	Secured	Unsecured	Total	Percent Change
2016	$ 8,186,478,451	$ 110,413,636	$ 8,296,892,087	3.13%
2015	7,937,081,768	107,854,861	8,044,936,629	4.07%
2014	7,617,073,044	113,380,987	7,730,454,031	7.00%
2013	7,105,967,424	118,736,964	7,224,704,388	2.89%
2012	6,905,323,651	116,267,358	7,021,591,009	5.43%
2011	6,547,844,272	112,303,789	6,660,148,061	0.41%
2010	6,528,764,359	104,308,699	6,633,073,058	-2.54%
2009	6,678,347,480	127,425,854	6,805,773,334	-6.97%
2008	7,188,585,632	127,441,354	7,316,026,986	3.43%
2007	6,945,374,668	127,739,384	7,073,114,052	8.94%



Source: County of Los Angeles, Auditor-Controller/Tax Division

TABLE VI - WATER PURCHASES, PRODUCTION AND SALES
LAST TEN FISCAL YEARS

Fiscal Year	Purchases	Production	Sales
	Potable Water[1] Per 100 Cubic Feet		
2016	1,429,130	1,951,846	3,168,411
2015	1,534,938	2,334,225	3,698,800
2014	2,535,969	2,095,538	4,631,507
2013	2,026,365	2,573,966	4,290,532
2012	1,023,591	3,414,688	4,099,907
2011	1,228,200	2,936,837	3,907,432
2010	1,789,764	2,539,031	4,040,662
2009	2,111,089	2,602,402	4,638,079
2008	2,608,135	2,523,942	4,737,197
2007	2,835,004	2,481,484	4,969,667

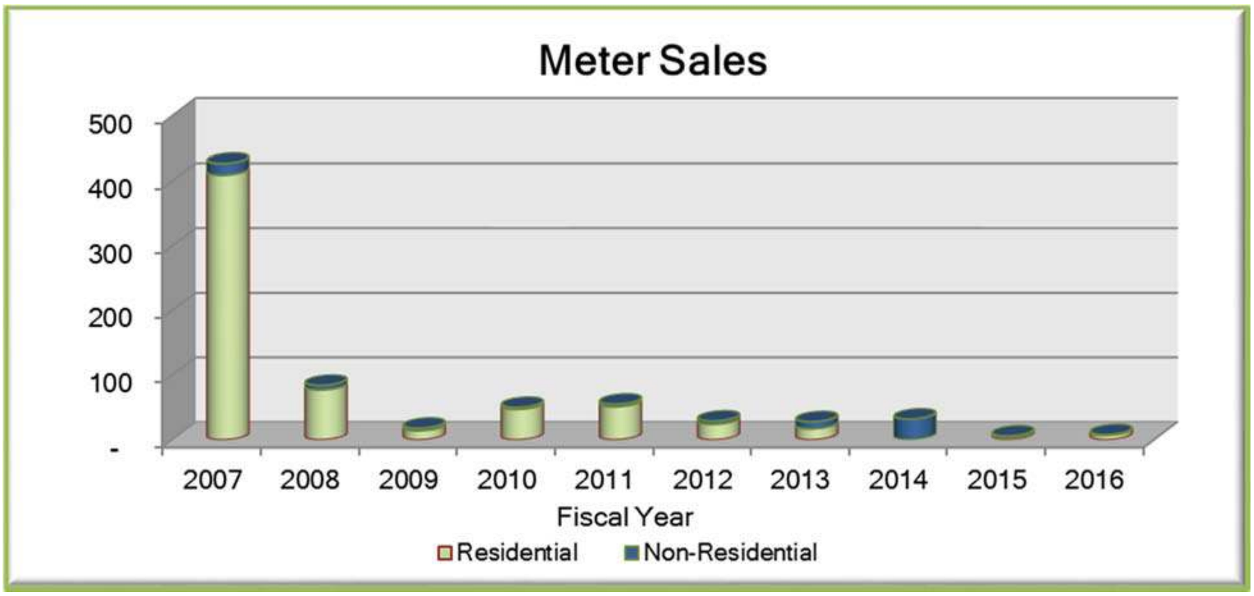


1 – Rates are not presented on this schedule because the District has multiple water rates for various meter sizes and cannot represent rates in a meaningful manner with a weighted average rate. See Water Rates on page 76 for meter sizes and their corresponding water rates.

Source: Newhall County Water District

TABLE VII - METER SALES BY CUSTOMER CLASS
LAST TEN FISCAL YEARS

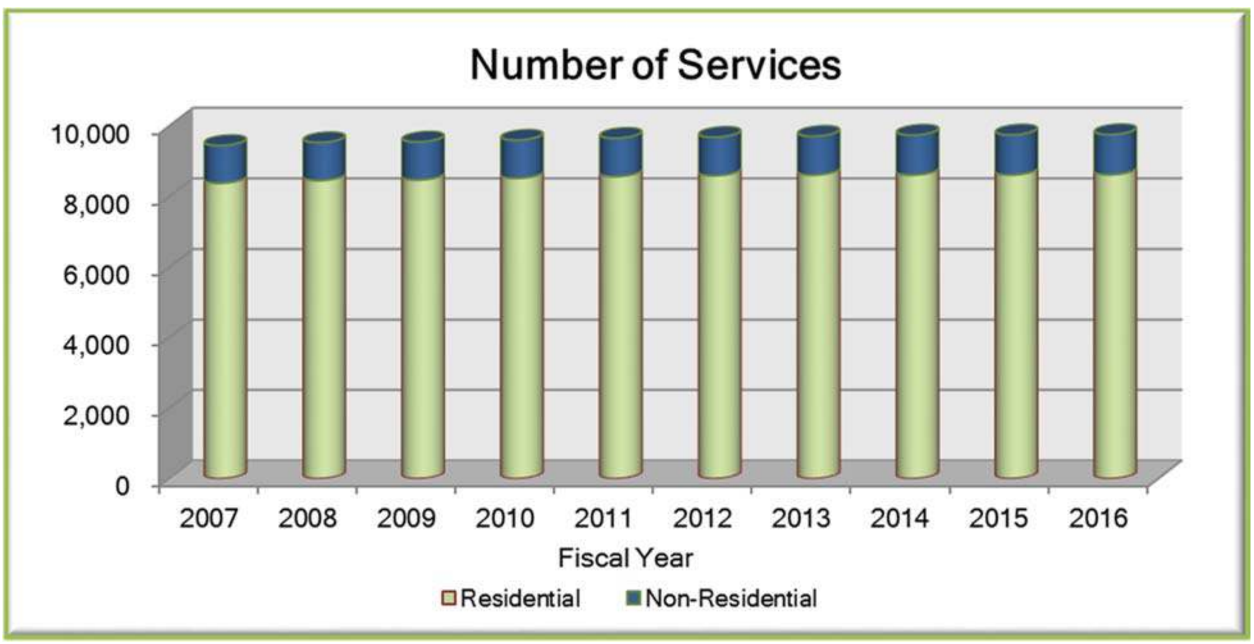
Fiscal Year	Residential	Non-Residential	Total
2016	7	1	8
2015	2	4	6
2014	0	32	32
2013	17	11	28
2012	24	5	29
2011	51	4	55
2010	47	3	50
2009	14	4	18
2008	77	7	84
2007	409	18	427



Source: Newhall County Water District

TABLE VIII - NUMBER OF SERVICES BY CUSTOMER CLASS
LAST TEN FISCAL YEARS

Fiscal Year	Residential	Non-Residential	Total
2016	8616	1138	9,754
2015	8609	1137	9,746
2014	8,607	1,133	9,740
2013	8,607	1,101	9,708
2012	8,590	1,090	9,680
2011	8,566	1,085	9,651
2010	8,515	1,081	9,596
2009	8,468	1,078	9,546
2008	8,454	1,074	9,528
2007	8,377	1,067	9,444

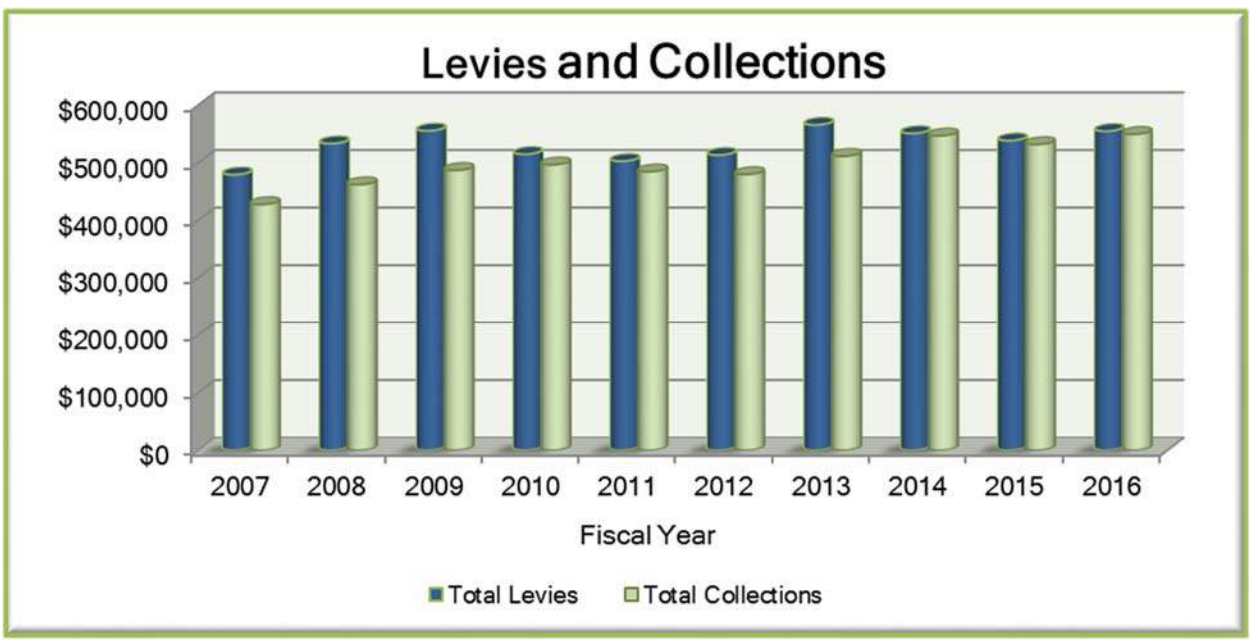


Source: Newhall County Water District

TABLE IX - PROPERTY TAX LEVIES & COLLECTIONS
LAST TEN FISCAL YEARS

PROPERTY TAX LEVIES AND COLLECTIONS[1]

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2016	$ 554,666	$ 549,459	99.06%	$ 5,207	$554,666	100.00%
2015	538,275	531,672	98.77%	6,603	538,275	100.00%
2014	550,872	546,602	99.22%	4,271	550,872	100.00%
2013	565,572	511,134	90.37%	54,438	565,572	100.00%
2012	513,148	479,618	93.47%	33,530	513,148	100.00%
2011	502,536	484,214	96.35%	18,322	502,536	100.00%
2010	514,699	496,394	96.44%	18,305	514,699	100.00%
2009	555,262	486,771	87.67%	68,491	555,262	100.00%
2008	533,174	461,853	86.62%	71,321	533,174	100.00%
2007	479,141	427,359	89.19%	51,782	479,141	100.00%



1 – Total tax collection does not include debt service direct assessments. There has been no Special Assessment and Collections for the last ten fiscal years.

Source: County of Los Angeles, Auditor-Controller/Tax Division

TABLE X - WATER RATES
LAST TEN FISCAL YEARS

Monthly Service Charge (Meter Size)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
All Customers (exl Special Fire)										
3/4"	$ 15.52	$ 15.27	$ 19.18	$ 18.82	$ 17.04	$ 17.04	$ 17.04	$ 17.04	$ 17.04	$ 16.14
1"	25.92	25.50	32.03	31.43	28.44	28.44	28.44	28.44	28.44	26.93
1 1/2"	51.68	50.84	63.87	62.67	56.72	56.72	56.72	56.72	56.72	53.71
2"	82.72	81.38	102.23	100.31	90.77	90.77	90.77	90.77	90.77	85.96
2 1/2"	124.15	122.14	153.44	150.56	136.26	136.26	136.26	136.26	136.26	129.03
3"	155.19	152.68	191.80	188.20	170.32	170.32	170.32	170.32	170.32	161.29
4"	258.70	254.51	319.73	313.73	283.92	283.92	283.92	283.92	283.92	268.86
6"	517.25	508.87	639.27	627.27	567.65	567.65	567.65	567.65	567.65	537.55
8"	827.64	814.22	1,022.87	1,003.67	908.28	908.28	908.28	908.28	908.28	860.11
10"	1,189.85	1,170.56	1,470.53	1,442.93	1,305.78	1,305.78	1,305.78	1,305.78	1,305.78	1,236.50
Special Fire Service										
4"	22.07	69.04	67.67	66.40	56.98	56.98	56.98	56.98	56.98	53.96
6"	70.21	130.57	127.97	125.57	113.69	113.69	113.69	113.69	113.69	107.66
8"	132.79	204.26	200.20	196.45	177.86	177.86	177.86	177.86	177.86	168.43
Usage Rate (per CCF)										
Residential										
Uniform Volume	1.8495	1.7262								
Tier 1	-	-	1.0670	1.0150	0.8000	0.8000	0.8000	0.8000	0.8000	0.8000
Tier 2	-	-	1.5760	1.5240	0.8800	0.8800	0.8800	0.8800	0.8800	0.8800
Tier 3	-	-	1.9810	1.9830	1.1000	1.1000	1.1000	1.1000	1.1000	1.0000
Tier 4	-	-	-	-	1.4560	1.4560	1.4560	1.4560	1.4560	1.3000
Non-Residential	1.8495	1.7262	1.5760	1.5240	0.9680	0.9680	0.9680	0.9680	0.9680	0.8800
Other Charges										
Construction Meter	1.8495	1.7262	1.5760	1.5240	1.4980	1.4980	1.4980	1.4980	1.4980	1.4100
Energy Charge	-	-	-	-	0.2900	0.2900	0.2900	0.2850	0.3180	0.3190
Infrastructure Replacement Surcharge	-	-	-	-	0.0890	0.0890	0.0890	0.0890	0.0890	0.0890
CLWA Pass Thru	0.6787	0.5764	0.5854	0.3100	0.4570	0.4230	0.3470	0.1810	0.1310	0.0900

Source: Newhall County Water District

TABLE XI - TEN LARGEST CUSTOMERS
CURRENT AND NINE YEARS AGO

FISCAL YEAR 2016

	Customer Name	Classification	Annual Revenues	% of Water Sales
1	The Village	Apartment-Master Meter	$ 170,414	1.80%
2	Stonegate Castaic HOA	Mobile Home Park	162,033	1.71%
3	Romero Cyn, LLC	Construction	132,777	1.40%
4	Wm S Hart High School	Schools	77,934	0.82%
5	Polynesian MHP	Mobile Home Park	63,276	0.67%
6	Peachland Owners Assoc.	Condo-Master Meter	59,876	0.63%
7	The Master's College	Schools	47,403	0.50%
8	LACO Parks & Rec	Parks	43,580	0.46%
9	CalMark-Bell Development	Apartment-Master Meter	38,435	0.40%
10	Hometown Lake Hills Estates	Mobile Home Park	33,006	0.35%
	Total (10 Largest)		828,734	8.73%
	Other Customers		10,241,296	91.27%
	Total Water Sales		$ 11,070,030	100.00%

FISCAL YEAR 2007

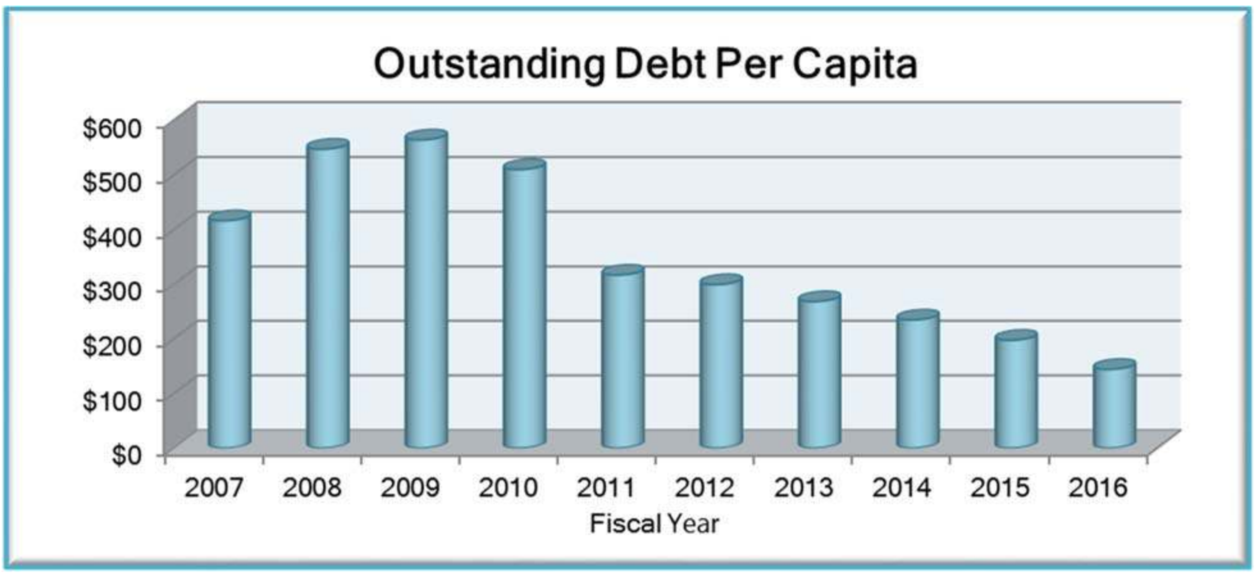
	Customer Name	Classification	Annual Revenues	% of Water Sales
1	Tesoro del Valle HOA	Land-Single Family	$ 173,368	2.94%
2	Stonegate Castaic HOA	Mobile Home Park	149,370	2.53%
3	The Village	Apartment-Master Meter	123,245	2.09%
4	Santa Clarita 700 LLC	Land-Single Family	120,102	2.04%
5	The Terrace	Apartment-Master Meter	115,605	1.96%
6	Independent Construction	Construction	98,700	1.67%
7	LACO Parks & Rec	Land-Public Authority	88,580	1.50%
8	The Master's College	Schools	86,573	1.47%
9	Suncal/Tesoro LLC	Land-Single Family	77,944	1.32%
10	Wm S Hart High School	Schools	66,756	1.13%
	Total (10 Largest)		1,100,243	18.66%
	Other Customers		8,692,296	81.34%
	Total Water Sales		$ 9,792,539	100.00%

Source: Newhall County Water District

TABLE XII - RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Population Estimate[1]	GO Bond	Notes	Capital Leases	Total	Per Capita	As a Share of Personal Income[2]
2016	45,513	$ -	$ 6,547,938	$ -	$ 6,547,938	$143.87	N/A
2015	45,466	-	8,955,087	-	8,955,087	196.96	N/A
2014	44,933	-	10,513,803	-	10,513,803	233.99	N/A
2013	44,933	-	12,025,565	-	12,025,565	267.63	0.58%
2012	44,873	-	13,440,754	-	13,440,754	299.53	0.65%
2011	44,655	-	14,150,290	-	14,150,290	316.88	0.74%
2010	31,667	-	16,132,175	5,754	16,137,929	509.61	1.22%
2009	31,502	50,000	17,697,947	11,239	17,759,186	563.75	1.38%
2008	31,433	170,000	16,980,471	39,086	17,189,557	546.86	1.30%
2007	31,165	285,000	12,662,337	21,673	12,969,010	416.14	1.05%

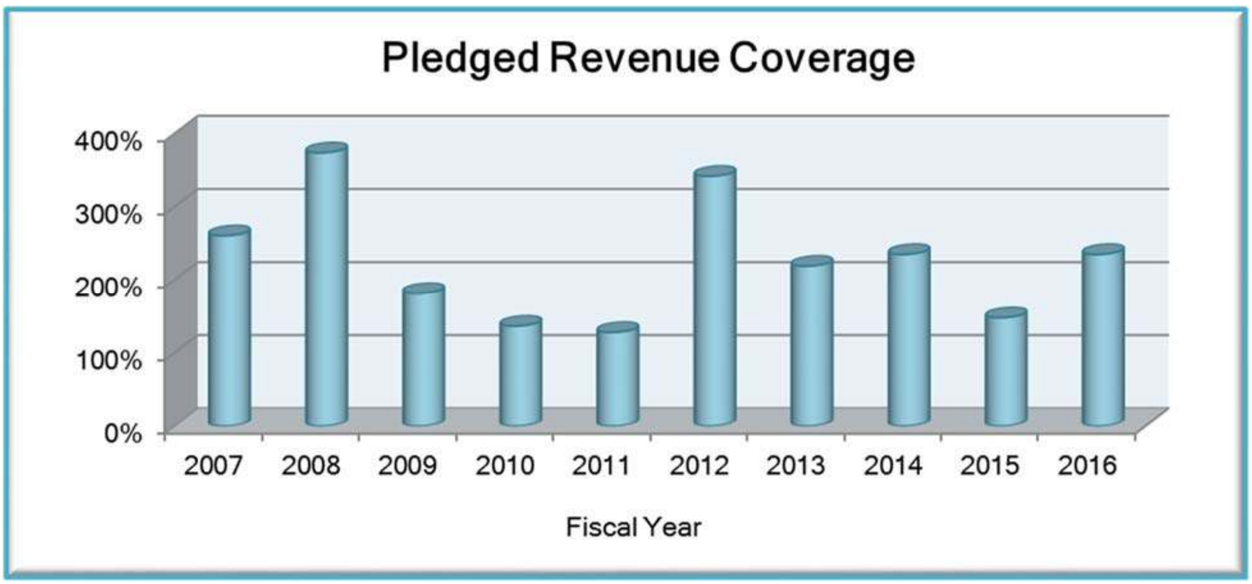


1 - In FY 2011, Multi-Family population has been included in District population
2 - See the Demographics and Economic Statistics schedule on page 81 for personal income data. (Personal Income not available after FY 2013)

Source: Newhall County Water District

TABLE XIII - PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Adjusted Revenue[1]	Adjusted Operating Expense[2]	Net Revenue Available for Debt Service	Debt Service Requirements[3]			Coverage Factor[4]
				Principal	Interest	Total	
2016	$ 13,592,341	$9,104,817	$4,487,524	$ 1,607,148	$ 304,714	$ 1,911,862	235%
2015	12,247,295	9,444,163	2,803,132	1,558,716	330,837	1,889,553	148%
2014	13,782,760	9,350,600	4,432,160	1,511,762	377,791	1,889,553	235%
2013	12,368,854	8,263,280	4,105,574	1,415,199	457,425	1,872,624	219%
2012	11,321,476	6,958,283	4,363,193	731,270	545,485	1,276,755	342% [5]
2011	10,713,415	7,309,837	3,403,578	1,981,885	676,588	2,658,473	128%
2010	10,480,144	7,310,193	3,169,951	1,565,772	754,669	2,320,441	137%
2009	10,959,915	7,324,582	3,635,333	1,282,524	721,090	2,003,614	181%
2008	14,241,839	7,371,412	6,870,427	1,181,866	656,392	1,838,258	374%
2007	11,480,632	7,185,854	4,294,778	1,065,680	583,040	1,648,720	260%

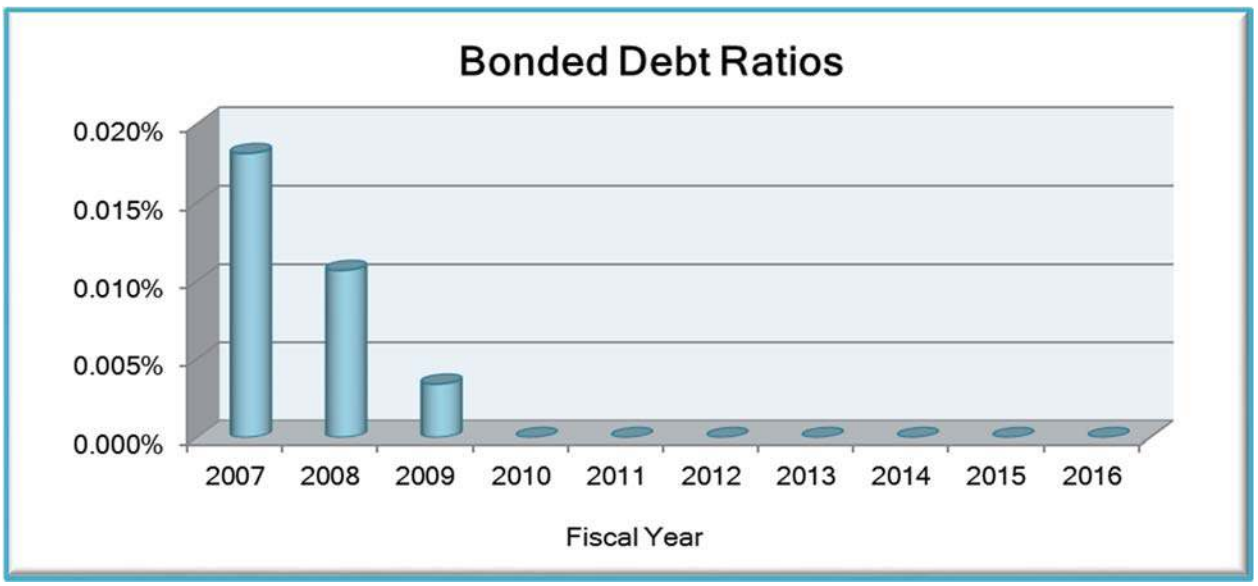


1 – Adjusted revenues include water sales, connection and other fees, property taxes and other income.
2 – Adjusted operating expenses exclude non-operating expenses and depreciation.
3 – Pledged debt are Installment Notes.
4 – The District's bond/loan covenants require a minimum coverage factor of 115%.
5 – In FY 2012, two loans were refinanced, resulting in one less installment payment.

Source: Newhall County Water District

TABLE XIV - RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Population Estimate[1]	General Obligation Bonds	Assessed Valuation of Property	Net Bonded Debt to Assessed Valuation[2]	Net Bonded Debt Per Capita
2016	45,513	-	N/A	N/A	N/A
2015	45,466	-	N/A	N/A	N/A
2014	44,933	-	N/A	N/A	N/A
2013	44,933	-	N/A	N/A	N/A
2012	44,873	-	N/A	N/A	N/A
2011	44,655	-	N/A	N/A	N/A
2010	31,667	-	N/A	N/A	N/A
2009	31,502	$ 50,000	$ 1,468,138,897	0.003%	1.59
2008	31,433	170,000	1,590,732,691	0.011%	5.41
2007	31,165	285,000	1,571,978,176	0.018%	9.14

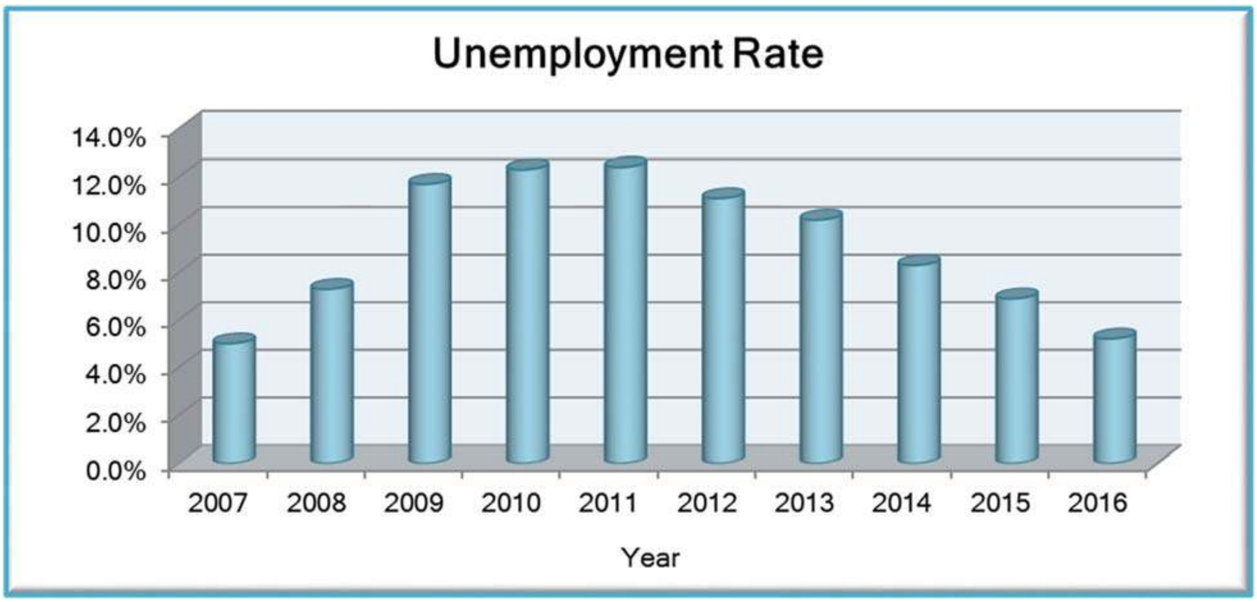


1 - In FY 2011, Multi-Family population has been included in District population.
2 - No outstanding bonds for FY 2010 - FY 2016.

Source: Newhall County Water District

TABLE XV - DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Year	City of Santa Clarita Population¹	County of Los Angeles			
		Unemployment Rate²	Population²	Personal Income (in 000's)²	Personal Income Per Capita²
2016	213,231	5.2%	10,441,080	N/A	N/A
2015	212,231	6.9%	10,136,559	N/A	N/A
2014	209,130	8.3%	10,041,797	N/A	N/A
2013	204,951	10.2%	9,958,091	$466,098,968	46,530
2012	177,445	11.1%	9,884,632	455,788,782	45,800
2011	176,320	12.4%	9,818,605	420,913,463	42,564
2010	176,056	12.3%	9,822,121	410,674,615	41,791
2009	175,103	11.7%	9,801,096	390,295,865	40,867
2008	174,355	7.3%	9,785,474	373,322,192	42,195
2007	173,979	5.0%	9,780,808	402,107,608	39,794



Sources:
1 - City of Santa Clarita (FY 2016 population estimated)
2 - California Employment Development Department (some information not currently available)

TABLE XVI - PRINCIPAL EMPLOYERS
FISCAL YEAR 2016 and 2008

Employer	2016 Number of Employees	2016 Percent of Total Employment
Six Flags Magic Mountain	3,200	11.91%
Princess Cruises	1,948	7.25%
Henry Mayo Newhall Memorial Hospital	1,822	6.78%
Quest Diagnostics	913	3.40%
The Master's College	760	2.83%
Boston Scientific	750	2.79%
Woodward HRT	725	2.70%
Aerospace Dynamics International	705	2.62%
Advanced Bionics	700	2.61%
California Institute of the Arts	690	2.57%
Total	**12,213**	**45.46%**
All Others	16,492	54.54%
Total Employment in Santa Clarita[1]	28,705	100.00%

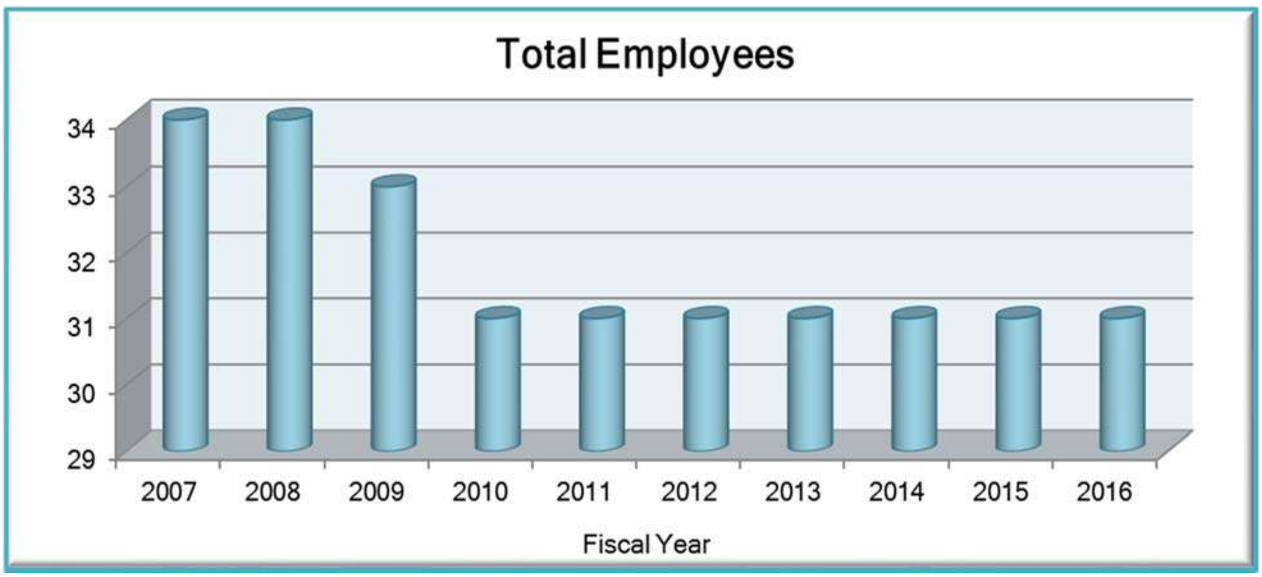
Employer	2008 Number of Employees	2008 Percent of Total Employment
Six Flags Magic Mountain	3,689	13.34%
Princess Cruises	2,100	7.60%
Henry Mayo Newhall Memorial Hospital	1,212	4.38%
HR Textron	845	2.62%
The Masters College	755	2.73%
Specialty Laboratories	725	3.06%
Arvato Services	586	N/A
California Institute of the Arts	500	1.81%
Aerospace Dynamics	450	N/A
Fanfare Media Works	407	1.63%
Total	**11,269**	**37.17%**
All Others	12,323	62.83%
Total Employment in Santa Clarita[1]	23,592	100.00%

1 - Non-governmental employers
2 - Data not available prior to 2008

Source: Santa Clarita Valley Economic Development Corporation

TABLE XVII - NUMBER OF EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Department	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Manager	1	1	1	1	1	1	1	1	1	1
Finance[1]	8	8	8	8	8	8	8	11	13	13
Operations/Maintenance[1]	19	19	19	19	19	19	19	17	16	16
Engineering	1	1	1	1	1	1	1	1	1	1
Administrative Services	1	1	1	1	1	1	1	2	2	2
IT	1	1	1	1	1	1	1	1	1	1
Total	31	31	31	31	31	31	31	33	34	34

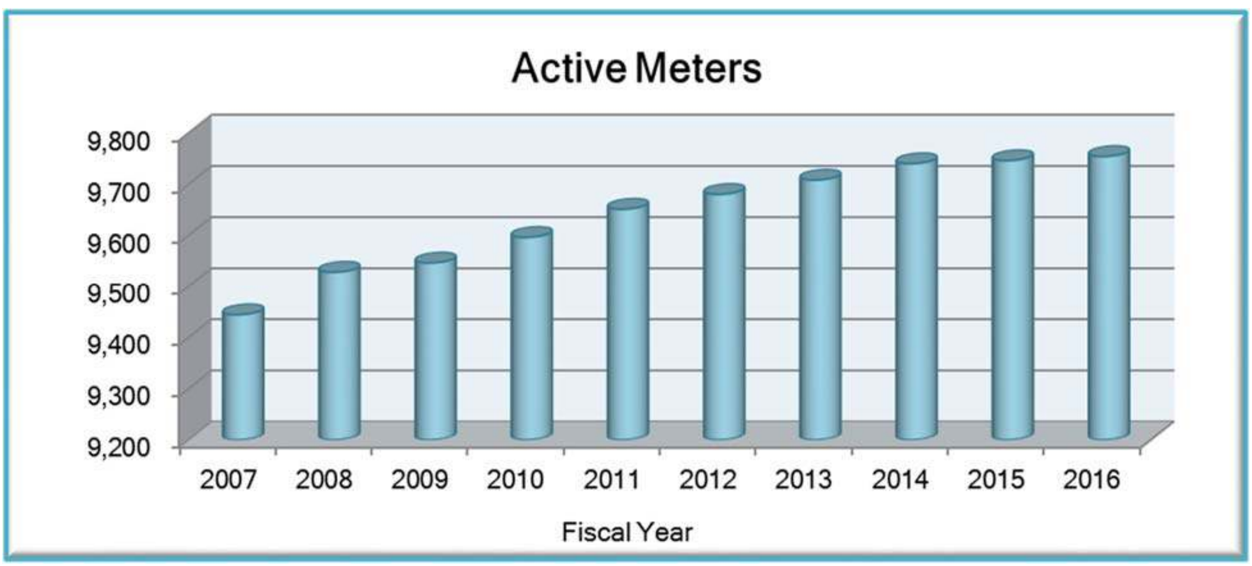


1 - Field Customer Service positions transferred from Finance to Operations/Maintenance in FY 2010.

Source: Newhall County Water District

TABLE XVIII - ACTIVE METERS BY SIZE
LAST TEN FISCAL YEARS

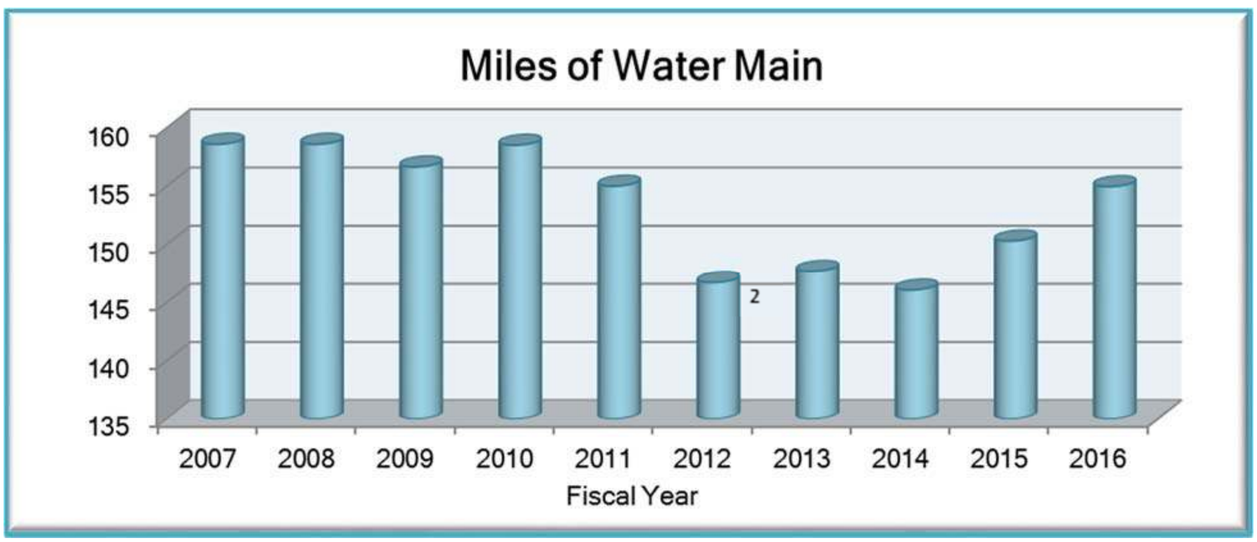
Meter Size	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
3/4"	8218	8213	8,196	8,184	8,167	8,149	8,103	8,050	8,039	7,962
1"	840	839	838	838	838	834	832	833	828	826
1 1/2"	142	142	142	140	142	142	138	135	135	132
2"	431	430	442	433	416	416	416	416	411	409
2 1/2"	23	20	22	19	22	20	18	22	25	28
3"	1	1	1	1	0	1	1	1	1	1
4"	46	46	47	41	40	38	39	40	42	39
6"	29	29	29	29	31	29	27	27	26	26
8"	21	22	20	20	21	19	19	19	18	18
10"	3	4	3	3	3	3	3	3	3	3
Total	9,754	9,746	9,740	9,708	9,680	9,651	9,596	9,546	9,528	9,444
% Change	0.08%	0.06%	0.33%	0.29%	0.30%	0.57%	0.52%	0.19%	0.89%	4.74%
Increase	8	6	32	28	29	55	50	18	84	427



Source: Newhall County Water District

OPERATING AND CAPITAL INDICATORS
LAST TEN FISCAL YEARS

Water System	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Service Area (in Acres)	24,662	24,217	24,217	24,217	23,708	23,763[1]	18,722	18,722	18,722	18,722
Miles of Water Main	154.96	150.30	146.06	147.68	146.71[2]	154.87	158.51	156.65	158.60	158.60
Number of Storage Reservoirs	22	22	22	22	23	23	23	23	23	21
Water Storage Capacity (In Million Gallons)	25	25	25	25	25	25	25	25	25	24
Total Water Connections (Active Meters)	9,754	9,746	9,740	9,708	9,680	9,651	9,596	9,546	9,528	9,444
Number of Booster Pump Stations	15	15	15	15	15	15	15	15	15	14
Number of Valves	3,561	3,530	3,480	3,376	3,361	3,360	3,267	3,100	2,963	2,963
Number of Hydrants	1,124	1,123	1,117	1,116	1,113	1,114	1,112	1,083	1,022	1,022
Number of Wells in Service	11	11	11	11	11	11	11	10	10	9
In Service Wells GPM	10,175	10,175	10,175	10,825	10,825	10,825	10,725	10,225	9,525	8,575



1 – Annexations were recorded for the Tesoro Service Area in FY 2011.
2 – Fire hydrant laterals were removed from total miles of water main in FY 2012.

Source: Newhall County Water District