

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For Fiscal Year Ended
June 30, 2014



Moulton Niguel Water
Leading the Way in Service



**MOULTON NIGUEL WATER DISTRICT
LAGUNA NIGUEL, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

**Prepared By:
The Finance department**

27500 La Paz Road
Laguna Niguel, CA 92677

www.mnwd.com

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MOULTON NIGUEL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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MOULTON NIGUEL WATER DISTRICT
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November 19, 2014

Members of the Board of Directors
Moulton Niguel Water District

We are pleased to present the Moulton Niguel Water District's ("District") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ending June 30, 2014. This report was prepared by District staff in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

The CAFR provides an assessment of the District's financial condition, informs readers about District services, provides information about capital improvement projects, discusses current initiatives, and provides financial and demographic trend information. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the information and 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.

The District's financial statements have been audited by Lance, Soll & Lunghard, LLP., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending June 30, 2014, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the District's financial statements for the fiscal year ending June 30, 2014, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Management Discussion & Analysis ("MD&A") includes a narrative introduction, overview, and analysis to provide a better understanding of the accompanying financial statements. The MD&A immediately follows the Independent Auditor's Report.

Profile of Moulton Niguel Water District

Authority, Services, and Customers

The District was formed on November 16, 1960 under the provisions of the California Water District Law, Division 13, of the Water Code of the State of California, commencing with Section 34000. The District was formed for the purposes of providing a water supply to the communities within its service area. In 1963, the California Water District Act was amended, allowing California water districts to provide sewer and water reclamation services. On

Members of the Board of Directors for Moulton Niguel Water District November 19, 2014

July 1, 1964, the District began operation and management of sewer services previously provided by Orange County Sanitation District No. 12. The District is authorized to acquire, control, store, treat, reclaim, recapture, and salvage any water (including sewage) for the beneficial use of the District and its inhabitants. The District's water and sewer customers include retail customers (e.g. residential and commercial) located in incorporated areas within the District's service area.

The District is also authorized to levy and collect taxes; to fix, revise, and collect rates or other charges for the delivery of water and collection of sewer, use of facilities or property, or provisions for service. The District may also issue bonds, borrow money, and incur indebtedness.

Governance

The District is a Special Water District established in November 1960, under provisions of the California Water District Law. It is governed by a seven-member Board of Directors who are publicly elected by registered voters within the District's service area for staggered four-year terms. Each Director represents a geographical division based upon comparable populations, which is determined by the District and approved by the Registrar of Voters.

Policy-making and legislative authority are vested with the Board of Directors. The Board of Directors has the authority to set rates and charges for water, recycled water, and sewer services. The Board of Directors is responsible for, among other things, adopting resolutions, adopting the budget, appointing committees, and hiring the General Manager. The General Manager is responsible for carrying out the policies of the Board of Directors, for overseeing the day-to-day operations of the District, and for appointing the heads of the various divisions (e.g. Finance, Human Resources, and Engineering & Operations).

The District's vision is to "Lead the way, work together, and provide excellence in service". The District is a community oriented agency dedicated to serving its customers and the environment with reliable, economical, high quality water and sewer service. It achieves its mission by providing a high level of customer service and satisfaction, attracting, developing, and retaining a progressive and skillful workforce, promoting a safe work environment, and utilizing its resources wisely. The Board of Directors has adopted strategic goals and encourages a set of values and behaviors that promotes and supports the District's vision and mission.

Service Area

The District's service area, located in South Orange County, California, encompasses approximately 37 square miles and includes the cities of Laguna Niguel, Aliso Viejo, Laguna Hills, Mission Viejo, and Dana Point. The combined population of the cities' is approximately 240,000. The District serves approximately 70% or 170,000 of this population. The District has 54,899 water accounts and 50,833 sewer accounts. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of Southern California, with temperatures mild and relatively uniform. The assessed net taxable valuation of the District has grown to \$29.2 billion as of June 30, 2014.

Water Supply and Services

The District imports all of its potable water from the Metropolitan Water District of Southern California ("MET") through its member agency, the Municipal Water District of Orange County ("MWDOC"), a wholesale importer of water from MET. The District is a member agency of MWDOC and, as such, is entitled to receive water from available sources of MET. MET's

Members of the Board of Directors for Moulton Niguel Water District November 19, 2014

sources of water primarily include water imported from the Colorado River and from the State Water Project. All District potable water is treated at the Diemer Filtration Plant in Yorba Linda, California and delivered through three major transmission facilities, the South County Pipeline (“SCP”), East Orange County Feeder #2 (“EOCF#2”), and the Allen-McColloch Pipeline (“AMP”).

California has experienced drier than normal seasons for many years for both rainfall and snow pack. In addition, court rulings to protect fish in the Delta region of northern California have decreased water supplies from the State Water Project system. As a result of these factors, reservoir levels throughout the southwest continue to be low, and the State Water Resources Control Board (“SWRCB”) announced emergency drought regulations for urban water providers. Over the years, the District has undertaken significant efforts to reduce dependence on imported water supplies. Approximately 23% of the District’s total water demand is met by recycled water. The District has implemented several water-use efficiency programs, most notably the Water Budget-Based Rate Structure and extensive rebate programs for its customers. The District continues to review various alternative local water supplies to identify additional opportunities to reduce dependence on imported water as well as implement programs and outreach to reduce water demand.

The District operates and maintains over 700 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a total potable water storage capacity within the District of approximately 70 million gallons. The District owns capacity rights in several adjoining water agencies’ reservoirs and pipelines, such as El Toro Water District R-6 reservoir, the Santa Margarita Water District Upper Chiquita Reservoir, the Joint Transmission Main (a joint powers agreement between the District and other water agencies), Eastern Transmission Main jointly owned by the District and the City of San Juan Capistrano, the South County Pipeline which conveys water from the AMP to several south county water agencies, and the Irvine Ranch Interconnection jointly owned with Irvine Ranch Water District. The District also operates 30 pump stations to pump water from lower pressure zones to the higher pressure zones and 20 pressure reducing stations and flow control facilities to convey water from high to low zones.

Sewer Services

The District maintains approximately 540 miles of sewer pipelines. The District’s sewer system has 19 lift stations that pump sewer over the ridge lines to the various treatment plants for disposal or recycling. The District participates in the South Orange County Wastewater Authority (“SOCWA”), a joint powers agency comprised of ten governmental agencies, which owns and operates four regional treatment plants and two ocean outfalls. The District’s cost to maintain SOCWA is slightly less than 50% of the total operations and maintenance (“O&M”) costs for SOCWA and a pro-rata share of the capital costs based on the type and location of each project.

Recycled Water Supply and Services

It is the policy of the District to promote the use of recycled water to provide for the conservation and reuse of all water resources and to utilize this resource for any approved purpose to the maximum extent possible under the laws of the State of California. The District has constructed approximately 150 miles of recycled water distribution pipelines with five pre-stressed concrete and six steel storage reservoirs to service the recycled water system. In addition, it owns 1,000 acre-feet of capacity rights in the Upper Oso recycled water reservoir owned by Santa Margarita Water District. The District operates 13 recycled-water pump stations. The District has 2 Advanced Wastewater Treatment (“AWT”) facilities providing recycled water to landscaped

**Members of the Board of Directors for Moulton Niguel Water District
November 19, 2014**

areas in the District. The projected annual demand of the recycled water system will be approximately 7,000 acre feet per year over the next few years.

Factors Affecting Financial Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

The District is located in South Orange County, where the current economic environment and local indicators point to slightly more stability. Many other areas of California are more negatively impacted by the current recessionary environment. There are four major land uses in the District: (1) residential (single-family and multiple-family); (2) commercial (retail and light industrial); (3) schools; and (4) recreation areas (parks, golf courses, etc.). Residential development is the predominant land use throughout the District. The highest concentration of commercial use is in the City of Mission Viejo, which includes the Shops at Mission Viejo, an affluent shopping mall and in the City of Aliso Viejo, which includes the Pacific Park Business Center. The highest concentration of schools (students) is in the cities of Mission Viejo and Aliso Viejo, which includes Mission Viejo High School, Capistrano Valley High School, Saddleback Community College, Aliso-Niguel High School, and Soka University. The highest concentration of recreation areas is in Laguna Niguel and Aliso Viejo, where each has a golf course and numerous community parks. Future growth will primarily occur on a redevelopment basis of existing property and land.

Budget Process

The Board of Directors biennially adopts an operating budget prior to the new fiscal year commencing on July 1st. On the alternate year, the Board reviews the adopted two-year budget and amends it as necessary. On an annual basis, the Board adopts a capital budget. The development of the biennial operating budget and the annual capital budget are guided by the Ten-Year Cash Flow and the Ten-Year Capital Improvement Program. The operating and capital budgets serve as the foundation for the District's financial planning and control of District operations and accountability for the District's enterprise functions. The District reports its water, sewer, and recycled services in a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board of Directors to provide a year-to-date comparison of the revenues and expenditures against the adopted budget.

Ten-Year Cash Flow

The District's financial plan includes a ten-year cash flow model, which was recently updated and presented to the Board. This financial model allows the District to run various scenarios to help plan for Capital Improvement Project funding options, Debt Service coverage requirements, and determining future rate adjustments or debt issuance to help insure that the District is covering the full cost of operations and maintenance and meeting its capital improvement needs.

Long-term financial planning

The District's financial plan includes the establishment of reserve funds in accordance with the District's Reserve Policy. Reserve funds are set aside to ensure the continued orderly operation of the District's water and sewer systems, the highest level of services to its customers, and the continued stability of the District's rate structure.

Members of the Board of Directors for Moulton Niguel Water District November 19, 2014

The District uses various planning documents, i.e. Urban Water Management Plan, the Long Range Financial Plan, and the Ten-Year Cash Flow, to forecast the District's needs for water use and demand, capital improvement projects, water supply reliability projects, and replacement and refurbishment projects. The District is currently finalizing a Long Range Water Reliability Plan that will provide an adaptive management strategy to develop water reliability projects as necessary to meet future supplies during short-term and long-term water outages. Potential outages could include drought conditions or allocations from MET, interruptions in service from the Diemer Water Filtration Plant, natural disasters impacting supplies from the Bay Delta, State Water Project, or the Colorado River Aqueduct. Additionally, MET has established a policy that its member agencies should be capable of meeting demand requirements during a seven-day shutdown of MET's treatment and/or imported water supply system at any time of the year. The Long Range Water Reliability Plan will serve as a tool to guide future decisions and planning associated with various water reliability projects the District is currently investigating, including recycled water expansion, indirect potable reuse, groundwater banking, and desalination.

Debt Issuances and Credit Rating

During the fiscal year, the District refunded the remaining portion of the 2003 General Obligation Bonds to take advantage of lower interest rates. Due to the District's affluent service area, strong financial performance with good debt service coverage, very strong liquidity position, and a very manageable capital improvements plan, the District received a 'AA+' rating from Standard & Poor's rating agencies for the new General Obligation Bond issuance. On October 20, 2014, Fitch Ratings reaffirmed the District's 'AAA' rating on the outstanding Certificates of Participation.

Internal Controls

Management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The most recent audits have not uncovered any weaknesses in internal controls that would cause concern. However, recommendations for improvement are always welcome and are implemented when feasible.

Major Initiatives

Water, Sewer and Recycled Water Operations

In January 2014, the Governor requested everyone in the State to reduce water usage by 20 percent. As a response, the District has increased efforts related to water-use efficiency and conservation programs. Initially, the Board of Directors adopted a resolution asking for voluntary conservation from the District's customers. The District currently utilizes a water budget based rate structure, which was implemented in July 2011, to encourage efficient use of water by the District's customers by defining a monthly water usage allocation based on individual needs and assessing increasing water rates to customers that exceed the defined allocations. As a result, the District has seen a reduction in water demands by more than 20% in the past five years with additional reduction since the request for voluntary conservation. The District's rate structure was recognized by the State Water Resources Control Board (SWRCB) as an effective tool to encourage efficient use of water when the SWRCB approved the District's Alternative Plan to managing drought response. Additionally, the Board of Directors doubled

**Members of the Board of Directors for Moulton Niguel Water District
November 19, 2014**

funding for various rebate, conservation, and outreach programs to further advance water use efficiency.

Concurrently, the District has been developing a Cost of Service and Rate Design Study to review the current rate structure, the allocation factors within the structure, and the allocation of costs between the various customer classes. The Water Shortage Contingency Plan is also being updated in conjunction with the rate review to allow the District to implement different response stages should the drought or other factors require a further reduction of water consumption. The volumetric rates and monthly service charges, along with Water Shortage Contingency Plan, are also being developed to ensure fiscal stability should water sales continue to decrease. The Board of Directors will consider any revisions to the proposed rates, service charges and the Water Shortage Contingency Plan beginning 2015 through a public hearing process.

The District has initiated several internal efforts to review and reduce imported water from MET which would reduce dependence on the State Water Project and Colorado River Basin. The Long Range Water Reliability Plan will serve as a guide in developing future water resource policies and support the District's involvement in various local water supply projects to provide supply and system reliability during droughts, natural disasters, or other supply reductions. These projects and objectives include increased water use efficiency, expanded recycled water deliveries, indirect potable reuse, regional resource management strategies, and desalination. The District continues to investigate the viability of these alternatives as a source of supply for the District, both economically and technically. The District has also initiated a Water Loss Control Program that will review current District data sources and water tracking tools to evaluate how the District accounts for water imported into the system to minimize the potential for water loss. Finally, the District continues to implement and develop a Capital Improvement Program which is primarily driven by the replacement and/or refurbishment of existing infrastructure. The District uses various asset management tools, i.e. Geographic Information System (GIS) and Computerized Maintenance Management System (CMMS), to develop a 10-Year Capital Improvement Program.

Of the many assets and infrastructure the District maintains, the operational facilities are among the most critical. In addition to housing the District's staff they contain the information technology infrastructure necessary to conduct business, the Supervisory Control and Data Acquisition (SCADA) center to operate all of the District's facilities, materials and equipment storage, maintenance shops, and customer service/reception to support the District's customers. The District has engaged several consultants, including architects, real estate brokers, and land planners, to support a thorough review and evaluation of the District's options for addressing the present and future needs of its operational headquarters. Currently, the District operates from two facilities, an administration building, where most of the customer service, billing, financial, and executive level work is accomplished, and the operations headquarters, which houses most of the District's staff and where the engineering, operations, and maintenance activities are staged. Many of these facilities are in excess of 30-40 years old and in need of significant upgrade, redevelopment, and/or expansion. The District is evaluating options that optimize operational efficiencies for the short and long-term based on current and future needs.

The District continually utilizes its long range financial planning tools. The Long Range Financial Plan is a pro-active financial management approach to ensure the District has resources available to meet its current and future needs. The Long Range Financial Plan utilizes the Ten-Year Cash Flow Model which incorporates the District's reserve policies, debt policies and coverage ratios, water demand needs, water rates, capital improvement program, and operating budget. The Long Range Financial Plan allows the District to project when resources are needed and to also identify potential options for responding to resource needs.

**Members of the Board of Directors for Moulton Niguel Water District
November 19, 2014**

The District is completing the final phase of an Enterprise Resources Planning (“ERP”) project. This project is a software replacement of the District’s core business applications. The financial, human resources/payroll, and utility billing software are being replaced with a new Oracle – JD Edwards software. Through this replacement, the District will gain a more reliable software that will be able to meet the District’s current and future needs. The financial and Human Resources/Payroll applications have been installed. The Utility Billing application is scheduled to be installed early 2015.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Moulton Niguel Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

Joone Lopez
General Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

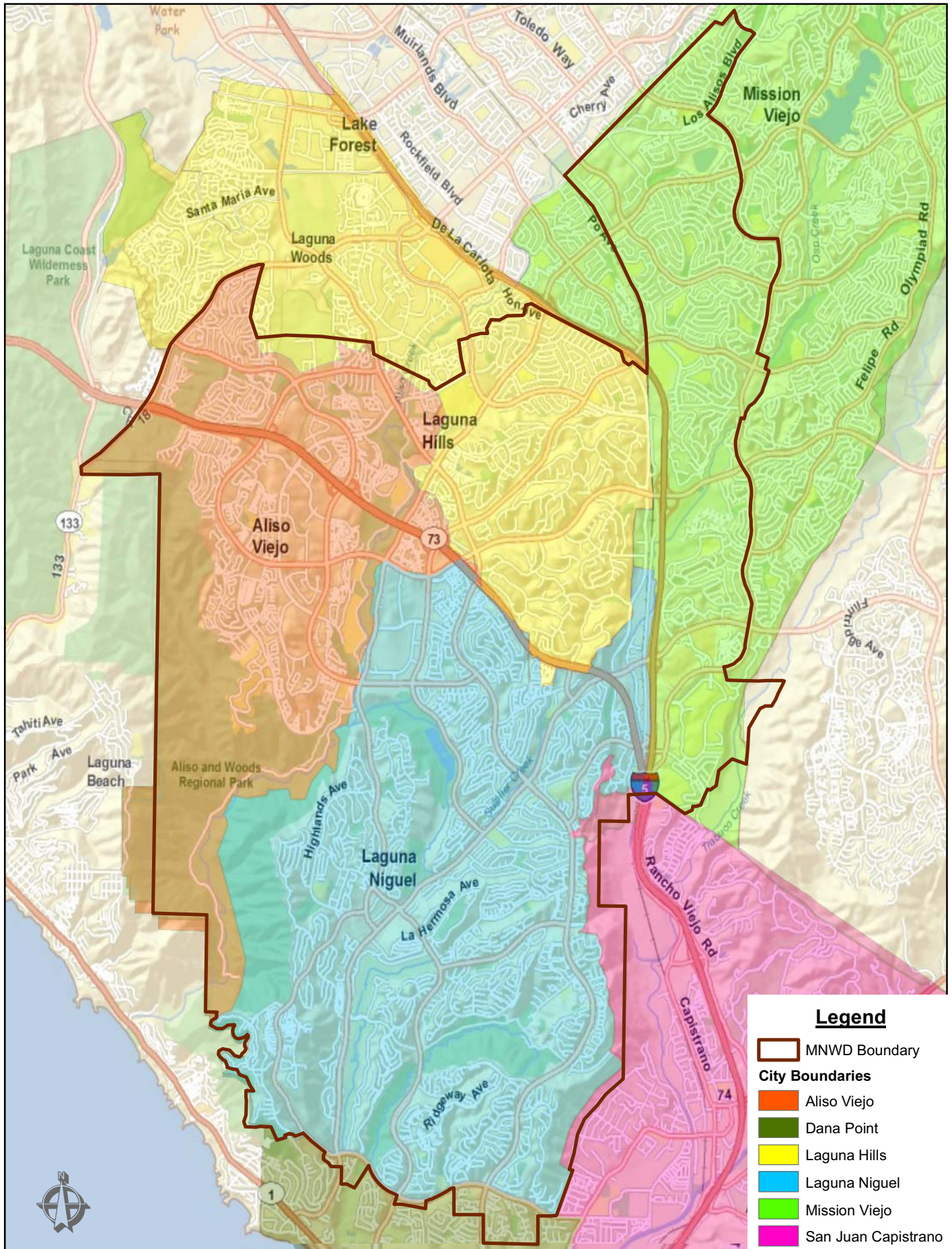
**Moulton Niguel Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

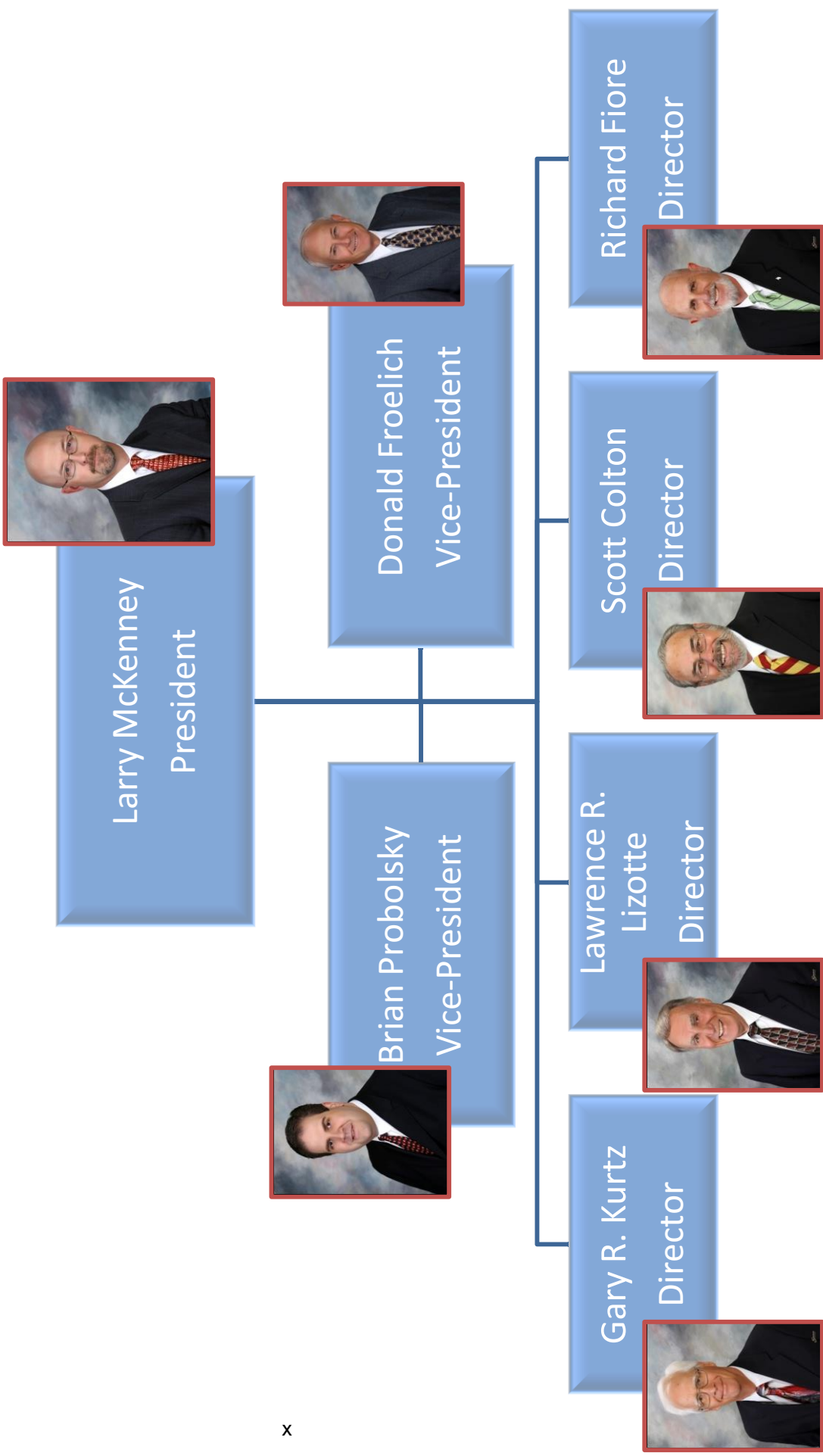
Executive Director/CEO

MNWD Boundary Map w/ Cities Served



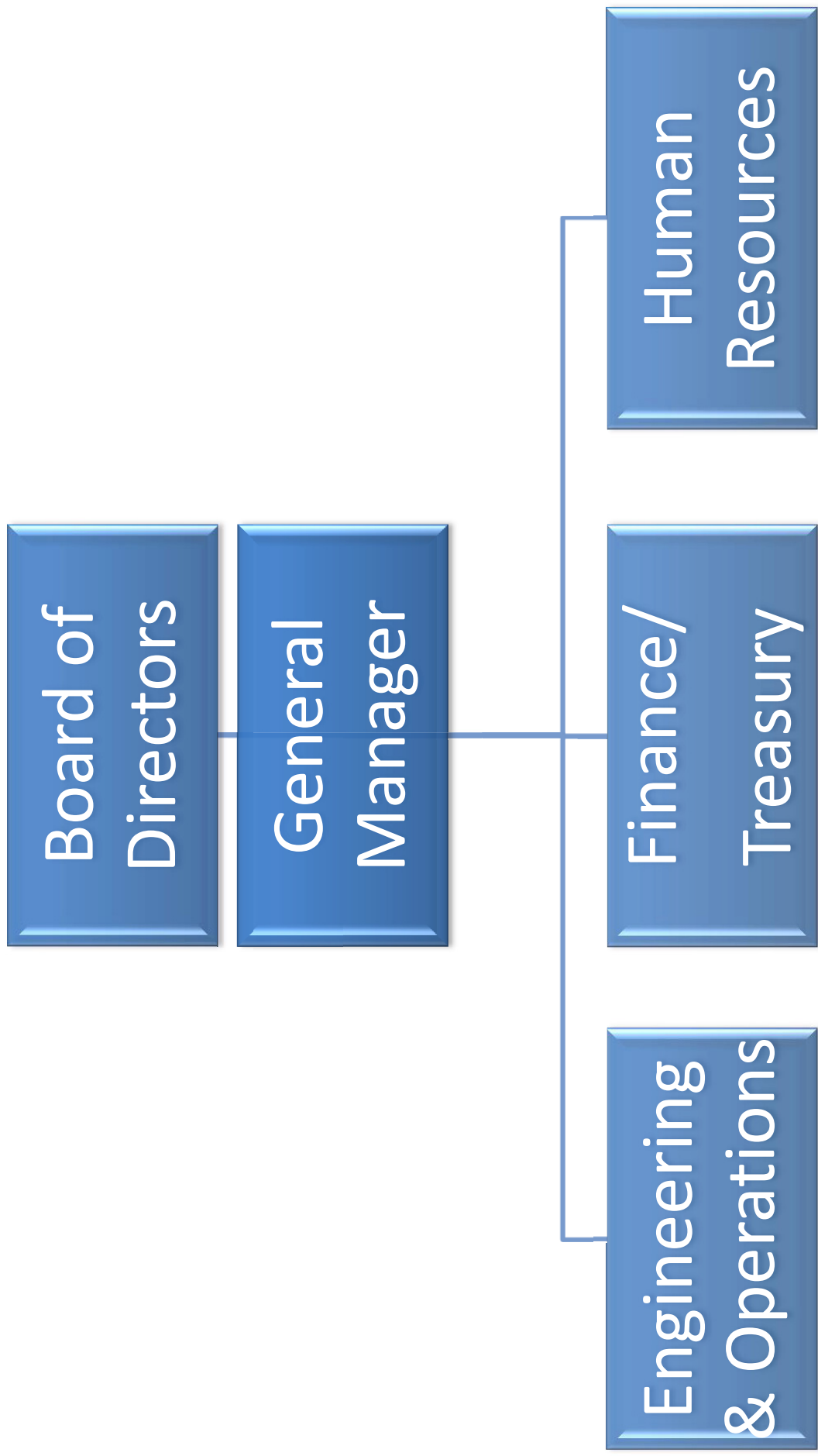
Moulton Niguel Water District

Board of Directors



Moulton Niguel Water District

Organization Chart



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Report on Financial Statements

We have audited the accompanying financial statements of the Moulton Niguel Water District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Board of Directors
Moulton Niguel Water District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Moulton Niguel Water District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2013, from which such partial information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section Supplementary Information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Board of Directors
Moulton Niguel Water District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 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 District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads 'Lance, Soll & Luyhard, LLP'.

Brea, California
November 13, 2014

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MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

FINANCIAL HIGHLIGHTS

Moulton Niguel Water District ("District") receives its drinking water from the Municipal Water District of Orange County ("MWDOC"), which serves as a wholesaler for the Metropolitan Water District of Southern California ("MET"). MET imports its water from northern California and the Colorado River. The State of California has endured drought conditions for several years and as a result, supplies are depleting in MET's water reservoirs. Meeting demands and securing supplies for the District's residents has increased the cost of water.

The major financial highlights for the current fiscal year are provided below:

- Net position increased \$6.3 million or 2% from prior year.
- During the year, approximately \$11.1 million was invested in water and sewer infrastructure.
- Total net income including capital contributions was \$6.3 million, which included all operating and non-operating revenues and expenditures.
- Operating expenses were \$23.0 million greater than operating revenues, resulting in an operating loss.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are in conformity with Generally Accepted Accounting Principles ("GAAP") and include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Readers should evaluate the financial statements with the accompanying Notes. The Notes to the Financial Statements are an integral part of the financial statements and provide useful explanations and detailed information on the financial statements. Management's Discussion and Analysis precedes the financial statements to provide required supplementary information to the financial statements.

REQUIRED FINANCIAL STATEMENTS

The *Statement of Net Position* states the financial position of the District at June 30, 2014. This statement includes the District's assets, plus deferred outflow of resources and less liabilities, and with the difference reported as net position. The list of assets and liabilities are in order of their liquidity. Therefore, assets readily convertible to cash, such as cash and investments, appear first.

The *Statement of Revenues, Expenses and Changes in Net Position* accounts for the annual results of operations. This statement shows the current year's revenue, expenses, capital contributions, and also calculates the change in net position. The sum of the prior year's net position balance and the current year's change in net position equals the ending net position balance. The same ending net position balance appears on the *Statement of Net Position*. Over time, changes in net position serve as a key indicator of the District's financial position.

Both the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* are shown using the accrual basis of accounting. This means revenues are recorded

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

By contrast, the *Statement of Cash Flows* presents information on changes in cash and cash equivalents during the year. The statement categorizes changes by operating activities, non-capital financing activities, capital and related financing activities and investing activities. From this statement the reader can obtain information on the sources and uses of the District's cash.

DISTRICT FINANCIAL ANALYSIS

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's balance sheet activities. Measuring the change in the District's net position, the difference between assets, deferred outflow of resources and liabilities, is one way to measure financial health or financial position.

Statement of Net Position

Our analysis begins with the District's Statement of Net Position as presented below:

| Condensed Statement of Net Position (in thousands) | | | | |
|--|----------------------------|----------------------------|-------------------------|--------------------------|
| | Fiscal Year <u>2014</u> | Fiscal Year <u>2013</u> | Dollar <u>Change</u> | Percent <u>Change</u> |
| Current and noncurrent assets | \$179,892 | \$180,038 | \$ (184) | (0.10) % |
| Capital assets, net | 366,860 | 371,840 | (4,980) | (1.34) % |
| Deferred outflow of resources | <u>1,136</u> | <u>1,319</u> | <u>(183)</u> | (13.87) % |
| Total Assets and Deferred Outflows of Resources | <u>547,889</u> | <u>553,197</u> | <u>(5,346)</u> | (0.97) % |
| Current liabilities | 19,460 | 21,174 | (1,697) | (8.01) % |
| Long-term liabilities | <u>110,150</u> | <u>120,022</u> | <u>(9,907)</u> | (8.25) % |
| Total Liabilities | <u>129,610</u> | <u>141,197</u> | <u>(11,604)</u> | (8.22) % |
| Net investment in capital assets | 269,994 | 272,287 | (2,293) | (0.84) % |
| Restricted for capital projects | 932 | 424 | 508 | 119.81 % |
| Unrestricted net position | <u>147,353</u> | <u>139,289</u> | <u>8,064</u> | 5.79 % |
| Total Net Position | <u>\$418,279</u> | <u>\$412,000</u> | <u>\$ 6,279</u> | 1.52 % |

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

Overall, the District's financial health is continuing to improve which is shown by an increase in unrestricted net position as compared to prior year.

Revenues

| | Condensed Total Revenues (in thousands) | | | |
|--------------------------------|--|----------------------------|------------------------|-------------------|
| | Fiscal Year <u>2014</u> | Fiscal Year <u>2013</u> | Dollar Change | Percent Change |
| Operating Revenues: | | | | |
| Water charges | \$ 30,504 | \$ 30,633 | \$ (129) | (0.42) % |
| Sanitation charges | 17,135 | 16,941 | 194 | 1.13 % |
| Recycled charges | 5,005 | 4,613 | 392 | 8.50 % |
| Other | <u>563</u> | <u>1,036</u> | <u>(473)</u> | (45.66) % |
| Total Operating Revenues | <u>53,207</u> | <u>53,223</u> | <u>(16)</u> | (0.03) % |
| Non-operating Revenues: | | | | |
| Property taxes | 22,523 | 21,860 | 663 | 3.03 % |
| GOB Assessment | 6,561 | 6,669 | (108) | (1.63) % |
| Investments | 2,932 | (533) | 3,465 | 650.09 % |
| Cellular lease income | 1,695 | 1,642 | 53 | 3.23 % |
| Intergovernmental revenue | 1,321 | 1,435 | (114) | (7.94) % |
| Other | <u>41</u> | <u>87</u> | <u>(46)</u> | (52.87) % |
| Total Non-operating Revenues | <u>35,071</u> | <u>31,160</u> | <u>3,911</u> | 12.55 % |
| Capital contributions | <u>1,019</u> | <u>143</u> | <u>876</u> | 612.59 % |
| Total Revenues | <u>\$ 89,299</u> | <u>\$ 84,526</u> | <u>\$ 4,773</u> | 5.47 % |

The District finances operations through user charges, property tax receipts, and other income. Total revenue increased by \$4.8 million as compared to prior year. This increase was primarily the result of an overall higher investment income combined with an increase in developer contributions.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

Expenses

| | Condensed Total Expenses (in thousands) | | | |
|-----------------------------------|--|-----------------------------|----------------------------|---------------------------|
| | Fiscal Year <u>2014</u> | Fiscal Year <u>2013</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
| Operating Expenses: | | | | |
| Water purchases | \$ 27,089 | \$ 25,678 | \$ 1,411 | 5.21 % |
| Meters | 795 | 713 | 82 | 10.31 % |
| Utilities | 1,887 | 1,658 | 229 | 13.81 % |
| Sewage treatment & pumping | 11,747 | 11,977 | (230) | (1.92)% |
| Water transmission & distribution | 2,139 | 2,299 | (160) | (6.96) % |
| General, administrative & other | 16,027 | 14,811 | 1,216 | 8.21 % |
| Depreciation | <u>16,554</u> | <u>13,473</u> | <u>3,081</u> | 22.87 % |
| | | | | 7.97 |
| Total Operating Expense | <u>76,238</u> | <u>70,609</u> | <u>5,629</u> | % |
| Non-operating Expenses: | | | | |
| Interest on long-term debt | <u>6,782</u> | <u>5,850</u> | <u>932</u> | 15.93 % |
| Total Non-operating Expense | <u>6,782</u> | <u>5,850</u> | <u>932</u> | 15.93 % |
| Total Expenses | <u>\$ 83,020</u> | <u>\$ 76,459</u> | <u>\$ 6,561</u> | 8.58 % |

Total operating expenses increased due to higher costs for water purchases from MET, filled staffing vacancies, and depreciation adjustments. Interest on long-term debt increased due to increasing debt service obligations.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

Changes in Net Position

| Condensed Changes in Net Position (in thousands) | | | | |
|---|----------------------------|----------------------------|-------------------------|--------------------------|
| | Fiscal Year <u>2014</u> | Fiscal Year <u>2013</u> | Dollar <u>Change</u> | Percent <u>Change</u> |
| Beginning net position | \$ 412,000 | \$ 403,934 | \$ 8,066 | 2.00 % |
| Income (loss) before capital contributions | 5,260 | 7,923 | (2,663) | (33.61) % |
| Donated facilities | 495 | 60 | 435 | 725.00 % |
| Connection fees | 489 | 83 | 406 | 489.16 % |
| Other contributions | <u>35</u> | <u>-</u> | <u>35</u> | 0.00 % |
| Change in net position | <u>6,279</u> | <u>8,066</u> | <u>(1,787)</u> | (22.15)% |
| Ending net position | <u>\$ 418,279</u> | <u>\$ 412,000</u> | <u>\$ 6,279</u> | 1.52 % |

Income before capital contributions was \$5.3 million for the current fiscal year. The District uses the income it receives to pay for its operating and maintenance costs along with self-funding most of its capital projects and repaying capital project debt related to the water supply reliability projects.

Capital Assets

| Condensed Capital Assets (in thousands) | | | | |
|--|----------------------------|----------------------------|-------------------------|--------------------------|
| | Fiscal Year <u>2014</u> | Fiscal Year <u>2013</u> | Dollar <u>Change</u> | Percent <u>Change</u> |
| Net Depreciable Assets: | | | | |
| Water systems | \$ 318,903 | \$ 330,700 | \$(11,797) | (3.57) % |
| Capacity rights – Infinite | 19,440 | 19,707 | (267) | (1.35) % |
| Capacity rights – Limited | 7,167 | 7,444 | (277) | (3.72) % |
| Buildings | 2,656 | 3,119 | (463) | (14.84) % |
| Equipment and automobiles | 2,816 | 2,723 | 93 | 3.42 % |
| Non-Depreciable Assets: | | | | |
| Land | 1,092 | 1,092 | - | 0.00 % |
| Construction in progress | <u>14,786</u> | <u>7,057</u> | <u>7,729</u> | 109.52 % |
| Capital Assets, Net | <u>\$ 366,860</u> | <u>\$ 371,841</u> | <u>\$ (4,982)</u> | (1.34) % |

The District's net capital assets decreased during the current fiscal year mainly due to depreciation adjustments. The District has capital outlays made by the District itself and also as part of two different joint power authorities. The most significant capital asset additions are the

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

completion of capital facilities managed by South Orange County Wastewater Authority, the District's wastewater system operator. The District also has Water Supply Reliability Projects in which the goal of these projects is to increase the number of days that the District can serve its customers during a planned or emergency water supply outage from MET. The District is partnering with neighboring water districts on several of these projects. The remaining project to be completed is the Baker Pipeline Water Treatment Facility, which is currently in construction and a significant factor for the increase in Construction in Progress. The District has issued Certificates of Participation (COPs) to finance this reliability project. Please see Note 5 in the Notes to the Financial Statements for additional capital asset information.

Debt Administration

Condensed Disclosure of Long-term Liabilities
(in thousands)

| | Fiscal Year <u>2014</u> | Fiscal Year <u>2013</u> | Dollar <u>Change</u> | Percent <u>Change</u> |
|-------------------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| Certificates of Participation (COP) | \$ 80,356 | \$ 82,326 | \$ (1,970) | (2.39) % |
| General Obligation Bonds (GOB) | 16,867 | 22,540 | (5,673) | (25.17) % |
| Loans | <u>12,794</u> | <u>15,020</u> | <u>(2,226)</u> | (14.82) % |
| Total | <u>\$ 110,017</u> | <u>\$ 119,886</u> | <u>\$ (9,869)</u> | (8.23) % |

The District's total long-term liability at this fiscal year-end was \$110 million in COPs, GOBs, and loans. During fiscal year ending 2014, the District issued \$21,315,000 of General Obligation Bonds to refund the outstanding \$22,540,000 of 2003 General Obligation Bonds, realizing a savings of \$1.7 million for the District's tax payers. The General Obligation Bonds are a voter approved assessment specifically for the residents that live within certain service areas of the District. The District received "AA+" rating by Standard & Poor's rating agency for the General obligation Bonds and Fitch rating agency has confirmed the District's "AAA" rating for the Certificates of Participation. Annual principal payments in all debt service accounts during the year reduce the outstanding balance. See Note 6 in the Notes to the Financial Statements for detail on long-term debt.

CONTACTING THE DISTRICT

This financial report is designed to provide the District's elected officials, customers, investors, employees, and creditors with an assessment of the District's financial condition and an accounting of the public's money. An electronic copy of the CAFR can be found on the District's website, www.mnwd.com. If you have questions about this report or need additional financial information please contact the Finance Department at Moulton Niguel Water District at (949) 831-2500.

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MOULTON NIGUEL WATER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------|-----------------------|
| Assets: | | |
| Current: | | |
| Cash and investments (Note 2) | \$ 33,152,442 | \$ 42,016,642 |
| Restricted cash and investments with fiscal agent (Note 2) | 22,445,383 | 28,171,531 |
| Accounts receivables: | | |
| Water and sanitation charges | 5,555,769 | 6,183,688 |
| Taxes and acreage assessments | 355,126 | 343,115 |
| Other accounts receivable | 232,218 | 433,264 |
| Interest receivable | 704,810 | 763,584 |
| Current portion of AMP receivable (Note 3) | 23,663 | 211,940 |
| Inventory | 1,511,749 | 1,566,239 |
| Prepaid expenses | 302,644 | 222,937 |
| | <u>64,283,804</u> | <u>79,912,940</u> |
| Total Current Assets | | |
| Noncurrent: | | |
| Investments (Note 2) | 111,989,559 | 94,347,786 |
| Restricted cash and investments with fiscal agent (Note 2) | - | 1,403,346 |
| Retrofit loans receivable (Note 3) | 629,243 | 660,023 |
| AMP receivable (Note 3) | 43,830 | 654,913 |
| Net pension asset (CalPERS sidefund payoff) (Note 8) | 2,945,897 | 3,058,960 |
| Capital assets - net of accumulated depreciation (Note 5) | 350,982,233 | 363,691,271 |
| Capital assets not being depreciated (Note 5): | | |
| Land | 1,091,910 | 1,091,910 |
| Construction in progress | 14,785,817 | 7,057,346 |
| | <u>482,468,489</u> | <u>471,965,555</u> |
| Total Noncurrent Assets | | |
| | <u>546,752,293</u> | <u>551,878,495</u> |
| Total Assets | | |
| Deferred Outflows of Resources: | | |
| Deferred charges on refunding | 1,136,314 | 1,318,562 |
| | <u>1,136,314</u> | <u>1,318,562</u> |
| Total Deferred Outflows of Resources | | |
| | <u>\$ 547,888,607</u> | <u>\$ 553,197,057</u> |
| Total Assets and Deferred Outflows of Resources | | |

MOULTON NIGUEL WATER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

| | <u>2014</u> | <u>2013</u> |
|--|------------------------------|------------------------------|
| Liabilities, Deferred Inflows of Resources, and Net Position: | | |
| Liabilities: | | |
| Current: | | |
| Accounts payable | \$ 6,932,494 | \$ 9,089,433 |
| Interest payable | 2,133,231 | 2,406,689 |
| Compensated absences (Note 6) | 397,440 | 524,376 |
| Current portion of long-term debt (Note 6): | | |
| Bonds payable | 5,949,716 | 5,235,000 |
| Loans payable | 2,204,403 | 2,178,909 |
| Certificates of participation | 1,842,407 | 1,740,000 |
| Total Current Liabilities | <u>19,459,691</u> | <u>21,174,407</u> |
| Long-Term Liabilities | | |
| Compensated absences (Note 6) | 132,479 | 174,791 |
| Long-term debt (Note 6): | | |
| Bonds payable | 16,867,130 | 22,540,000 |
| Loans payable | 12,794,395 | 14,981,907 |
| Certificates of participation | 80,356,050 | 82,325,864 |
| Total Long-Term Liabilities | <u>110,150,054</u> | <u>120,022,562</u> |
| Total Liabilities | <u>129,609,745</u> | <u>141,196,969</u> |
| Net Position: | | |
| Net investment in capital assets | 269,994,246 | 272,287,164 |
| Restricted for capital projects (Note 13) | 931,603 | 424,363 |
| Unrestricted (Note 14) | 147,353,013 | 139,288,561 |
| Total Net Position | <u>418,278,862</u> | <u>412,000,088</u> |
| Total Liabilities and Net Position | <u>\$ 547,888,607</u> | <u>\$ 553,197,057</u> |

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MOULTON NIGUEL WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------|-----------------------|
| Operating Revenues: | | |
| Water charges | \$ 30,503,803 | \$ 30,633,036 |
| Recycled charges | 5,005,391 | 4,612,874 |
| Sanitation charges | 17,135,446 | 16,941,327 |
| Other | 562,871 | 1,035,873 |
| | <u>53,207,511</u> | <u>53,223,110</u> |
| Operating Expenses: | | |
| Source of supply: | | |
| Water purchases | 27,088,570 | 25,678,244 |
| Meter purchases | 795,198 | 713,042 |
| Utilities | 1,886,558 | 1,657,973 |
| Pumping water | 2,100,550 | 2,135,266 |
| Sewage treatment | 9,647,000 | 9,841,299 |
| Water transmission and distribution | 2,138,767 | 2,299,355 |
| Customer service | 2,750,999 | 2,711,672 |
| Water efficiency | 1,448,498 | 1,446,173 |
| General, administrative, and other | 11,186,256 | 10,046,607 |
| CalPERS sidefund amortization | 50,620 | 46,979 |
| Post retirement medical benefits (OPEB) | 591,372 | 559,698 |
| Depreciation | 16,554,024 | 13,472,995 |
| | <u>76,238,412</u> | <u>70,609,303</u> |
| Operating Income (Loss) | <u>(23,030,901)</u> | <u>(17,386,193)</u> |
| Nonoperating Revenues (Expenses): | | |
| Investment income (loss) | 2,749,964 | (799,897) |
| Investment income - restricted | 181,867 | 266,766 |
| Property tax revenue and acreage assessments | 22,523,268 | 21,859,630 |
| General obligation bond assessments | 6,560,479 | 6,668,545 |
| Interest on long-term debt | (6,781,711) | (5,850,174) |
| Intergovernmental revenue | 1,320,588 | 1,434,642 |
| Cellular lease income | 1,694,478 | 1,642,410 |
| Other non-operating revenues (expenses) | 41,396 | 87,718 |
| | <u>28,290,329</u> | <u>25,309,640</u> |
| Income (Loss) Before Capital Contributions | 5,259,428 | 7,923,447 |
| Capital Contributions | | |
| Developer donated capital facilities | 495,000 | 60,000 |
| Connection fees | 489,346 | 83,038 |
| Other contributions | 35,000 | - |
| | <u>6,278,774</u> | <u>8,066,485</u> |
| Net Position: | | |
| Beginning of Fiscal Year | 412,000,088 | 403,933,603 |
| End of Fiscal Year | <u>\$ 418,278,862</u> | <u>\$ 412,000,088</u> |

MOULTON NIGUEL WATER DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

| | <u>2014</u> | <u>2013</u> |
|---|------------------------------------|------------------------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from customers | \$ 55,772,350 | \$ 54,140,616 |
| Cash paid to suppliers | (50,038,296) | (44,564,885) |
| Cash paid to employees | (11,884,433) | (10,703,896) |
| Net Cash Provided (Used) by Operating Activities | <u>(6,150,379)</u> | <u>(1,128,165)</u> |
| Cash Flows from Non-Capital Financing Activities: | | |
| Cash received from property taxes | 22,511,257 | 21,872,783 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>22,511,257</u> | <u>21,872,783</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (11,078,457) | (10,071,829) |
| Proceeds from capital debt | 22,938,025 | - |
| Cash received from general obligation bonds assessments | 6,560,479 | 6,668,545 |
| Repayment of notes receivable | 830,140 | 238,918 |
| Capital contributions | 489,346 | 83,038 |
| Other contributions | 35,000 | - |
| Principal payments on long-term debt | (31,925,604) | (8,590,976) |
| Intergovernmental revenue | 1,320,588 | 1,434,642 |
| Interest payments on long-term debt | (6,872,921) | (7,226,836) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(17,703,404)</u> | <u>(17,464,498)</u> |
| Cash Flows from Investing Activities: | | |
| Investment earnings received | 2,990,605 | (429,280) |
| Proceeds from sales and maturities of investments | 40,159,039 | 81,978,806 |
| Purchase of investments | (57,800,812) | (70,109,702) |
| Net Cash Provided (Used) by Investing Activities | <u>(14,651,168)</u> | <u>11,439,824</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(15,993,694)</u> | <u>14,719,944</u> |
| Cash and Cash Equivalents at Beginning of Year | 71,591,519 | 56,871,575 |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 55,597,825</u></u> | <u><u>\$ 71,591,519</u></u> |

MOULTON NIGUEL WATER DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

| | <u>2014</u> | <u>2013</u> |
|---|------------------------------|------------------------------|
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$(23,030,901) | \$(17,386,193) |
| Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities: | | |
| Depreciation | 16,554,024 | 13,472,995 |
| Other non-operating revenue | 1,735,874 | 1,730,128 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable, water and sanitation | 627,919 | (557,837) |
| (Increase) decrease in accounts receivable, other | 201,046 | (254,785) |
| (Increase) decrease in inventory | 54,490 | 250,925 |
| (Increase) decrease in prepaid expense | (79,707) | 42,989 |
| Increase (decrease) in CalPERS prepaid | 113,063 | 277,206 |
| Increase (decrease) in other asset | - | 395,600 |
| Increase (decrease) in accounts payable | (2,156,939) | 1,228,625 |
| Increase (decrease) in compensated absences | (169,248) | (327,818) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (6,150,379)</u> | <u>\$ (1,128,165)</u> |
| Non-Cash Investing, Capital, and Financing Activities: | | |
| Unrealized gain (loss) on investments | \$ 57,880 | \$ (4,800,629) |
| Developer donated capital facilities | 495,000 | 60,000 |

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

The accounting principles of the Moulton Niguel Water District (the "District") conform to generally accepted accounting principles applicable to governmental-type organizations. The following is a summary of the District's significant accounting policies.

a. Description of the Reporting Entity

The District was established on November 16, 1960 under the provisions of the California Water District Law, Division 13 of the Water Code. The District provides water and collects, treats and recycles wastewater to the communities of Aliso Viejo, Laguna Niguel, Laguna Hills, Mission Viejo, and Dana Point. The District is governed by a seven-member Board of Directors.

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's Board of Directors. Management has determined that the District is a single enterprise fund reporting unit for financial reporting purposes by applying the criteria set forth in the Statement of Governmental Accounting Standards No. 14, The Financial Reporting Entity. This criteria requires the reporting entity to have a separate elected governing body, that it be a legal separate entity, and fiscally independent.

b. Basis of Accounting

The District reports its activities as an enterprise fund. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. The District utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of the District consist of water, recycled water, and sanitation charges. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

c. MNWD Public Facilities Corporation

The MNWD Public Facilities Corporation (the "Corporation") was incorporated as a California Non-profit Public Facilities Corporation on October 12, 1993, and has received tax exempt status from the Internal Revenue Service and California Franchise Tax Board.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The Corporation was formed for the purpose of providing financing through the issuance of certificates of participation to construct District infrastructure necessary to provide water, wastewater, and recycled water services to existing and future customers with the District. Members of the Board of Directors of the District act as the Corporation's governing board and exert significant influence over its operations. Separate financial statements are prepared for the Corporation.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39 and GASB Statement 61. Certain organizations warrant inclusion as part of the financial reporting entry because of the nature and significance of its relationship with the District. A component unit should be included in the reporting entity financial statements using the blending method in any of these circumstances:

- a. The component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit. Management of a primary government has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs, departments, or agencies.
- b. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. The essence of this type of arrangement is much the same as an internal service fund—the goods or services are provided to the government itself rather than to the citizenry. Usually the services provided by a blended component unit are financing services provided solely to the primary government.
- c. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. Repayment generally occurs through a continuing pledge and appropriation by the primary government to the component unit that, in turn, pledges those appropriation payments as the primary source of repayment for its debt.

Based upon the application of the criteria listed above, the Corporation has been reported as a blended component unit.

d. Property Taxes

The District is authorized to levy taxes on all taxable property within its boundaries for the purposes of carrying on its operations and paying its obligations, subject to certain limitations in the Water Code, the Revenue and Taxation Code and the California Constitution. A portion of the taxes are levied to meet the District's debt service requirements on its general obligation bonds.

Property taxes are levied annually by the District's Board of Directors as of July 1, using a lien date of March 1, and are payable by property owners in two equal installments, which are due by December 10 and April 10. The taxes levied are billed and collected by the County of Orange and are remitted to the District throughout the year.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

e. Inventory and Prepaid Expenses

Inventory consists of meters, meter components and operating supplies. Inventory is valued at cost on a first-in, first-out method.

Certain payments to vendors, primarily related to services, reflect costs applicable to future accounting periods and are initially recorded as prepaid expenses and expensed through the lifetime of the agreement.

f. Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The District capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are expensed.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

| | |
|---------------------------|----------------|
| Water and sewer systems | 10 to 75 years |
| Capacity rights – limited | 10 to 99 years |
| Buildings | 5 to 40 years |
| Automobiles and equipment | 3 to 10 years |

g. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits up to certain limits. Employees are eligible to be compensated in cash for accrued vacation to a maximum of 120 hours or may transfer up to 80 hours into their deferred compensation plan provided that they have used at least 40 hours of vacation hours during the fiscal year and that the employee maintains 40 hours of accrued vacation after the transfer. Employees cannot accrue more than 200% of their annual vacation accrual. Sick leave hours accrue at a rate of one day per month.

Upon termination or retirement, the District pays 100% vacation leave and, based on a years of service schedule, up to 100% of sick leave.

All accumulated vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

h. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less. Investments held by fiscal agent (excluding money market funds) are classified as long term assets regardless of the maturity date. These investments are typically held as a covenant for long term debt service and, therefore, continually re-invested and held until the maturity of the debt service obligation.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

i. Investments

Investments are reported in the accompanying Statement of Net Position at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Investment income includes interest earnings, changes in fair value (unrealized gains) and realized gains or losses upon the liquidation or sale of investments.

j. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s), and so will not be recognized as an inflow of resources (revenue) until that time.

k. Net Position

Net position of the District is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets represent the capitalized cost of capital assets, net of depreciation and the related outstanding debt balances.

Restricted net position represent net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or imposed by law, through constitutional provisions or enabling legislation.

All net position not categorized as net investment in capital assets or restricted, are included in unrestricted net position, including amounts reserved in accordance with designations by the Board of Directors.

l. Use of Estimates

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

m. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

II. DETAILED NOTES ON ALL ACTIVITIES

Note 2: Cash and Investments

Cash and Investments are classified in the accompanying Statement of Net Position as follows at June 30, 2014:

| | |
|--|-----------------------|
| Statement of Net Position: | |
| Cash and Investments-Current | \$ 33,152,442 |
| Investments-Noncurrent | 111,989,559 |
| Cash and Investments with fiscal agent | <u>22,445,383</u> |
| Total Cash and Investments | <u>\$ 167,587,384</u> |

Cash and Investments held by the District at June 30, 2014, consisted of the following:

| | |
|--------------------------------------|-----------------------|
| Cash: | |
| Cash on hand | \$ 800 |
| Deposits with financial institutions | <u>307,732</u> |
| Total Cash | <u>\$ 308,532</u> |
| Investments: | |
| State treasurer's investment pool | \$ 20,257,504 |
| US treasury notes | 25,987,973 |
| Federal agency securities | 54,885,138 |
| Medium term notes | 30,683,948 |
| Asset backed securities | 10,022,900 |
| Commerical paper | 4,276,915 |
| Money market funds | <u>21,164,474</u> |
| Total Investments | <u>167,278,852</u> |
| Total Cash and Investments | <u>\$ 167,587,384</u> |

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

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

| Investment Types Authorized by State Law | Authorized by Investment Policy | *Maximum Maturity | Maximum Percentage of Portfolio | *Maximum Investment in One Issuer |
|---|---------------------------------------|----------------------|---------------------------------------|---|
| Local Agency Bonds | No | 5 years | None | None |
| U.S. Treasury Obligations | Yes | 10 years | None | None |
| U.S. Agency Securities | Yes | 10 years | None | None |
| Bankers Acceptances | Yes | 180 days | 40% | 30% |
| Commercial Paper | Yes | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | Yes | 2 years | 30% | None |
| Repurchase Agreements | Yes | 1 year | 10% | None |
| Reverse Repurchase Agreements | Yes | 90 days | 10% | None |
| Medium-Term Notes | Yes | 5 years | 30% | 5% |
| Mutual Funds | Yes | N/A | 20% | 10% |
| Money Market Mutual Funds | Yes | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | Yes | 5 years | 20% | None |
| County Pooled Investment Funds | No | N/A | None | None |
| Local Agency Investment Fund (LAIF) | Yes | N/A | None | \$50 million |
| JPA Pools (other investment pools) | No | N/A | None | None |

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investment Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's Investment Policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Allowed | Maximum Investment in One Issuer |
|-----------------------------|---------------------|----------------------------------|--|
| U.S. Government Obligations | None | None | None |
| Federal Agency Securities | None | None | None |
| Bankers Acceptances | 360 days | None | None |
| Municipal Obligations | None | None | None |
| Money Market Mutual Funds | 120 days | None | None |
| Investment Agreements | None | None | None |

Disclosures Relating to Interest Rate Risk

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

| Investment Type | Total | Remaining Maturity (In Months) | | | |
|---------------------------|-----------------------|--------------------------------|----------------------|----------------------|----------------------|
| | | 12 Months or Less | 13 to 36 Months | 37 to 60 Months | More Than 60 Months |
| State Investment Pool | \$ 20,257,504 | \$ 20,257,504 | \$ - | \$ - | \$ - |
| US Treasury Notes | 25,987,973 | - | - | 7,656,032 | 18,331,941 |
| Federal Agency Securities | 53,540,047 | - | 13,207,083 | 18,052,901 | 22,280,063 |
| Medium Term Notes | 30,683,948 | 8,245,309 | 8,116,340 | 14,322,299 | - |
| Commercial Paper | 4,276,915 | 4,276,915 | - | - | - |
| Asset Backed Securities | 10,022,900 | - | 3,012,879 | 7,010,021 | - |
| Money Market Funds | 64,182 | 64,182 | - | - | - |
| Held by Fiscal Agent: | | | | | |
| Federal Agency Securities | 1,345,091 | 1,345,091 | - | - | - |
| Money Market Funds | 21,100,292 | 21,100,292 | - | - | - |
| Total | \$ 167,278,852 | \$ 55,289,293 | \$ 24,336,302 | \$ 47,041,253 | \$ 40,612,004 |

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. The following table shows the minimum rating required by (where applicable) the California Government Code, the District's investment policy or debt agreements and the actual rating from Moody's as of year-end for each investment type.

| Investment Type | Total | Minimum Legal Rating | Rating as of Year End | | | |
|---------------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | | | AAA | AA | A | Not Rated |
| State Investment Pool | \$ 20,257,504 | N/A | \$ - | \$ - | \$ - | \$ 20,257,504 |
| US Treasury Notes | 25,987,973 | N/A | 25,987,973 | - | - | - |
| Federal Agency Securities | 53,540,047 | A | 51,332,754 | 2,207,293 | - | - |
| Medium Term Notes | 30,683,948 | A | - | 9,918,521 | 20,765,427 | - |
| Commercial Paper | 4,276,915 | A | 4,276,915 | - | - | - |
| Asset Backed Securities | 10,022,900 | AAA | 7,141,215 | 2,881,685 | - | - |
| Money Market Funds | 64,182 | AAA | 64,182 | - | - | - |
| Held by Fiscal Agent | | | | | | |
| Federal Agency Securities | 1,345,091 | A | 1,345,091 | - | - | - |
| Money Market Funds | 21,100,292 | AAA | 21,100,292 | - | - | - |
| Total | \$ 167,278,852 | | \$ 111,248,422 | \$ 15,007,499 | \$ 20,765,427 | \$ 20,257,504 |

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

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. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total District investments are as follows:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> |
|----------------------------------|--|------------------------|
| Federal Home Loan Mortgage Corp | Federal Agency Securities / Asset-backed Securities | \$ 16,687,369 |
| Federal National Mortgage Assoc. | Federal Agency Securities | 11,798,527 |
| Federal Home Loan Bank | Federal Agency Securities | 10,197,896 |
| Tennessee Valley Authority | Federal Agency Securities | 10,100,691 |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy limits custodial credit risk by requiring that financial institutions 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 entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. For investments, the District's portfolio is held in safekeeping in the District's name by a third party bank trust department, acting as agent for the District, under the terms of a custody agreement. The District Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

State Treasurer's Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund ("LAIF") that is regulated by the 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.

Investment Earnings

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments and as a result, realized gains and losses of the current period include unrealized amounts from prior periods.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

Investment earnings consist of the following for the year ended June 30, 2014:

| | |
|------------------------|---------------------|
| Interest income | \$ 3,232,692 |
| Realized gain (loss) | (358,741) |
| Unrealized gain (loss) | 57,880 |
| Total | <u>\$ 2,931,831</u> |

Note 3: Other Receivables

Allen-McCulloch Pipeline (AMP)

Before fiscal year 1995, the District was a part owner and participant in the 27-mile AMP used by MWD to deliver potable water to the participants. In fiscal year 1995, the participants sold the AMP to MWD. Under the sale agreement the District will receive \$16,158,563 over 37 years. This represents an approximate 13.6% ownership of AMP. During the year, the District received \$799,360 leaving the year end AMP receivable of \$67,493. The sale agreement also provides for the District to continue to have AMP flow capacity rights, but MWD has no obligation to deliver an actual quantity of water.

Retrofit Loans

In November 1996, the Board adopted Resolution 96-26 which allowed for qualifying non-profit entities and public agency applicants to obtain a loan through the District to finance the cost for on-site recycled water retrofits of the applicant's irrigation system. The program offers incentive to customers who would otherwise have difficulties financing the cost of the recycled water retrofits. The District has 33 loans outstanding totaling \$629,243 which includes both principal and interest. The re-payment of the loan agreement is structured based on a volumetric consumption amount of recycled water at \$0.25 a billing unit per month. Since re-payment is based on usage, it is difficult to provide a structured repayment schedule. On average, the District receives approximately \$30,000 a year towards the principal and interest portion of the loan. The majority of the loans are re-paid within 11 years with the balance of the loans to be repaid within 20+ years from the date of the agreement.

Note 4: Operating Leases

The District leases a portion of its facilities for cellular tower antennas sites. Lessees purchase and install the wireless equipment. These leases are non-cancelable for a period of 10 years with inception dates ranging from 2000 to the present. Generally the leases are renewable for one 5 year period. The lease agreement allows for a 3% annual CPI increase to the lease payments. At the lease termination, lessees must remove all equipment and restore the site to its original state. The total cellular lease revenue for the fiscal year was \$1,694,478. Future minimum lease payments are as follows:

| | Fiscal Year Ended June 30 |
|-------|---------------------------|
| 2015 | \$ 1,742,433 |
| 2016 | 1,720,000 |
| 2017 | 1,631,340 |
| 2018 | 1,609,630 |
| 2019 | 1,541,185 |
| Total | <u>\$ 8,244,588</u> |

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

| Capital Assets | Balance at June 30, 2013 | Transfers | Additions | Deletions | Balance at June 30, 2014 |
|----------------------------------|-----------------------------|------------------|-----------------------|--------------------|-----------------------------|
| Water systems | \$ 586,102,034 | \$ 2,993,351 | \$ 495,000 | \$ (90,347) | \$ 589,500,038 |
| Capacity rights - Infinite | 19,972,448 | - | - | - | 19,972,448 |
| Capacity rights - Limited | 8,279,403 | - | - | - | 8,279,403 |
| Building | 5,731,947 | 23,427 | - | - | 5,755,374 |
| Automobiles and equipment | 10,852,513 | 20,025 | 378,985 | (72,313) | 11,179,210 |
| Total cost of depreciable assets | <u>630,938,345</u> | <u>3,036,803</u> | <u>873,985</u> | <u>(162,660)</u> | <u>634,686,473</u> |
| Less accumulated depreciation | | | | | |
| Water systems | (255,402,296) | - | (15,037,885) | 24,545 | (270,415,636) |
| Capacity rights - Infinite | (266,300) | - | (266,300) | - | (532,600) |
| Capacity rights - Limited | (835,930) | - | (275,980) | - | (1,111,910) |
| Buildings | (2,612,549) | - | (278,393) | - | (2,890,942) |
| Automobiles and equipment | (8,129,999) | - | (695,466) | 72,313 | (8,753,152) |
| Total accumulated depreciation | <u>(267,247,074)</u> | <u>-</u> | <u>(16,554,024)</u> | <u>96,858</u> | <u>(283,704,240)</u> |
| Net depreciable assets | 363,691,271 | 3,036,803 | (15,680,039) | (65,802) | 350,982,233 |
| Capital assets not depreciated | | | | | |
| Land | 1,091,910 | - | - | - | 1,091,910 |
| Construction in progress | 7,057,346 | (3,036,803) | 10,765,274 | - | 14,785,817 |
| Capital assets net | <u>\$ 371,840,527</u> | <u>\$ -</u> | <u>\$ (4,914,765)</u> | <u>\$ (65,802)</u> | <u>\$ 366,859,960</u> |

Depreciation expense for the year ended June 30, 2014, was \$16,554,024.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities

Long-Term liabilities for the year ended June 30, 2014, are as follows:

| | Balance at June 30, 2013 | Defeased | Addition | Deletion | Ending June 30, 2014 | Due Within One Year |
|--------------------------------|-----------------------------|---------------------|---------------------|---------------------|-------------------------|------------------------|
| Bonds payable: | | | | | | |
| 2003 GOB | \$ 27,775,000 | \$22,540,000 | \$ - | \$ 5,235,000 | \$ - | \$ - |
| Refunding Bonds | | | | | | |
| 2014 GOB | - | - | 21,315,000 | - | 21,315,000 | 5,465,000 |
| Refunding Bonds | | | | | | |
| Add: Premiums | | | | | | |
| 2014 GOB | - | - | 1,623,025 | 121,179 | 1,501,846 | 484,716 |
| Total Bonds | <u>27,775,000</u> | <u>22,540,000</u> | <u>22,938,025</u> | <u>5,356,179</u> | <u>22,816,846</u> | <u>5,949,716</u> |
| Certificates of Participation: | | | | | | |
| 2003 COPs | 16,210,000 | - | - | 1,690,000 | 14,520,000 | - |
| 2009 COPs | 60,000,000 | - | - | - | 60,000,000 | - |
| 2010 COPs | 7,325,000 | - | - | 50,000 | 7,275,000 | 1,715,000 |
| Add: Premiums | | | | | | |
| 2010 COPs | 530,864 | - | - | 127,407 | 403,457 | 127,407 |
| Total COPs | <u>84,065,864</u> | <u>-</u> | <u>-</u> | <u>1,867,407</u> | <u>82,198,457</u> | <u>1,842,407</u> |
| Loans Payable: | | | | | | |
| CIEDB | 1,522,001 | - | - | 150,397 | 1,371,604 | 154,764 |
| Dept. of Water Resources | 741,579 | - | - | 291,118 | 450,461 | 298,441 |
| State Revolving Fund | 14,935,240 | - | - | 1,737,394 | 13,197,846 | 1,768,088 |
| Less: Discounts | | | | | | |
| Dept. of Water Resources | (38,004) | - | - | (16,891) | (21,113) | (16,890) |
| Total Loans | <u>17,160,816</u> | <u>-</u> | <u>-</u> | <u>2,162,018</u> | <u>14,998,798</u> | <u>2,204,403</u> |
| Compensated Absences: | | | | | | |
| Vacation pay | 399,808 | - | 327,742 | 464,513 | 263,037 | 197,278 |
| Sick Pay | 299,360 | - | 219,708 | 252,186 | 266,882 | 200,162 |
| Total Compensated Absences | <u>699,168</u> | <u>-</u> | <u>547,450</u> | <u>716,699</u> | <u>529,919</u> | <u>397,440</u> |
| Total: | <u>\$129,700,848</u> | <u>\$22,540,000</u> | <u>\$23,485,475</u> | <u>\$10,102,303</u> | <u>\$120,544,020</u> | <u>\$ 10,393,966</u> |

2003 Consolidated Refunding (General Obligation) Bonds

The 2003 Bonds consist of \$62,975,000 of serial general obligation bonds. This issuance refunded the 1993 Consolidated Refunding Bonds that were originally issued to fund capital projects in the service areas of the District. A voter approved tax assessment is levied each year to pay the debt service on these bonds. The serial bonds accrue interest at rates between 2% and 5% and mature between September 1, 2004 and September 1, 2019. Interest is payable on September 1 and March 1 of each year. These Bonds were redeemed in full with the issuance of the 2014 Consolidated Refunding General Obligation Bonds.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

2014 Consolidated Refunding (General Obligation) Bonds

The 2014 Bonds consist of \$21,315,000 of general obligation bonds. This issuance refunded the 2003 Consolidated Refunding Bonds that were originally issued to refund the 1993 Consolidated Refunding Bonds that were originally issued to fund capital projects in the service areas of the District. The Bonds constitute the consolidated obligations of Improvement District Number 6 and Improvement District Number 7. A voter approved tax assessment is levied each year to pay the debt service on these bonds. The serial bonds accrue interest at rates between 3% and 5% and mature between September 1, 2014 and September 1, 2019. Interest is payable on September 1 and March 1 of each year. The advance refunding resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,340,878 and a reduction of cash flow payments of approximately \$1,367,358.

2003 Refunding Certificates of Participation (COP)

On August 1, 2003, the Corporation sold \$25,145,000 of 2003 Refunding Certificates of Participation ("2003 Refunding COP") to refund a portion of its 1993 Certificates of Participation ("1993 COPs"), to fund a debt service reserve fund and pay for delivery costs related to the COPs. They will remain under the 1993 Indenture \$12,625,000 aggregate principal amount of Moulton Niguel Water District 1993 Certificates of Participation (the "Remaining 1993 Certificates"). The serial certificates accrue interest at rates between 3% and 5%, interest is payable on March 1 and September 1 of each year. Principal is repaid annually on September 1, from 2004 and 2008, and then in 2012 and 2013, and finally between 2018 and 2023.

The District covenants and agrees that it shall comply with and carry out all of its obligations under the Continuing Disclosure Agreement ("CDA"). Notwithstanding any other provision of the Trust Indenture, failure of the District to comply with its obligation under the CDA shall not be considered an event of Default under the Trust Indenture, and the sole remedy, in the event of any failure of the District to comply with the CDA, shall be an action to compel performance thereof.

The Moulton Niguel Water District Public Facilities Corporation is in compliance with covenants of the COPs as of June 30, 2014.

As of June 30, 2014, the Reserve Requirement for the 2003 Refunding COPs is \$2,463,156. At June 30, 2014, the District has \$2,545,330 in the reserve account.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

2009 Certificates of Participation (COP)

In December 2009, the District issued \$60,000,000 of Certificates of Participation federally taxable "Build America Bonds" to construct projects that provide greater water supply reliability for the distribution of potable and recycled water. The District has adopted a resolution which states the intention to develop adequate capacity to sustain at least a 31-day average potable water supply outage and be able to sustain a 7-day interruption in Metropolitan Water District deliveries. The COPs received an AA+ stable rating from Fitch rating agency and Standard & Poor's rating agency. Fitch later upgraded its rating to an AAA stable. The serial certificates accrue interest at rates between 5.982% and 6.332%, interest is payable on March 1 and September 1 of each year. The true interest cost ("TIC") is 4.49%. This rate reflects the interest cost net of the subsidy. Under Section 54AA(g)(2) of the Tax Code, the District is eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Certificates. The subsidy, when received, is recorded as intergovernmental revenue. Principal is repaid annually on September 1 from 2024 through 2039. The COPs were issued as a level debt service with the District's other outstanding debt. Level debt service reduces large fluctuations in annual debt obligations by delaying the payment of the principal portion until other debt service principal portions are paid.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government pursued certain automatic reductions that took place starting March 1, 2013 through September 30, 2013. This sequester reduction effected the Build America Bonds refundable credit payments under Internal Revenue Code section 6531. As determined by the Office of Management and Budget, payments to issuers of Build America Bonds are subject to a reduction of 8.7%, resulting in a refundable credit equal to 31.96% through September 30, 2013. The sequester reduction was adjusted to 7.2% as of October 1, 2013 through September 30, 2014, resulting in a refundable credit equal to 32.48%

As of June 30, 2014, the Reserve Requirement for the 2009 COPs is \$6,000,000. At June 30, 2014, the District has \$6,121,284 in the reserve account.

2010 Refunding Certificates of Participation (COP)

On November 1, 2010, the Corporation sold \$8,965,000 of the 2010 Refunding Certificates of Participation ("2010 Refunding COPs") to refund the remaining portion of the 1993 COPs, to refinance the 1993 Installment Payments and 1993 Certificates; to fund a debt service reserve fund for the Certificates; and pay certain costs of executing and delivering the Certificates. The interest for the 2010 Refunding COP will be calculated from November 1, 2010 at rates from 2%-4% payable semi-annually on March 1 and September 1 of each year commencing March 1, 2011 and end on the date of maturity or prepayment, whichever is earlier.

As of June 30, 2014, the Reserve Requirement for the 2010 Refunding COPs is \$727,500. At June 30, 2014, the District has \$896,088 in the reserve account.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

Loans Payable

California Infrastructure and Economic Development Bank (CIEDB)

The District obtained two loans from the California Infrastructure and Economic Development Bank to finance the construction of certain capital projects related to water and sewer infrastructure. The loan obtained for the construction of water infrastructure in the amount of \$1,700,000 accrues interest at 2.73%. The loan was obtained for the on-site sodium hypochlorite generation-reservoir management system; phase II - installation of ClorTec chlorination tank recirculation systems, which include on-site sodium hypochlorite generation and ammonia injection units on 16 reservoirs at 14 sites in the District service area. The loan obtained for the construction of sewer infrastructure in the amount of \$1,111,340 accrues interest at 3.17%. Both loans are due March 1, 2022. Principal is repaid annually on March 1 and interest payments are due semi-annually on March 1 and September 1.

Department of Water Resources Loan (DWR)

The District obtained a loan for \$4,821,611, due October 1, 2015, from the Department of Water Resources to fund projects for a multi-zone reclaimed water distribution system for non-potable uses (i.e. irrigation of parks, golf course greenbelts, etc.) pursuant to Chapter 4.7 of Part 6 of Division 6 of the California Water Code. The project will replace existing potable water with reclaimed water that meets Title 22, Division 4, Article 4, California Code of Regulation requirements for water quality. The loan accrues interest at a rate of 2.5%. Principal and interest payments of \$153,927 are due semi-annually on April 1 and October 1.

State Revolving Fund Loans (SRF)

The District obtained three State Revolving Fund loans totaling \$36,053,400 with the State Water Resources Control Board. They were used to finance the Phase III Revised Expansion Project, consisting of expanding the District's reclamation system to serve an additional 500 irrigated landscape sites with 4,502 acre-feet per year of reclaimed water and Phase 4 Expansion of the Reclaimed Water Distribution System. The loans accrue interest at rates ranging from 1.727% to 1.811%. Principal and interest payments are due annually through October 16, 2017.

Compensated Absences

It is the policy of the District to permit employees to accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave are reported as noncurrent liabilities and current liabilities for the portion expected to be paid within one year on the statement of net position.

Vacation accrual schedules vary depending on length of employment and begin on date of employment. Maximum vacation accruals may not exceed more than 200% of an employee's annual vacation accrual. In June of each year, employees are eligible to receive compensation for unused vacation leave, not to exceed compensation equivalent to 120 hours, upon meeting certain criteria. All regular full-time employees are eligible to accrue 96 hours of sick leave a year from the date of employment. On January 1 of each year, employees who have accumulated more than 176 hours of sick leave are eligible to receive compensation equal to 75% of the hours over 176 hours.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2014, are as follows:

| June 30 | Bonds Payable | |
|-----------|----------------------|---------------------|
| | Principal | Interest |
| 2015 | \$ 5,465,000 | \$ 762,747 |
| 2016 | 5,685,000 | 555,500 |
| 2017 | 6,060,000 | 305,900 |
| 2018 | 1,275,000 | 144,500 |
| 2019 | 1,365,000 | 84,875 |
| 2020-2024 | 1,465,000 | 25,375 |
| Total | <u>\$ 21,315,000</u> | <u>\$ 1,878,897</u> |

| June 30 | Certificates Participation | |
|-----------|-------------------------------|----------------------|
| | Principal | Interest |
| 2015 | \$ 1,715,000 | \$ 5,081,676 |
| 2016 | 1,780,000 | 5,011,776 |
| 2017 | 1,855,000 | 4,939,076 |
| 2018 | 1,925,000 | 4,863,476 |
| 2019 | 2,135,000 | 4,771,601 |
| 2020-2024 | 12,385,000 | 22,103,504 |
| 2025-2029 | 14,390,000 | 18,322,229 |
| 2030-2034 | 17,945,000 | 12,878,488 |
| 2035-2039 | 22,515,000 | 5,859,853 |
| 2040-2044 | 5,150,000 | 179,478 |
| Total | <u>\$ 81,795,000</u> | <u>\$ 84,011,157</u> |

| June 30 | Loans Payable | |
|-----------|----------------------|---------------------|
| | Principal | Interest |
| 2015 | \$ 2,221,293 | \$ 282,343 |
| 2016 | 2,110,605 | 239,104 |
| 2017 | 1,994,998 | 200,784 |
| 2018 | 2,032,109 | 163,673 |
| 2019 | 1,572,589 | 125,851 |
| 2020-2024 | 5,088,317 | 233,935 |
| Total | <u>\$ 15,019,911</u> | <u>\$ 1,245,690</u> |

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7: Rate Covenants

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2014:

Debt Service Coverage

| | |
|---|--------------------------------|
| Operating Revenues: | |
| Water sales and service charges | \$ 35,509,194 |
| Sewer service charges | 17,135,446 |
| Meter sales & other | 562,871 |
| Total Operating Revenues | <u>53,207,511</u> |
| Non-Operating Revenues: | |
| Connection fees | 489,346 |
| Cellular lease income | 1,694,478 |
| Investment income | 2,931,831 |
| Intergovernmental revenue | 1,320,588 |
| Other income (expense) | 41,396 |
| Total Non-Operating Revenues | <u>6,477,639</u> |
| Total Revenues | <u>59,685,150</u> (A) |
| Operations & Maintenance Expenses: | |
| Source of supply | 29,770,326 |
| Pumping water | 2,100,550 |
| Sewage treatment | 9,647,000 |
| Water transmission & distribution | 2,138,767 |
| Customer service | 2,750,999 |
| Water efficiency | 1,448,498 |
| General, administrative & other | 11,186,256 |
| Total operations & Maintenance Expenses | <u>59,042,396</u> (B) |
| Net Revenues | 642,754 (A-B) |
| Property Tax Revenues | 22,523,268 |
| Sum of Net & Tax Revenues | <u>23,166,022</u> (C) |
| Debt Service On Parity Obligations | |
| 2003 COP | 2,449,800 |
| 2009 COP | 4,098,976 |
| 2010 Refunding COP | 341,500 |
| Governmental loans | 2,503,722 |
| Total Existing Parity Obligations | <u>\$ 9,393,998</u> (D) |
| Calculated Debt Service Coverage Percentage | 247% (C/D) |

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

Note 8: Retirement Plans

Defined Benefit Pension Plan

The District contracts with California Public Employees Retirement System ("CalPERS") to provide employees with a specified package of benefits upon retirement. CalPERS is a cost sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statute establishes CalPERS member and employer contribution rates, benefit provisions, minimum funding and all other requirements. The District's Board of Directors has authority over the District's participation in CalPERS, plan amendments and the choice of plan options within CalPERS. The District's current plans are referred to as the 2% @ 55 and 2% @ 62 defined benefit plans, where a qualified employee may receive an annual retirement benefit equal to 2% of his/her final year compensation times the number of years of service at age 55 or 62, depending on which tier the employee participates. The CalPERS annual financial report may be obtained from their website at www.calpers.ca.gov.

The District funds these benefits according to actuarially determined contribution rates for both the employee and employer. To mitigate the costs of rising employer contribution rates, the District implemented a three-tier system for employees based on hiring dates. Employees hired after June 28, 2009, but before January 1, 2013 are considered to be Tier 2 employees, while employees hired on or after January 1, 2013 are considered to be Tier 3 employees. Tier 1 employees contribute a portion of the CalPERS member contributions while Tier 2 and Tier 3 employees contribute the entire portion of the member contribution rate. In fiscal year 13/14, Tier 1 employees contributed 3% of their annual covered salary and the District contributed 4% of the annual covered salary on the employees' behalf. Tier 2 employees contributed the entire 7% of the CalPERS member contribution rate, and Tier 3 employees contributed the entire 6.5% of the CalPERS member contribution rate. The District did not contribute any funds on their behalf. Contributions on behalf of Tier 1 employees were \$201,398 for the year ended June 30, 2014. The required employer contribution rate for Tier 1 employees for the year ended June 30, 2014 was 12.667% of employees' covered payroll. However the actual rate was 11.446%, which includes a one-time rate adjustment due to overpayment. The required employer contribution rate for Tier 2 and Tier 3 employees for the year ended June 30, 2014, was 11.709% and 6.700% respectively, of employees' covered payroll. The District's contributions to the plan for the years ending June 30, 2012, 2013 and 2014, were \$1,076,083, \$1,084,571, and \$1,091,727 respectively and equaled the required contributions for each year. The above information was determined by an actuarial valuation of the plan, as of June 30, 2011.

In fiscal year 2003, California legislation mandated that all agencies with less than 100 active members be enrolled in a risk-sharing pool with all other agencies in the State with similar benefit packages. At the time of joining the risk pool, a "side fund" was created to account for the difference between the funded status of the District's Plan and the funded status of the risk pool. CalPERS established the risk-sharing pools in 2003 to reduce large fluctuations in employer retirement contributions caused by demographic events. Each agency has a unique contribution rate determined by the risk pools normal cost adjusted for the agencies level of benefit enhancements, funding status prior to joining the pool, and normal cost prior to joining the pool. The District's obligation for the side fund pool was \$3,403,367 as of December 31, 2008. This obligation was paid in full on December 31, 2008 and as a result reduced the District's future years' employer contribution rates. The payment of the CalPERS side fund created a prepaid asset which is being amortized over 30 years. The amount amortized for the year ending June 30, 2014, was \$50,620.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Retirement Plans (Continued)

Defined Contribution Pension Plan

The District sponsors the Moulton Niguel Water District Money Purchase Pension Trust ("Money Purchase Plan"), a defined contribution pension plan. The District's Board of Directors established the Money Purchase Plan and is authorized to amend the Money Purchase Plan and to name its trustees. All employees participating in the Deferred Compensation Plan and all members of executive management are eligible to participate in the Money Purchase Plan. Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employees' salary to the Money Purchase Plan if the employee elects to participate in the plan. Employer contributions were \$125,710 for the year ended June 30, 2014. All contributions are fully vested. The trustee maintains individual accounts for each participant. Each participant provides direction for investment of their account balance. Contributions, plus investment returns, are distributed to participants upon termination of employment and age 55, at disability, or at age 65.

Note 9: Other Post-Employment Benefits (OPEB)

To mitigate the costs of increasing healthcare, the District has imposed a two-tier structure for its employees. Employees hired prior to July 1, 2008, retiring from the District at age 55 with ten years of service to the District, receive post-retirement medical benefits for themselves and their dependents. Employees hired subsequent to July 1, 2008, retiring from the District at age 60 with fifteen years of continuous employment, receive post-retirement medical benefits for themselves and their dependents.

Under the authority of the District's Board of Directors, post-retirement medical benefits are provided to eligible employees. These benefits may be amended at the discretion of the Board of Directors. The District participates in the CalPERS California Employers' Retiree Benefit Trust ("CERBT") fund – an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit ("OPEB") costs. The CERBT fund is a Section 115 Trust – set up for the purpose of receiving employer contributions that will prefund health and OPEB costs for retirees and their beneficiaries.

Eligibility and Benefits: Generally the District provides retiree medical coverage to former full-time employees and Board Members ("OPEB Participants") and their dependents when retirement is from the District in good standing. OPEB Participants receive this benefit on or after age 55 with 10 years of service if hired before July 1, 2008, or elected before January 1, 1995. OPEB Participants receive this benefit on or after age 60 with 15 years of service if hired after July 1, 2008. After age 65, the District provides \$235 per month, cash allotment towards a Medicare supplement policy to the retiree or former Board Member. Dependent coverage ceases when the retiree or former Board member reaches age 65.

Membership of the plan consisted of the following at June 30, 2014:

| | |
|--|------------|
| Retirees and dependents receiving benefits | 30 |
| Active plan members | 96 |
| Total | <u>126</u> |

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9: Other Post-Employment Benefits (OPEB) (Continued)

District's Funding Policy: The contribution requirements of the District, OPEB Participants, employees, and Board Members are established and may be amended by the District Board of Directors. On October 16, 2008, the Board of Directors amended its policy to fund the Annual Required Contribution ("ARC") for these benefits, rather than its previous practice of funding on a pay-as-you-go basis. This change serves to decrease the District's Unfunded Actuarial Accrued Liability over time. For the fiscal year ending 2014, the District contributed a total of \$213,882 for current premiums. The District pays the full cost for OPEB Participants using the Health Maintenance Organization ("HMO"). OPEB Participants electing coverage through the Preferred Provider Organization ("PPO") contributed \$4,257 toward the cost of the coverage (approximately 15% of total premiums). CalPERS publishes separate audited financial statements for CERBT. The report is available online at www.calpers.ca.gov or by contacting CalPERS at 1-888-CalPERS.

Annual OPEB Cost and Net OPEB Obligation: The District has implemented Government Accounting Standard Board's Statement No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The District's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined to comply with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over not more than thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for these benefits:

| | | |
|--|----|------------------|
| Annual Required Contribution (ARC) | \$ | 621,148 |
| Contribution made (including premium paid) | | <u>(621,148)</u> |
| Change in net OPEB obligation | | - |
| Net OPEB obligation beginning of year | | <u>-</u> |
| Net OPEB obligation end of year | \$ | <u><u>-</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014, are as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>% of Annual OPEB Costs Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|----------------------------|
| 6/30/2012 | \$ 650,639 | 100% | \$ - |
| 6/30/2013 | 601,596 | 100% | - |
| 6/30/2014 | 621,148 | 100% | - |

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 is presented on the following table as required supplementary information, presenting multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits. Actuarial methods and assumptions as of the last actuarial valuation date. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9: Other Post-Employment Benefits (OPEB) (Continued)

understood by the District and OPEB Participants) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and OPEB Participants 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 Entry Age Normal Cost Method actuarial cost method is used for determining the benefit obligations. The actuarial assumptions included a 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 between 5% and 12%, as well as an inflation rate of 3%. The UAAL is being amortized as a level percentage of projected payrolls over 20 years. It is assumed the District's payroll will increase 3.25% per year. Eighty-five percent of future retirees are assumed to have a spouse. The valuation as of June 30, 2011, was done using the eligibility criteria at that time. In the future, this will serve to decrease the Actuarial Accrued Liability of the plan. Plan assets are as reported by CERBT using the market value of trust investments.

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) Entity Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll |
|--------------------------|-------------------------------|--|---------------------------|--------------------|---------------------|--------------------------------|
| 07/01/08 | \$ - | \$ 4,930,491 | \$ 4,930,491 | 0% | \$ 6,365,000 | 77% |
| 01/01/10 | 388,139 | 4,988,183 | 4,600,044 | 8% | 6,387,000 | 72% |
| 06/30/11 | 1,131,224 | 6,857,673 | 5,726,449 | 16% | 6,819,000 | 84% |

Note 10: Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA"/"JPIA"), which offers a common risk management and insurance program. The program provides workers' compensation and property and liability insurance for the District. For each of the most recent years, settlements did not exceed insurance coverage. The membership includes 291 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the JPIA, including selection of management and approval of the operating budget.

The District maintains \$60,000,000 in primary comprehensive general liability insurance. The property damage insurance program provided for up to \$91,145,564 in coverage on structures and contents with a \$25,000 retrospective allocation point per claim. A \$3,000,000 commercial blanket bond is maintained on employees. The Notary Public Errors and Omissions Policy provides \$30,000 of coverage for two notaries. The District retains pollution insurance of \$2,000,000 and underground storage tank coverage of \$500,000. The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. The District's workers' compensation level of coverage is \$2,000,000 for bodily injury by each accident and \$2,000,000 for bodily injury per occurrence

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10: Risk Management (Continued)

from the JPA Pool and \$3,000,000 annual aggregate for each employee. If the District's deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place. The District promotes safety in the workplace through an extensive safety program. As a result of the program, the District has received retrospective refunds from its workers' compensation insurance premiums. The District also maintains a self-insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000. See Note 14 on the District's reserve funds for additional information. Settlements have not exceeded insured limits in the past three fiscal years.

To obtain complete financial information contact ACWA/JPIA at 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610 or via telephone at (800) 231-5742. Information may be available at www.acwajpia.com.

Note 11: Commitments and Contingencies

Capital Improvement Projects

The following material commitments existed at June 30, 2014:

| <u>Project Name</u> | <u>Cumulative Expenditures as of June 30, 2014</u> | <u>Remaining Commitments</u> |
|---|--|------------------------------|
| Rehab of Southridge and Wood Canyon Reservoir | \$ - | \$ 969,175 |
| Rehab of 10 MG East Aliso Creek Reservoir | - | 2,202,718 |

Note 12: Joint Powers Authorities and Joint Ventures

South Orange County Wastewater Authority (a California Joint Powers Authority)

The District is a member of the South Orange County Wastewater Authority ("SOCWA"). SOCWA collects, treats, beneficially reuses and disposes of wastewater in South Orange County. SOCWA operates four wastewater treatment plants ("WWTP") in the region. SOCWA has ten member agencies, including three cities and seven water districts. A Board of Directors consisting of representatives from member agencies governs SOCWA. The Board of Directors controls the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has Project Committees that member agencies participate in financially at various levels, depending on their capacity rights. Each WWTP is a project, as well as various other physical facilities such as outfall pipelines. The District's overall participation level is the highest of the member agencies, approximating 46% of SOCWA. The District deposits money with SOCWA to cover its share of operation and capital in the project committees the District participates. At fiscal year-end SOCWA analyzes its actual costs and refunds or collects additional money from its members as appropriate. Construction deposits made to SOCWA for capital projects are recorded as capital assets.

To obtain complete financial information from SOCWA please contact SOCWA's Director of Finance at 34156 Del Obispo Street, Dana Point, CA 92629 or via telephone at (949) 234-5421.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

Note 12: Joint Powers Authorities and Joint Ventures (Continued)

Joint Regional Water Supply System (Formed Using a Trust Agreement)

The District is one of nine members who participate in the Joint Regional Water Supply System ("JRWSS"). JRWSS owns and operates several pipelines including the Joint Transmission Main that serves the District. The pipelines deliver drinking water to the nine member agencies. The District has 48.64% ownership rights to the Joint Transmission Main. South Coast Water District ("SCWD") serves as Trustee of JRWSS. As Trustee SCWD maintains the infrastructure, collects money to cover expenses from the member agencies and keeps records for JRWSS. The District deposits money with JRWSS to cover its share of operation and capital costs. At fiscal year-end JRWSS analyzes its actual costs and refunds or collects additional money from its members as appropriate.

To obtain complete financial information from JRWSS contact South Coast Water District, P.O. Box 30205, Laguna Niguel, CA 92607 or via telephone at (949) 499-4555.

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the San Juan Basin Authority ("SJBA") a joint powers authority formed to secure and develop water rights for its member agencies. It currently has permits for using the San Juan Groundwater Basin as an underground storage reservoir. A capacity of 60,000 acre-feet is classified as usable storage, where water can be routinely put into it by groundwater recharge basins and withdrawn by a number of high production wells to be drilled in the future. The state has also given SJBA water rights to divert water from the Basin for beneficial purposes. The objective of the District's membership is to diversify and increase its water sources in the future.

SJBA's membership includes the District along with Santa Margarita Water District, Capistrano Valley Water District and South Coast Water District. A Board of Directors consisting of representatives from member agencies governs SJBA. The Board of Directors oversees contracts and approves the annual budget. SJBA has Project Committees that member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects. Surplus balances at fiscal year-end are refunded to member agencies or added to their reserves as determined by the Board of Directors.

To obtain complete financial information from SJBA contact Santa Margarita Water District at 26111 Antonio Parkway, Las Flores, CA 92688 or via telephone at (949) 459-6400.

Santiago Aqueduct Commission (a California Joint Powers Authority)

The District is a member of the Santiago Aqueduct Commission ("SAC") with five other member agencies. SAC operates and maintains the Baker Pipeline. The District has no capacity rights in the Baker Pipeline and is not responsible for costs to operate and maintain the Baker Pipeline. SAC also operated and maintained the Allen McColloch Pipeline (AMP) prior to its sale to MWD. By agreement, the District funds a small portion of the annual administrative costs of SAC. Irvine Ranch Water District maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC.

To obtain complete financial information on the SAC contact Irvine Ranch Water District at 15600 Sand Canyon Avenue, Irvine, CA 92618-3102 or via telephone at (949) 453-5300.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12: Joint Powers Authorities and Joint Ventures (Continued)

The relationships between the District and the joint powers authorities are such that SOCWA, ACWA/JPIA, JRWSS, SJBA, and SAC are not component units of the District for financial reporting purposes.

Note 13: Restricted Net Position

At year end the District held \$931,603 in unspent connection fee revenue. By State law these amounts must be spent on capital projects. All interest earned in this fund is added to the total restricted fund balance.

Note 14: Unrestricted Net Position

A portion of the District's unrestricted net position has been designated by the Board of Directors for specific purposes. The detail of unrestricted net position at year end is as follows:

| | |
|--|-----------------------|
| Unrestricted net position: | |
| Designated for rate stabilization | \$ 9,815,536 |
| Designated for replacement and refurbishment | 30,801,298 |
| Designated for self insurance reserves | 1,293,509 |
| Designated for planning and construction | 32,158,949 |
| Designated for WBBRS | 6,691,089 |
| Designated for water supply reliability | 4,886,211 |
| Unrestricted, undesignated | <u>61,706,421</u> |
| Total unrestricted net position | <u>\$ 147,353,013</u> |

Rate Stabilization

The Rate Stabilization reserves were established to provide funds to be used specifically for stabilizing potential fluctuation in water service rates of the District that may result in the future due to changing wholesale water rates charged by MWD and passed through to the District by the MWDOC.

Replacement & Refurbishment

The Replacement & Refurbishment fund was established to replace existing assets, refurbish existing assets by materially extending the useful life of the asset. Any repairing of an asset that does not extend the useful life of the asset will be classified as an O&M expense. The asset value must be \$5,000 or more and have a useful life of at least 3 years. The District anticipates an increase in these projects as it approaches a "built out" status. The reserves are increased by revenue from tax revenues equal to the appropriation limit, and replenished annually with a \$4.5 million dollar transfer from the General Fund.

Self-Insurance

The District maintains a Self-Insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000 for repairs to facilities by outside contractors and expenses related to the State Unemployment Insurance for unemployment claims made against the District.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 14: Unrestricted Net Position (Continued)

Planning and Construction Reserves

Planning and Construction reserves were established to provide funding for new construction projects. The reserves are increased by Federal and State P.L. 660 funds and clean water grants if and when received. Designated (budgeted) and emergency construction and planning expenditures decrease the reserves. These reserves can be increased by tax revenues equal to the appropriation limit. An annual review of fund balance and budgeted projects will determine the need for any fund transfers from the General fund.

Conservation Fund (WBBRS)

The Conservation Fund was established for certain Water-Base-Budget Rate Structure ("WBBRS") revenues. The District's intent is to use the revenues for purposes generally related to water efficiency or conservation goals and policies, as specifically directed by the Board under budgetary and other approvals from time to time.

Water Supply Reliability

The Water Supply Reliability reserves were created to provide funding for certain projects that will enhance the District's ability to provide water to its customers during Metropolitan Water District's planned seven-day shutdowns. The projects will also provide water during unplanned emergency shutdown's of the District's water conveyance system. The reserves were initially seeded with a \$5 million transfer from the Planning and Construction fund.

MOULTON NIGUEL WATER DISTRICT

**SCHEDULE OF REVENUES, EXPENSES, AND OTHER SOURCES (USES) OF FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The schedule below is the District's adopted Budget Summary in the areas of revenues, expenses, debt service, capital improvement projects, and other sources and uses of District funds. It compares the District's projected figures to the actual amounts and is designed to monitor performance during the year and assist in future budget preparations.

| | 2013-2014 Amended Budget* | 2013-2014 Actual* | Variance with Budget Over(Under) | % Variance with Budget Over(Under) |
|---|--|------------------------------|---|---|
| Revenues | | | | |
| Potable Water Sales | \$ 26,950,000 | \$ 26,876,498 | \$ (73,502) | -0.27% |
| Sewer Sales | 16,920,000 | 17,135,446 | 215,446 | 1.27% |
| Recycled Water Sales | 4,547,715 | 5,005,391 | 457,676 | 10.06% |
| WBBRS Efficiency Funds | 3,750,000 | 3,627,305 | (122,695) | -3.27% |
| 1 Ad Valorem Property Tax | 21,327,990 | 22,523,268 | 1,195,278 | 5.60% |
| General Obligation Bond Assessment | 6,236,041 | 6,560,479 | 324,438 | 5.20% |
| 2 Investment Income | 1,465,467 | 2,931,831 | 1,466,364 | 100.06% |
| Other Income | 491,650 | 604,267 | 112,617 | 22.91% |
| Cellular Lease Income | 1,650,085 | 1,694,478 | 44,393 | 2.69% |
| Intergovernmental Revenue | 1,320,588 | 1,320,588 | - | 0.00% |
| Total Revenues | \$ 84,659,536 | \$ 88,279,551 | \$ 3,620,015 | 4.10% |
| Expenses, Debt Obligations, and Capital Improvement Projects | | | | |
| Operations and Maintenance | \$ 63,740,394 | \$ 59,684,388 | \$ (4,056,006) | -6.36% |
| General Obligation Bonds Debt Service | 15,723,795 | 15,864,818 | 141,023 | 0.90% |
| 3 Replacement & Refurbishment Projects | 10,041,740 | 1,535,145 | (8,506,595) | -84.71% |
| 3 SOCWA & JRWSS Capital Projects | 7,306,852 | 2,590,513 | (4,716,339) | -64.55% |
| Water Supply Reliability Projects | 5,624,123 | 6,328,947 | 704,824 | 12.53% |
| 3 Planning & Construction Projects | 881,578 | 338,601 | (542,977) | -61.59% |
| Total Expenses, Debt Obligations, and Capital Improvement Projects | \$ 103,318,482 | \$ 86,342,412 | \$ (16,976,070) | -203.78% |
| Net Income (Deficit) | \$ (18,658,946) | \$ 1,937,139 | \$ 20,596,085 | |

*The variance between budgetary basis net income and financial statement net income is due to the inclusion of General Obligation Bonds Debt Service as an expenditure on the budgetary basis.

- 1 Current year results included collections from prior year assessments and associated penalties.
- 2 Realized investment income returns were higher than expected.
- 3 The budget contained over 80 projects. AT the end of the fiscal year over 25 projects were colsed out and over 50 projects will be carried forward to FY 2014-2015.

MOULTON NIGUEL WATER DISTRICT

**OPERATIONS & MAINTENANCE (O&M) BUDGET COMPARISON REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The Operations and Maintenance (O&M) Budget Comparison Report was designed to compare the expenses of the District to the budget and/or the adjusted budget figures used by the District to monitor performance during the year. The Notes to the O&M Budget Comparison Report provides explanations for major variances in this report.

| Description | Adopted Budget | Adjusted Budget | Actual Expense for FY 2014 | Remaining Budget |
|--|----------------------|----------------------|-------------------------------|---------------------|
| General Fund | | | | |
| Salaries | \$ 8,536,016 | \$ 8,536,016 | \$ 8,075,655 | \$ 460,361 |
| Retirement Program | 1,291,234 | 1,291,234 | 1,225,797 | 65,437 |
| Educational Courses | 47,380 | 47,380 | 27,971 | 19,409 |
| Travels & Meetings | 245,623 | 245,623 | 177,639 | 67,984 |
| Employee Relations | 13,000 | 13,000 | 15,354 | (2,354) |
| General Services | 512,475 | 512,475 | 434,308 | 78,167 |
| Annual Audit | 45,000 | 45,000 | 31,820 | 13,180 |
| Member Agencies O&M | 1,140,100 | 1,140,100 | 1,027,298 | 112,802 |
| Dues & Memberships | 84,214 | 84,214 | 90,145 | (5,931) |
| Consulting Services | 1,129,974 | 1,085,974 | 778,998 | 306,976 |
| Equipment Rental | 89,300 | 89,300 | 57,039 | 32,261 |
| District Fuel | 346,000 | 346,000 | 285,198 | 60,802 |
| Insurance - District | 585,246 | 585,246 | 494,731 | 90,515 |
| Insurance - Personnel | 320,250 | 320,250 | 378,715 | (58,465) |
| Insurance - Benefits | 2,493,531 | 2,493,531 | 2,321,631 | 171,900 |
| Legal Services | 175,000 | 219,000 | 145,401 | 73,599 |
| District Office Supplies | 563,300 | 563,300 | 458,864 | 104,436 |
| District Operating Supplies | 244,095 | 244,095 | 233,747 | 10,348 |
| 1 Repairs & Maintenance - Equipment | 1,858,101 | 1,858,101 | 428,993 | 1,429,108 |
| Repairs & Maintenance - Facilities | 3,314,624 | 3,314,624 | 3,433,554 | (118,930) |
| Safety Program & Compliance Requirements | 134,985 | 134,985 | 113,121 | 21,864 |
| 2 SOCWA | 8,702,195 | 8,702,195 | 7,835,573 | 866,622 |
| Special Outside Assessments | 173,500 | 173,500 | 218,281 | (44,781) |
| Utilities | 1,839,205 | 1,839,205 | 2,092,459 | (253,254) |
| Water Purchases | 26,790,439 | 26,790,439 | 27,088,570 | (298,131) |
| Meter / Vault Purchases | 807,000 | 807,000 | 795,198 | 11,802 |
| Misc. Operating Expenses | - | - | (32,032) | 32,032 |
| WBRS Fund | | | | |
| Salaries | 411,903 | 411,903 | 327,430 | 84,473 |
| Retirement Program | 55,471 | 55,471 | 42,260 | 13,211 |
| Educational Courses | 500 | 500 | 165 | 335 |
| Travels & Meetings | 3,800 | 3,800 | 282 | 3,518 |
| Dues & Memberships | 500 | 500 | - | 500 |
| Consulting Services | 20,000 | 20,000 | - | 20,000 |
| Insurance - Personnel | 4,064 | 4,064 | 6,913 | (2,849) |
| Insurance - Benefits | 100,369 | 100,369 | 62,048 | 38,321 |
| District Office Supplies | 76,500 | 76,500 | 250 | 76,250 |
| District Operating Supplies | 500 | 500 | - | 500 |
| Repairs & Maintenance - Equipment | 2,000 | 2,000 | 1,867 | 133 |
| 3 Water Efficiency | 1,583,000 | 1,583,000 | 1,009,150 | 573,850 |
| Total | <u>\$ 63,740,394</u> | <u>\$ 63,740,394</u> | <u>\$ 59,684,393</u> | <u>\$ 4,056,001</u> |

1 Capital outlay was budgeted in Repairs & Maintenance - Equipment but was actually charged to capital.

2 Current year results include a use audit refund of \$866,622.

3 Executed rebate were less than expected and some large anticipate rebate projects were deferred to FY 2014-2015.

MOULTON NIGUEL WATER DISTRICT

STATISTICAL SECTION OVERVIEW

TABLE OF CONTENTS

The Statistical Section provides historical information on Moulton Niguel Water District's economic condition. All of the information presented in the statistical section is organized around five specific objectives:

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| | |
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Moulton Niguel Water District
Net Position by Component
Last Ten Fiscal Years

| | 2005 | 2006 | 2007 | 2008 |
|---|----------------|----------------|----------------|----------------|
| Assets | | | | |
| Current & other assets | \$ 172,106,692 | \$ 167,460,342 | \$ 135,253,605 | \$ 141,180,151 |
| Capital assets | 350,846,634 | 350,877,488 | 361,206,238 | 361,582,353 |
| Total assets | 522,953,326 | 518,337,830 | 496,459,843 | 502,762,504 |
| Deferred Outflow of Resources (2) | | | | |
| Total assets and deferred outflows of resources | - | - | - | - |
| Liabilities | | | | |
| Current and other liabilities | 15,623,986 | 18,436,627 | 15,838,853 | 15,849,444 |
| Long-term debt | 136,207,909 | 128,174,462 | 117,038,604 | 111,527,615 |
| Total liabilities | 151,831,895 | 146,611,089 | 132,877,457 | 127,377,059 |
| Net position | | | | |
| Net investment in capital assets | 212,969,450 | 222,891,731 | 245,841,042 | 253,165,739 |
| Restricted for capital projects | 11,619,898 | 12,816,747 | 3,928,653 | 4,143,149 |
| Unrestricted | 146,532,083 | 136,018,263 | 113,812,691 | 118,076,557 |
| ¹ Total net position | \$ 371,121,431 | \$ 371,726,741 | \$ 363,582,386 | \$ 375,385,445 |

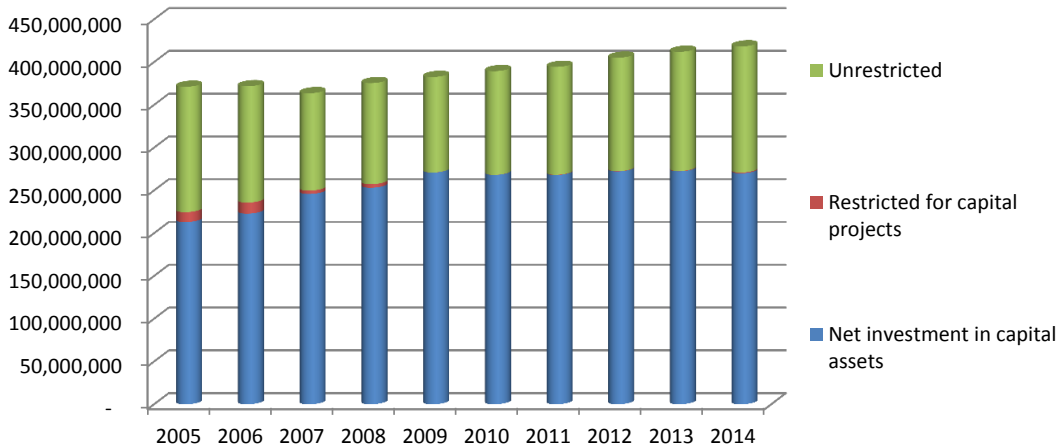
(1) Beginning net position was restated for FY 2007, FY 2008 and FY 2013.

(2) Beginning 2013 GASB 63 and 65 implementation revised the format of the balance sheet.

Source: Moulton Niguel Water District Audited Financial Statements.

**Moulton Niguel Water District
Net Position by Component
Last Ten Fiscal Years**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 126,077,279 | \$ 182,990,924 | \$ 174,874,392 | \$ 178,970,721 | \$ 180,037,968 | \$ 179,892,333 |
| | 368,009,569 | 371,543,848 | 373,881,504 | 373,802,210 | 371,840,527 | 366,859,960 |
| | 494,086,848 | 554,534,772 | 548,755,896 | 552,772,931 | 551,878,495 | 546,752,293 |
| | - | - | - | - | 1,318,562 | 1,136,314 |
| | 494,086,848 | 554,534,772 | 548,755,896 | 552,772,931 | 553,197,057 | 547,888,607 |
| | 17,165,769 | 20,038,911 | 18,166,398 | 20,048,452 | 21,174,405 | 19,459,691 |
| | 94,335,405 | 145,122,499 | 136,276,375 | 127,632,200 | 120,022,562 | 110,150,054 |
| | 111,501,174 | 165,161,410 | 154,442,773 | 147,680,652 | 141,196,967 | 129,609,745 |
| | 270,849,808 | 268,089,986 | 267,962,257 | 272,169,901 | 272,287,164 | 269,994,246 |
| | 98,855 | 119,402 | 312,742 | 326,175 | 424,363 | 931,603 |
| | 111,637,011 | 121,163,974 | 126,038,124 | 132,596,203 | 139,288,563 | 147,353,013 |
| \$ | 382,585,674 | \$ 389,373,362 | \$ 394,313,123 | \$ 405,092,279 | \$ 412,000,090 | \$ 418,278,862 |



Moulton Niguel Water District
Changes in Net Position
Last Ten Fiscal Years

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Revenue | | | | |
| Water charges | \$ 16,233,296 | \$ 18,472,894 | \$ 21,366,541 | \$ 20,642,013 |
| Sanitation charges | 8,259,528 | 10,281,592 | 11,515,601 | 11,425,324 |
| Recycled water charges | 2,975,868 | 3,342,937 | 4,464,604 | 4,201,937 |
| Other | 170,617 | 283,062 | 604,746 | 337,489 |
| Total Operating Revenue | <u>27,639,309</u> | <u>32,380,485</u> | <u>37,951,492</u> | <u>36,606,763</u> |
| Operating Expenses | | | | |
| Source of supply ² | 16,469,876 | 17,583,352 | 20,230,917 | 18,944,598 |
| Pumping water | 618,098 | 357,650 | 393,556 | 390,681 |
| Water and sewage treatment | 7,159,561 | 7,506,433 | 7,367,708 | 8,179,717 |
| Water transmission and distribution | 2,429,357 | 2,547,423 | 2,707,991 | 2,958,395 |
| Customer accounts | 202,777 | 225,071 | 285,213 | 335,049 |
| Water efficiency | - | - | - | - |
| General, administrative and other | 9,370,829 | 9,267,301 | 10,838,062 | 11,407,703 |
| Depreciation | 12,265,654 | 12,585,747 | 13,602,765 | 13,783,963 |
| Total Operating Expenses | <u>48,516,152</u> | <u>50,072,977</u> | <u>55,426,212</u> | <u>56,000,106</u> |
| Operating Income (Loss) | <u>(20,876,843)</u> | <u>(17,692,492)</u> | <u>(17,474,720)</u> | <u>(19,393,343)</u> |
| Non-operating Revenues (Expenses) | | | | |
| Interest income ¹ | 4,345,893 | 480,324 | 6,589,646 | 9,477,382 |
| Property tax revenue & GOB assessments | 19,039,914 | 19,293,391 | 26,370,628 | 26,755,228 |
| Interest on long-term debt | (5,226,235) | (5,232,106) | (5,474,668) | (5,340,125) |
| Cellular lease income | 961,066 | 1,040,136 | 1,115,941 | 1,203,720 |
| Other non-operating revenues (expenses) ⁴ | 459,756 | (26,539) | (80,023) | 19,422 |
| Total Non-operating Revenues (Expenses) | <u>19,580,394</u> | <u>15,555,206</u> | <u>28,521,524</u> | <u>32,115,627</u> |
| Income (Loss) before Capital Contributions | (1,296,449) | (2,137,286) | 11,046,804 | 12,722,284 |
| Capital Contributions | | | | |
| Grant funding | | | | 144,899 |
| Developer donated capital facilities | 939,300 | 2,099,826 | 876,334 | 970,889 |
| Connection fees | 349,972 | 642,770 | 932,325 | 13,169 |
| Other contributions | | | | |
| Change in Net Position | (7,177) | 605,310 | 12,855,463 | 13,851,241 |
| Net Position - Beginning of Year ³ | <u>371,128,608</u> | <u>371,121,431</u> | <u>350,726,923</u> | <u>361,534,204</u> |
| Net Position - End of Year | <u>\$ 371,121,431</u> | <u>\$ 371,726,741</u> | <u>\$ 363,582,386</u> | <u>\$ 375,385,445</u> |

(1) Investment Income is combined with unrealized gain/loss on investments.

For FY 2004 and FY 2013, the unrealized loss on investments exceeded investment income.

For FY 2006, there was a substantial unrealized loss on investments.

(2) Source of Supply includes: water purchases, meter purchases and utilities.

(3) Beginning Net Position was restated for FY 2007, FY 2008 and FY 2013.

(4) For FY 2003 a portion of the 1993 General Obligation Bonds was refunded.

(5) Operating expenses and non-operating revenue (expenses) for FY 2012 were restated to show comparison to current year due to account line item changes from ERP system upgrade.

Source: Moulton Niguel Water District Audited Financial Statements.

Moulton Niguel Water District
Changes in Net Position
Last Ten Fiscal Years

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> ⁵ | <u>2013</u> | <u>2014</u> |
|----|---------------------|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|
| \$ | 19,860,752 | \$ 20,578,666 | \$ 22,520,064 | \$ 28,866,153 | \$ 30,633,036 | \$ 30,503,803 |
| | 11,261,857 | 12,542,595 | 14,448,835 | 16,826,066 | 16,941,327 | 5,005,391 |
| | 3,968,090 | 4,446,515 | 4,340,197 | 4,530,175 | 4,612,874 | 17,135,446 |
| | 323,684 | 572,611 | 444,346 | 429,064 | 1,035,873 | 562,871 |
| | <u>35,414,383</u> | <u>38,140,387</u> | <u>41,753,442</u> | <u>50,651,458</u> | <u>53,223,110</u> | <u>53,207,511</u> |
| | 20,972,373 | 22,505,838 | 22,088,538 | 24,415,284 | 28,049,259 | 29,770,326 |
| | 360,363 | 349,221 | 419,633 | 1,593,316 | 2,135,266 | 2,100,550 |
| | 8,962,772 | 9,093,471 | 8,588,172 | 8,665,958 | 9,841,299 | 9,647,000 |
| | 3,277,410 | 4,267,727 | 3,752,224 | 1,020,852 | 2,299,355 | 2,138,767 |
| | 351,151 | 332,685 | 311,483 | 1,202,302 | 2,711,672 | 2,750,999 |
| | - | - | - | - | 1,446,759 | 1,448,498 |
| | 13,069,750 | 12,788,639 | 13,130,167 | 16,481,929 | 10,652,698 | 11,828,248 |
| | 14,097,033 | 14,572,711 | 15,162,538 | 15,566,287 | 13,472,995 | 16,554,024 |
| | <u>61,090,852</u> | <u>63,910,292</u> | <u>63,452,755</u> | <u>68,945,928</u> | <u>70,609,303</u> | <u>76,238,412</u> |
| | <u>(25,676,469)</u> | <u>(25,769,905)</u> | <u>(21,699,313)</u> | <u>(18,294,470)</u> | <u>(17,386,193)</u> | <u>(23,030,901)</u> |
| | 7,118,974 | 6,846,993 | 4,009,899 | 6,271,001 | (533,131) | 2,931,831 |
| | 28,320,274 | 27,407,480 | 27,250,759 | 27,221,147 | 28,528,175 | 29,083,747 |
| | (5,097,414) | (6,766,600) | (7,897,888) | (7,608,336) | (5,850,174) | (6,781,711) |
| | 1,349,901 | 1,491,862 | 1,498,290 | 1,562,383 | 1,642,410 | 1,694,478 |
| | 54,270 | 1,438,137 | 1,480,660 | 1,557,431 | 1,522,360 | 1,361,984 |
| | <u>31,746,005</u> | <u>30,417,872</u> | <u>26,341,720</u> | <u>29,003,626</u> | <u>25,309,640</u> | <u>28,290,329</u> |
| | 6,069,536 | 4,647,967 | 4,642,407 | 10,709,156 | 7,923,447 | 5,259,428 |
| | 930,379 | 54,212 | 20,530 | - | - | - |
| | 156,511 | 2,069,786 | 94,332 | 70,000 | 60,000 | 495,000 |
| | 43,800 | 15,723 | 182,491 | - | 83,038 | 489,346 |
| | | | | | | 35,000 |
| | 7,200,226 | 6,787,688 | 4,939,760 | 10,779,156 | 8,066,485 | 6,278,774 |
| | <u>375,385,445</u> | <u>382,585,671</u> | <u>389,373,359</u> | <u>394,313,119</u> | <u>403,933,603</u> | <u>412,000,088</u> |
| \$ | <u>382,585,671</u> | <u>\$ 389,373,359</u> | <u>\$ 394,313,119</u> | <u>\$ 405,092,275</u> | <u>\$ 412,000,088</u> | <u>\$ 418,278,862</u> |

Moulton Niguel Water District
Water and Sewer Sold by Type of Customer
Last Ten Fiscal Years

Water & Sewer Sales

| | <u>2005</u> | | <u>2006</u> | | <u>2007</u> | | <u>2008</u> |
|---------------------------|----------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|
| Residential | \$ 15,438,317 | \$ | 18,669,805 | \$ | 21,202,036 | \$ | 20,536,190 |
| Commercial | 2,793,134 | | 3,173,988 | | 3,559,177 | | 3,598,135 |
| Multi-Family Commercial | 3,468,057 | | 3,887,382 | | 4,193,311 | | 4,157,669 |
| Irrigation ¹ | 2,770,325 | | 2,982,385 | | 3,870,441 | | 3,725,795 |
| Recycled Water | 2,975,868 | | 3,342,937 | | 4,464,604 | | 4,201,937 |
| Hydrant ¹ | 22,991 | | 40,926 | | 57,177 | | 49,548 |
| Total Water & Sewer Sales | <u>\$ 27,468,692</u> | <u>\$</u> | <u>32,097,423</u> | <u>\$</u> | <u>37,346,746</u> | <u>\$</u> | <u>36,269,274</u> |

Metered Accounts

| | <u>2005</u> | | <u>2006</u> | | <u>2007</u> | | <u>2008</u> |
|-------------------------|---------------|--|---------------|--|---------------|--|---------------|
| Residential | 45,998 | | 46,069 | | 46,170 | | 46,367 |
| Commercial | 4,670 | | 4,674 | | 4,732 | | 4,793 |
| Irrigation ¹ | 1,365 | | 1,368 | | 1,376 | | 1,380 |
| Recycled Water | 1,166 | | 1,183 | | 1,196 | | 1,206 |
| Hydrant ¹ | 26 | | 44 | | 40 | | 42 |
| Total Metered Accounts | <u>53,225</u> | | <u>53,338</u> | | <u>53,514</u> | | <u>53,788</u> |

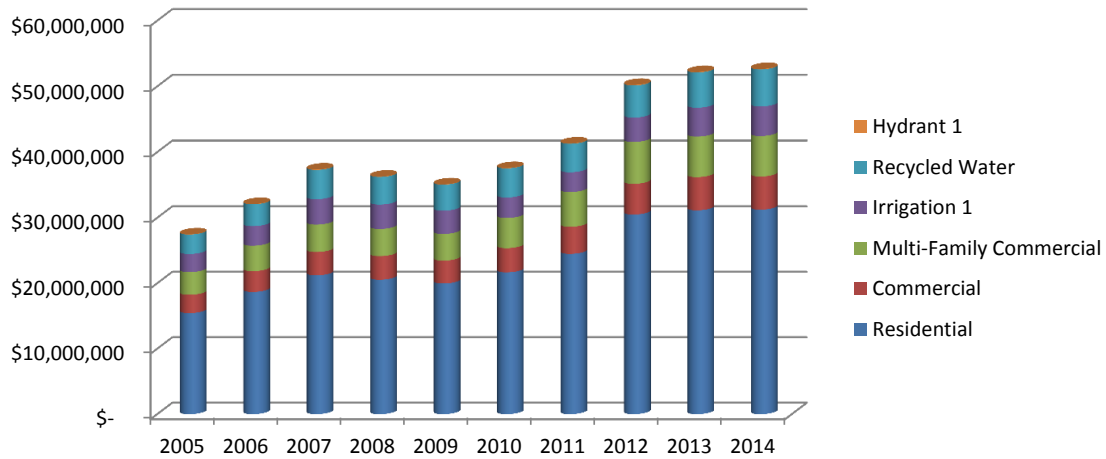
(1) Irrigation, Hydrant, and Recycled Water sales do not include sewer sales.

Source: Moulton Niguel Water District Billing Department.

**Moulton Niguel Water District
Water and Sewer Sold by Type of Customer
Last Ten Fiscal Years**

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 19,960,314 | \$ 21,661,402 | \$ 24,489,400 | \$ 30,493,294 | \$ 31,138,646 | \$ 31,233,677 |
| 3,484,263 | 3,691,101 | 4,131,299 | 4,672,173 | 5,049,139 | 5,043,859 |
| 4,082,323 | 4,615,167 | 5,293,520 | 6,373,846 | 6,171,180 | 6,165,998 |
| 3,551,458 | 3,118,258 | 3,013,689 | 3,705,286 | 4,392,099 | 4,499,879 |
| 3,968,090 | 4,446,515 | 4,340,197 | 4,894,136 | 5,369,133 | 5,633,000 |
| 44,251 | 35,333 | 40,992 | 83,659 | 65,027 | 68,229 |
| \$ 35,090,699 | \$ 37,567,776 | \$ 41,309,097 | \$ 50,222,394 | \$ 52,185,224 | \$ 52,644,642 |

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 46,479 | 46,649 | 46,840 | 46,996 | 47,197 | 47,305 |
| 4,804 | 4,824 | 4,839 | 4,841 | 4,901 | 4,898 |
| 1,414 | 1,395 | 1,387 | 1,395 | 1,369 | 1,367 |
| 1,218 | 1,244 | 1,262 | 1,265 | 1,292 | 1,299 |
| 37 | 32 | 34 | 36 | 33 | 30 |
| 53,952 | 54,144 | 54,362 | 54,533 | 54,792 | 54,899 |



Moulton Niguel Water District
Annual Domestic Consumption in Acre Feet (AF)
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Usage (AF)</u> | <u>Purchase Price¹</u> | <u>Average cost per AF</u> | <u>Metered Accounts</u> | <u>Average AF per Metered Account</u> | <u>Average Cost per Metered Account</u> |
|--------------------|-------------------|-----------------------------------|----------------------------|-------------------------|---------------------------------------|---|
| 2005 | 32,086 | \$ 14,811,603 | \$ 462 | 53,225 | 0.60 | \$ 278 |
| 2006 | 33,438 | \$ 15,929,186 | \$ 476 | 53,338 | 0.63 | \$ 299 |
| 2007 | 36,679 | \$ 15,949,424 | \$ 435 | 53,514 | 0.69 | \$ 298 |
| 2008 | 35,083 | \$ 16,975,357 | \$ 484 | 53,788 | 0.65 | \$ 316 |
| 2009 | 33,744 | \$ 18,933,932 | \$ 561 | 53,952 | 0.63 | \$ 351 |
| 2010 | 29,635 | \$ 20,131,901 | \$ 679 | 54,144 | 0.55 | \$ 372 |
| 2011 | 27,360 | \$ 19,908,518 | \$ 728 | 54,362 | 0.50 | \$ 366 |
| 2012 | 27,610 | \$ 21,625,497 | \$ 783 | 54,533 | 0.51 | \$ 397 |
| 2013 | 29,704 | \$ 24,434,327 | \$ 823 | 54,792 | 0.54 | \$ 446 |
| 2014 | 31,010 | \$ 25,689,087 | \$ 909 | 54,899 | 0.56 | \$ 513 |

(1) Purchase price does not include any charges for services.

Source: Moulton Niguel Water District Accounting Department.

**Moulton Niguel Water District
Water Rates
Last Ten Fiscal Years**

| Residential, Commercial, & Multi-Family Potable Water Rate by Fiscal Year ^{1 & 2} | | | | | | | | | |
|--|-----------|--|-----------|--|---------|--|---------|--|------------------------|
| Consumption Tiers | 2004-2005 | | 2006-2009 | | 2010 | | 2011 | | 2012-2014 ³ |
| 1-10 B.U. | \$ 0.70 | | \$ 0.86 | | \$ 1.00 | | \$ 1.16 | | |
| 11-20 B.U. | \$ 0.80 | | \$ 0.96 | | \$ 1.12 | | \$ 1.30 | | |
| 21-30 B.U. | \$ 1.00 | | \$ 1.16 | | \$ 1.35 | | \$ 1.57 | | |
| 31-50 B.U. | \$ 1.20 | | \$ 1.36 | | \$ 1.58 | | \$ 1.84 | | |
| 51+ B.U. | \$ 1.30 | | \$ 1.46 | | \$ 1.70 | | \$ 1.97 | | |
| Tier 1 | | | | | | | | | \$ 1.38 |
| Tier 2 | | | | | | | | | \$ 1.54 |
| Tier 3 | | | | | | | | | \$ 2.75 |
| Tier 4 | | | | | | | | | \$ 5.51 |
| Tier 5 | | | | | | | | | \$ 11.02 |

| Potable Irrigation/Fire Protection Water Rates by Fiscal Year | | | | | | | | | |
|---|-----------|--|-----------|--|---------|--|---------|--|---------|
| Consumption Tiers | 2002-2005 | | 2006-2009 | | 2010 | | 2011 | | 2012 |
| All B.U.'s | \$ 1.30 | | \$ 1.46 | | \$ 1.70 | | \$ 1.97 | | \$ 2.29 |

| Hydrant Water Rates by Fiscal Year | | | | | | | | | |
|------------------------------------|-----------|--|-----------|--|---------|--|---------|--|---------|
| Consumption Tiers | 2002-2005 | | 2006-2009 | | 2010 | | 2011 | | 2012 |
| All B.U.'s | \$ 1.30 | | \$ 1.46 | | \$ 1.70 | | \$ 1.97 | | \$ 2.29 |

(1) Billed monthly for individually metered residential, residential fire protection, dedicated residential irrigation and recycled accounts.

(2) Billed bi-monthly for commercial, fire protection, irrigation and master-metered multi-family accounts.

(3) A Water Budget Based Rate Structure was implemented July 2011. Tiers 1 and 2 of budgets are based on the number of persons in the household; amount of irrigated acreage; evapotranspiration rate; and the number of days in the billing cycle. Tiers 3, 4 and 5 apply to usage that exceeds budget.

| Basic Service Charge for Potable Water | | | | | | | | | |
|--|-------|-------|-------|-------|-------|--------|--------|--------|--------|
| Meter Size ⁴ | | | | | | | | | |
| Fiscal Year | 5/8" | 3/4" | 1" | 1.5" | 2" | 3" | 4" | 6" | 8" |
| 2005 | 5.00 | 5.00 | 5.00 | 10.00 | 18.00 | 25.00 | 35.00 | 55.00 | 75.00 |
| 2006 | 6.60 | 6.60 | 6.60 | 11.60 | 19.60 | 26.60 | 36.60 | 56.60 | 76.60 |
| 2007 | 6.60 | 6.60 | 6.60 | 11.60 | 19.60 | 26.60 | 36.60 | 56.60 | 76.60 |
| 2008 | 6.60 | 6.60 | 6.60 | 11.60 | 19.60 | 26.60 | 36.60 | 56.60 | 76.60 |
| 2009 | 6.60 | 6.60 | 6.60 | 11.60 | 19.60 | 26.60 | 36.60 | 56.60 | 76.60 |
| 2010 | 7.67 | 7.67 | 7.67 | 13.48 | 22.78 | 30.91 | 42.53 | 65.77 | 89.01 |
| 2011 | 8.91 | 8.91 | 8.91 | 15.66 | 26.46 | 35.92 | 49.42 | 76.42 | 103.43 |
| 2012 | 10.36 | 10.36 | 10.36 | 34.53 | 55.25 | 120.87 | 207.20 | 431.67 | 621.60 |
| 2013 | 10.36 | 10.36 | 10.36 | 34.53 | 55.25 | 120.87 | 207.20 | 431.67 | 621.60 |
| 2014 | 10.36 | 10.36 | 10.36 | 34.53 | 55.25 | 120.87 | 207.20 | 431.67 | 621.60 |

(4) The most common meter sizes for residential customers are 5/8", 3/4" and 1".

Note: 1 Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons

Source: Moulton Niguel Water District Billing Department.

**Moulton Niguel Water District
Principal Water Customers
Current Fiscal Year and Seven Years Ago**

Fiscal Year 2014

| <u>Customer</u> | <u>Type of Property</u> | Total Water <u>Sales</u> ¹ | Percentage of Total Water <u>Sales</u> |
|--|--------------------------|--|--|
| Moritz Associates LLC | Multi Family Residential | \$ 180,237 | 0.67% |
| Barcelona LLC | Multi Family Residential | 158,405 | 0.59% |
| Bre Properties | Multi Family Residential | 136,740 | 0.51% |
| City of Mission Viejo | Parks, Slopes, Medians | 131,899 | 0.49% |
| Mission Hospital Regional Medical Center | Medical Facility | 120,382 | 0.45% |
| City of Laguna Niguel | Parks, Slopes, Medians | 117,813 | 0.44% |
| Hidden Hills Apartments | Multi Family Residential | 116,916 | 0.44% |
| Aliso Meadows Condo Association | Multi Family Residential | 113,900 | 0.42% |
| Soka University of America | School | 113,194 | 0.42% |
| Shea Properties/City Lights | Multi Family Residential | <u>92,043</u> | <u>0.34%</u> |
| | | \$ 1,281,529 | 4.77% |
| Total Water Sales for FY 2013-14 \$ | | 26,876,498 | |

Fiscal Year 2007²

| <u>Customer</u> | <u>Type of Property</u> | Total Water <u>Sales</u> ¹ | Percentage of Total Water <u>Sales</u> |
|--|--------------------------|--|--|
| Moritz Associates LLC | Multi Family Residential | \$ 48,069 | 0.19% |
| City of Mission Viejo | Parks, Slopes, Medians | 47,413 | 0.18% |
| Aliso Meadows Condo Association | Multi Family Residential | 44,586 | 0.17% |
| Barcelona LLC | Multi Family Residential | 42,437 | 0.16% |
| Shea Properties | Multi Family Residential | 37,600 | 0.15% |
| Mission Hospital Regional Medical Center | Medical Facility | 37,260 | 0.14% |
| City of Laguna Niguel | Parks, Slopes, Medians | 35,566 | 0.14% |
| Hidden Hills Apartments | Multi Family Residential | 34,653 | 0.13% |
| Aliso Creek Sares | Multi Family Residential | 34,309 | 0.13% |
| The Promenade Apartments | Multi Family Residential | <u>33,088</u> | <u>0.13%</u> |
| | | \$ 394,981 | 1.52% |
| Total Water Sales for FY 2006-07 \$ | | 25,831,145 | |

(1) Total water sales includes only potable water sales.

(2) Data prior to fiscal year 2007 is unavailable.

Source: Moulton Niguel Water District Billing Department and
2003 Refunding Certificates of Participation Official Statement

**Moulton Niguel Water District
Sewer Rates
Last Ten Fiscal Years**

| RESIDENTIAL SEWER RATES | | | | | | | | | | |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2011 | 2013 | 2014 |
| Basic Service Charges | \$ 5.50 | \$ 7.10 | \$ 7.10 | \$ 7.10 | \$ 7.10 | \$ 8.25 | \$ 9.59 | \$11.14 | \$11.14 | \$ 11.14 |
| Volumetric Charge | | | | | | | | | | |
| 1-25 B.U. | \$ 0.40 | \$ 0.56 | \$ 0.56 | \$ 0.56 | \$ 0.56 | \$ 0.65 | \$ 0.76 | \$ 0.88 | \$ 0.88 | \$ 0.88 |
| 26+ B.U. | | | | | | | | | | |
| Maximum per month | \$15.50 | \$21.10 | \$21.10 | \$21.10 | \$21.10 | \$24.50 | \$28.59 | \$33.14 | \$33.14 | \$ 33.14 |

| COMMERCIAL AND MULTI-FAMILY SEWER RATES | | | | | | | | | | |
|---|----------|---------|---------|----------|---------|----------|---------|---------|---------|----------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Basic Service Charge per Sewer | \$ 14.20 | \$14.20 | \$14.20 | \$ 14.20 | \$14.20 | \$ 16.50 | \$19.18 | \$22.28 | \$22.28 | \$ 22.28 |
| Volumetric Charge - All B.U.'s | | | | | | | | | | |
| Class 1 | \$ 0.40 | \$ 0.56 | \$ 0.56 | \$ 0.56 | \$ 0.56 | \$ 0.65 | \$ 0.76 | \$ 0.88 | \$ 0.88 | \$ 0.88 |
| Class 2 | \$ 0.60 | \$ 0.76 | \$ 0.76 | \$ 0.76 | \$ 0.76 | \$ 0.88 | \$ 1.03 | \$ 1.19 | \$ 1.19 | \$ 1.19 |
| Class 3 | \$ 0.80 | \$ 0.96 | \$ 0.96 | \$ 0.96 | \$ 0.96 | \$ 1.12 | \$ 1.30 | \$ 1.51 | \$ 1.51 | \$ 1.51 |
| Class 4 | \$ 1.00 | \$ 1.16 | \$ 1.16 | \$ 1.16 | \$ 1.16 | \$ 1.35 | \$ 1.57 | \$ 1.82 | \$ 1.82 | \$ 1.82 |

Sewer Classes:

Class 1 : Typical users include residential, banks, car washes, churches, department and retail stores, laundromats, professional offices, schools and colleges.

Class 2: Typical users includes beauty and barber shops, hospitals and convalescent facilities, commercial laundry, repair shops, service stations and veterinary hospitals.

Class 3: Typical users include hotels with dining facilities, markets with garbage disposals, mortuaries and fast-food restaurants.

Class 4: Typical users include restaurants, auto steam cleaning facilities and bakeries. Classifications are subject to change upon inspection by the District in order to comply with the intent of MNWD's rules and regulations and regulatory mandates.

Source: Moulton Niguel Water District Billing Department.

**Moulton Niguel Water District
Principal Sewer Customers
Current Fiscal Year and Seven Years Ago**

Fiscal Year 2014

| <u>Customer</u> | <u>Type of Property</u> | <u>Total Sewer Sales</u> | <u>Percentage of Total Sewer Sales</u> |
|--|------------------------------|--------------------------|--|
| Shea Properties/City Lights | Multi-family Residential | 146,068 | 0.85% |
| Moritz Associates LLC | Multi-family Residential | 127,260 | 0.74% |
| Barcelona LLC | Multi-family Residential | 158,405 | 0.92% |
| Aliso Creek Sares | Multi-family Residential | 94,364 | 0.55% |
| Bre Properties | Multi-family Residential | 86,182 | 0.50% |
| Quail Creek La Paz HOA | Multi Family Residential | 75,093 | 0.44% |
| Laguna Serano Apts | Multi Family Residential | 68,150 | 0.40% |
| Aliso Meadows Condo Association | Multi Family Residential | 65,874 | 0.38% |
| Hidden Hills Apts | Multi Family Residential | 65,045 | 0.38% |
| Mission Hospital Regional Medical Center | Hospital and Medical Offices | <u>59,621</u> | <u>0.35%</u> |
| | | \$ 946,062 | 5.51% |

Total Sewer Sales for FY 2013-14 \$ 17,135,446

Fiscal Year 2007 ¹

| <u>Customer</u> | <u>Type of Property</u> | <u>Total Sewer Sales</u> | <u>Percentage of Total Sewer Sales</u> |
|---------------------------------|--------------------------|--------------------------|--|
| Shea Properties | Multi Family Residential | \$ 47,061 | 0.41% |
| Moritz Associates LLC | Multi Family Residential | 41,352 | 0.36% |
| Barcelona LLC | Multi Family Residential | 36,653 | 0.32% |
| Aliso Creek Sares | Multi Family Residential | 33,053 | 0.29% |
| The Promenade Apartments | Multi Family Residential | 26,947 | 0.23% |
| ERP Operating LP LN | Multi-Family Residential | 23,909 | 0.21% |
| Quail Creek - LA Paz HOA | Multi-Family Residential | 23,882 | 0.21% |
| Pointe Niguel 505 | Multi-Family Residential | 22,679 | 0.20% |
| Aliso Meadows Condo Association | Multi Family Residential | 22,628 | 0.20% |
| Hidden Hills Apartments | Multi Family Residential | <u>22,097</u> | <u>0.19%</u> |
| | | \$ 300,261 | 2.62% |

Total Sewer Sales for FY 2006-07 \$ 11,515,601

(1) Data prior to 2007 is unavailable.

Source: Moulton Niguel Water District Billing Department and
2003 Refunding Certificates of Participation Official Statement

**Moulton Niguel Water District
Recycled Water Rates
Last Ten Fiscal Years**

| Recycled Water Rates by Fiscal Year | | | | | | | |
|-------------------------------------|-----------|-----------|---------|---------|-------------------|-------------------|-------------------|
| Consumption Tiers | 2004-2005 | 2006-2009 | 2010 | 2011 | 2012 ¹ | 2013 ¹ | 2014 ¹ |
| All B.U.'s | | \$ 1.17 | \$ 1.36 | \$ 1.58 | | | |
| 1 - 50 B.U. | \$ 0.96 | | | | | | |
| 51+ B.U. | \$ 1.04 | | | | | | |
| Tier 1 | | | | | \$ 1.23 | \$ 1.23 | \$ 1.23 |
| Tier 2 | | | | | \$ 1.23 | \$ 1.23 | \$ 1.23 |
| Tier 3 | | | | | \$ 2.20 | \$ 2.20 | \$ 2.20 |
| Tier 4 | | | | | \$ 4.41 | \$ 4.41 | \$ 4.41 |
| Tier 5 | | | | | \$ 8.81 | \$ 8.81 | \$ 8.81 |

(1) A Water Budget Based Rate Structure was implemented July 2011. Tiers 1 and 2 apply to usage within budget, while Tiers 3, 4 and 5 apply to usage in excess of budget.

| Recycled Water Basic Service Charge | | | | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|-------------|-------------|-------------|
| Meter Size | 2004-2005 | 2006-2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 5/8" | \$ 5.00 | \$ 6.60 | \$ 7.67 | \$ 8.91 | \$ 10.36 | \$ 10.36 | \$ 10.36 |
| 3/4" | \$ 5.00 | \$ 6.60 | \$ 7.67 | \$ 8.91 | \$ 10.36 | \$ 10.36 | \$ 10.36 |
| 1" | \$ 5.00 | \$ 6.60 | \$ 7.67 | \$ 8.91 | \$ 10.36 | \$ 10.36 | \$ 10.36 |
| 1.5" | \$ 10.00 | \$ 11.60 | \$ 13.48 | \$ 15.66 | \$ 34.53 | \$ 34.53 | \$ 34.53 |
| 2" | \$ 18.00 | \$ 19.60 | \$ 22.78 | \$ 26.47 | \$ 55.25 | \$ 55.25 | \$ 55.25 |
| 3" | \$ 25.00 | \$ 26.60 | \$ 30.91 | \$ 35.92 | \$ 120.87 | \$ 120.87 | \$ 120.87 |
| 4" | \$ 35.00 | \$ 36.60 | \$ 42.53 | \$ 49.42 | \$ 207.20 | \$ 207.20 | \$ 207.20 |
| 6" | \$ 55.00 | \$ 56.60 | \$ 65.77 | \$ 76.42 | \$ 431.37 | \$ 431.37 | \$ 431.37 |
| 8" | \$ 75.00 | \$ 76.60 | \$ 89.01 | \$ 103.43 | \$ 621.60 | \$ 621.60 | \$ 621.60 |
| 10" | \$ 95.00 | \$ 96.60 | \$ 112.25 | \$ 130.43 | \$ 1,001.47 | \$ 1,001.47 | \$ 1,001.47 |

(1) Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons

Source: Moulton Niguel Water District Billing Department.

**Moulton Niguel Water District
Principal Recycled Water Customers
Current Fiscal Year and Seven Years Ago**

Fiscal Year 2014

| <u>Customer</u> | <u>Type of Property</u> | Total <u>Consumption</u> ² | Percentage of Total <u>Consumption</u> ² |
|-----------------------------------|-------------------------|--|--|
| Aliso Viejo Community Association | Parks, Slopes, Medians | 376,506 | 11.10% |
| Aliso Viejo Country Club | Golf Course | 152,255 | 4.49% |
| Mission Viejo Country Club | Golf Course | 147,997 | 4.36% |
| El Niguel Country Club | Golf Course | 144,525 | 4.26% |
| Arroyo Trabuco Golf Club | Golf Course | 98,965 | 2.92% |
| Marina Hills PCA | Golf Course | 90,586 | 2.67% |
| City of Mission Viejo | Parks, Slopes, Medians | 67,433 | 1.99% |
| Soka University of America | Private University | 63,535 | 1.87% |
| County of Orange | Parks, Slopes, Medians | 50,690 | 1.49% |
| Caltrans District 12 | Slopes, Medians | <u>49,363</u> | <u>1.46%</u> |
| | | 1,241,855 | 36.61% |

Total Consumption for Fiscal Year 2013-14 3,392,640

Fiscal Year 2007¹

| <u>Customer</u> | <u>Type of Property</u> | Total <u>Consumption</u> ² | Percentage of Total <u>Consumption</u> ² |
|-----------------------------------|-------------------------|--|--|
| Aliso Viejo Community Association | Parks, Slopes, Medians | 416,002 | 14.69% |
| El Niguel Country Club | Golf Course | 148,745 | 5.25% |
| Marina Hills PCA | Golf Course | 114,199 | 4.03% |
| City of Mission Viejo | Parks, Slopes, Medians | 105,429 | 3.72% |
| Soka University of America | Private University | 103,173 | 3.64% |
| Caltrans District 12 | Slopes, Medians | 65,678 | 2.32% |
| El Niguel Heights Community Assn. | Landscape | 56,660 | 2.00% |
| City of Laguna Niguel | Parks, Slopes, Medians | 54,941 | 1.94% |
| City of Laguna Hills | Parks, Slopes, Medians | 53,224 | 1.88% |
| Beacon Hill Planned Community | Parks, Slopes, Medians | <u>52,411</u> | <u>1.85%</u> |
| | | 1,170,462 | 41.32% |

Total Consumption for Fiscal Year 2006-07 2,831,495

(1) Data prior to 2007 is unavailable.

(2) Consumption is calculated in Billing Units (B.U.).

1 Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons

Source: Moulton Niguel Water District Billing Department.

**Moulton Niguel Water District
Property Tax Levies and Collections ¹
Last Ten Fiscal Years**

| Levy Year | Total Tax Levy | Collected within the Levy Year | | Collections from Prior Years | ² | Total Collections to Date | |
|--------------|----------------|--------------------------------|-----------------------|---------------------------------|--------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | | Amount | Percentage of Levy |
| 2005 | \$ 12,146,835 | \$ 11,953,584 | 98.41% | \$ 188,635 | \$ | \$ 12,142,220 | 99.96% |
| 2006 | \$ 13,805,452 | \$ 13,435,730 | 97.32% | \$ 271,293 | \$ | \$ 13,707,024 | 99.29% |
| 2007 | \$ 21,254,653 | \$ 20,560,187 | 96.73% | \$ 425,393 | \$ | \$ 20,985,580 | 98.73% |
| 2008 | \$ 22,283,832 | \$ 21,583,776 | 96.86% | \$ 587,508 | \$ | \$ 22,171,284 | 99.49% |
| 2009 | \$ 22,245,697 | \$ 21,285,866 | 95.69% | \$ 721,593 | \$ | \$ 22,007,458 | 98.93% |
| 2010 | \$ 21,679,649 | \$ 20,656,502 | 95.28% | \$ 968,078 | \$ | \$ 21,624,579 | 99.75% |
| 2011 | \$ 21,638,200 | \$ 20,835,460 | 96.29% | \$ 511,337 | \$ | \$ 21,346,797 | 98.65% |
| 2012 | \$ 22,143,993 | \$ 20,666,470 | 93.33% | \$ 475,230 | \$ | \$ 21,141,700 | 95.47% |
| 2013 | \$ 22,511,515 | \$ 21,304,598 | 94.64% | \$ 555,032 | \$ | \$ 21,859,630 | 97.10% |
| 2014 | \$ 22,890,247 | \$ 22,311,794 | 97.47% | \$ 211,474 | \$ | \$ 22,523,268 | 98.40% |

(1) Property Tax revenue is the District's second major revenue source.

(2) Collections from prior years does not include penalty revenue.

Source: Moulton Niguel Water District Finance Department and Orange County Auditor-Controller's office.

**Moulton Niguel Water District
Assessed Valuations & Largest Local Secured Taxpayers
Current Fiscal Year and Nine Years Ago**

**Assessed Values by Land Use
FY 2014 FY 2005**

| <u>Land Use</u> | <u>Secured Assessed Value</u> | |
|-----------------|-------------------------------|--------------------------|
| Residential | \$ 13,447,468,112 | \$ 10,583,018,637 |
| Commercial | 1,392,608,779 | 1,390,568,672 |
| Industrial | 344,720,766 | 254,501,705 |
| Vacant/Other | 22,328,782 | 503,361,979 |
| Total | \$ 15,207,126,439 | \$ 12,731,450,993 |

**Principal Local Secured Taxpayers
For Fiscal Year 2014**

| <u>Rank</u> | <u>Property Owner</u> | <u>Primary Land Use</u> | <u>Assessed Valuation</u> | <u>% of Total</u> |
|-------------|------------------------------------|-------------------------|---------------------------|-------------------|
| 1 | OC/SD Holdings LLC | Apartments | \$ 64,102,796 | 0.42% |
| 2 | BRE-FMCA LLC | Apartments | 45,166,362 | 0.30% |
| 3 | Moritz Associates LLC | Apartments | 44,408,101 | 0.29% |
| 4 | Shea Homes | Residential | 39,226,509 | 0.26% |
| 5 | Barcelona, LLC | Apartments | 38,373,258 | 0.25% |
| 6 | Laguna Cabot Road Business Park LP | Industrial | 37,788,612 | 0.25% |
| 7 | Sequoia Equities – Alicante | Apartments | 35,207,357 | 0.23% |
| 8 | Sequoia Equities – Alize | Apartments | 33,670,515 | 0.22% |
| 9 | Costco Wholesale Corp. | Commercial | 26,807,873 | 0.18% |
| 10 | Target Corporation | Commercial | 26,609,930 | 0.17% |
| | | | <u>\$ 391,361,313</u> | <u>2.57%</u> |

Fiscal Year 2012-13 Total Local Secured Valuation: \$ 15,207,126,439

**Principal Local Secured Taxpayers
For Fiscal Year 2005 ¹**

| <u>Rank</u> | <u>Property Owner</u> | <u>Primary Land Use</u> | <u>Assessed Valuation</u> | <u>% of Total</u> |
|-------------|-----------------------------------|-------------------------|---------------------------|-------------------|
| 1 | Mission Viejo Associates | Residential | \$ 157,087,919 | 1.42% |
| 2 | City Lights - Aliso Viejo LLC | Apartments | 95,553,556 | 0.86% |
| 3 | Moritz Associates LLC | Apartments | 94,843,408 | 0.86% |
| 4 | Northwestern Mutual Life Ins. Co. | Apartments | 85,135,994 | 0.77% |
| 5 | Barcelona, LLC | Apartments | 81,759,049 | 0.74% |
| 6 | OTR | Commercial | 81,445,653 | 0.74% |
| 7 | Wilmington Co. | Commercial | 70,222,025 | 0.63% |
| 8 | Monarch Bay Two | Apartments | 67,009,095 | 0.61% |
| 9 | Sequoia Equities - Alicante | Apartments | 66,901,141 | 0.60% |
| 10 | BRE Properties Inc. | Apartments | 64,605,584 | 0.58% |
| | | | <u>\$ 864,563,424</u> | <u>7.81%</u> |

Fiscal Year 2004-05 Local Secured Assessed Valuation: \$ 11,068,625,433

(1) Data Prior to fiscal year 2005 is unavailable.

(2) Property Tax revenue is the District's second largest source of revenue.

Source: California Municipal Statistics, Inc.

Moulton Niguel Water District
Outstanding Debt by Type and Debt per Customer
Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds ¹ | Certificates of Participation | Loans Payable | Operating Lease | Total Debt | Total | | Est. District Population | Debt per Capita |
|-------------|---------------------------------------|-------------------------------|---------------|-----------------|----------------|-------------------|----------------------------|--------------------------|-----------------|
| | | | | | | Customer Accounts | Debt per Customer Accounts | | |
| 2005 | \$ 59,560,000 | \$ 33,555,234 | \$ 44,705,460 | \$ 6,385,000 | \$ 144,205,694 | 53,225 | \$ 2,709 | 165,636 | \$ 871 |
| 2006 | \$ 56,410,000 | \$ 32,135,234 | \$ 42,425,260 | \$ 6,008,000 | \$ 136,978,494 | 53,338 | \$ 2,568 | 165,918 | \$ 826 |
| 2007 | \$ 53,080,000 | \$ 30,670,234 | \$ 40,095,949 | \$ 5,596,000 | \$ 129,442,183 | 53,514 | \$ 2,419 | 166,168 | \$ 779 |
| 2008 | \$ 49,565,000 | \$ 32,035,000 | \$ 37,716,904 | \$ 5,149,000 | \$ 124,465,904 | 53,788 | \$ 2,314 | 166,677 | \$ 747 |
| 2009 | \$ 45,765,000 | \$ 30,465,000 | \$ 25,507,053 | \$ 4,667,000 | \$ 106,404,053 | 53,952 | \$ 1,972 | 166,964 | \$ 637 |
| 2010 | \$ 41,740,000 | \$ 88,840,000 | \$ 23,489,510 | \$ - | \$ 154,069,510 | 54,144 | \$ 2,846 | 167,408 | \$ 920 |
| 2011 | \$ 37,400,000 | \$ 86,805,000 | \$ 21,432,780 | \$ - | \$ 145,637,780 | 54,362 | \$ 2,679 | 164,450 | \$ 886 |
| 2012 | \$ 32,755,000 | \$ 85,215,000 | \$ 19,336,551 | \$ - | \$ 137,306,551 | 54,533 | \$ 2,518 | 165,272 | \$ 831 |
| 2013 | \$ 27,775,000 | \$ 83,535,000 | \$ 17,198,820 | \$ - | \$ 128,508,820 | 54,792 | \$ 2,345 | 168,174 | \$ 764 |
| 2014 | \$ 21,315,000 | \$ 81,795,000 | \$ 15,019,911 | \$ - | \$ 118,129,911 | 54,899 | \$ 2,152 | 169,212 | \$ 698 |

(1) Debt amounts exclude any premiums, discounts or other amortization amounts.

Source: Moulton Niguel Water District Finance Department.

Moulton Niguel Water District
Ratio of Net Direct General Obligation Debt ¹
Last Ten Fiscal Years

| Fiscal Year | Total General Obligation Bonds Outstanding | Net Direct General Obligation Debt | Assessed Value ² | Percent of General Obligation Debt to Assessed Value | Population ³ | Net General Obligation Debt per Capita |
|-------------|--|------------------------------------|-----------------------------|--|-------------------------|--|
| 2005 | \$ 59,560,000 | \$ 5,953,813 | \$ 4,635,100,705 | 0.13% | 52,738 | \$ 113 |
| 2006 | \$ 56,410,000 | \$ 5,620,513 | \$ 5,357,123,304 | 0.10% | 52,813 | \$ 106 |
| 2007 | \$ 53,080,000 | \$ 5,737,513 | \$ 6,256,186,514 | 0.09% | 52,936 | \$ 108 |
| 2008 | \$ 49,565,000 | \$ 5,855,913 | \$ 6,746,635,752 | 0.09% | 53,223 | \$ 110 |
| 2009 | \$ 45,765,000 | \$ 5,982,738 | \$ 6,734,350,793 | 0.09% | 53,437 | \$ 112 |
| 2010 | \$ 41,740,000 | \$ 6,022,175 | \$ 6,193,574,675 | 0.10% | 56,919 | \$ 106 |
| 2011 | \$ 37,400,000 | \$ 6,159,813 | \$ 6,062,288,925 | 0.10% | 58,503 | \$ 105 |
| 2012 | \$ 32,755,000 | \$ 6,263,016 | \$ 6,051,286,544 | 0.10% | 56,114 | \$ 112 |
| 2013 | \$ 27,775,000 | \$ 6,416,000 | \$ 6,093,356,189 | 0.11% | 56,675 | \$ 113 |
| 2014 | \$ 21,315,000 | \$ 6,466,700 | \$ 6,300,950,763 | 0.10% | 57,236 | \$ 113 |

(1) The repayment of the General Obligation Bonds debt is a voter approved property tax assessment to the property owners residing in the service areas in which the debt applies.

(2) Assessed valuations are only property related to the General Obligation Bond debt (GOB).

(3) The District population is estimated based on the California Department of Finance's annual city population estimates.

(4) In 2003-04, the District refunded a portion of its GOB obligation from various service areas. The population figure has been adjusted to reflect the updated service area of the GOBs.

Source: Orange County Auditor-Controller, Census Bureau and Moulton Niguel Water District Accounting Department

**Moulton Niguel Water District
Direct and Overlapping Debt
Current Fiscal Year**

| <u>2012-2013 Assessed Valuations:</u> \$15,234,874,759 (Land only) | Total Debt 06/30/2013 | % Applicable (1) | District's Share of Debt 06/30/2014 |
|---|--------------------------|------------------|--|
| Metropolitan Water District | \$132,275,000 | 1.34% | \$1,769,840 |
| Capistrano Unified School District School Facilities Improvement District No. 1 | 35,109,930 | 31.968 | 11,223,942 |
| Laguna Beach Unified School District | 28,470,000 | 1.907 | 542,923 |
| Saddleback Valley Unified School District | 126,840,000 | 22.421 | 28,438,796 |
| City of San Juan Capistrano | 29,965,000 | 0.079 | 23,672 |
| Moulton-Niguel Water District, I.D. No. 6 | 13,855,000 | 100 | 13,855,000 |
| Moulton-Niguel Water District, I.D. No. 7 | 7,460,000 | 100 | 7,460,000 |
| South Coast Water District | 1,920,000 | 6.614 | 126,989 |
| Orange County Community Facilities Districts | 6,731,997 | 8.075-100. | 706,542 |
| City of Aliso Viejo Community Facilities District No. 2005-01 | 32,270,000 | 100 | 32,270,000 |
| City of Mission Viejo Community Facilities District No. 92-1 | 1,350,000 | 100 | 1,350,000 |
| Capistrano Unified School District Community Facilities District No. 87-1 | 35,900,000 | 75.003 | <u>26,926,077</u> |
| <i>Total Direct & Overlapping Tax and Assessment Debt</i> | | | <u>\$ 124,693,781</u> |

Direct & Overlapping General Fund Debt:

| | | | |
|--|-------------------|------------|--------------------------|
| Orange County General Fund Obligations | \$145,476,000 | 6.61% | \$9,613,054 |
| Orange County Pension Obligation Bonds | 32,195,288 | 6.608 | 2,127,465 |
| Orange County Board of Education Certificates of Participation | 15,500,000 | 6.608 | 1,024,240 |
| Capistrano Unified School District Certificates of Participation | 18,245,000 | 32.457 | 5,921,780 |
| City of Aliso Viejo Certificates of Participation | 7,170,000 | 98 | 7,026,600 |
| City of Laguna Hills Certificates of Participation | 12,585,000 | 70.14 | 8,827,119 |
| City of Mission Viejo Certificates of Participation | 15,115,000 | 34.684 | 5,242,487 |
| City of San Juan Capistrano Judgment Obligations | 2,200,000 | 0.079 | 1,738 |
| Municipal Water District of Orange County Water Facilities Corporation | 7,775,000 | 7.916 | 615,469 |
| Moulton-Niguel Water District Certificates of Participation | 81,795,000 | 100 | <u>81,795,000</u> |
| <i>Total Gross Direct & Overlapping General Fund Debt</i> | | | 122,194,951 |
| Less: MWDOC Facilities Corp | | | 615,469 |
| <i>Total Net Direct & Overlapping General Fund Debt</i> | | | <u>\$ 121,579,482</u> |

Overlapping Tax Incremental Debt (Successor Agency): \$ 21,070,000 0.026% \$ 5,478

| | |
|-------------------------------|----------------------|
| Total Direct Debt | \$103,110,000 |
| Total Gross Overlapping Debt | \$143,778,733 |
| Total Net Overlapping Debt | \$143,163,264 |
| Gross Combined Total Debt (3) | \$246,888,733 |
| Net Combined Total Debt | \$246,273,264 |

Ratios to Land Only Assessed Valuation:

| | |
|--|-------|
| Direct Debt (\$23,315,000) (4) | 0.14% |
| Total Direct and Overlapping Tax and Assessment Debt | 0.82% |

Ratios to Adjusted All Property Assessed Valuation:

| | |
|-----------------------------------|-------|
| Total Direct Debt (\$103,110,000) | 0.35% |
| Gross Combined Total Debt | 0.84% |
| Net Combined Total Debt | 0.84% |

(1) Percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the overlapping district's total taxable assessed value.

(2) Excludes accreted value.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

(4) Moulton Niguel Improvement Districts.

Source: California Municipal Statistics, Inc.

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**Moulton Niguel Water District
Pledged Revenue Coverage
Last Ten Fiscal Years**

| Fiscal Year | Total Revenues ¹ | Operating Expenses ² | Net Available Revenues | Annual Debt Service ^(3, 4, 5) | | | Coverage Ratio |
|-------------|-----------------------------|---------------------------------|------------------------|--|--------------|---------------|----------------|
| | | | | Principal | Interest | Total | |
| 2005 | \$ 46,192,399 | \$ 36,250,498 | \$ 9,941,901 | \$ 3,577,144 | \$ 2,330,239 | \$ 5,907,383 | 1.68 |
| 2006 | \$ 52,424,799 | \$ 37,487,230 | \$ 14,937,569 | \$ 3,700,199 | \$ 2,404,399 | \$ 6,104,598 | 2.45 |
| 2007 | \$ 65,783,315 | \$ 42,216,143 | \$ 23,567,172 | \$ 7,491,753 | \$ 2,667,114 | \$ 10,158,867 | 2.32 |
| 2008 | \$ 65,783,315 | \$ 42,216,143 | \$ 23,567,172 | \$ 4,331,069 | \$ 2,675,483 | \$ 7,006,552 | 3.36 |
| 2009 | \$ 63,008,926 | \$ 46,993,818 | \$ 16,015,108 | \$ 14,261,828 | \$ 2,163,186 | \$ 16,425,014 | 0.98 |
| 2010 | \$ 67,240,733 | \$ 55,611,741 | \$ 11,628,992 | \$ 8,309,566 | \$ 3,787,050 | \$ 12,096,616 | 0.96 |
| 2011 | \$ 71,267,139 | \$ 55,783,588 | \$ 15,483,551 | \$ 3,681,716 | \$ 5,701,425 | \$ 9,383,141 | 1.65 |
| 2012 | \$ 72,127,432 | \$ 53,336,041 | \$ 18,791,391 | \$ 3,686,551 | \$ 5,727,264 | \$ 9,413,815 | 2.00 |
| 2013 | \$ 76,664,834 | \$ 57,089,327 | \$ 19,575,507 | \$ 3,572,972 | \$ 5,790,836 | \$ 9,363,808 | 2.09 |
| 2014 | \$ 78,969,108 | \$ 59,633,768 | \$ 19,335,340 | \$ 3,918,909 | \$ 5,475,003 | \$ 9,393,912 | 2.06 |

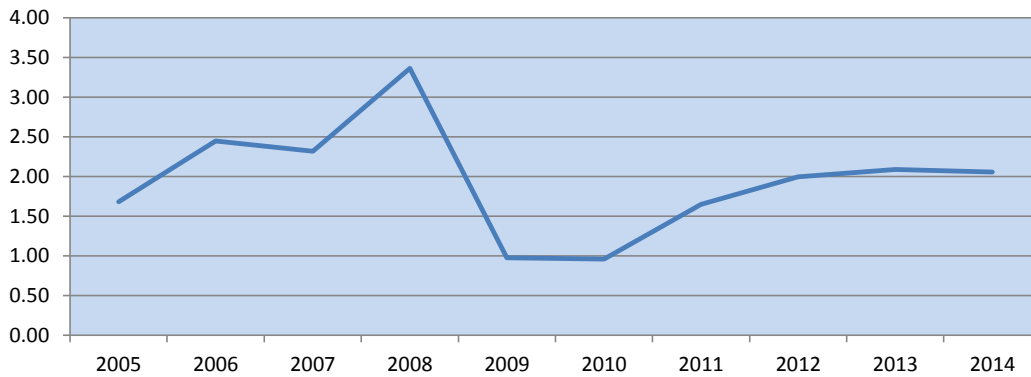
(1) Total Revenues include all operating revenues, interest income and other non-operating revenues excluding general obligation bond assessment revenues used to repay the general obligation bond debt, unrealized gains/losses and connection fees.

(2) Operating expenses exclude depreciation and amortization expense.

(3) Principal and Interest amounts do not include debt obligations related to general obligation bonds.

(4) The District repaid its obligations for the WateReuse loan and AMP loan in its entirety during FY 2009 and 2010.

(5) The District issued \$60,000,000 in COPs in FY 2010 and refunded the 93 COPs in FY 2011.



Source: Moulton Niguel Water District Finance Department.

**Moulton Niguel Water District
Demographic and Economic Statistics
Last Ten Fiscal Years**

| Moulton Niguel Water District | |
|--------------------------------------|--------------------------------------|
| Fiscal Year | Estimated District Population |
| 2004 | 165,317 |
| 2005 | 165,636 |
| 2006 | 165,918 |
| 2007 | 166,168 |
| 2008 | 166,677 |
| 2009 | 166,964 |
| 2010 | 167,408 |
| 2011 | 164,450 |
| 2012 | 168,402 |
| 2013 | 165,272 |
| 2014 | 169,212 |

Source: Moulton Niguel Water District Operations Department.

| City of Laguna Niguel ¹ | | | | |
|---|-------------------|--------------------------|--------------------------|--|
| Fiscal Year | Population | Per Capita Income | Unemployment Rate | |
| 2004 | 65,620 | \$ 43,907 | 3.30% | |
| 2005 | 65,800 | \$ 46,283 | 2.90% | |
| 2006 | 65,959 | \$ 49,815 | 2.60% | |
| 2007 | 66,058 | \$ 52,162 | 3.00% | |
| 2008 | 66,522 | \$ 52,705 | 4.10% | |
| 2009 | 67,117 | \$ 51,005 | 7.00% | |
| 2010 | 67,666 | \$ 47,820 | 7.50% | |
| 2011 | 63,228 | \$ 55,196 | 7.20% | |
| 2012 | 63,691 | \$ 49,804 | 6.80% | |
| 2013 | 64,065 | \$ 50,518 | 4.40% | |
| 2014 | 64,460 | \$ 50,889 | 3.90% | |

(1) The District serves 100% of the City of Laguna Niguel which represents approximately 38% of the total District population.

Source: City of Laguna Niguel Finance Department

| City of Aliso Viejo ² | | | | |
|---|-------------------|------------------------------|--------------------------|--------------------------|
| Calendar Year | Population | Total Personal Income | Per Capita Income | Unemployment Rate |
| 2005 | 44,854 | \$ 1,755,584,996 | \$ 39,079 | 1.90% |
| 2006 | 44,924 | \$ 1,791,256,601 | \$ 39,773 | 1.80% |
| 2007 | 45,037 | \$ 1,857,154,707 | \$ 41,043 | 2.00% |
| 2008 | 45,249 | \$ 2,052,308,775 | \$ 44,925 | 2.70% |
| 2009 | 45,683 | \$ 1,977,868,828 | \$ 43,342 | 4.80% |
| 2010 | 45,634 | \$ 2,059,354,026 | \$ 43,062 | 4.90% |
| 2011 | 47,823 | \$ 2,002,825,000 | \$ 40,884 | 4.60% |
| 2012 | 48,988 | \$ 2,100,001,788 | \$ 42,444 | 3.00% |
| 2013 | 49,951 | \$ 2,100,839,000 | \$ 42,058 | 2.60% |

(2) The District serves approximately 98% of the City of Aliso Viejo which represents approximately 29% of the total District population.

Source: City of Aliso Viejo Finance Department

Note: The District boundaries encompass five cities: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo. Aliso Viejo, Laguna Hills, Laguna Niguel, and Mission Viejo represent approximately 99% of the total District population.

**Moulton Niguel Water District
Demographic and Economic Statistics
Last Ten Fiscal Years**

| Moulton Niguel Water District | |
|--------------------------------------|--------------------------------------|
| Fiscal Year | Estimated District Population |
| 2004 | 165,317 |
| 2005 | 165,636 |
| 2006 | 165,918 |
| 2007 | 166,168 |
| 2008 | 166,677 |
| 2009 | 166,964 |
| 2010 | 167,408 |
| 2011 | 164,450 |
| 2012 | 168,402 |
| 2013 | 168,174 |
| 2014 | 169,212 |

| City of Laguna Hills ³ | | | | | |
|--|-------------------|---|--------------------------|--------------------------|--|
| Calendar Year | Population | Total Personal Income (in thousands) | Per Capita Income | Unemployment Rate | |
| 2004 | 32,994 | \$ 1,275,828 | \$ 38,677 | 1.90% | |
| 2005 | 33,101 | \$ 1,321,554 | \$ 39,938 | 3.10% | |
| 2006 | 33,129 | \$ 1,384,623 | \$ 41,813 | 2.90% | |
| 2007 | 33,143 | \$ 1,425,961 | \$ 43,058 | 2.90% | |
| 2008 | 33,421 | \$ 1,441,089 | \$ 43,346 | 4.00% | |
| 2009 | 33,280 | \$ 1,417,282 | \$ 42,444 | 7.00% | |
| 2010 | 33,593 | \$ 1,500,666 | \$ 44,672 | 8.00% | |
| 2011 | 30,341 | \$ 1,445,996 | \$ 47,227 | 6.60% | |
| 2012 | 30,410 | \$ 1,363,858 | \$ 44,421 | 4.80% | |
| 2013 ⁴ | 30,857 | \$ 1,320,001 | \$ 42,778 | 4.20% | |

Source: Moulton Niguel Water District Billing Department.

(3) The City of Laguna Hills represents approximately 13% of the total District population.

(4) Total personal income and per capita income for 2013 are not yet available.

Source: City of Laguna Hills Finance Department

| City of Mission Viejo ⁵ | | | | | |
|---|-------------------|---|--------------------------|--------------------------|--|
| Fiscal Year | Population | Total Personal Income (in thousands) | Per Capita Income | Unemployment Rate | |
| 2004 | 97,845 | \$ 130,200,000 | \$ 52,871 | 2.1% | |
| 2005 | 97,848 | \$ 139,300,000 | \$ 54,127 | 2.7% | |
| 2006 | 98,165 | \$ 150,500,000 | \$ 56,114 | 2.6% | |
| 2007 | 98,030 | \$ 153,300,000 | \$ 55,172 | 2.8% | |
| 2008 | 99,781 | \$ 155,000,000 | \$ 53,552 | 3.8% | |
| 2009 | 100,122 | \$ 148,300,000 | \$ 51,374 | 6.8% | |
| 2010 | 93,297 | \$ 153,300,000 | \$ 52,124 | 6.9% | |
| 2011 | 93,483 | \$ 154,100,000 | \$ 50,440 | 6.7% | |
| 2012 | 94,196 | \$ 161,700,000 | \$ 52,342 | 5.7% | |
| 2013 | 94,824 | \$ 165,300,000 | \$ 53,032 | 4.7% | |
| 2014 | 95,334 | \$ 172,400,000 | \$ 54,839 | 3.9% | |

(5) The City of Mission Viejo represents approximately 19% of the total District population.

Source: City of Mission Viejo Finance Department

Note: The District boundaries encompass five cities: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo. Aliso Viejo, Laguna Hills, Laguna Niguel and Mission Viejo represent 99% of District population.

**Moulton Niguel Water District
Principal Employers ¹
Current Year and Seven Years Ago**

FY 2014 ²

| <u>Rank</u> | <u>Employer</u> | <u>Operating City</u> | <u>Number of Employees</u> | <u>Percent of Each City's Employment</u> |
|-------------|---|-----------------------|----------------------------|--|
| 1 | Mission Hospital Regional Medical Center | City of Mission Viejo | 2,443 | 4.37% |
| 2 | Saddleback College | City of Mission Viejo | 1,975 | 3.53% |
| 3 | Fluor Corporation | City of Aliso Viejo | 1,400 | 7.75% |
| 4 | Saddleback Valley Unified School District | City of Mission Viejo | 1,502 | 2.69% |
| 5 | Saddleback Memorial Hospital | City of Laguna Hills | 1,020 | 5.86% |
| 6 | Pacific Life Insurance | City of Aliso Viejo | 700 | 3.79% |
| 7 | Hines Growers LLC | City of Laguna Hills | 600 | 3.44% |
| 8 | Quest Software Inc. | City of Aliso Viejo | 600 | 3.40% |
| 9 | UPS | City of Aliso Viejo | 600 | 3.25% |
| 10 | Dell Softwarer | City of Aliso Viejo | 600 | 3.25% |

FY 2006 ²

| <u>Rank</u> | <u>Employer</u> | <u>Operating City</u> | <u>Number of Employees</u> | <u>Percent of Each City's Employment</u> |
|-------------|---|-----------------------|----------------------------|--|
| 1 | Saddleback College | City of Mission Viejo | 2,130 | 3.94% |
| 2 | Mission Hospital Regional Medical Center | City of Mission Viejo | 1,349 | 2.50% |
| 3 | Costco Wholesale Corporation | City of Laguna Niguel | 1,136 | 7.17% |
| 4 | Unisys Corporation | City of Mission Viejo | 1,000 | 1.85% |
| 5 | Saddleback Valley Unified School District | City of Mission Viejo | 640 | 1.19% |
| 6 | Quest Software Inc. | City of Aliso Viejo | 600 | 4.05% |
| 7 | Fluor Daniel Construction Co. | City of Aliso Viejo | 500 | 3.38% |
| 8 | Wal-Mart Stores, Inc. | City of Laguna Niguel | 500 | 3.15% |
| 9 | Macy's Department Stores | City of Mission Viejo | 475 | 0.88% |
| 10 | Capistrano Unified School District | City of Laguna Niguel | 400 | 2.52% |

(1) Principal Employers represents blended data from the four cities the District serves: Aliso Viejo, Laguna Hills, Laguna Niguel and Mission Viejo.

(2) The District used data from the FYE 2006 - 2013 CAFRs for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo, and Laguna Hills. Data prior to 2006 was not available in comparable formats for all cities, and it is ranked according to the number of employees.

**Moulton Niguel Water District
Full Time Employees by Function
Last Ten Fiscal Years**

| Function | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Office of the General Manag | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 3 | 6 |
| Human Resources | - | - | - | - | 1 | 1 | 1 | 2 | 2 | 2 |
| Administration | 2 | 2 | 2 | 2 | - | - | - | - | - | - |
| Customer Service | - | - | - | - | 2 | 2 | 2 | 2 | 3 | 2 |
| Utility Billing | 5 | 5 | 5 | 5 | 6 | 6 | 7 | 7 | 7 | 6 |
| Customer Service - Field | 19 | 19 | 19 | 19 | 17 | 19 | 17 | 18 | 19 | 16 |
| Customer Service - Office | 8 | 6 | 6 | 6 | 5 | 6 | 6 | 7 | 5 | 6 |
| Engineering - Field | 10 | 10 | 10 | 10 | 10 | 11 | 9 | 8 | 9 | 12 |
| Engineering - Office | 3 | 3 | 3 | 3 | 3 | 3 | 7 | 9 | 14 | 11 |
| Purchasing | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 |
| Information Technology | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Financial Services | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 2 | 2 |
| Accounting | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 7 | 7 | 7 |
| Operations Administration | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 4 |
| Operations - Plant | 18 | 18 | 18 | 18 | 18 | 14 | 9 | 10 | 11 | 17 |
| Operations - Field | 17 | 17 | 17 | 17 | 17 | 17 | 24 | 22 | 20 | 18 |
| Total | 102 | 100 | 100 | 100 | 99 | 100 | 104 | 107 | 113 | 115 |

Source: Moulton Niguel Water District Human Resources Department.

**Moulton Niguel Water District
Operating Indicators
Last Ten Fiscal Years**

| FISCAL YEAR | SERVICE CONNECTIONS | NET INCREASE PIPELINE (MILES) | MONTH OF PEAK CONSUMPTION | PEAK MONTHLY CONSUMPTION (M.G.D.) | AVERAGE DAILY CONSUMPTION (M.G.D.) | DAILY SEWAGE (M.G.D.) | POTABLE IMPORT | TAKEOUTS |
|-------------|---------------------|-------------------------------|---------------------------|-----------------------------------|-------------------------------------|-----------------------|----------------|----------|
| 2005 | 53,255 | < 1,400 | August | 40.33 | 28.84 | 13.4 | 28.84 | 14 |
| 2006 | 53,343 | < 1,400 | August | 39.42 | 29.71 | 13.6 | 29.71 | 14 |
| 2007 | 53,520 | < 1,400 | July | 41.56 | 32.20 | 13.6 | 32.20 | 14 |
| 2008 | 53,804 | < 1,400 | July | 41.21 | 30.69 | 14.6 | 30.69 | 14 |
| 2009 | 53,938 | < 1,400 | August | 39.30 | 29.24 | 14.6 | 29.24 | 14 |
| 2010 | 54,174 | <1,400 | August | 34.20 | 26.15 | 14.6 | 26.15 | 14 |
| 2011 | 54,374 | <1,400 | August | 31.30 | 24.16 | 12.5 | 24.16 | 13 |
| 2012 | 54,597 | <1,400 | August | 34.31 | 24.43 | 13.4 | 20.54 | 13 |
| 2013 | 54,790 | <1,400 | August | 43.50 | 25.10 | 13.6 | 25.19 | 13 |
| 2014 | 54,899 | <1,400 | July | 35.30 | 25.58 | 11.9 | 25.60 | 13 |

| FISCAL YEAR | PUMP STATIONS ¹ | | | RESERVOIRS ¹ | | NO. OF FIRE HYDRANTS | TREATMENT PLANTS ¹ | MILES OF WATER | MILES OF SEWER | MILES OF RECYCLED |
|-------------|----------------------------|---------|------|-------------------------|---------|----------------------|-------------------------------|----------------|----------------|-------------------|
| | RECYCLED | POTABLE | LIFT | RECYCLED | POTABLE | | | | | |
| 2005 | 12 | 28 | 19 | 12 | 28 | 7,000 | 4 | 700 | 530 | 140 |
| 2006 | 12 | 30 | 19 | 12 | 28 | 7,150 | 4 | 700 | 530 | 140 |
| 2007 | 12 | 30 | 19 | 12 | 28 | 7,150 | 4 | 700 | 530 | 140 |
| 2008 | 12 | 30 | 19 | 12 | 28 | 7,170 | 4 | 700 | 530 | 140 |
| 2009 | 12 | 30 | 19 | 12 | 28 | 7,200 | 4 | 700 | 530 | 140 |
| 2010 | 12 | 30 | 19 | 12 | 28 | 7,250 | 4 | 700 | 530 | 144 |
| 2011 | 12 | 30 | 19 | 13 | 28 | 7,256 | 4 | 700 | 537 | 148 |
| 2012 | 12 | 30 | 19 | 13 | 28 | 7,258 | 4 | 700 | 537 | 148 |
| 2013 | 12 | 30 | 19 | 13 | 28 | 7,211 | 4 | 700 | 537 | 148 |
| 2014 | 12 | 30 | 19 | 13 | 28 | 7,141 | 4 | 700 | 537 | 148 |

Note: MGD = Millions of Gallons per Day.

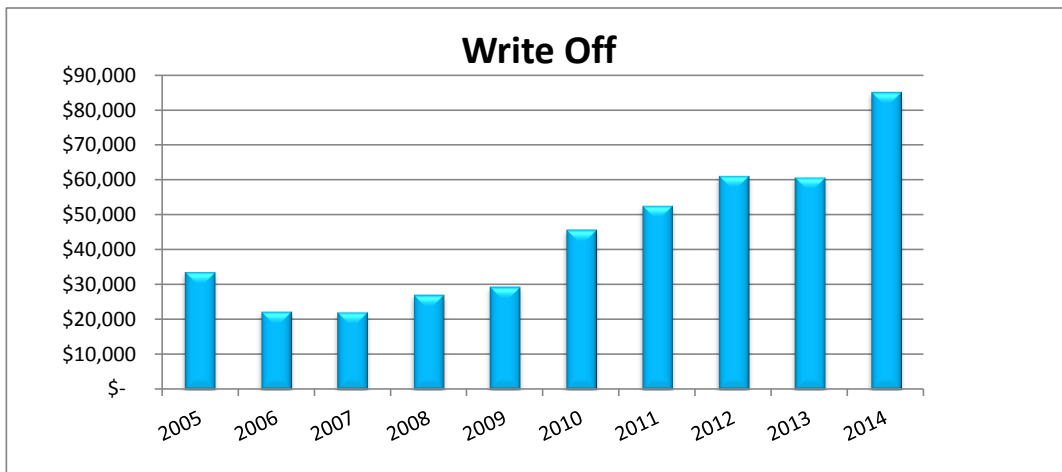
(1) The District wholly owns or has capacity rights in its pump stations, reservoirs, and treatment plants.

Source: Moulton Niguel Water District Operations and Billing Department.

Corrected 2013

Moulton Niguel Water District
Historical Billings, Collections, and Delinquencies
Last Ten Fiscal Years

| Fiscal Year | Balance Beginning FY | Billings | Payments | Balance Ending FY | Write Off | % of Billing |
|-------------|----------------------|---------------|---------------|-------------------|-----------|--------------|
| 2005 | \$ 2,873,547 | \$ 27,669,078 | \$ 27,691,955 | \$ 2,850,670 | \$ 33,721 | 0.12% |
| 2006 | \$ 2,850,670 | \$ 31,842,768 | \$ 31,285,539 | \$ 3,407,899 | \$ 22,364 | 0.07% |
| 2007 | \$ 3,407,899 | \$ 37,288,053 | \$ 36,585,907 | \$ 4,110,045 | \$ 22,209 | 0.06% |
| 2008 | \$ 4,110,045 | \$ 36,200,266 | \$ 36,697,046 | \$ 3,613,265 | \$ 27,189 | 0.08% |
| 2009 | \$ 3,613,265 | \$ 35,213,638 | \$ 35,775,830 | \$ 3,051,073 | \$ 29,480 | 0.08% |
| 2010 | \$ 3,051,073 | \$ 37,584,780 | \$ 37,232,581 | \$ 3,403,272 | \$ 45,825 | 0.12% |
| 2011 | \$ 3,403,272 | \$ 41,104,192 | \$ 39,862,841 | \$ 4,644,623 | \$ 52,657 | 0.13% |
| 2012 | \$ 4,644,623 | \$ 49,766,022 | \$ 49,423,883 | \$ 4,986,762 | \$ 61,286 | 0.12% |
| 2013 | \$ 4,986,762 | \$ 51,704,350 | \$ 50,776,003 | \$ 5,915,109 | \$ 60,822 | 0.12% |
| 2014 | \$ 5,915,109 | \$ 52,795,710 | \$ 53,606,871 | \$ 5,103,949 | \$ 85,183 | 0.16% |

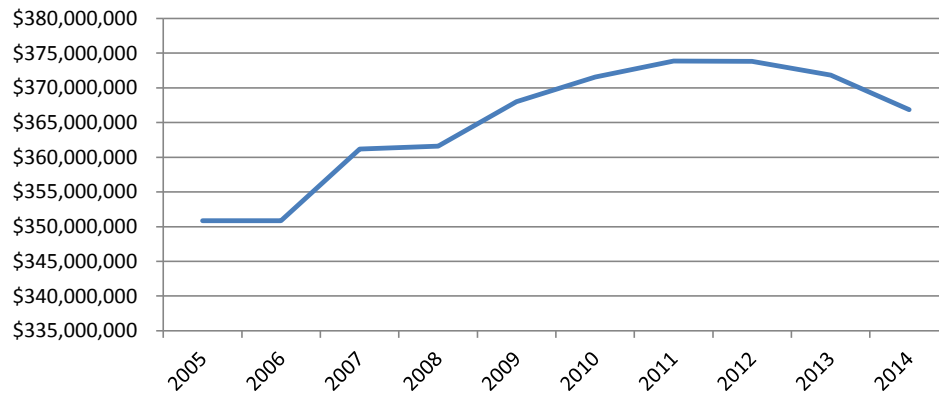


Source: Moulton Niguel Water District Finance Department.

Moulton Niguel Water District
Capital Assets Statistics
Last Ten Fiscal Years

| Fiscal Year | Water Systems | Capacity Rights | Buildings | Automobiles & Equipment | Land | Construction in Progress | Capital Assets, Net of Depreciation |
|-------------|----------------|-----------------|--------------|-------------------------|--------------|--------------------------|-------------------------------------|
| 2005 | \$ 335,874,248 | \$ - | \$ 3,898,176 | \$ 4,091,970 | \$ 1,091,910 | \$ 5,890,330 | \$ 350,846,634 |
| 2006 | \$ 331,989,023 | \$ - | \$ 3,744,139 | \$ 3,981,016 | \$ 1,091,910 | \$ 10,071,400 | \$ 350,877,488 |
| 2007 | \$ 343,948,637 | \$ - | \$ 3,617,740 | \$ 3,878,408 | \$ 1,091,910 | \$ 8,669,543 | \$ 361,206,238 |
| 2008 | \$ 341,989,768 | \$ - | \$ 3,455,277 | \$ 3,622,842 | \$ 1,091,910 | \$ 11,422,556 | \$ 361,582,353 |
| 2009 | \$ 343,943,064 | \$ - | \$ 3,365,172 | \$ 4,145,584 | \$ 1,091,910 | \$ 15,463,838 | \$ 368,009,568 |
| 2010 | \$ 341,293,660 | \$ 8,551,999 | \$ 3,538,659 | \$ 3,484,082 | \$ 1,091,910 | \$ 13,583,539 | \$ 371,543,849 |
| 2011 | \$ 335,560,748 | \$ 7,995,119 | \$ 3,401,805 | \$ 3,448,555 | \$ 1,091,910 | \$ 22,383,367 | \$ 373,881,504 |
| 2012 | \$ 329,278,513 | \$ 27,691,901 | \$ 3,217,693 | \$ 2,949,815 | \$ 1,091,910 | \$ 9,572,378 | \$ 373,802,210 |
| 2013 | \$ 330,699,738 | \$ 27,149,621 | \$ 3,119,398 | \$ 2,722,514 | \$ 1,091,910 | \$ 7,057,346 | \$ 371,840,527 |
| 2014 | \$ 318,902,934 | \$ 26,607,341 | \$ 2,655,805 | \$ 2,816,155 | \$ 1,091,910 | \$ 14,785,811 | \$ 366,859,956 |

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department