



**FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
December 17, 2014
9:00 AM
Approximate Meeting Time: 2 Hours**

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE NOVEMBER 19, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS

Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

DISCUSSION ITEMS

4. Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014
5. Consideration of Public Hearing for Adopting Rate Increases in Water, Sewer, and Recycled Water Service Fees
6. San Juan Capistrano Meter Reading Request for Proposal

INFORMATION ITEMS

7. Monthly Financial Report
 - a. Summary of Financial Results
 - b. Budget Comparison Report
 - c. Financial Statements

- d. Restricted Cash and Investments with Fiscal Agent
 - e. Unrestricted and Restricted Fund Balances
 - f. Summary of Disbursements November 2014
8. Late Items (Appropriate Findings to be Made)
- a. Need to take immediate action; and
 - b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

ADJOURNMENT

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than seventy-two (72) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room and on the District website at www.mnwd.com.



DRAFT
MINUTES OF THE REGULAR MEETING OF THE
FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT

November 19, 2014

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 AM on November 19, 2014. There were present and participating:

DIRECTORS

Duane Cave	Director
Scott Colton	Director
Richard Fiore	Director
Donald Froelich	President
Gary Kurtz	Director
Larry Lizotte	Director
Brian Probolsky	Vice President/Chair

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Marc Serna	Director of Engineering & Operations
Gina Hillary	Director of Human Resources
Kelly Winsor	Assistant to the General Manager
Paige Gulck	Board Secretary
Michael Bell	Public Financial Management
Ruth Zintzun	Finance Manager
Carole Wayman-Piascik	MNWD
Karren Maddox	MNWD
Drew Atwater	MNWD
Vivian Lim	MNWD
Megan Geer	MNWD
Matt Weber	Downey Brand
Kelly Salt	Best, Best, and Krieger
Deborah Harper	Lange, Soll & Lunghard
Mark Hildebrand	MWH, Global
Kevin Turner	Voit
Michael Hartel	Voit

Tim Strader Jr.

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1. CALL MEETING TO ORDER

The meeting was called to order by Donald Froelich at 9:00 a.m.

2. APPROVE THE MINUTES OF THE OCTOBER 15, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY LARRY LIZOTTE, MINUTES OF THE OCTOBER 15, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS AMMENDED. THE VOTE WAS UNANIMOUS WITH DIRECTORS SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, AND LARRY LIZOTTE ALL VOTING 'AYE'. DIRECTOR DUANE CAVE ABSTAINED. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.

3. PUBLIC COMMENTS

None.

Donald Froelich stated that the Board will discuss Information Items first.

INFORMATION ITEMS

9. Monthly Financial Report

Ruth Zintzun presented the Monthly Financial Report.

Brian Probolsky arrived at 9:30 a.m.

DISCUSSION ITEMS

4. Operations Facility Assessment Update

Matt Collings provided an update on communication with neighbors and the homeowner associations surrounding the ponds at 2A. He also stated the contract with Ware Malcomb to develop plans for the operations facility at 2A is set to begin.

5. Surplus of District Properties

Matt Collings presented this item. It is recommended that the Board of Directors adopt the resolution entitled, "Surplus of District Properties Located in Laguna Niguel and Laguna Hills." Discussion ensued regarding the surplus of the main office and plant 2A properties to public agencies in order to assess the value of the properties.

6. Draft Comprehensive Annual Financial Report (CAFR)

Deborah Harper from Lance, Soll & Lunghard, presented the draft Comprehensive Annual Financial Report (CAFR).

7. Long Range Financial Plan

Michael Bell addressed questions that were asked by the Board of Directors at the October workshop.

8. Rate Study

Ruth Zintzun addressed questions that were asked by Board of Directors at the October workshop.

Gary Kurtz left at 11:58 a.m.

10. Late Items (Appropriate Findings to be Made)

Staff has none.

CLOSED SESSION

11. CONFERENCE WITH REAL PROPERTY NEGOTIATORS, Pursuant to Government Code Section 54956.8

Property: 4 Liberty, Aliso Viejo, 92656

Under Negotiation: Price and terms of payment

Real Property Negotiators: Joone Lopez, Matt Collings, Kevin Turner, Mike Hartel

The Board of Directors entered closed session at 12:03 p.m. and exited at 1:02 p.m. There was no reportable action.

This meeting was continued to before or during the Board of Directors meeting on Thursday, November 20, 2014 at 5:30 p.m.

ADJOURNMENT

Respectfully submitted,

Paige Gulck
Board Secretary

November 13, 2014

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have audited the financial statements of the Moulton Niguel Water District (the District) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 6, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.



Board of Directors
Moulton Niguel Water District

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the supplementary information section and the statistical section, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2013-2014 audit:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - The District early implemented this pronouncement in fiscal year 2012-13.

GASB Statement No. 66, *Technical Corrections* - The District properly implemented this pronouncement.



Board of Directors
Moulton Niguel Water District

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB of GASB Statement No. 25* - The District was not affected by this pronouncement at this time.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - The District was not affected by this pronouncement at this time.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in your next fiscal year 2014-2015 audit and should be reviewed for proper implementation by management:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement no. 27*.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date*.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Moulton Niguel Water District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, and have issued our report thereon dated November 13, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Board of Directors
Moulton Niguel Water District

Purpose of this Report

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

Lance, Soll & Lughard, LLP

Brea, California
November 13, 2014



NOTICE OF PUBLIC HEARING

Concerning Proposed Rate Increases for Moulton Niguel Water District Water, Recycled Water, and Wastewater Service Fees

NOTICE IS HEREBY GIVEN THAT the Board of Directors of the Moulton Niguel Water District (the “District”) will conduct a public hearing on _____, 2015, at _____ p.m. in the Boardroom of the District Headquarters at 27500 La Paz Road, Laguna Niguel, CA 92677, to consider adopting increases in the rates for its water, recycled water, and wastewater service fees.

REASONS FOR THE PROPOSED RATE INCREASES

The District is dedicated to providing reliable water and wastewater services cost-effectively while protecting the water resources and the public health of our community. While the District continually strives for cost reductions and better utilization of the assets it holds, it also needs to keep pace with inflation and other cost increases, including, among others, the cost to purchase water and comply with regulations governing the treatment of water and wastewater, the disposal of wastewater, and the maintenance of vital infrastructure.

The District purchases water from the Metropolitan Water District of Southern California (“MWD”) through the Municipal Water District of Orange County (“MWDOC”), a wholesaler for the region. MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and Northern California via the California Aqueduct. On January 17, 2014, and April 25, 2014, Governor Jerry Brown issued drought state of emergency declarations in response to record-low water levels in California’s rivers and reservoirs, as well as an abnormally low snowpack. The drought has impacted the cost of imported water the District purchases from MWD through MWDOC and the availability of water supplies.

The water that the District purchases from MWD through MWDOC is treated to drinking water (“potable water”) standards at the Deimer Treatment Plant. In addition, the District will purchase untreated water from MWD through MWDOC which is treated to potable water at the Baker Treatment Plant to meet approximately 20% of the District’s water supply in 2017.

The District anticipates that there will be future increases in the costs of operating and maintaining the water system, recycled water system, and wastewater system. The proposed water, recycled water, and wastewater rate increases



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are necessary to enable the District to: (1) recover current and projected increases in the costs of operating and maintaining the water, recycled water, and wastewater systems; (2) construct capital infrastructure improvements needed to repair, replace and update the District's aging water, recycled water, and wastewater systems; (3) maintain the operational and financial stability of the utilities; (4) avoid operational deficits and depletion of reserves; and (5) comply with regulatory requirements. As described below, the rates are being proposed to be adjusted and increased annually for a three-year period for increases in the cost of providing these services.

PROPOSED WATER AND RECYCLED WATER RATE INCREASES

The rate structure for water service fees has five customer classes: residential, multi-family, commercial, irrigation, and recycled. The rate structure is comprised of two components: (1) a fixed monthly service charge (the "Service Charge"); and (2) a variable volumetric water consumption charge (the "Volumetric Charge"). The rates for the fixed monthly Service Charge are established on the basis of the size of the water meter serving a property and are calculated to recover a significant portion of the District's fixed costs, such as water facility repairs and replacements, meter reading, billing, and customer service. The rates for the variable Volumetric Charge are based on the number of units of water delivered to a property and consist of five tiers which impose higher rates as the level of water consumption increases (one unit of water equals one hundred cubic feet ("HCF"), or 748 gallons). As described below, each customer is allocated a reasonable amount of water based on that customer's particular needs. This allocation is referred to as a "water budget."

Residential and multi-family customers are given an indoor and an outdoor water budget. Indoor water budgets are calculated using three factors: (1) 60 gallons of water per person per day; (2) the number of people in the household; and (3) the number of days in the billing cycle. Their outdoor water budgets are calculated using 3 factors: (1) the amount of irrigated area per parcel; (2) actual daily plant water loss ("evapotranspiration"); and (3) a "plant factor" of 0.70 that reflects the water needs of specific types of plants that are native to the District's service area and guidelines provided by State law. All water used by a residential or multi-family customer within his or her assigned indoor and outdoor water budget is billed at the Tier 1 and Tier 2 rates set forth in the tables below.

Commercial customers' water budgets are calculated based on a three-year rolling average of each customer's monthly water use. All water used by a commercial customer within its assigned water budget is billed at the Tier 1 rates set forth in the tables below.

Irrigation water customers' water budgets are calculated using three factors: (1) the amount of irrigated area per parcel; (2) evapotranspiration; and (3) a plant factor of 0.70, except high foot traffic public space areas with a plant factor of 1.0. All water used by an irrigation customer within his or her assigned outdoor water budget is billed at the Tier 1 rates set forth in the tables below.



Recycled water customers' water budgets are calculated using three factors: (1) the amount of irrigated area per parcel; (2) evapotranspiration; and (3) a plant factor of 0.80 (due to the public benefit of recycled water), except for high foot traffic public space areas with a plant factor of 1.0. All water used by a recycled water customer within his or her assigned outdoor water budget is billed at the Tier 1 rates set forth in the tables below.

Customers whose potable water or recycled water use remains within their water budgets are billed at the lowest tier or tiers (Tiers 1 and 2 for residential and multi-family customers, and Tier 1 for all other customers). Customers who exceed their water budgets by inefficiently using water or recycled water are billed at the rates in the higher tiers for the amount of water or recycled water they use in excess their water budgets. These rates include a portion of the District's fixed costs and are calculated on the basis of the cost of providing water, purchasing water from MWD through MWDOC, treating the water, and managing the District's water resources. Together, the components of the District's water service fees are structured to proportionately allocate the cost of providing water service among the various customer classes.

In addition to the water service charges described above, the District also imposes a fixed monthly fire protection charge on certain properties as a condition of extending or initiating water service (1) by the installation of a private fire suppression systems, and (2) upon the request of the customer or property owner for the delivery of water to the property for the purpose of fire service protection. The rates for the monthly fire protection charges are established on the basis of the size of the meter through which water is delivered and is calculated to recover the cost of providing water to such properties for private fire service protection. The proposed rates and effective dates are set forth in the tables below.

TIER WIDTHS EFFECTIVE APRIL 1, 2015		
Tier	Residential, Multi-Family	Commercial, Irrigation & Recycled
Tier 1	Indoor Water Budget	Up to Total Water Budget*
Tier 2	Outdoor Water Budget	101% to 125% of Water Budget
Tier 3	101% to 125% of Total Water Budget	126% to 150% of Water Budget
Tier 4	126% to 150% of Total Water Budget	Over 151% of Water Budget
Tier 5	Over 151% of Total Water Budget	-

*Total water budget is equal to the indoor plus outdoor water budget for residential and multi-family customers, the outdoor water budget for potable irrigation and recycled customers, and three-year monthly average for commercial customers.

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RATES FOR MONTHLY SERVICE CHARGES EFFECTIVE APRIL 1, 2015 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial	Irrigation	Recycled	Fire Protection
5/8"	\$10.79	\$6.64	\$5.93	\$16.88	\$16.88	\$3.58
3/4"	\$10.79	\$6.64	\$5.93	\$16.88	\$16.88	\$3.58
1"	\$10.79	\$6.64	\$5.93	\$16.88	\$16.88	\$3.58
1 1/2"	\$35.97	\$22.13	\$19.77	\$56.27	\$56.27	\$11.94
2"	\$57.55	\$35.41	\$31.63	\$90.03	\$90.03	\$19.11
2 1/2"	-	-	-	-	-	\$30.45
3"	\$125.89	\$77.47	\$69.19	\$196.94	\$196.94	\$41.80
4"	\$215.80	\$132.80	\$118.60	\$337.60	\$337.60	\$71.65
6"	\$449.94	\$276.89	\$247.28	\$703.90	\$703.90	\$149.27
8"	\$647.40	\$398.40	\$355.80	\$1,012.80	\$1,012.80	\$214.95
10"	\$1,043.39	\$642.09	\$573.43	\$1,632.30	\$1,632.30	\$346.31

RATES FOR VOLUMETRIC CHARGES EFFECTIVE APRIL 1, 2015 (\$/HCF)			
Tier	Residential, Multi-Family	Commercial, Irrigation	Recycled
Tier 1	\$1.41	\$1.61	\$1.17
Tier 2	\$1.61	\$2.49	\$1.66
Tier 3	\$2.49	\$4.25	\$3.42
Tier 4	\$4.25	\$9.04	\$8.21
Tier 5	\$9.04	-	-



RATES FOR MONTHLY SERVICE CHARGES EFFECTIVE JANUARY 1, 2016 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial	Irrigation	Recycled	Fire Protection
5/8"	\$11.39	\$7.01	\$6.26	\$17.83	\$17.83	\$3.78
3/4"	\$11.39	\$7.01	\$6.26	\$17.83	\$17.83	\$3.78
1"	\$11.39	\$7.01	\$6.26	\$17.83	\$17.83	\$3.78
1 1/2"	\$37.98	\$23.37	\$20.88	\$59.42	\$59.42	\$12.61
2"	\$60.77	\$37.39	\$33.41	\$95.07	\$95.07	\$20.18
2 1/2"	-	-	-	-	-	\$32.16
3"	\$132.94	\$81.81	\$73.06	\$207.97	\$207.97	\$44.14
4"	\$227.88	\$140.24	\$125.24	\$356.51	\$356.51	\$75.66
6"	\$475.14	\$292.40	\$261.13	\$743.32	\$743.32	\$157.63
8"	\$683.65	\$420.71	\$375.72	\$1,069.52	\$1,069.52	\$226.99
10"	\$1,101.82	\$678.05	\$605.54	\$1,723.71	\$1,723.71	\$365.70

RATES FOR VOLUMETRIC CHARGES EFFECTIVE JANUARY 1, 2016 (\$/HCF)			
Tier	Residential, Multi-Family	Commercial, Irrigation	Recycled
Tier 1	\$1.49	\$1.70	\$1.24
Tier 2	\$1.70	\$2.62	\$1.74
Tier 3	\$2.62	\$4.38	\$3.50
Tier 4	\$4.38	\$9.17	\$8.29
Tier 5	\$9.17	-	-

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RATES FOR MONTHLY SERVICE CHARGES EFFECTIVE JANUARY 1, 2017 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial	Irrigation	Recycled	Fire Protection
5/8"	\$11.91	\$7.33	\$6.55	\$18.65	\$18.65	\$3.95
3/4"	\$11.91	\$7.33	\$6.55	\$18.65	\$18.65	\$3.95
1"	\$11.91	\$7.33	\$6.55	\$18.65	\$18.65	\$3.95
1 1/2"	\$39.73	\$24.45	\$21.84	\$62.15	\$62.15	\$13.19
2"	\$63.57	\$39.11	\$34.94	\$99.44	\$99.44	\$21.11
2 1/2"	-	-	-	-	-	\$33.64
3"	\$139.06	\$85.57	\$76.44	\$217.54	\$217.54	\$46.17
4"	\$238.36	\$146.69	\$131.00	\$372.91	\$372.91	\$79.14
6"	\$497.00	\$305.85	\$273.14	\$777.51	\$777.51	\$164.88
8"	\$715.10	\$440.06	\$393.00	\$1,118.72	\$1,118.72	\$237.43
10"	\$1,152.50	\$709.24	\$633.39	\$1,803.00	\$1,803.00	\$382.52

RATES FOR VOLUMETRIC CHARGES EFFECTIVE JANUARY 1, 2017 (\$/HCF)			
Tier	Residential, Multi-Family	Commercial, Irrigation	Recycled
Tier 1	\$1.56	\$1.78	\$1.29
Tier 2	\$1.78	\$2.73	\$1.81
Tier 3	\$2.73	\$4.49	\$3.57
Tier 4	\$4.49	\$9.28	\$8.36
Tier 5	\$9.28	-	-

For water used for construction purposes, where a temporary water meter is provided by the District, the District is proposing the following rate increases:

RATES FOR WATER CONSTRUCTION METERS AND CONSTRUCTION WATER			
	Effective April 1, 2015	Effective January 1, 2016	Effective January 1, 2017
Meter Charge (\$/Month)	\$114.78	\$121.21	\$126.78
Volumetric Charge (\$/HCF)			
Potable Water	\$2.45	\$2.59	\$2.71
Recycled Water	\$2.38	\$2.51	\$2.63

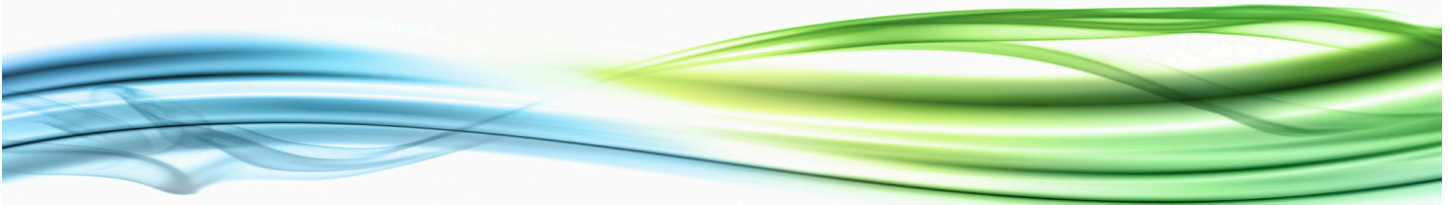
WATER SHORTAGES AND IMPACTS TO WATER RATES

The State of California is currently experiencing a record-setting drought. Pursuant to State law, the District is required to adopt a Water Shortage Contingency Plan (the “Plan”) to address specific “stages” of action to be undertaken in response to water supply shortages. A Plan generally will include within each stage specified levels of reduction in the use of water that are appropriate for a water agency’s service area. Recognizing that water is our most vital resource, the District’s Plan establishes 5 water shortage stages (each a “Stage”) and mandates during each Stage specific water conservation practices to reduce unreasonable and wasteful water use and preserve the District’s water supplies.

On July 15, 2014, the State Water Resources Control Board implemented regulations requiring water utilities to implement restrictions on outdoor irrigation. Moulton Niguel Water District was one of two agencies in the State to have an Alternate Plan for Demand Reductions approved. In order to maintain the District’s exemption from implementing mandatory restrictions and maximize supplies while maintaining choice in how individuals use water, the District is implementing a Water Shortage Contingency Plan to make adjustments to customers’ assigned water budgets during specified stages. During Stages 2-5, any customer who uses water in excess of his or her assigned water budget shall be in violation of the Plan’s rules and regulations and shall pay an administrative penalty (“Conservation Penalty”) for each HCF, or portion thereof, of water used in excess of a customer’s water budget. The Conservation Penalty shall be in addition to the Volumetric Charge the District collects for the potable water or recycled water delivered. The water demand reductions for each of the Stages, the water budget adjustments, and the Conservation Penalties effective April 1, 2015 that may be imposed are described below. The implementation of any Stage of the Plan is dependent on Board action, contemplating the District’s water supply conditions and demand expectations.

Stage 1 — Efforts in Stage 1 are focused on a voluntary reduction. No restrictions on water use will be implemented and no adjustments will be made to customers’ assigned water budgets.

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Stage 2 — During Stage 2, all water customers, both potable and recycled, are prohibited from using water in excess of their assigned water budgets. Any water used in excess of their water budgets will be subject to the Conservation Penalty of \$7.43 per HCF for potable water customers and \$7.04 per HCF for recycled water customers.

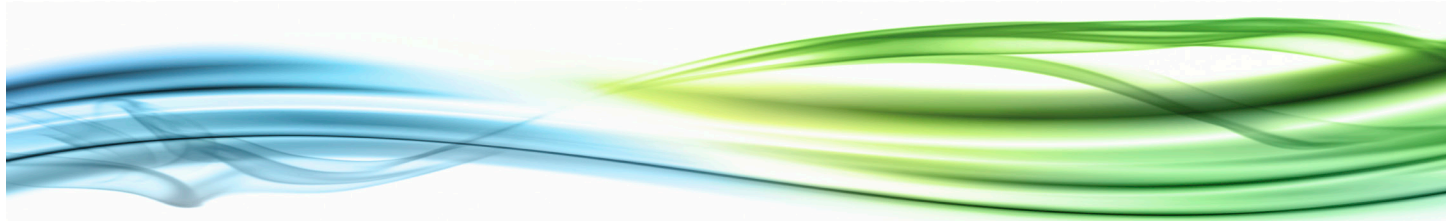
Stage 3 — During Stage 3, residential, multi-family and irrigation customers using potable water will have their outdoor water budgets multiplied by a 60% factor to meet reduced water supplies. All recycled water customers will have their outdoor water budgets multiplied by a 90% factor due to reduced recycled water supplies from indoor water use reductions. All customers shall be prohibited from using water in excess of their recalculated water budgets. Any water used in excess of their recalculated water budgets will be subject to a Conservation Penalty of \$7.43 per HCF for potable water customers and \$7.04 per HCF for recycled water customers.

Stage 4 — During Stage 4, residential, multi-family and irrigation customers using potable water will have their outdoor water budgets multiplied by a 30% factor to meet reduced water supplies. All recycled water customers will have their outdoor water budgets multiplied by an 80% factor due to reduced recycled water supplies from indoor water use reductions. Any water used in excess of their recalculated water budgets will be subject to a Conservation Penalty of \$7.43 per HCF for potable water customers and \$7.04 per HCF for recycled water customers.

Stage 5 — During Stage 5, all residential and multi-family customers will have their indoor water budgets reduced from 60 gallons per capita per day to 40 gallons per capita per day. All commercial customers will be prohibited from using potable water in excess of their assigned water budgets, all residential and multi-family customers shall be prohibited from using potable water in excess of their recalculated indoor water budgets, and all irrigation customers shall be prohibited from using potable water. The use of potable water for outdoor irrigation shall be prohibited within the District's service area. All recycled water customers will have their outdoor water budget multiplied by a 70% factor due to reduced recycled water supplies from indoor water use reductions. All recycled water customers shall be prohibited from using recycled water in excess of their recalculated recycled water budget. Any customer who uses water in excess of his or her recalculated or assigned water budget will be subject to the following Conservation Penalty: \$7.63 per HCF for residential and multi-family customers; \$7.43 per HCF for commercial customers; \$9.04 per HCF for irrigation customers using potable water; and \$7.04 per HCF for recycled water customers.

WATER PASS THROUGH ADJUSTMENTS

The District anticipates that MWDOC will increase the rates of wholesale water that it sells and delivers to the District and may impose other charges on the District related to its wholesale water service. In developing its rates, the District included projected increases in these costs as part of its Long-Range Financial Plan. To ensure that there are sufficient revenues to provide water services to our customers, the District is also proposing to annually pass through to our customers any increases in the rates for wholesale water and any other charges that MWDOC imposes on the District that are greater than those projected in the District's Long-Range Financial Plan (each a "MWDOC Pass Through Adjustment"). Any MWDOC Pass Through Adjustment will only impact the rates of the Volumetric Charges or residential, multi-family, commercial and irrigation customers set forth in the tables above. If



approved by the Board of Directors, the District may annually implement the MWDOC Pass Through Adjustments for a five-year period commencing January 1, 2016, through and including January 1, 2020. Provided, however, that (1) any increase in the rates described above as a result of any MWDOC Pass Through Adjustment shall not exceed 10% per year; and (2) in no event shall such rates be increased by more than the cost of providing water service.

WASTEWATER RATES INCREASES

The District is a member agency of the South Orange County Wastewater Authority (“SOCWA”), a joint powers authority comprised of ten governmental agencies. SOCWA operates four regional treatment plants and two ocean outfalls. The District contracts with SOCWA to treat and discharge the District’s wastewater.

The rates for the District’s monthly wastewater service charges are structured to recover the District’s costs to operate and maintain its wastewater collection system, and to pay SOCWA for treating, and disposing of its wastewater. The rate structure consists of three customer classes: residential, multi-family, and commercial. Within the commercial customer class there are four subclasses of customers. The subclasses are classified based on the type of commercial activity and the constituents that they discharge into the wastewater system. Typical users within the four subclasses generally include the following:

Commercial Class 1 — banks, car washes, churches, department and retail stores, laundromats, professional offices, schools, and colleges

Commercial Class 2 — beauty and barber shops, hospitals, convalescent facilities, repair shops, service stations, and veterinarian hospitals

Commercial Class 3 — hotels with dining facilities, markets with garbage disposals, mortuaries, and fast-food restaurants

Commercial Class 4 — restaurants, automobile steam-cleaning facilities, and bakeries

The proposed rates for the wastewater service fees consist of a fixed monthly charge determined on the basis of the size of the meter serving a property. Residential customers, however, are charged only one rate (the equivalent of a one inch meter) since any residential account with a meter larger than one inch is likely for outdoor irrigation. The proposed rates and effective dates for the wastewater service fees are set forth in the tables below.

#5.

WASTEWATER SERVICE RATES EFFECTIVE APRIL 1, 2015 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial 1	Commercial 2	Commercial 3	Commercial 4
5/8"	\$22.68	\$24.72	\$17.87	\$38.07	\$78.32	\$84.49
3/4"	\$22.68	\$24.72	\$17.87	\$38.07	\$78.32	\$84.49
1"	\$22.68	\$24.72	\$17.87	\$38.07	\$78.32	\$84.49
1 1/2"	\$22.68	\$75.90	\$53.05	\$120.39	\$254.54	\$275.11
2"	\$22.68	\$119.77	\$83.22	\$190.96	\$405.60	\$438.53
3"	\$22.68	\$258.72	\$178.75	\$414.46	\$884.04	\$956.06
4"	\$22.68	\$441.52	\$304.43	\$708.50	\$1,513.46	\$1,636.92
6"	\$22.68	\$916.83	\$631.22	\$1,473.04	\$3,150.05	\$3,407.27
8"	\$22.68	\$1,319.01	\$907.72	\$2,119.93	\$4,534.81	\$4,905.21
10"	\$22.68	\$2,123.37	\$1,460.74	\$3,413.76	\$7,304.41	\$7,901.16

WASTEWATER SERVICE RATES EFFECTIVE JANUARY 1, 2016 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial 1	Commercial 2	Commercial 3	Commercial 4
5/8"	\$24.83	\$27.07	\$19.56	\$41.69	\$85.76	\$92.52
3/4"	\$24.83	\$27.07	\$19.56	\$41.69	\$85.76	\$92.52
1"	\$24.83	\$27.07	\$19.56	\$41.69	\$85.76	\$92.52
1 1/2"	\$24.83	\$83.11	\$58.09	\$131.83	\$278.72	\$301.25
2"	\$24.83	\$131.15	\$91.12	\$209.10	\$444.14	\$480.19
3"	\$24.83	\$283.30	\$195.73	\$453.84	\$968.02	\$1,046.88
4"	\$24.83	\$483.47	\$333.35	\$775.81	\$1,657.24	\$1,792.43
6"	\$24.83	\$1,003.93	\$691.18	\$1,612.98	\$3,449.31	\$3,730.96
8"	\$24.83	\$1,444.31	\$993.95	\$2,321.33	\$4,965.62	\$5,371.20
10"	\$24.83	\$2,325.09	\$1,599.51	\$3,738.07	\$7,998.33	\$8,651.77



WASTEWATER SERVICE RATES EFFECTIVE JANUARY 1, 2017 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial 1	Commercial 2	Commercial 3	Commercial 4
5/8"	\$26.22	\$28.58	\$20.66	\$44.02	\$90.56	\$97.70
3/4"	\$26.22	\$28.58	\$20.66	\$44.02	\$90.56	\$97.70
1"	\$26.22	\$28.58	\$20.66	\$44.02	\$90.56	\$97.70
1 1/2"	\$26.22	\$87.76	\$61.35	\$139.21	\$294.33	\$318.12
2"	\$26.22	\$138.50	\$96.23	\$220.81	\$469.01	\$507.08
3"	\$26.22	\$299.17	\$206.69	\$479.25	\$1,022.23	\$1,105.51
4"	\$26.22	\$510.54	\$352.02	\$819.25	\$1,750.04	\$1,892.81
6"	\$26.22	\$1,060.15	\$729.89	\$1,703.30	\$3,642.47	\$3,939.89
8"	\$26.22	\$1,525.19	\$1,049.61	\$2,451.32	\$5,243.70	\$5,671.99
10"	\$26.22	\$2,455.30	\$1,689.08	\$3,947.40	\$8,446.24	\$9,136.27

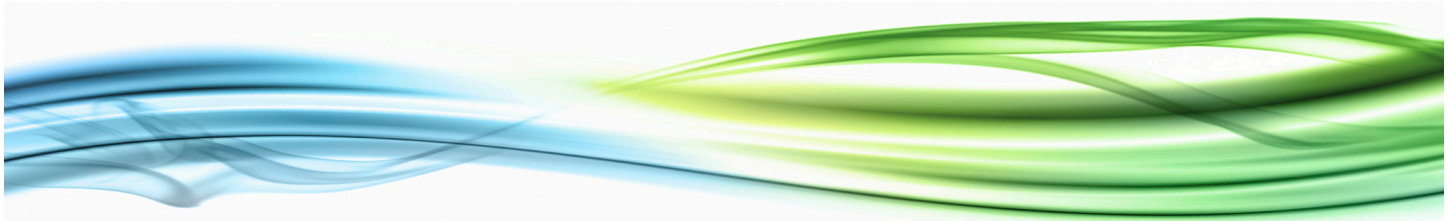
WASTEWATER PASS THROUGH ADJUSTMENTS

The District anticipates that SOCWA will increase the rates of wholesale wastewater treatment and disposal service fees that it imposes on the District. In developing its rates, the District included projected increases in these costs as part of its Long-Range Financial Plan. To ensure that there are sufficient revenues to provide wastewater services to our customers, the District is also proposing to annually pass through to our customers any increases in the rates in wholesale wastewater and any other charges that SOCWA imposes on the District that are greater than those projected in its Long-Range Financial Plan (each a "SOCWA Pass Through Adjustment"). If approved by the Board of Directors, the District may annually implement the SOCWA Pass Through Adjustments for a five-year period commencing January 1, 2016, through and including January 1, 2020. Provided, however, that (1) any increase in the rates described above as a result of any Pass Through Adjustment shall not exceed 10% per year; and (2) in no event shall such rates be increased by more than the cost of providing wastewater service.

PUBLIC HEARING

Any record owner of a parcel upon which the fees are proposed for imposition, or any tenant directly responsible for the payment of water service fees (i.e., a customer of record), may submit a written protest to the proposed rate increases to the District's water, recycled water, and wastewater service fees; provided, however, only one protest will be counted per identified parcel. Each protest must: (1) be in writing; (2) state whether the protest is submitted in opposition to the rate increases to the water, recycled water, wastewater service fees, or the MWDOC, or SOCWA Pass Through Adjustments (collectively the "Pass Through Adjustments"); (3) provide the location of the

#5.



identified parcel (by assessor's parcel number or service address); and (4) include the name and signature of the person submitting the written protest. Written protests may be submitted by mail to Moulton Niguel Water District's office at 27500 La Paz Road, Laguna Niguel, CA 92677. Written protests may also be submitted in person at the District's office or at the public hearing (see date, time and location above). All written protests must be received prior to the conclusion of the public input portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a formal written protest. Please identify on the front of the envelope for any protest, whether mailed or submitted in person, that the enclosed letter is for the Public Hearing on Proposed Rate Increases.

The Board of Directors will consider all written protests timely submitted and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. At the conclusion of the public hearing, the Board of Directors will determine whether to adopt the proposed rate increases and Pass Through Adjustments described in this notice.

If, after the close of the public hearing, written protests against the proposed rate increases and Pass Through Adjustments as outlined above are not presented by a majority of the record owners and customers of record of the identified parcels upon which they are proposed to be imposed, the Board of Directors will be authorized to impose the rate increases and Pass Through Adjustments.

If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact Ruth Zintzun, Finance Manager, at (949) 448-4024 or rzintzun@mnwd.com.

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results

Results of operations for the four months ended October 31, 2014, as compared to the four months ended October 31, 2013, are summarized below. The unaudited statements presented below have been updated in conjunction with the District's audit which is expected to be adopted by the Board of Directors this month.

Summary Budget Comparison Report

The Summary Budget Comparison Report is a high level statement of the operating activities of the District over the past three months compared to the budget. The report includes total revenues and expenses, as well as line item revenues and expenses for the General Fund and the Water Efficiency Fund. As shown in the summary report, operating revenues were approximately \$20.6 million, or 39% of the annual \$53.0 million budget. Operating expenses were \$28.2 million, or 42% of the annual \$67.7 million budget.

Non-operating revenues are approximately at 22% of budget for the Fiscal Year due to the timing of the receipt of property tax revenue.

Statement of Net Position

The Statement of Net Position shows the District's assets and liabilities as of October 31, 2014, compared to the balances at fiscal year ended June 30, 2014. Overall, assets were about \$14.4 million lower than at June 30, 2014, primarily due to a reduction in current cash and investments as a result of recent debt service payments and planned reductions in the District's cash balances. Liabilities have decreased by approximately \$10.9 million since June 30, 2014, also due to debt service payments. As a result, the District's net position decreased by approximately \$3.6 million for the month ending October 31, 2014, compared to fiscal year ending June 30, 2014.

Revenues

Total revenues for the four months ended October 31, 2014 were \$27.2 million, approximately \$3.5 million more than from October 31, 2013, this is due to an increase in other non-operating revenues as a result of a refund from the District's water supplier associated with historic water use adjustments. Total Operating Revenues for the month ended October 31, 2014, were \$20.6 million, an increase of \$0.3 million compared to October 31, 2013.

Expenses

Total expenses for the four months ended October 31, 2014, were \$31.3 million, an increase of \$1.9 million or 6.3% as compared to \$29.4 million on October 31, 2013. Total operating expenses were \$23.2 million, an increase of \$1.9 million from last year. Other operating expenses for the four months ended October 31, 2014, were \$6.1 million, an increase of \$0.3 million compared to \$5.8 million on October 31, 2013. Other non-operating expenses for the four months ended October 31, 2014, totaled \$2.0 million, a decrease of approximately \$0.3 million or 14.1% compared to \$2.3 million on October 31, 2013.

#7.a.

MOULTON NIGUEL WATER DISTRICT Summary of Financial Results

Restricted Cash and Investments with Fiscal Agent

Restricted cash includes funds held by the trustee. The use of these funds is restricted by law or bond covenants. Funds in these accounts were about \$20.5 million at October 31, 2014, a decrease of \$2.0 million from June 30, 2014 due to funding of capital projects.

Unrestricted and Restricted Fund Balances

The unrestricted and restricted fund balances reflect the funds in each of the District's unrestricted and restricted funds that are not held by the Fiscal Agent. The unrestricted fund balances are further broken down by designated and undesignated funds. As shown in the report, the District has five funds that are designated by District policy for specific purposes, including Self Insurance, Replacement and Refurbishment, Rate Stabilization, Emergency and General Operating. Total unrestricted funds decreased by approximately \$14 million since June 30, 2014, due to debt service payments and a planned reduction of District cash balances. Restricted fund balances are \$4.0 million, a decrease of \$5.2 million compared to June 30, 2014. This decrease is due to debt service payments.

In August 2014, the Board of Directors adopted a revised Reserve policy for the District's funds. The Unrestricted and Restricted Fund Balances report and funds have been updated to reflect the revised policy.

Moulton Niguel Water District
Summary - Budget Comparison Report
Four Months Ended October 31, 2014

#7.b.

Description	Approved Budget	Fiscal Year to Date Commitments	Budget Balance	% of Commitments to Budget
<u>GENERAL FUND & WATER EFFICIENCY FUND:</u>				
Operating Revenues	\$ 53,033,500	\$ 20,567,513	\$ 32,465,987	39%
Operating Expenses	67,653,553	28,198,702	39,454,851	42%
Operating Income (Loss)	(14,620,053)	(7,631,189)	(6,988,864)	
Non-Operating Revenues (Expenses)	26,749,707	5,820,287	20,929,420	22%
Total Change in Funds	<u>\$ 12,129,654</u>	<u>\$ (1,810,902)</u>	<u>\$ 13,940,556</u>	
<u>GENERAL FUND:</u>				
Operating Revenues	\$ 49,683,500	\$ 18,471,294	\$ 31,212,206	37%
Operating Expenses	63,991,103	25,840,650	38,150,453	40%
Operating Income (Loss)	(14,307,603)	(7,369,356)	(6,938,247)	
Non-Operating Revenues (Expenses)	26,629,707	5,774,335	20,855,372	22%
Change in General Fund	<u>\$ 12,322,104</u>	<u>\$ (1,595,021)</u>	<u>13,917,124</u>	
<u>WATER EFFICIENCY FUND:</u>				
Operating Revenues	\$ 3,350,000	\$ 2,096,219	1,253,781	63%
Operating Expenses	3,662,450	2,358,052	1,304,398	64%
Operating Income (Loss)	(312,450)	(261,834)	(50,617)	
Non-Operating Revenues (Expenses)	120,000	45,952	74,048	38%
Change in Water Efficiency Fund	<u>\$ (192,450)</u>	<u>\$ (215,881)</u>	<u>23,431</u>	

**Moulton Niguel Water District
General Fund - Budget Comparison Report
Four Months Ended October 31, 2014**

#7.b.

Description	Approved Budget	Fiscal Year to Date Commitments	Budget Balance	% of Commitments to Budget
GENERAL FUND				
<u>Operating Revenues</u>				
Water Sales	\$ 27,325,000	\$ 10,039,818	\$ 17,285,182	37%
Recycled Water Sales	4,725,000	2,354,820	2,370,180	50%
Sewer Sales	17,150,000	5,934,426	11,215,574	35%
Other Operating Income	483,500	142,230	341,270	29%
Total Operating Revenue	49,683,500	18,471,294	31,212,206	
<u>Operating Expenses</u>				
Salaries *	9,550,317	3,193,234	6,357,083	33%
PERs Employer Contributions *	990,416	338,401	652,014	34%
PERs Employee Contributions *	196,566	62,601	133,965	32%
PERs Other (Side fund, 401A) *	214,956	66,848	148,108	31%
Educational Courses	51,720	9,342	42,378	18%
Travel & Meetings	251,034	60,211	190,823	24%
Employee Relations	14,800	5,028	9,772	34%
General Services	402,776	306,198	96,578	76%
Annual Audit	40,000	40,000	-	100%
Member Agencies O&M	1,231,370	1,115,094	116,276	91%
Dues & Memberships	93,968	32,063	61,905	34%
Election Expenses	150,000	-	150,000	0%
Consulting Services	1,602,900	810,390	792,510	51%
Equipment Rental	65,000	44,889	20,111	69%
District Fuel	340,000	84,297	255,703	25%
Insurance - District	576,151	176,285	399,866	31%
Insurance - Personnel *	468,100	127,896	340,203	27%
Insurance - Benefits *	2,360,333	710,143	1,650,190	30%
Legal Services - Personnel *	50,000	654	49,346	1%
Legal Services - General (See Footnote 1) *	170,000	93,089	76,911	55%
District Office Supplies	499,900	313,694	186,206	63%
District Operating Supplies	315,850	147,431	168,419	47%
Repairs & Maintenance - Equipment	867,287	320,133	547,154	37%
Repairs & Maintenance - Facilities	3,550,995	1,775,303	1,775,692	50%
Safety Program & Compliance Requirements	285,250	59,579	225,671	21%
SOCWA *	8,450,820	4,478,396	3,972,425	53%
Special Outside Assessments	230,300	23,159	207,141	10%
Utilities *	2,126,000	861,344	1,264,656	41%
Water Purchases *	27,976,295	10,383,347	17,592,948	37%
Meter / Vault Purchases	868,000	201,601	666,399	23%
Total Operating Expenses	63,991,103	25,840,650	38,150,453	
Operating Income (Loss)	(14,307,603)	(7,369,356)	\$ (6,938,247)	
<u>Non-Operating Revenues (Expenses)</u>				
Property Tax Revenue *	21,848,500	903,896	\$ 20,944,604	4%
Investment Income	2,973,207	735,569	2,237,638	25%
Cellular Lease Income	1,740,000	564,090	1,175,910	32%
Misc. Non-Operating Income	68,000	3,570,780	(3,502,780)	5251%
Total Non-Operating Revenue (Expenses)	26,629,707	5,774,335	20,855,372	
Change in General Fund	\$ 12,322,104	\$ (1,595,021)	\$ 13,917,124	

Footnote 1: Legal Services include services provided by Bowie, Arneson, Wiles & Giannone, Downey Brand LLP and Best Best & Krieger LLP.

* Realized revenue/expense

Moulton Niguel Water District
Water Efficiency Fund - Budget Comparison Report
Four Months Ended October 31, 2014

#7.b.

Description	Approved Budget	Fiscal Year to Date Commitments	Budget Balance	% of Commitments to Budget
WATER EFFICIENCY FUND				
<u>Operating Revenue</u>				
Water Efficiency	\$ 3,350,000	\$ 2,096,219	\$ 1,253,781	63%
Total Operating Revenue	3,350,000	2,096,219	1,253,781	
<u>Operating Expenses</u>				
Salaries *	326,918	75,570	251,348	23%
PERs Employer Contributions *	30,463	8,802	21,662	29%
PERs Employee Contributions *	11,403	2,886	8,516	25%
Educational Courses	500	155	345	31%
Travel & Meetings	2,700	568	2,132	21%
Dues & Memberships	500	-	500	0%
Insurance - Personnel *	4,131	1,562	2,569	38%
Insurance - Benefits *	75,900	19,615	56,285	26%
District Office Supplies	77,810	18,478	59,332	24%
Water Efficiency	3,132,124	2,230,415	901,709	71%
Total Operating Expenses	3,662,450	2,358,052	1,304,398	
Operating Income (Loss)	(312,450)	(261,833)	(50,617)	
<u>Non-Operating Revenue</u>				
Investment Income	120,000	45,952	74,048	38%
Total Non-Operating Revenue	120,000	45,952	\$ 74,048	
Change in Water Efficiency Fund	\$ (192,450)	\$ (215,881)	\$ 23,431	

* Realized revenue/expense

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF NET POSITION

	<u>(Unaudited)</u> <u>October 31, 2014</u>	<u>(Unaudited)</u> <u>June 30, 2014</u>
CURRENT ASSETS:		
Cash and investments	\$ 14,368,317	\$ 33,152,442
Restricted cash and investments with fiscal agent	20,490,259	22,445,383
Accounts receivables:		
Water and sanitation charges	5,911,754	5,555,769
Taxes and acreage assessments	-	355,126
Other accounts receivable	121,011	232,218
Interest receivable	875,859	704,810
Current portion of AMP receivable	33,717	23,663
Inventory	1,627,308	1,511,749
Prepaid expenses	862,387	302,644
TOTAL CURRENT ASSETS	<u>44,290,612</u>	<u>64,283,804</u>
NONCURRENT ASSETS:		
Investments	118,287,827	111,989,559
Retrofit loans receivable	612,585	629,243
AMP Receivable	33,141	43,830
Net pension asset (CalPERS sidefund payoff)	3,597,382	2,945,897
Capital assets, net of accumulated depreciation	345,736,959	350,982,233
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress	18,735,519	14,785,817
TOTAL NONCURRENT ASSETS	<u>488,095,323</u>	<u>482,468,489</u>
TOTAL ASSETS	<u>532,385,935</u>	<u>546,752,293</u>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	984,989	1,136,314
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>984,989</u>	<u>1,136,314</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 533,370,924</u>	<u>\$ 547,888,607</u>

**MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF NET POSITION**

	<u>(Unaudited) October 31, 2014</u>	<u>(Unaudited) June 30, 2014</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 6,314,040	\$ 6,932,494
Interest payable	933,958	2,133,231
Compensated absences	549,091	397,440
Current portion of long-term debt:		
Bonds payable	5,685,000	5,465,000
Loans Payable	2,256,270	2,071,133
Certificates of participation	<u>1,780,000</u>	<u>1,715,000</u>
TOTAL CURRENT LIABILITIES	<u>17,518,359</u>	<u>18,714,299</u>
LONG-TERM LIABILITIES		
Compensated absences	183,030	132,479
Long-term debt:		
Bonds payable	10,165,000	15,850,000
Loans payable	10,847,272	12,948,778
Certificates of participation	<u>78,300,000</u>	<u>80,080,000</u>
TOTAL LONG-TERM LIABILITIES	<u>99,495,302</u>	<u>109,011,257</u>
Bond Discount/Premium	1,685,779	1,884,190
TOTAL LIABILITIES	<u>118,699,441</u>	<u>129,609,745</u>
NET POSITION:		
Net investment in capital assets	282,015,339	269,994,246
Restricted for capital projects and GOB Refunding	1,481,397	931,603
Unrestricted	<u>131,174,747</u>	<u>147,353,013</u>
TOTAL NET POSITION	<u>414,671,483</u>	<u>418,278,862</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 533,370,924</u>	<u>\$ 547,888,607</u>

Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(Unaudited)	
	Four Months Ended October 31,	
	2014	2013
Operating Revenues:		
Water Sales	\$ 10,039,818	\$ 10,286,251
Recycled Water Sales	2,354,820	2,212,053
Sewer Sales	5,934,426	6,087,100
WBBRS Efficiency Funds	2,096,219	1,527,179
Other Operating Income	142,230	149,647
Total Operating Revenues	20,567,513	20,262,230
Non-Operating Revenues:		
Investment Income *	781,521	1,205,006
Property Tax Revenue	903,896	803,984
GOB Assessment	106,410	92,387
Other Non-Operating Revenues	4,800,544	1,251,587
Total Non-Operating Revenues	6,592,371	3,352,964
TOTAL REVENUES	27,159,884	23,615,193
Operating Expenses:		
Water Purchases	10,383,347	10,203,730
Meter Purchases	201,601	74,098
Operating Supply and Maintenance	1,185,934	1,196,158
Salaries and Benefits	3,748,343	2,978,569
Professional Services	441,089	182,924
Member Agencies O&M	584,014	189,264
Insurance	1,035,502	1,085,290
SOCWA	4,478,396	4,351,097
Utilities	852,246	763,406
General, Administrative, and Other	309,478	282,065
Total Operating Expenses	23,219,949	21,306,601
Other Operating Expenses:		
Depreciation and Misc. Operating Revenue	5,535,370	5,525,615
Water Efficiency	550,670	277,916
Total Other Operating Expenses	\$ 6,086,040	\$ 5,803,531

#7.c.

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(Unaudited)	
	Four Months Ended October 31,	
	2014	2013
Non Operating Expenses:		
Interest Expense	\$ 2,045,507	\$ 2,231,858
Amortization and Misc. Non-Operating Expense	(42,788)	100,279
Total Non Operating Expenses	2,002,719	2,332,138
TOTAL EXPENSES	31,308,707	29,442,270
Capital Contributions:		
Connection Fees	541,446	143,506
Donated Facilities	-	-
Contributed Revenue	-	-
Total Capital Contributions	541,446	143,506
CHANGE IN NET POSITION	\$ (3,607,378)	\$ (5,683,571)
Net Position, Beginning	\$ 418,278,862	\$ 411,940,088
Change in Net Position	(3,607,378)	(5,683,571)
Net Position, Ending	\$ 414,671,484	\$ 406,256,517

Note: Totals may not sum due to rounding.

** Investment income is comprised of realized income of \$474,005.89 and unrealized income of \$307,515.54*

**MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
AS OF OCTOBER 31, 2014**

	(Unaudited) Balance 6/30/2014	Net Change	(Unaudited) Balance 10/31/2014
<u>Restricted Cash and Investments:</u>			
DWR Trust Reserves	\$ 615,715	\$ -	\$ 615,715
2003 COPS Trust Reserve	2,514,893	(12,800)	2,502,093
2009 COPS Trust Reserve	6,032,816	(17,171)	6,015,645
2009 COPS Project Fund	12,385,581	(1,924,965)	10,460,616
2010 COPS Trust Reserves	896,263	(74)	896,189
2014 Refunding Bonds	115	(115)	0
Total Restricted Trust Accounts	<u>\$ 22,445,385</u>	<u>\$ (1,955,125)</u>	<u>\$ 20,490,259</u>

Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
UNRESTRICTED AND RESTRICTED FUND BALANCES
AS OF OCTOBER 31, 2014

	(Unaudited)		(Unaudited)		Reserve Policy Target
	Balance		Balance		
	6/30/2014	Net Change	10/31/2014		
<u>Unrestricted Fund Balances:</u>					
Designated for Self Insurance Reserves	\$ 1,293,508	\$ (1,040,651)	\$ 252,857	\$	250,000
Designated for Water Efficiency (WBBRS)	6,691,089	1,461,997	8,153,087		n/a
Designated for Replacement and Refurbishment	27,397,177	(11,487,621)	15,909,556		17,061,912
Designated for Water Supply Reliability	4,886,211	(1,383,044)	3,503,167		n/a
Designated for Planning and Construction	29,730,932	122,839	29,853,771		n/a
Designated for Rate Stabilization	9,815,536	1,061,304	10,876,839		10,663,995
Designated for Emergency Reserve	-	-	6,884,925		6,884,925
Unrestricted, undesignated ¹	56,084,280	(2,883,093)	53,201,187		20,262,901
Total Unrestricted Fund Balance	135,898,733	(14,148,269)	128,635,389		55,123,733 ²
<u>Restricted Fund Balances:</u>					
Restricted 2014 GOB Consolidated Refunding	8,311,666	(5,772,309)	2,539,357		
Restricted for Capital Facilities (Projects)	931,602	549,795	1,481,397		
Total Restricted Fund Balance	9,243,269	(5,222,514)	4,020,755		
Total Unrestricted and Restricted Fund Balance	\$ 145,142,002	\$ (19,370,783)	\$ 132,656,144		

Note: Totals may not sum due to rounding.

1. Unrestricted, undesignated funds include the General Operating Reserve as well as the regular District cash flows.

2. All funds in excess of reserve policy targets will be used to fund capital projects and operations.

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF NOVEMBER 2014**

Summary of Disbursements in November 2014:

General Fund Disbursements		4,674,027
<u>Restricted Fund Disbursements:</u>		
Self Insurance Fund	78	
WBBRS Efficiency Fund	282,911	
Replacement & Refurbishment Fund	165,218	
Water Supply Reliability Fund	3,687,509	4,135,716
Total Disbursements for all Funds	\$	8,809,744

Detail of Major Expenditures in November 2014:

1. Irvine Ranch Water District		
C#2006.071 Baker Pipeline		3,687,509
2. Municipal Water District of Orange County (MWD OC)		
September Water Purchases 2787.6 AF	2,482,358	
August Reclaimed Rebate 966.1 AF	(148,779)	
September Capacity Charge	29,362	
September RTS Charges	162,769	
September SCP Operation Surcharge	13,827	2,539,536
3. HAAKER Equipment Company		
New Vactor Hydro Excavator		425,147
4. El Niguel Country Club		
Turf Removal Rebate		250,199
5. Santiago Aqueduct Commission		
FY 2014/2015 Annual Baker Pipeline Maintenance		145,386