



Moulton Niguel Water District Results of Annual Audit

Fiscal Year Ended June 30, 2013

*Presented By
Jennifer Farr, Shareholder
November 20, 2013*



our **roots** run deep



Audit Results

- Implemented Audit Clarity Standards this year
- Issued “unmodified” opinion on financial statements on November 8, 2013 (previously called “unqualified”)
- Emphasis of a Matter noted in the opinion for Implemented GASB Statements No. 63 & 65 this year
 - Net Assets is now called Net Position
 - Certain items previously reported as assets and liabilities are now reflected as Deferred Inflows and Outflows of Resources



Audit Results

- No material audit adjustments detected during the audit
- Certain minor adjustments to receivables and depreciation were not made due to immateriality
- Internal Control Recommendations:
 - Prior year recommendation to enhance capital asset records has been resolved
 - Current year recommendation to enhance purchasing controls: Payments to two vendors exceeded the approved contract amount due to project contingencies



Audit Plan Modifications for FY 12/13

- Used data mining software to search for vendor address that matched employee addresses – no matching addresses
- Used data mining software to identify unusual journal entries:
 - Large journal entries
 - Journal entries that were not in balance (debits did not equal credits) – all amounts were budget entries
 - Entries that had the word “error” in the description
- Testing of largest vendor contracts to ensure adherence to purchasing policies and Board approval
- Random sample of 40 disbursements for proper documentation and adherence to purchasing policies
- Use of data mining software to recalculate accumulated depreciation and depreciation expense used by new system

	2013	2012
CURRENT ASSETS		
Cash and investments (Note 2)	\$ 42,016,642	\$ 27,268,750
Accounts receivables:		
Water and sanitation charges	6,183,688	5,625,851
Taxes and acreage assessments	343,115	356,263
Other accounts receivable	433,264	178,479
Interest receivable	763,584	867,435
Current portion of AMP receivable (Note 3)	211,940	209,057
Inventory	1,566,239	1,817,164
Prepaid expenses	260,941	265,926
Other assets	-	395,600
TOTAL CURRENT ASSETS	<u>51,779,413</u>	<u>36,984,525</u>
NONCURRENT ASSETS		
Cash and Investments (Note 2)	94,347,786	106,216,890
Restricted cash and investments with fiscal agent (Note 2)	29,574,877	29,602,825
<u>Bond Issuance Costs</u>	-	1,273,578
Retrofit loans receivable (Note 3)	660,023	689,884
AMP receivable (Note 3)	654,913	866,853
Net pension asset (CalPERS sidefund payoff) (Note 8)	3,058,960	3,336,166
Capital assets, net of accumulated depreciation (Note 5)	363,691,271	363,137,922
Capital assets not being depreciated (Note 5):		
Land	1,091,910	1,091,910
Construction in progress	7,057,346	9,572,378
TOTAL NONCURRENT ASSETS	<u>500,137,086</u>	<u>515,788,406</u>
TOTAL ASSETS	<u>551,916,499</u>	<u>552,772,931</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred Charges on Refunding	1,318,562	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,318,562</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 553,235,061</u>	<u>\$ 552,772,931</u>

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable	\$ 9,089,433	\$ 7,860,808
Interest payable	2,406,689	2,518,765
Compensated absences (Note 6)	524,376	871,469
Current portion of long-term debt (Note 6):		
Bonds payable	5,235,000	4,980,000
Loans Payable	2,178,909	2,137,410
Certificates of participation	<u>1,740,000</u>	<u>1,680,000</u>
TOTAL CURRENT LIABILITIES	<u>21,174,407</u>	<u>20,048,452</u>
LONG-TERM LIABILITIES		
Compensated absences (Note 6)	174,791	155,516
Long-term debt (Note 6):		
Bonds payable	22,540,000	26,625,528
Loans payable	15,019,911	17,198,820
Certificates of participation	<u>82,325,864</u>	<u>83,652,336</u>
TOTAL LONG-TERM LIABILITIES	<u>120,060,566</u>	<u>127,632,200</u>
TOTAL LIABILITIES	<u>141,234,973</u>	<u>147,680,652</u>

	2013	2012
OPERATING REVENUES:		
Water charges ←	\$ 30,633,036	\$ 28,866,153
Recycled charges	4,612,874	4,530,175
Sanitation charges	16,941,327	16,826,066
Other	1,035,873	429,064
TOTAL OPERATING REVENUES	53,223,110	50,651,458
OPERATING EXPENSES:		
Source of supply:		
Water purchases	25,678,244	22,749,070
Meter purchases	713,042	55,281
Utilities	1,657,973	1,610,933
Pumping water	2,135,266	1,593,316
Sewage treatment	9,841,299	8,665,958
Water transmission and distribution	2,299,355	1,020,852
Customer service	2,711,672	1,202,302
Water efficiency	1,446,761	-
General, administrative, and other	10,046,019	15,864,144
CalPERS Sidefund Amortization	46,979	43,600
Post Retirement Medical Benefits (OPEB)	559,698	574,185
Depreciation	13,472,995	15,566,287
TOTAL OPERATING EXPENSES	70,609,303	68,945,928
OPERATING INCOME (LOSS)	(17,386,193)	(18,294,470)

	<u>2013</u>	<u>2012</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income (loss) ←	(799,897)	5,734,810
Investment income - restricted	266,766	536,192
Property tax revenue and acreage assessments	21,859,630	21,141,700
General obligation bond assessments	6,668,545	6,079,446
Interest on long-term debt ←	(5,850,174)	(7,608,336)
Intergovernmental revenue	1,434,642	1,434,642
Cellular Lease income	1,642,410	1,562,383
Other non-operating revenues (expenses)	87,718	122,789
	<u>25,309,640</u>	<u>29,003,626</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	7,923,447	10,709,156
CAPITAL CONTRIBUTIONS:		
Developer donated capital facilities	60,000	70,000
Connection fees	83,038	-
CHANGE IN NET POSITION	8,066,485	10,779,156
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>403,933,603</u>	<u>394,313,123</u>
NET POSITION - END OF YEAR	<u>\$ 412,000,088</u>	<u>\$ 405,092,279</u>



Footnote Disclosures – Net Position

(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 details of unrestricted net position at year end are as follows:

Unrestricted net position:	
Designated for rate stabilization	\$ 9,627,003
Designated for replacement and refurbishment	16,501,847
Designated for self insurance reserves	1,289,307
Designated for planning and construction	29,497,500
Designated for WBBRS	4,383,762
Designated for water supply reliability	2,597,710
Unrestricted, undesignated	<u>75,391,432</u>
 Total unrestricted net position	 <u>\$ 139,288,561</u>

Footnote Disclosures – Capital Assets

(5) Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Capital Assets				
Water systems	\$572,807,477	\$ 13,294,557	\$ -	\$586,102,034
Capacity rights - Infinite	19,972,448	-	-	19,972,448
Capacity rights - Limited	8,279,403	-	-	8,279,403
Buildings	5,681,901	50,046	-	5,731,947
Automobiles and equipment	10,214,906	681,741	(44,134)	10,852,513
Total cost of depreciable assets	<u>616,956,135</u>	<u>14,026,344</u>	<u>(44,134)</u>	<u>630,938,345</u>
Less accumulated depreciation:				
Water systems	(243,528,964)	(11,873,332)	-	(255,402,296)
Capacity rights – Infinite	-	(266,300)	-	(266,300)
Capacity rights – Limited	(559,950)	(275,980)	-	(835,930)
Buildings	(2,464,208)	(148,341)	-	(2,612,549)
Automobiles and equipment	<u>(7,265,091)</u>	<u>(909,042)</u>	<u>44,134</u>	<u>(8,129,999)</u>
Total accumulated depreciation	<u>(253,818,213)</u>	<u>(13,472,995)</u>	<u>44,134</u>	<u>(267,247,074)</u>
Net depreciable assets	363,137,922	553,349	-	363,691,271
Capital assets not depreciated:				
Land	1,091,910	-	-	1,091,910
Construction in progress	<u>9,572,378</u>	<u>9,968,884</u>	<u>(12,483,916)</u>	<u>7,057,346</u>
Capital assets, net	<u>\$ 373,802,210</u>	<u>\$10,522,233</u>	<u>\$(12,483,916)</u>	<u>\$ 371,840,527</u>



Questions on Audit Results or Financial Statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Draft



Moulton Niguel Water

Leading the Way in Service

For Fiscal Year Ended
June 30, 2013



MOULTON NIGUEL WATER DISTRICT

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

**27500 La Paz Road
Laguna Niguel, California 92677
www.mnwd.com**

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MOULTON NIGUEL WATER DISTRICT

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

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MOULTON NIGUEL WATER DISTRICT

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

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November 8, 2013

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, 2013. This report was prepared by the Controller 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 issues, 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 Mayer Hoffman McCann P.C., 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, 2013, 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, 2013, 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 this section.

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 Moulton Niguel service area. In 1963, the California Water District Act was amended, allowing California water districts to provide sewer and water reclamation services. On July 1, 1964, the District began operation and management of sewer services previously provided by Orange County

**Members of the Board of Directors for Moulton Niguel Water District
November 8, 2013**

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 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 value 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 239,000. The District serves approximately 71% or 168,000 of this population. The District has 54,792 water accounts and 50,741 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 \$28.5 billion as of June 30, 2013.

Water Supply and Services

The District imports all of its domestic 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 sources of water primarily include water imported from the Colorado River and from the State Water

**Members of the Board of Directors for Moulton Niguel Water District
November 8, 2013**

Project. All District 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. The District has undertaken significant efforts to reduce dependence on imported water supplies. More than 20% 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 a water savings rebate program. The District continues to review various alternative local water supplies to identify additional opportunities to reduce dependence on imported water.

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 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 operations and maintenance (“O&M”) costs and a pro-rata share of the capital costs based on the type of 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 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 areas in the District. The projected annual demand of the recycled water system will be approximately 6,500 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 quarterly 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 to help insure that the District is covering the full cost of operations and maintenance.

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 8, 2013**

The District uses various planning documents, i.e. Urban Water Management Plan, the Long Range 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 developing a Long Range Water Resources Plan to identify long-term water supply reliability projects. The District established a water supply reliability fund to participate in projects to ensure continued water supply to customers in the District for planned water supply shutdowns and emergencies. 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. In addition, the District has adopted a resolution to develop adequate capacity and supply sources to sustain average potable water demands for at least a 31-day supply outage assuming a reasonable factor for demand curtailment. The 31-day capacity protects against a major outage of MET's Diemer Water Filtration Plant or a reduction in available MET supplies.

Debt Issuances and Credit Rating

The District refunded the remaining portion of the 93 Certificates of Participation ("COP") 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 'AAA Stable' rating in May 2010 from both Fitch Ratings and Standard & Poor's rating agencies for all of its COP issuances. On October 31, 2012, Fitch Ratings reaffirmed the District's 'AAA' rating.

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

On July 1, 2011, the District implemented a new rate structure called the Water Budget Based Rate Structure ("WBBRS"). Challenged with limited water resources in our region, this new rate structure encourages water use efficiency by providing each customer with a personalized amount of water – a water budget – designed to meet their specific water needs for indoor and/or outdoor use. Businesses use water in a different manner from homes, so their budgets are calculated based on a three-year rolling average of each commercial customer's monthly use. Additional information regarding the factors that contribute to the WBBRS methodology can be found on the District's website at www.mnwd.com.

A comprehensive review of the District's rate structure over the past year continues to support the benefits of the budget-based rate structure, of which the primary benefit is the understanding of efficient water use by the District's customers. Other benefits include:

**Members of the Board of Directors for Moulton Niguel Water District
November 8, 2013**

- A tool to manage future water supply challenges by managing water consumption through the rate structure
- Targeted water-use efficiency education and outreach programs to those customers that struggle with efficient water use
- Implementation of water-saving rebate device programs

Faced with increasing wholesale water costs, water supply reliability objectives, and on-going infrastructure repair and replacements costs, the District has initiated an in-depth review of the District's rates. The first phase of this review begins with an update of the Cost of Service analysis that was last updated five years ago. Upon completion of the analysis, the District will review its current rate program to review any needs for future adjustments to ensure the necessary recovery of all costs.

The District has begun 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 applications have been installed. The Human Resources/Payroll applications are scheduled to be installed by January 2013, and the Utility Billing applications are scheduled to be installed by May 2014.

The District has begun a long range financial planning process. 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 a ten-year cash flow model that incorporates the District's reserve policies, debt policies and ratios, water demand needs, water rates, capital improvement program, and operating budget. The long range financial plan will allow the District to project when resources are needed and to also identify potential options for responding to resource needs.

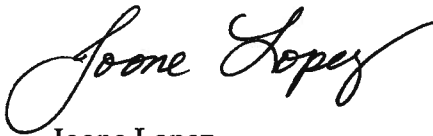
As agencies throughout the state investigate various alternatives to improve current and future water supplies, the District has been an active participant in several projects to review potential local water supply alternatives. The District continues to participate in regional efforts to determine the feasibility, both technically and fiscally, of ocean desalination in Dana Point and Huntington Beach. The San Juan Basin Authority ("SJBA"), of which the District is a member, is the governing body responsible for the operation of the San Juan groundwater basin. The SJBA is finalizing a groundwater management plan that has identified management alternatives to maximize the availability of the existing impaired groundwater sources, as well as the potential for increasing recharge into the basin. The objective of all of these various regional water supply projects is to identify potential local water resources to minimize the dependence on imported water. The District is developing a Long Range Water Resources Plan ("LRWRP") as an adaptive management plan and decision tool in developing appropriate levels of water reliability projects to meet the needs of the District's customers. The LRWRP is expected to be completed in the spring of 2014 and serve as a guide in developing and updating future water resource policies and supporting the District's involvement in local supply opportunities.

**Members of the Board of Directors for Moulton Niguel Water District
November 8, 2013**

Awards and Acknowledgements

This is the fifth year that the District has submitted its Comprehensive Annual Financial Report for the Government Finance Officers Association Award. The Government Finance Officers Association awarded the District *a Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year ending June 30, 2012*. We would like to express our appreciation to all members of the Finance department who assisted and contributed to the preparation of this report. In addition, we would like to thank staff in Customer Service, Engineering and Operations for their contributions to this report. Credit also must be given to the Board of Directors for their unfailing support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Joone Lopez". The signature is written in a cursive, flowing style.

Joone Lopez
General Manager

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Government Finance Officers Association

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

Presented to

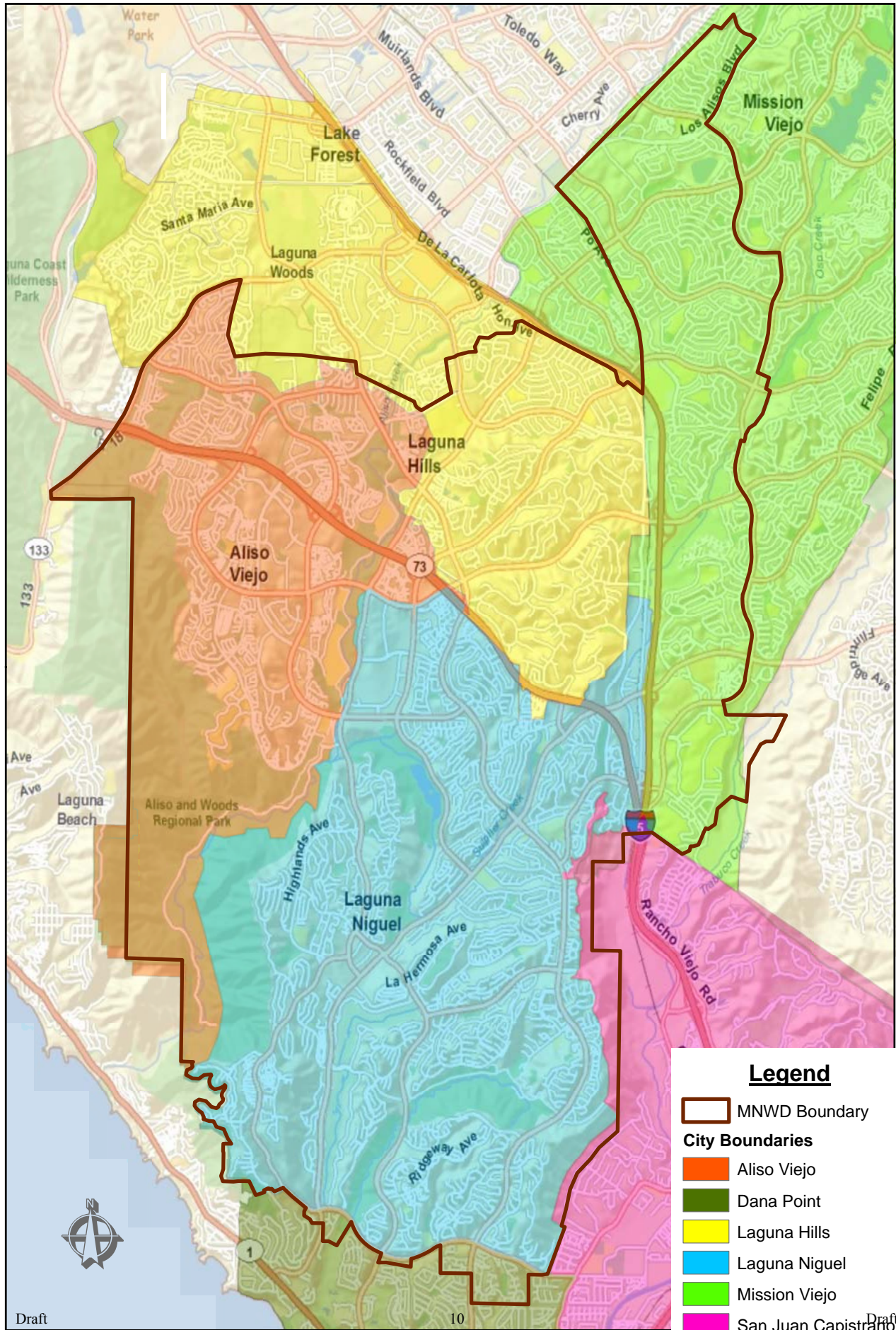
**Moulton Nigel Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended


June 30, 2012

Executive Director/CEO

MNWD Boundary Map w/ Cities Served

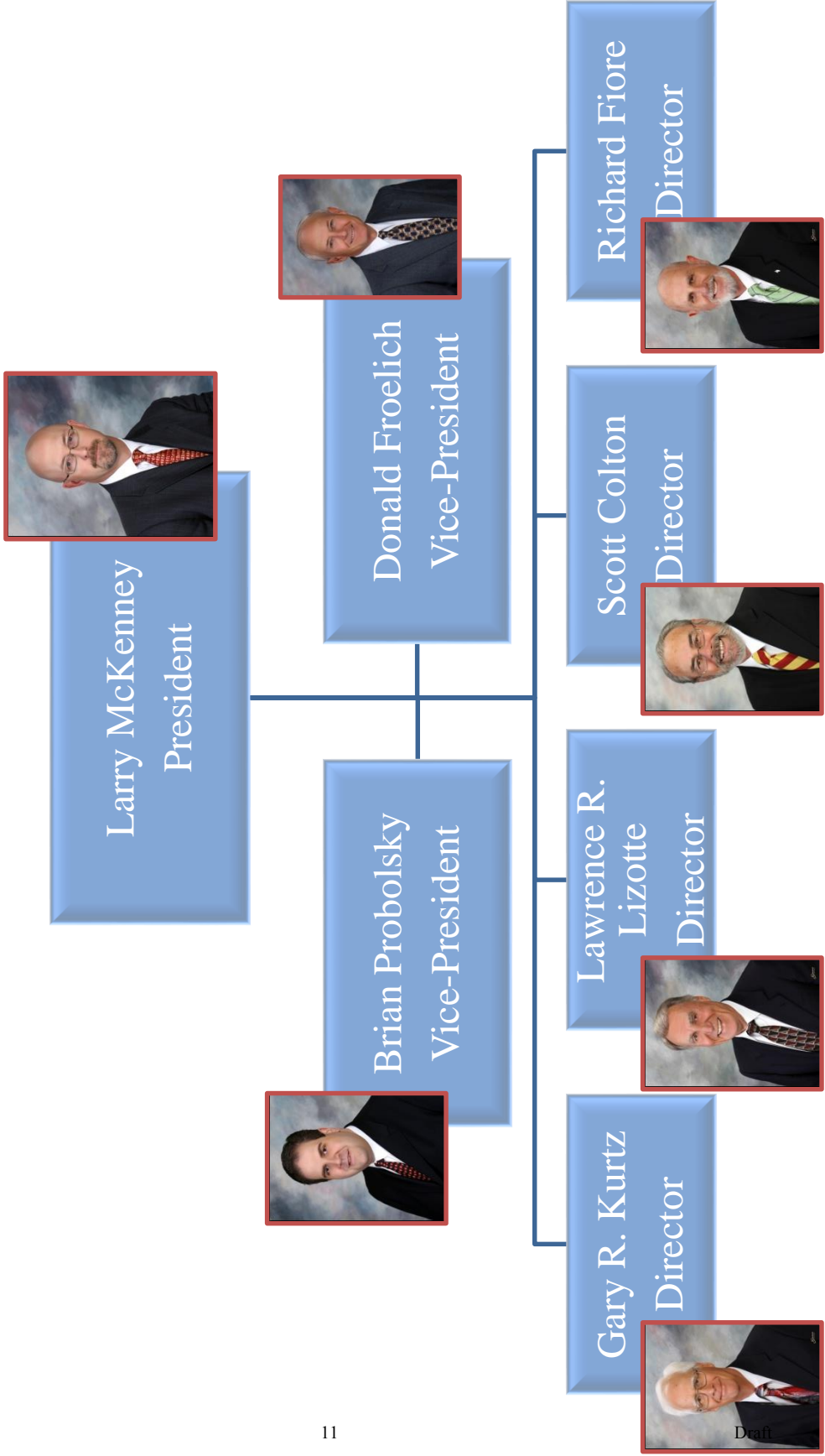


Legend

-  MNWD Boundary
- City Boundaries**
-  Aliso Viejo
-  Dana Point
-  Laguna Hills
-  Laguna Niguel
-  Mission Viejo
-  San Juan Capistrano

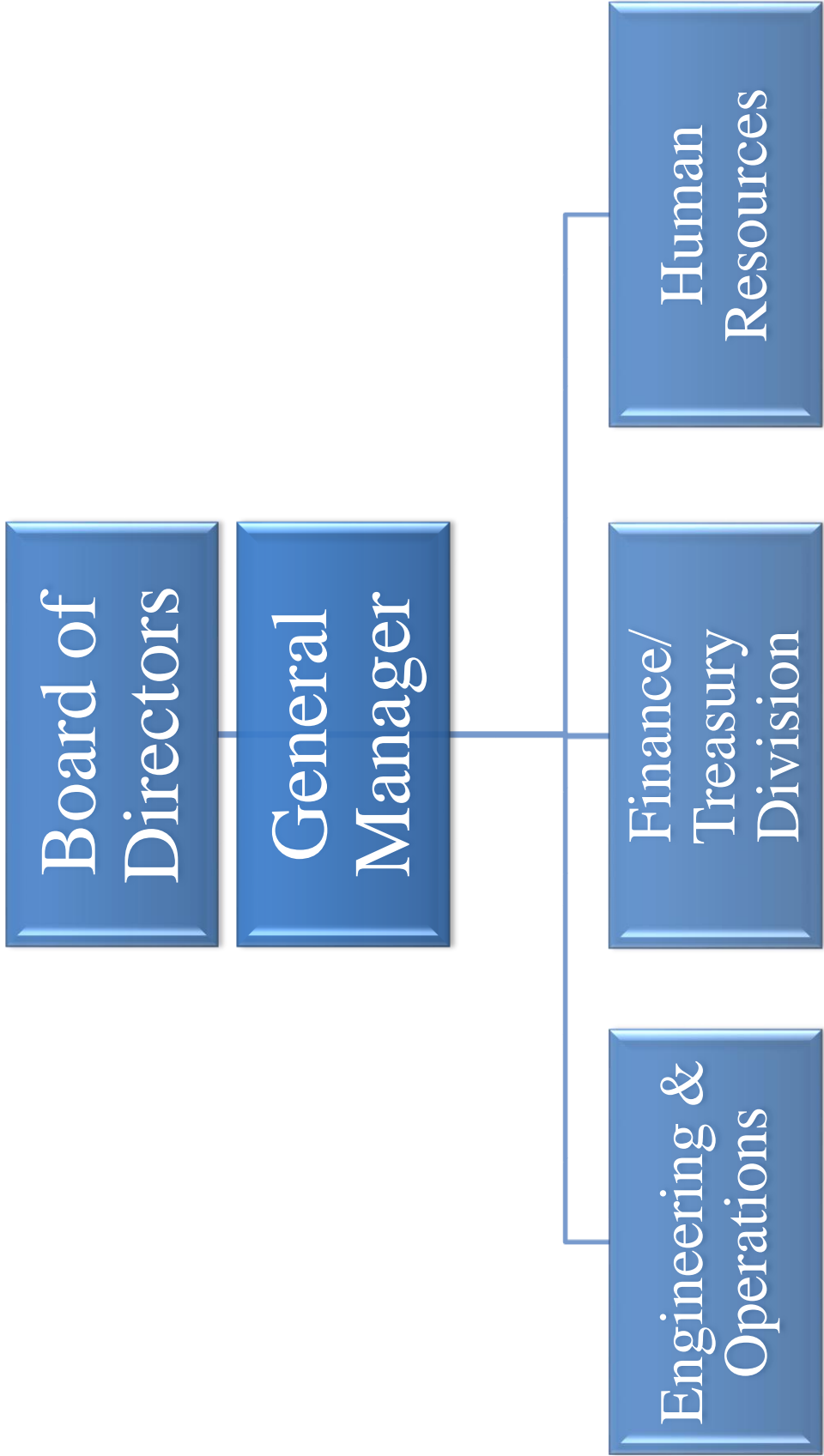
Moulton Niguel Water District

Board of Directors



Moulton Niguel Water District

Organization Chart





Mayer Hoffman McCann P.C.

An Independent CPA Firm

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Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Moulton Niguel Water District ("District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Board of Directors
Moulton Niguel Water District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moulton Niguel Water District, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Other Matters

As described further in notes 1 and 15 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of deferred inflows and outflows, net position and certain items previously reported as assets and liabilities due to the implementation of Governmental Accounting Standards Board (“GASB”) Statements Nos. 63 and 65. The financial statements for the year ended June 30, 2013 reflect a prior period adjustment as described further in note 15 to the financial statements related to implementation of the new standards. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Moulton Niguel Water District’s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management’s discussion* 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.

Board of Directors
Moulton Niguel Water District

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Moulton Niguel Water District's basic financial statements. The *supplemental information*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *supplementary information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of the Moulton Niguel Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moulton Niguel Water District's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Irvine, California
November 8, 2013

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MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2013

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 \$8.1 million or 2% from prior year.
- During the year, approximately \$13.3 million was invested in water and sewer infrastructure.
- Total net income including capital contributions was \$8.1 million, which included all operating and non-operating revenues and expenditures.
- Operating expenses were \$17.4 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, 2013. This statement includes the District's assets, deferred outflow of resources and liabilities, with the difference between the two 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.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2013

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 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>2013</u>	Fiscal Year <u>2012</u>	Dollar Change	Percent Change
Current and noncurrent assets	\$180,076	\$178,971	\$ 1,105	0.62 %
Capital assets, net	371,840	373,802	(1,962)	(0.52) %
Deferred outflow of resources	<u>1,319</u>	<u>0</u>	<u>1,319</u>	0.00 %
Total Assets and Deferred Outflows of Resources	<u>553,235</u>	<u>552,773</u>	<u>462</u>	0.08 %
Current liabilities	21,174	19,339	1,835	9.49 %
Long-term liabilities	<u>120,061</u>	<u>128,342</u>	<u>(8,281)</u>	(6.45) %
Total Liabilities	<u>141,235</u>	<u>147,681</u>	<u>(6,446)</u>	(4.36) %
Net investment in capital assets	272,287	272,170	117	0.04 %
Restricted for capital projects	424	326	98	30.10 %
Unrestricted net position	<u>139,289</u>	<u>132,596</u>	<u>6,693</u>	5.05 %
Total Net Position	<u>\$412,000</u>	<u>\$405,092</u>	<u>\$6,908</u>	1.71 %

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2013

Total net position increased \$8.1 million or 2% from the prior year, which included a prior period adjustment of \$1.2M from the write-off of unamortized cost of debt issuance in accordance with the implementation of Governmental Accounting Standards Board (“GASB”) 65. This increase was mainly the result of the reduction in long-term liabilities as attributed to payments of outstanding debt and the payoff of a general obligation bond during the fiscal year, combined with the increase in current and non-current assets and the increase in deferred outflow of resources. These changes were offset by the decrease in net capital assets which is explained below in detail, and the decrease in current liabilities. 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>2013</u>	Fiscal Year <u>2012</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Operating Revenues:				
Water charges	\$ 30,633	\$ 28,866	\$ 1,767	6.12 %
Sanitation charges	16,941	16,826	115	0.69 %
Recycled charges	4,613	4,530	83	1.83 %
Other	<u>1,036</u>	<u>429</u>	<u>607</u>	141.43 %
Total Operating Revenues	<u>53,223</u>	<u>50,651</u>	<u>2,572</u>	5.08 %
Non-operating Revenues:				
Property taxes	21,860	21,142	718	3.40 %
GOB Assessment	6,669	6,079	590	9.71 %
Investments	(533)	6,271	(6,804)	(108.50) %
Cellular lease income	1,642	1,562	80	5.10 %
Intergovernmental revenue	1,435	1,435	-	0.00 %
Other	<u>87</u>	<u>123</u>	<u>(36)</u>	(29.27) %
Total Non-operating Revenues	<u>31,160</u>	<u>36,612</u>	<u>(5,452)</u>	(14.89) %
Capital contributions	<u>143</u>	<u>70</u>	<u>73</u>	104.29 %
Total Revenues	<u>\$ 84,526</u>	<u>\$ 87,333</u>	<u>\$ (2,807)</u>	(3.21) %

The District finances operations through user charges, property tax receipts, and other income. Total revenue decreased by \$2.8 million as compared to prior year. This decrease was primarily the result of an overall lower investment income combined with an approximately \$4.8M unrealized loss on investments due to the difference of their carrying value and fair value prior to sale, as compared to an unrealized gain in prior year. These decreases were offset by the increase in water charges, higher property taxes, and general obligation bond (“GOB”) assessment collected during the year. The water charges revenue was higher compared to prior year due to the increased in the upper tiers of the rate structure when the customers exceed their allocation.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2013

Expenses

	Condensed Total Expenses (in thousands)			
	Fiscal Year <u>2013</u>	Fiscal Year <u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Expenses:				
Water purchases	\$ 25,678	\$ 22,749	\$ 2,929	12.88 %
Meters	713	55	658	1196.36 %
Utilities	1,658	1,611	47	2.92 %
Sewage treatment & pumping	11,977	10,259	1,718	16.75 %
Water transmission & distribution	2,299	1,021	1,278	125.17 %
General, administrative & other	14,811	17,685	(2,874)	(16.25) %
Depreciation	<u>13,473</u>	<u>15,566</u>	<u>(2,093)</u>	(13.45) %
Total Operating Expense	<u>70,609</u>	<u>68,946</u>	<u>1,663</u>	2.41 %
Non-operating Expenses:				
Interest on long-term debt	<u>5,850</u>	<u>7,608</u>	<u>(1,758)</u>	(23.11) %
Total Non-operating Expense	<u>5,850</u>	<u>7,608</u>	<u>(1,758)</u>	(23.11) %
Total Expenses	<u>\$ 76,459</u>	<u>\$ 76,554</u>	<u>\$ (95)</u>	(0.12) %

Total operating expenses increased due to higher costs for water purchases from MET, additional meters purchased during the year, higher sewage treatment and pumping water expenses, and higher water transmission & distribution expenses due to an increase in maintenance support services. These increases in operating expenses were offset by lower overall general, administrative & other expenses due to cost savings from salaries, health benefits, other expenses and a one-time depreciation adjustment. Interest on long-term debt decreased mainly due to the capitalization of interest expense for various projects under Construction in Progress.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2013

Changes in Net Position

Condensed Changes in Net Position (in thousands)				
	Fiscal Year <u>2013</u>	Fiscal Year <u>2012</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Beginning net position, as restated	\$ 403,934	\$ 394,313	\$ 9,621	2.44 %
Income (loss) before capital contributions	7,923	10,709	(2,786)	(26.02) %
Donated facilities	60	70	(10)	(14.29) %
Connection fees	<u>83</u>	<u>0</u>	<u>83</u>	0.00 %
Change in net position	<u>8,066</u>	<u>10,779</u>	<u>(2,713)</u>	(25.17)%
Ending net position	<u>\$ 412,000</u>	<u>\$ 405,092</u>	<u>\$ 6,908</u>	1.71 %

Income before capital contributions was \$7.9 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. The beginning net position was restated due to the write-off of unamortized cost of debt issuance for the District's bonds, certificate of participation ("COP") and loans payable in accordance with the implementation of GASB 65.

Capital Assets

Condensed Capital Assets (in thousands)				
	Fiscal Year <u>2013</u>	Fiscal Year <u>2012</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Net Depreciable Assets:				
Water systems	\$ 330,700	\$ 329,278	\$ 1,422	0.43 %
Capacity rights – Infinite	19,707	19,972	(265)	(1.33) %
Capacity rights – Limited	7,444	7,719	(275)	(3.56) %
Buildings	3,118	3,218	(100)	(3.11) %
Equipment and automobiles	2,723	2,951	(228)	(7.73) %
Non-Depreciable Assets:				
Land	1,092	1,092	-	0.00 %
Construction in progress	<u>7,057</u>	<u>9,572</u>	<u>(2,515)</u>	(26.27) %
Capital Assets, Net	<u>\$ 371,841</u>	<u>\$ 373,802</u>	<u>\$ (1,961)</u>	(0.52) %

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2013

The District's net capital assets decreased during the current fiscal year mainly due to a one-time depreciation adjustment, and offset by the capitalization of interest expenses for various projects under Construction in Progress. The District has capital outlays made both by the District itself and also as part of two different joint power authorities. The most significant capital asset addition is the acquisition of capacity rights for the Upper Chiquita Reservoir that became operational November 2011. The financial statements recognize about \$20 million in capacity rights for the project. This project is one of three major 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 under design. The District has issued COPs to finance these reliability projects.

A significant decrease in Construction in Progress was mainly due to the completion of ongoing projects in the planning and construction fund and replacement and refurbishment fund. 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>2013</u>	Fiscal Year <u>2012</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Certificates of Participation (COP)	\$ 82,326	\$ 83,652	\$ (1,326)	(1.59) %
General Obligation Bonds (GOB)	22,540	26,626	(4,086)	(15.35) %
Loans	<u>15,020</u>	<u>17,199</u>	<u>(2,179)</u>	(12.67) %
Total	<u>\$ 119,886</u>	<u>\$ 127,477</u>	<u>\$ (7,591)</u>	(5.95) %

The District's total long-term liability at this fiscal year-end was \$120 million in COPs, GOBs, and loans. During fiscal year ending 2010, the District issued \$60 million of Certificates of Participation federally taxable "Build America Bonds" to finance its Water Supply Reliability projects. The District has received "AAA" rating by Fitch rating agency for the Certificates of Participation. The General Obligation Bonds are a voter approved assessment specifically for the residents that live within certain service areas of the District. 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.

MOULTON NIGUEL WATER DISTRICT

Statement of Net Position

June 30, 2013
(With comparative totals for June 30, 2012)

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and investments (Note 2)	\$ 42,016,642	\$ 27,268,750
Accounts receivables:		
Water and sanitation charges	6,183,688	5,625,851
Taxes and acreage assessments	343,115	356,263
Other accounts receivable	433,264	178,479
Interest receivable	763,584	867,435
Current portion of AMP receivable (Note 3)	211,940	209,057
Inventory	1,566,239	1,817,164
Prepaid expenses	260,941	265,926
Other assets	<u>-</u>	<u>395,600</u>
TOTAL CURRENT ASSETS	<u>51,779,413</u>	<u>36,984,525</u>
NONCURRENT ASSETS		
Cash and Investments (Note 2)	94,347,786	106,216,890
Restricted cash and investments with fiscal agent (Note 2)	29,574,877	29,602,825
Bond Issuance Costs	-	1,273,578
Retrofit loans receivable (Note 3)	660,023	689,884
AMP receivable (Note 3)	654,913	866,853
Net pension asset (CalPERS sidefund payoff) (Note 8)	3,058,960	3,336,166
Capital assets, net of accumulated depreciation (Note 5)	363,691,271	363,137,922
Capital assets not being depreciated (Note 5):		
Land	1,091,910	1,091,910
Construction in progress	<u>7,057,346</u>	<u>9,572,378</u>
TOTAL NONCURRENT ASSETS	<u>500,137,086</u>	<u>515,788,406</u>
TOTAL ASSETS	<u>551,916,499</u>	<u>552,772,931</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred Charges on Refunding	<u>1,318,562</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,318,562</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 553,235,061</u>	<u>\$ 552,772,931</u>

(Continued)

MOULTON NIGUEL WATER DISTRICT

Statement of Net Position
(Continued)

June 30, 2013
(With comparative totals for June 30, 2012)

LIABILITIES AND NET POSITION

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable	\$ 9,089,433	\$ 7,860,808
Interest payable	2,406,689	2,518,765
Compensated absences (Note 6)	524,376	871,469
Current portion of long-term debt (Note 6):		
Bonds payable	5,235,000	4,980,000
Loans Payable	2,178,909	2,137,410
Certificates of participation	<u>1,740,000</u>	<u>1,680,000</u>
TOTAL CURRENT LIABILITIES	<u>21,174,407</u>	<u>20,048,452</u>
LONG-TERM LIABILITIES		
Compensated absences (Note 6)	174,791	155,516
Long-term debt (Note 6):		
Bonds payable	22,540,000	26,625,528
Loans payable	15,019,911	17,198,820
Certificates of participation	<u>82,325,864</u>	<u>83,652,336</u>
TOTAL LONG-TERM LIABILITIES	<u>120,060,566</u>	<u>127,632,200</u>
TOTAL LIABILITIES	<u>141,234,973</u>	<u>147,680,652</u>
NET POSITION		
Net investment in capital assets	272,287,164	272,169,901
Restricted for capital projects (Note 13)	424,363	326,175
Unrestricted (Note 14)	<u>139,288,561</u>	<u>132,596,203</u>
TOTAL NET POSITION	<u>412,000,088</u>	<u>405,092,279</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 553,235,061</u>	<u>\$ 552,772,931</u>

MOULTON NIGUEL WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Fiscal Year ended June 30, 2013
(With comparative totals for June 30, 2012)

	2013	2012
OPERATING REVENUES:		
Water charges	\$ 30,633,036	\$ 28,866,153
Recycled charges	4,612,874	4,530,175
Sanitation charges	16,941,327	16,826,066
Other	1,035,873	429,064
TOTAL OPERATING REVENUES	53,223,110	50,651,458
OPERATING EXPENSES:		
Source of supply:		
Water purchases	25,678,244	22,749,070
Meter purchases	713,042	55,281
Utilities	1,657,973	1,610,933
Pumping water	2,135,266	1,593,316
Sewage treatment	9,841,299	8,665,958
Water transmission and distribution	2,299,355	1,020,852
Customer service	2,711,672	1,202,302
Water efficiency	1,446,761	-
General, administrative, and other	10,046,019	15,864,144
CalPERS Sidefund Amortization	46,979	43,600
Post Retirement Medical Benefits (OPEB)	559,698	574,185
Depreciation	13,472,995	15,566,287
TOTAL OPERATING EXPENSES	70,609,303	68,945,928
OPERATING INCOME (LOSS)	(17,386,193)	(18,294,470)
NONOPERATING REVENUES (EXPENSES):		
Investment income (loss)	(799,897)	5,734,810
Investment income - restricted	266,766	536,192
Property tax revenue and acreage assessments	21,859,630	21,141,700
General obligation bond assessments	6,668,545	6,079,446
Interest on long-term debt	(5,850,174)	(7,608,336)
Intergovernmental revenue	1,434,642	1,434,642
Cellular Lease income	1,642,410	1,562,383
Other non-operating revenues (expenses)	87,718	122,789
TOTAL NONOPERATING REVENUES (EXPENSES)	25,309,640	29,003,626
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	7,923,447	10,709,156
CAPITAL CONTRIBUTIONS:		
Developer donated capital facilities	60,000	70,000
Connection fees	83,038	-
CHANGE IN NET POSITION	8,066,485	10,779,156
NET POSITION - BEGINNING OF YEAR, AS RESTATED	403,933,603	394,313,123
NET POSITION - END OF YEAR	\$ 412,000,088	\$ 405,092,279

MOULTON NIGUEL WATER DISTRICT

Statement of Cash Flows

Fiscal Year ended June 30, 2013
(With comparative totals for June 30, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 54,140,614	\$ 51,112,280
Cash paid to suppliers	(47,870,807)	(39,667,580)
Cash paid to employees	<u>(12,236,605)</u>	<u>(11,283,100)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(5,966,798)</u>	<u>161,600</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	<u>21,872,783</u>	<u>21,079,806</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>21,872,783</u>	<u>21,079,806</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(10,071,829)	(15,416,992)
Cash received from general obligation bonds assessments	6,668,544	6,056,860
Repayment of notes receivable	238,919	232,626
Capital contributions	83,038	-
Principal payments on long-term debt	(8,552,972)	(8,078,386)
Intergovernmental revenue	1,434,642	1,434,642
Interest payments on long-term debt	<u>(7,226,836)</u>	<u>(7,561,232)</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(17,426,494)</u>	<u>(23,332,482)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings received	4,371,349	4,852,348
Proceeds from sales and maturities of investments	82,006,754	63,359,628
Purchase of investments	<u>(70,109,702)</u>	<u>(54,920,179)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>16,268,401</u>	<u>13,291,797</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,747,892	11,200,721
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>27,268,750</u>	<u>16,068,029</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 42,016,642</u>	<u>\$ 27,268,750</u>

See Notes to the Financial Statements.

MOULTON NIGUEL WATER DISTRICT

Statement of Cash Flows

(Continued)

	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY / (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (17,386,193)	\$ (18,294,470)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	13,472,995	15,566,287
Other non-operating revenue	1,730,128	1,685,172
Unrealized gain (loss) on investments	(4,800,629)	1,448,206
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, water and sanitation	(557,837)	(1,201,996)
(Increase) decrease in accounts receivable, other	(254,785)	(22,534)
(Increase) decrease in inventory	250,925	(215,665)
(Increase) decrease in prepaid expenses	4,985	40,500
(Increase) decrease in CalPERS prepaid	277,206	(262,807)
(Increase) decrease in other asset	395,600	-
Increase (decrease) in accounts payable	1,228,625	1,370,659
Increase (decrease) in compensated absences	(327,818)	48,248
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (5,966,798)	\$ 161,600
SUPPLEMENTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (4,800,629)	\$ 1,448,206
Developer donated capital facilities	60,000	70,000

See Notes to the Financial Statements.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(1) 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:

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.

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 modified 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.

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. 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

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies, (continued)

District act as the Corporation’s governing board and exert significant influence over its operations. Separate financial statements are prepared for the Corporation.

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.

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.

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

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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies, (continued)

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.

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.

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.

Net Position

The accompanying financial statements reflect the implementation of GASB Statements Nos. 63 and 65. Significant impacts of GASB Statement No. 63 include changing the title of the statement of net assets to the statement of net position and reformatting the statement of net position to add separate sections for deferred inflows of resources and deferred outflows of resources. Significant impacts of GASB Statement No. 65 include reclassifying as deferred inflows of resources and deferred outflows of resources certain balances that were previously reported as assets and liabilities. GASB Statement No. 65 also required that debt issuance costs be reported as expenses when incurred. The retroactive effects of implementing this change in reporting debt issuance costs resulted in a restatement of the beginning net position, as described further in Note 15.

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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(1) Summary of Significant Accounting Policies, (continued)

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.

(2) Cash and Investments

Cash and Investments are classified in the accompanying Statement of Net Position as follows at June 30, 2013:

Statement of Net Position:	
Cash and investments – current	\$ 42,016,642
Cash and investments – noncurrent	94,347,786
Cash and investments with fiscal agent	<u>29,574,877</u>
Total cash and investments	<u>\$ 165,939,305</u>

Cash and investments held by the District at June 30, 2013 consisted of the following:

Cash:	
Cash on hand	\$ 800
Deposits with financial institutions	<u>1,237,341</u>
Total cash	<u>1,238,141</u>
Investments:	
State treasurer's investment pool	22,514,134
US treasury notes	21,318,980
Federal agency securities	59,219,544
Medium term notes	29,458,614
Asset backed securities	3,447,254
Commercial paper	4,745,939
Money market funds	<u>23,996,699</u>
Total investments	<u>164,701,164</u>
Total cash and investments	<u>\$ 165,939,305</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 the Financial Statements

Fiscal Year Ended June 30, 2013

(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.

Investments 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 the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
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
Local Agency Investment Fund	None	None	None

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(2) Cash and Investments, (continued)

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.

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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool	\$ 22,514,134	\$ 22,514,134	\$ -	\$ -	\$ -
US Treasury Notes	19,850,845	2,777,281	1,323,276	2,998,565	12,751,723
Federal Agency Securities	55,055,005	3,237,194	8,519,377	21,150,719	22,147,715
Medium Term Notes	29,458,614	7,449,235	16,127,846	5,881,533	-
Commercial Paper	4,745,939	4,745,939	-	-	-
Asset Backed Securities	3,447,254	-	-	3,447,254	-
Money Market Funds	54,496	54,496	-	-	-
Held by Fiscal Agent:					
US Treasury Notes	1,468,135	1,468,135	-	-	-
Federal Agency Securities	4,164,539	3,450,634	713,905	-	-
Money Market Funds	<u>23,942,203</u>	<u>23,942,203</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 164,701,164</u>	 <u>\$ 69,639,251</u>	 <u>\$ 26,684,404</u>	 <u>\$ 33,478,071</u>	 <u>\$ 34,899,438</u>

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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(2) Cash and Investments, (continued)

<u>Investment Type</u>	<u>Total</u>	Minimum Legal <u>Rating</u>	<u>Rating as of Year End</u>			
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
State Investment Pool	\$22,514,134	N/A	\$ -	\$ -	\$ -	\$ 22,514,134
US Treasury Notes	19,850,845	N/A	19,850,845	-	-	-
Federal Agency Securities	55,055,005	A	52,788,328	2,266,677	-	-
Medium Term Notes	29,458,614	A	-	9,114,287	20,344,327	-
Commercial Paper	4,745,939	A	4,745,939	-	-	-
Asset Backed Securities	3,447,254	AAA	3,447,254	-	-	-
Money Market Funds	54,496	AAA	54,496	-	-	-
Held by Fiscal Agent:						
US Treasury Notes	1,468,135	A	1,468,135	-	-	-
Federal Agency Securities	4,164,539	A	4,164,539	-	-	-
Money Market Funds	<u>23,942,203</u>	AAA	<u>23,942,203</u>	-	-	-
Total	<u>\$164,701,164</u>		<u>\$110,461,739</u>	<u>\$11,380,964</u>	<u>\$ 20,344,327</u>	<u>\$ 22,514,134</u>

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	\$ 19,527,973
Federal National Mortgage Assoc.	Federal agency securities	10,864,190
Federal Farm Credit Bank	Federal agency securities	9,543,382
Tennessee Valley Authority	Federal agency securities	7,733,190
Federal Home Loan Bank	Federal agency securities	7,386,289

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).

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(2) Cash and Investments, (continued)

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.

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.

Investment earnings consist of the following for the year ended June 30, 2013:

Interest income	\$ 3,584,041
Realized gain	683,457
Unrealized loss	<u>(4,800,629)</u>
Total	<u>\$ (533,131)</u>

(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 MET to deliver potable water to the participants. In fiscal year 1995, the participants sold the AMP to MET. 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 \$209,057 leaving the year end AMP receivable of \$866,853. The sale agreement also provides for the District to continue to have AMP flow capacity rights, but MET has no obligation to deliver an actual quantity of water.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(3) Other Receivables, (continued)

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 approximately 34 loans outstanding totaling \$660,023 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.

(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 \$1,642,410. Future minimum lease payments are as follows:

Fiscal Year Ended June 30:

2014	\$ 1,691,682
2015	1,742,433
2016	1,794,706
2017	1,848,547
2018	<u>1,904,003</u>
Total	<u>\$ 8,981,371</u>

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(5) Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Balance at</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2013</u>
Capital Assets				
Water systems	\$572,807,477	\$ 13,294,557	\$ -	\$586,102,034
Capacity rights - Infinite	19,972,448	-	-	19,972,448
Capacity rights - Limited	8,279,403	-	-	8,279,403
Buildings	5,681,901	50,046	-	5,731,947
Automobiles and equipment	<u>10,214,906</u>	<u>681,741</u>	<u>(44,134)</u>	<u>10,852,513</u>
Total cost of depreciable assets	<u>616,956,135</u>	<u>14,026,344</u>	<u>(44,134)</u>	<u>630,938,345</u>
Less accumulated depreciation:				
Water systems	(243,528,964)	(11,873,332)	-	(255,402,296)
Capacity rights – Infinite	-	(266,300)	-	(266,300)
Capacity rights – Limited	(559,950)	(275,980)	-	(835,930)
Buildings	(2,464,208)	(148,341)	-	(2,612,549)
Automobiles and equipment	<u>(7,265,091)</u>	<u>(909,042)</u>	<u>44,134</u>	<u>(8,129,999)</u>
Total accumulated depreciation	<u>(253,818,213)</u>	<u>(13,472,995)</u>	<u>44,134</u>	<u>(267,247,074)</u>
Net depreciable assets	363,137,922	553,349	-	363,691,271
Capital assets not depreciated:				
Land	1,091,910	-	-	1,091,910
Construction in progress	<u>9,572,378</u>	<u>9,968,884</u>	<u>(12,483,916)</u>	<u>7,057,346</u>
Capital assets, net	<u>\$ 373,802,210</u>	<u>\$10,522,233</u>	<u>\$(12,483,916)</u>	<u>\$ 371,840,527</u>

Depreciation expense for the year ended June 30, 2013 was \$13,472,995.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(6) Long-Term Liabilities

Long-Term liabilities for the year ended June 30, 2013 are as follows:

	<u>Balance at June 30, 2012*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
Bonds Payable:					
2003 GOB Refunding Bonds	\$32,755,000	\$ -	\$(4,980,000)	\$27,775,000	\$5,235,000
Total Bonds Payable	<u>32,755,000</u>	<u>-</u>	<u>(4,980,000)</u>	<u>27,775,000</u>	<u>5,235,000</u>
Certificates of Participation:					
2003 COPs	17,840,000	-	(1,630,000)	16,210,000	1,690,000
2009 COPs	60,000,000	-	-	60,000,000	-
2010 COPs (93 COPs Refunding)	7,375,000	-	(50,000)	7,325,000	50,000
Add: Premium on 2010 COPs	<u>658,271</u>	<u>-</u>	<u>(127,407)</u>	<u>530,864</u>	<u>-</u>
Total Certificates of Participation	<u>85,873,271</u>	<u>-</u>	<u>(1,807,407)</u>	<u>84,065,864</u>	<u>1,740,000</u>
Loans Payable:					
CIEDB	1,668,154	-	(146,153)	1,522,001	150,397
Dept. of Water Resources	1,025,603	-	(284,024)	741,579	291,118
State Revolving Fund	<u>16,642,473</u>	<u>-</u>	<u>(1,707,233)</u>	<u>14,935,240</u>	<u>1,737,393</u>
Total Loans Payable	<u>19,336,230</u>	<u>-</u>	<u>(2,137,410)</u>	<u>17,198,820</u>	<u>2,178,908</u>
Compensated Absences:					
Vacation Pay	423,011	558,598	(581,801)	399,808	299,856
Sick Pay	<u>344,515</u>	<u>198,475</u>	<u>(243,630)</u>	<u>299,360</u>	<u>224,520</u>
Total Compensated Absences	<u>767,526</u>	<u>757,073</u>	<u>(825,431)</u>	<u>699,168</u>	<u>524,376</u>
Total Long-Term Liabilities	<u>\$138,732,027</u>	<u>\$ 757,073</u>	<u>\$(9,750,248)</u>	<u>\$129,738,852</u>	<u>\$9,678,284</u>

*2012 balance is restated to exclude the loss on refunding, which is now reflected as a deferred outflow of resources on the Statement of Net Position.

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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(6) Long-Term Liabilities, (continued)

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, 2013.

As of June 30, 2013, the Reserve Requirement for the 2003 Refunding COPs is \$2,496,899. At June 30, 2013, the District has \$2,494,997 in the reserve account.

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 5.9% and 6.3%, 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.

As of June 30, 2013, the Reserve Requirement for the 2009 COPs is \$6,000,000. At June 30, 2013, the District has \$6,024,070 in the reserve account.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(6) Long-Term Liabilities, (continued)

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, 2013, the Reserve Requirement for the 2010 Refunding COPs is \$737,500. At June 30, 2013, the District has \$896,148 in the reserve account.

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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(6) Long-Term Liabilities, (continued)

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 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.

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2013 are as follows:

<u>June 30</u>	Bonds Payable		Certificates of Participation		Loans Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,235,000	\$1,231,700	\$ 1,740,000	\$ 4,390,476	\$ 2,178,908	\$ 324,727
2015	5,585,000	987,375	1,715,000	4,355,676	2,221,293	282,343
2016	6,000,000	697,750	1,780,000	4,285,776	2,110,605	239,104
2017	6,450,000	386,500	1,855,000	4,213,076	1,994,998	200,784
2018	1,395,000	190,375	1,925,000	4,137,476	2,032,109	163,673
2019-2023	3,110,000	158,250	11,795,000	20,494,879	6,660,907	359,786
2024-2028	-	-	13,985,000	19,141,810	-	-
2029-2033	-	-	17,155,000	14,093,020	-	-
2034-2038	-	-	21,515,000	7,394,299	-	-
2039-2043	-	-	10,070,000	709,895	-	-
Total	\$ 27,775,000	\$3,651,950	\$83,535,000	\$83,216,383	\$17,198,820	\$1,570,417

(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, 2013:

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(7) Rate Covenants, (continued)

Debt Service Coverage

Operating Revenues:

Water sales and service charges \$ 35,245,910

Sewer service charges 16,941,327

Meter sales & other 1,035,873

Total Operating Revenues 53,223,110

Non-Operating Revenues:

Connection fees 83,038

Cellular lease income 1,642,410

Investment income 4,868,166

Intergovernmental revenue 1,434,642

Other income (expense) 100,176

Total Non-Operating Revenues 8,128,432

Total Revenues 61,351,542 (A)

Operations & Maintenance Expenses:

Source of supply 28,049,259

Pumping water 2,135,266

Sewage treatment 9,841,299

Water transmission & distribution 2,299,355

Customer service 2,711,672

Water efficiency 1,446,759

General, administrative, & other 10,046,019

Total Operations & Maintenance Expenses 56,529,629 (B)

Net Revenues 4,821,913 (A-B)

Property Tax Revenues 21,859,630

Sum of Net & Tax Revenues 26,681,543 (C)

Debt Service On Parity Obligations

2003 COP 2,449,800

2009 COP 4,098,976

2010 Refunding COP 341,500

Governmental loans 2,503,636

Total Debt Reserve Requirements 1,902

Total Existing Parity Obligations 9,395,814 (D)

Calculated Debt Service Coverage Percentage 284 % (C/D)

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(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 plan is referred to as the 2% @ 55 defined benefit plan, where a qualified employee may receive an annual retirement benefit equal to 2% of their final year compensation times the number of years of service at age 55. 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 two-tier system for employees based on hiring dates. Employees hired after June 28, 2009 were considered to be Tier 2 employees. Tier 1 employees were asked to contribute a percentage of the CalPERS member contributions and Tier 2 and Tier 3 employees were required to contribute the entire percentage of the member contribution rate. In fiscal year 12/13, Tier 1 employees contributed 2.3% of their annual covered salary and the District contributed 4.7% 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 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 \$230,494 for the year ended June 30, 2013. The required employer contribution rate for Tier 1 employees for the year ended June 30, 2013 was 12.33% of employees’ covered payroll. However the actual rate was 6.75%, which includes a one-time rate adjustment due to overpayment. The required employer contribution rate for Tier 2 employees for the year ended June 30, 2013 was 11.390% of employees’ covered payroll. The District’s contributions to the plan for the years ending June 30, 2011, 2012 and 2013 were \$1,129,261 and \$1,076,083, and \$1,084,571 respectively and equaled the required contributions for the years. The most recent actuarial valuation is dated June 30, 2010 and is available upon request.

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, 2013 was \$46,979.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(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 \$114,894 for the year ended June 30, 2013. 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.

(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 60 with 15 years of service if hired or elected on or after July 1, 2008. OPEB Participants receive this benefit on or after age 55 with 10 years of service if hired or elected before 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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(9) Other Post Employment Benefits (OPEB), (continued)

Membership of the plan consisted of the following at June 30, 2013:

Retirees and dependents receiving benefits	22
Active plan members	<u>100</u>
Total	<u>122</u>

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 fiscal year 2012-2013, the District contributed a total of \$200,561 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 \$7,931 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)	\$ 601,596
Contributions made (including premium paid)	<u>(601,596)</u>
Change in net OPEB obligation	0
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u>\$ 0</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, 2013 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>
06/30/11	\$ 626,022	100%	\$ 0
06/30/12	\$ 650,639	100%	\$ 0
06/30/13	\$ 601,596	100%	\$ 0

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(9) Other Post Employment Benefits (OPEB), (continued)

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 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%. 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 Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
07/01/08	\$0	\$ 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%

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(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 \$89,134,506 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 three 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 by disease 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 on its workman’s 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.

(11) Commitments and Contingencies

Capital Improvement Projects

The following material commitments existed at June 30, 2013:

<u>Project Name</u>	<u>Cumulative Expenditures as of June 30, 2013</u>	<u>Remaining Commitments</u>
New District Enterprise Software	\$ 1,656,385	\$1,343,615
Baker Pipeline Regional Treatment	2,165,325	3,884,675

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(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.

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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(12) Joint Powers Authorities and Joint Ventures, (continued)

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 MET. 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.

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.

(13) Restricted Net Position

At year end the District held \$424,363 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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements

Fiscal Year Ended June 30, 2013

(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 details of unrestricted net position at year end are as follows:

Unrestricted net position:	
Designated for rate stabilization	\$ 9,627,003
Designated for replacement and refurbishment	16,501,847
Designated for self insurance reserves	1,289,307
Designated for planning and construction	29,497,500
Designated for WBBRS	4,383,762
Designated for water supply reliability	2,597,710
Unrestricted, undesignated	<u>75,391,432</u>
 Total unrestricted net position	 <u>\$ 139,288,561</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 MET 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 at 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 the Financial Statements

Fiscal Year Ended June 30, 2013

(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.

(15) Prior Period Adjustment

The District wrote off the remaining unamortized cost of debt issuance for the District’s bonds, certificates of participation, and loans payable in accordance with the implementation of GASB 65. The effect of this change on the beginning net position is a reduction of \$1,158,676.

MOULTON NIGUEL WATER DISTRICT
Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds
For the Fiscal Year Ended June 30, 2013

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.

	2012-2013 Amended Budget*	2012-2013 Actual*	Variance with Budget Over(Under)	% Variance with Budget Over(Under)
<u>Revenues</u>				
Potable Water Sales	\$ 26,950,000	\$ 26,932,654	\$ (17,346)	(.06)%
Sewer Sales	16,850,000	16,941,327	91,327	0.54%
Recycled Water Sales	4,736,600	4,612,874	(123,726)	(2.61)%
1 WBBRS Efficiency Funds	750,000	3,700,381	2,950,381	393.38%
Ad Valorem Property Tax (District's share of 1% Property Tax)	21,121,664	21,859,630	737,965	3.49%
General Obligation Bond Assessment	5,942,217	6,668,545	726,327	12.22%
2 Investment Income	3,511,191	(533,131)	(4,044,322)	(115.18)%
3 Other Income	484,150	1,142,512	658,362	136.00%
Cellular Lease Income	1,535,000	1,642,410	107,410	7.00%
Intergovernmental Revenue	<u>1,434,642</u>	<u>1,434,642</u>	<u>-</u>	0.00%
Total Revenues	<u>83,315,464</u>	<u>84,401,844</u>	<u>1,086,378</u>	1.30%
<u>Expenses, Debt Obligations, and Capital Improvement Projects</u>				
Operations and Maintenance	61,911,465	57,034,169	(4,877,296)	(7.88)%
General Obligation Bonds Debt Service	15,822,317	15,771,113	(51,204)	(0.32)%
4 Replacement & Refurbishment Projects	12,545,889	3,068,474	(9,477,415)	(75.54)%
4 SOCWA & JRWSS Capital Projects	8,049,333	5,073,418	(2,975,915)	(36.97)%
4 Water Supply Reliability Projects	6,810,668	2,164,690	(4,645,978)	(68.22)%
4 Planning & Construction Projects	<u>1,389,037</u>	<u>2,073,656</u>	<u>684,619</u>	49.29%
Total Expenses, Debt Obligations, and Capital Improvement Projects	<u>106,528,709</u>	<u>85,185,521</u>	<u>(21,343,188)</u>	(20.04)%
Net Income (Deficit)	<u>(23,213,245)</u>	<u>(783,677)</u>	<u>(22,429,566)</u>	

*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.

MOULTON NIGUEL WATER DISTRICT
Notes to the Schedule of Revenues, Expenses, and Sources (Uses) of Funds
For the Fiscal Year Ended June 30, 2013

Revenues

Actual revenues exceeded the budget estimated by \$1.1 million or 1.30%. Major budget to actual revenue variations are clarified below:

- 1) **WBRS Efficiency Funds** – The WBBR was new this year and had no recorded history.
- 2) **Investment Income** – Current year results include a \$4.8 million unrealized loss on investments.
- 3) **Other Income** – The District received a refund of \$395,600 from the MWDOC contingency fund.

Expenses

Overall costs for fiscal year 2013 were under budget by \$21.3 million or 20%. The major budget to actual expense variations are described below:

- 4) **Replacement & Refurbishment; SOCWA/JRWSS; Water Supply Reliability and Planning/Construction** – The budget contained over 100 projects. At the end of the fiscal year over 40 projects were closed and over 60 projects will be carried forward to FY 2013-2014. However, not all carried-forward projects will be funded in FY 2013-2014. Over 15 projects will be moved to subsequent years.

MOULTON NIGUEL WATER DISTRICT
Operations & Maintenance (O&M) Budget Comparison Report
For the Fiscal Year Ended June 30, 2013

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.

<u>Description</u>	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expense for FYE 2013</u>	<u>Remaining Budget</u>
General Fund				
1 Salaries	\$ 8,745,519	\$ 8,570,846	\$ 7,431,157	\$ 1,139,689
Retirement Program	1,426,552	1,415,796	1,201,322	214,474
Educational Courses	85,245	74,245	23,835	50,410
Travel & Meetings	245,104	245,104	142,584	102,520
Employee Relations	15,000	15,000	25,413	(10,413)
General Services	486,800	486,800	363,035	123,765
Annual Audit	40,020	40,020	38,220	1,800
Member Agencies O&M	1,153,000	1,153,000	1,074,012	78,988
Dues & Memberships	88,665	89,665	72,367	17,298
Election Expenses	48,000	48,000	17,471	30,529
Consulting Services	531,625	547,625	366,701	180,924
Equipment Rental	75,500	83,500	79,984	3,516
District Fuel	326,000	326,000	276,566	49,434
Insurance - District	549,775	549,775	503,405	46,370
Insurance - Personnel	371,011	371,011	322,521	48,490
Insurance - Benefits	2,612,459	2,593,659	2,156,894	436,765
Legal Services	250,000	250,000	150,668	99,332
District Office Supplies Total	575,018	585,003	404,708	180,295
District Operating Supplies	318,989	313,739	416,507	(102,768)
2 Repairs & Maintenance - Equipment	1,737,004	1,742,004	851,579	890,425
3 Repairs & Maintenance - Facilities	4,078,306	4,054,321	2,840,165	1,214,156
Safety Program & Compliance	152,025	152,025	133,173	18,852
4 SOCWA	8,884,700	8,884,700	8,111,731	772,969
Special Outside Assessments	173,000	173,000	211,810	(38,810)
Utilities	2,011,652	2,011,902	1,879,491	132,411
Water Purchases	25,393,496	25,393,496	25,678,244	(284,748)
Meter/Vault Purchases	787,000	787,000	696,173	90,827
Misc. Operating Expenses	-	-	118,260	(118,260)
Water Efficiency	750,000	-	-	-
WBBRS Fund				
5 Salaries	-	174,673	380,016	(205,343)
5 Retirement Program	-	10,756	29,964	(19,208)
5 Travel & Meetings	-	-	404	(404)
5 Insurance-Personnel	-	-	8,405	(8,405)
5 Insurance-Benefits	-	18,800	25,104	(6,304)
5 Water Efficiency	-	750,000	1,002,279	(252,279)
TOTAL	<u>\$ 61,911,465</u>	<u>\$ 61,911,465</u>	<u>\$ 57,034,168</u>	<u>\$ 4,877,297</u>

MOULTON NIGUEL WATER DISTRICT
Notes to the Operations & Maintenance (O&M) Budget Comparison Report
For the Fiscal Year Ended June 30, 2013

The following denotes explanations for some of the major variances between actual and budgeted costs for the Operations and Maintenance budget comparison report:

- 1) **Salaries** – During the year the District had 17 vacant positions that was the main contributor to the 13% salaries savings.
- 2) **Repairs and Maintenance - Equipment** – The District budget presented the purchase of 6 vehicles and other miscellaneous equipment. These planned purchases are the main contributor to the 51% savings.
- 3) **Repairs and Maintenance - Facilities** – The District budget for system repairs on historical information. This year the District didn't have repairs to anticipated levels. This is the main contributor to the 30% savings.
- 4) **SOCWA O&M** – The District received a credit from SOCWA after an audit was completed. This is the main contributor to the 9% savings.
- 5) **WBBRS** – This is the District's first year planning, tracking, and expensing operations related to water efficiency fund.

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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:

Financial Trends – These schedules present financial trend data for assessing the District's financial position over time.

- Net Position by Component – Last Ten Fiscal Years 59
- Changes in Net Position – Last Ten Fiscal Years 60

Revenue Capacity – These schedules present revenue capacity information to determine the District's ability to generate revenue. The District's source of revenue is derived from water and sewer charges. The District also receives a significant amount of property tax revenue.

- Water and Sewer Sold by Type of Customer – Last Ten Fiscal Years 63
- Annual Domestic Consumption in Acre Feet – Last Ten Fiscal Years 65
- Water Rates – Last Ten Fiscal Years 66
- Principal Water Customers – Current Fiscal Year and Ten Years Ago 67
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- Principal Sewer Customers – Current Fiscal Year and Ten Years Ago 69
- Recycled Water Rates – Last Ten Fiscal Years 70
- Principal Recycled Water Customers – Current Fiscal Year and Ten Years Ago 71
- Property Tax Levies and Collections – Last Ten Fiscal Years 72
- Assessed Valuations & Largest Local Secured Taxpayers – Current Fiscal Year and Eight Years Ago 73

Debt Capacity – These schedules show the District's debt burden per customer, the direct and overlapping debt within the geographic boundaries of the District and the net revenues available for debt service and related coverage ratios.

- Outstanding Debt by Type and Debt per Customer – Last Ten Fiscal Years 74
- Ratio of Net Direct General Obligation Debt – Last Ten Fiscal Years 75
- Direct and Overlapping Debt – Current Fiscal Year 76
- Pledged Revenue Coverage – Last Ten Fiscal Years 77

Demographic and Economic Information – These schedules allow the reader to envision the socioeconomic environment of the local community.

- Demographic and Economic Statistics – Last Ten Fiscal Years 78
- Principal Employers – Current Year and Seven Years Ago 80

MOULTON NIGUEL WATER DISTRICT

Statistical Section Overview Table of Contents

Operating Information – These schedules enable the reader to assess the District’s ability to provide water and sewer services through its infrastructure, employees, and business cycles.

- Full Time Employees by Function – Last Ten Fiscal Years 81
- Operating Indicators – Last Ten Fiscal Years 82
- Historical Billings, Collections, and Delinquencies – Last Ten Fiscal Years 83
- Capital Asset Statistics – Last Ten Fiscal Years 84

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

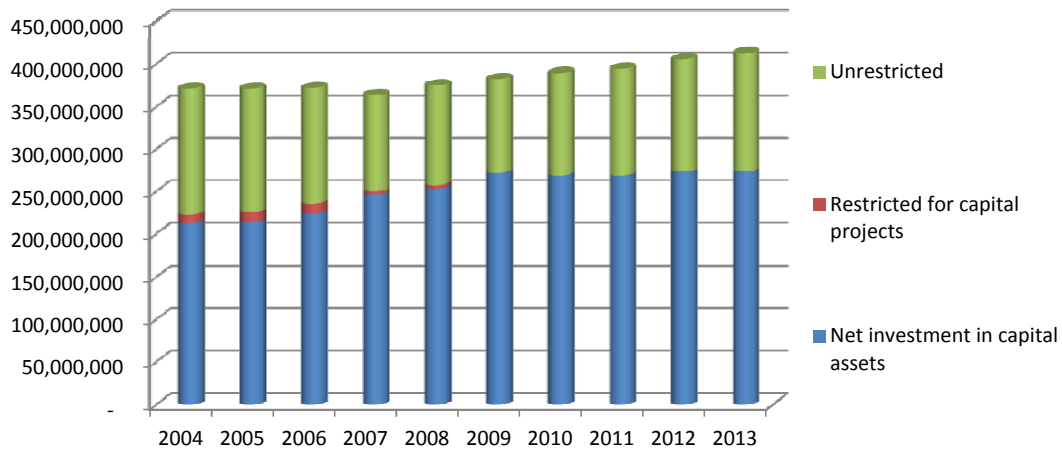
	2004	2005	2006	2007
Assets				
Current & other assets	\$ 133,689,528	\$ 172,106,692	\$ 167,460,342	\$ 135,253,605
Capital assets	396,287,774	350,846,634	350,877,488	361,206,238
Total assets	<u>529,977,302</u>	<u>522,953,326</u>	<u>518,337,830</u>	<u>496,459,843</u>
Deferred Outflow of Resources				
Total assets and deferred outflows of resources	-	-	-	-
Liabilities				
Current and other liabilities	15,455,482	15,623,986	18,436,627	15,838,853
Long-term debt	143,393,212	136,207,909	128,174,462	117,038,604
Total liabilities	<u>158,848,694</u>	<u>151,831,895</u>	<u>146,611,089</u>	<u>132,877,457</u>
Net position				
Net investment in capital assets	212,135,262	212,969,450	222,891,731	245,841,042
Restricted for capital projects	9,924,017	11,619,898	12,816,747	3,928,653
Unrestricted	149,069,329	146,532,083	136,018,263	113,812,691
¹ Total net position	<u>\$ 371,128,608</u>	<u>\$ 371,121,431</u>	<u>\$ 371,726,741</u>	<u>\$ 363,582,386</u>

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

Source: Moulton Niguel Water District Audited Financial Statements.

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

	2008	2009	2010	2011	2012	2013
\$	141,180,151	\$ 126,077,279	\$ 182,990,924	\$ 174,874,392	\$ 178,970,721	\$ 180,075,972
	361,582,353	368,009,569	371,543,848	373,881,504	373,802,210	371,840,527
	502,762,504	494,086,848	554,534,772	548,755,896	552,772,931	551,916,499
	-	-	-	-	-	1,318,562
	502,762,504	494,086,848	554,534,772	548,755,896	552,772,931	553,235,061
	15,849,444	17,165,769	20,038,911	18,166,398	19,338,585	20,774,766
	111,527,615	94,335,405	145,122,499	136,276,375	128,342,067	120,460,207
	127,377,059	111,501,174	165,161,410	154,442,773	147,680,652	141,234,973
	253,165,739	270,849,808	268,089,986	267,962,257	272,169,901	272,287,164
	4,143,149	98,855	119,402	312,742	326,175	424,363
	118,076,557	111,637,011	121,163,974	126,038,124	132,596,203	139,288,561
\$	375,385,445	\$ 382,585,674	\$ 389,373,362	\$ 394,313,123	\$ 405,092,279	\$ 412,000,088



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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Operating Revenue				
Water charges	\$ 17,053,559	\$ 16,233,296	\$ 18,472,894	\$ 21,366,541
Sanitation charges	8,480,618	8,259,528	10,281,592	11,515,601
Recycled water charges	3,442,173	2,975,868	3,342,937	4,464,604
Other	1,513,930	170,617	283,062	604,746
Total Operating Revenue	<u>30,490,280</u>	<u>27,639,309</u>	<u>32,380,485</u>	<u>37,951,492</u>
Operating Expenses				
Source of supply ²	18,060,766	16,469,876	17,583,352	20,230,917
Pumping water	600,876	618,098	357,650	393,556
Water and sewage treatment	6,244,920	7,159,561	7,506,433	7,367,708
Water transmission and distribution	2,378,017	2,429,357	2,547,423	2,707,991
Customer accounts	237,522	202,777	225,071	285,213
Water efficiency	-	-	-	-
General, administrative and other	8,974,219	9,370,829	9,267,301	10,838,062
Depreciation	11,931,829	12,265,654	12,585,747	13,602,765
Total Operating Expenses	<u>48,428,149</u>	<u>48,516,152</u>	<u>50,072,977</u>	<u>55,426,212</u>
Operating Income (Loss)	<u>(17,937,869)</u>	<u>(20,876,843)</u>	<u>(17,692,492)</u>	<u>(17,474,720)</u>
Non-operating Revenues (Expenses)				
Interest income ¹	(596,510)	4,345,893	480,324	6,589,646
Property tax revenue & GOB assessments	22,872,907	19,039,914	19,293,391	26,370,628
Interest on long-term debt	(5,492,833)	(5,226,235)	(5,232,106)	(5,474,668)
Cellular lease income	1,091,275	961,066	1,040,136	1,115,941
Other non-operating revenues (expenses) ⁴	1,368,758	459,756	(26,539)	(80,023)
Total Non-operating Revenues (Expenses)	<u>19,243,597</u>	<u>19,580,394</u>	<u>15,555,206</u>	<u>28,521,524</u>
Income (Loss) before Capital Contributions	1,305,728	(1,296,449)	(2,137,286)	11,046,804
Capital Contributions				
Grant funding				
Developer donated capital facilities	809,720	939,300	2,099,826	876,334
Connection fees	171,096	349,972	642,770	932,325
Change in Net Position	2,286,544	(7,177)	605,310	12,855,463
Net Position - Beginning of Year ³	<u>368,842,064</u>	<u>371,128,608</u>	<u>371,121,431</u>	<u>350,726,923</u>
Net Position - End of Year	<u>\$ 371,128,608</u>	<u>\$ 371,121,431</u>	<u>\$ 371,726,741</u>	<u>\$ 363,582,386</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u> ⁵	<u>2013</u>
\$	20,642,013	\$ 19,860,752	\$ 20,578,666	\$ 22,520,064	\$ 28,866,153	\$ 30,633,036
	11,425,324	11,261,857	12,542,595	14,448,835	16,826,066	16,941,327
	4,201,937	3,968,090	4,446,515	4,340,197	4,530,175	4,612,874
	337,489	323,684	572,611	444,346	429,064	1,035,873
	<u>36,606,763</u>	<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>
	18,944,598	20,972,373	22,505,838	22,088,538	24,415,284	28,049,259
	390,681	360,363	349,221	419,633	1,593,316	2,135,266
	8,179,717	8,962,772	9,093,471	8,588,172	8,665,958	9,841,299
	2,958,395	3,277,410	4,267,727	3,752,224	1,020,852	2,299,355
	335,049	351,151	332,685	311,483	1,202,302	2,711,672
	-	-	-	-	-	1,446,759
	11,407,703	13,069,750	12,788,639	13,130,167	16,481,929	10,652,698
	13,783,963	14,097,033	14,572,711	15,162,538	15,566,287	13,472,995
	<u>56,000,106</u>	<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>(19,393,343)</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>
	9,477,382	7,118,974	6,846,993	4,009,899	6,271,001	(533,131)
	26,755,228	28,320,274	27,407,480	27,250,759	27,221,147	28,528,175
	(5,340,125)	(5,097,414)	(6,766,600)	(7,897,888)	(7,608,336)	(5,850,174)
	1,203,720	1,349,901	1,491,862	1,498,290	1,562,383	1,642,410
	19,422	54,270	1,438,137	1,480,660	1,557,431	1,522,360
	<u>32,115,627</u>	<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>
	12,722,284	6,069,536	4,647,967	4,642,407	10,709,156	7,923,447
	144,899	930,379	54,212	20,530	-	-
	970,889	156,511	2,069,786	94,332	70,000	60,000
	13,169	43,800	15,723	182,491	-	83,038
	13,851,241	7,200,226	6,787,688	4,939,760	10,779,156	8,066,485
	<u>361,534,204</u>	<u>375,385,445</u>	<u>382,585,671</u>	<u>389,373,362</u>	<u>394,313,123</u>	<u>403,933,603</u>
\$	<u>375,385,445</u>	\$ <u>382,585,671</u>	\$ <u>389,373,362</u>	\$ <u>394,313,123</u>	\$ <u>405,092,279</u>	\$ <u>412,000,088</u>

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

Water & Sewer Sales

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Residential	\$ 16,178,691	\$ 15,438,317	\$ 18,669,805	\$ 21,202,036	\$ 20,536,190
Commercial	2,766,006	2,793,134	3,173,988	3,559,177	3,598,135
Multi-Family Commercial ¹	3,462,450	3,468,057	3,887,382	4,193,311	4,157,669
Irrigation ²	3,099,871	2,770,325	2,982,385	3,870,441	3,725,795
Recycled Water	3,442,173	2,975,868	3,342,937	4,464,604	4,201,937
Hydrant ²	27,159	22,991	40,926	57,177	49,548
Total Water & Sewer Sales	\$ 28,976,350	\$ 27,468,692	\$ 32,097,423	\$ 37,346,746	\$ 36,269,274

Metered Accounts (ccf)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Residential	45,875	45,998	46,069	46,170	46,367
Commercial	4,641	4,670	4,674	4,732	4,793
Irrigation ²	1,392	1,365	1,368	1,376	1,380
Recycled Water	1,138	1,166	1,183	1,196	1,206
Hydrant ²	33	26	44	40	42
Total Metered Accounts	53,079	53,225	53,338	53,514	53,788

(1) Multi-Family Commercial was combined with Commercial prior to FY 2004.

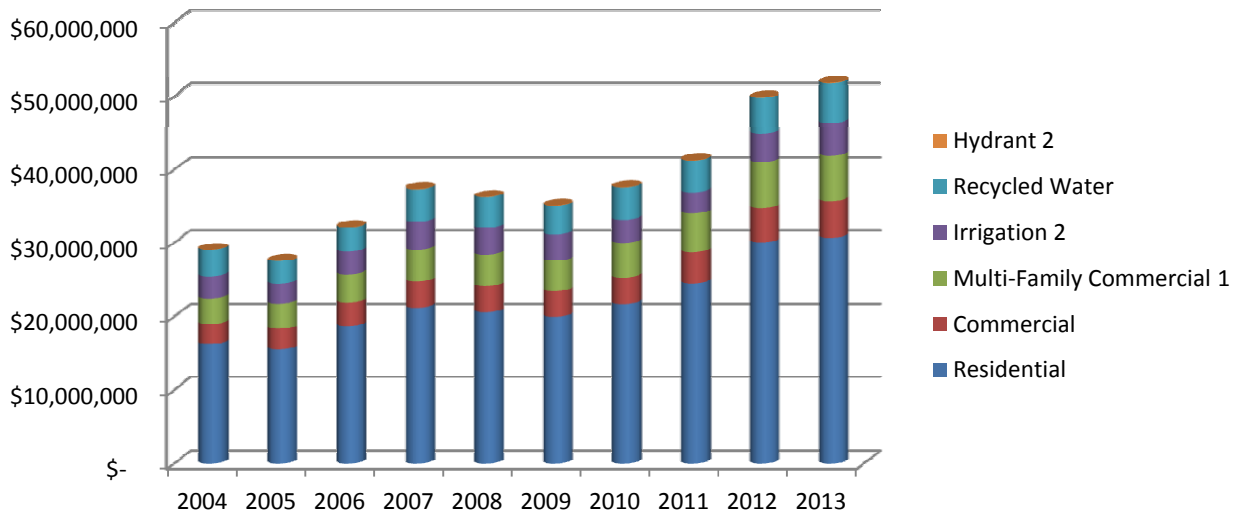
(2) Irrigation, Hydrant, and Recycled Water sales do not include sewer sales.

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>
\$ 19,960,314	\$ 21,661,402	\$ 24,489,399	30,036,920	30,657,772
3,484,263	3,691,101	4,131,299	4,672,173	5,049,139
4,082,323	4,615,167	5,293,520	6,373,846	6,171,180
3,551,458	3,118,258	3,013,689	3,705,286	4,392,099
3,968,090	4,446,515	4,340,197	4,894,136	5,369,133
44,251	35,333	40,992	83,659	65,027
\$ 35,090,699	\$ 37,567,776	\$ 41,309,096	\$ 49,766,020	\$ 51,704,350

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



**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>
2004	38,957	\$ 16,359,733	\$ 420	53,079	0.73	\$ 308
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

(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 ³	2013 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	\$ 1.38
Tier 2									\$ 1.54	\$ 1.54
Tier 3									\$ 2.75	\$ 2.75
Tier 4									\$ 5.51	\$ 5.51
Tier 5									\$ 11.02	\$ 11.02

Potable Irrigation/Fire Protection Water Rates by Fiscal Year										
Consumption Tiers	2002-2005		2006-2009		2010		2011		2012	2013
All B.U.'s	\$ 1.30		\$ 1.46		\$ 1.70		\$ 1.97		\$ 2.29	\$ 2.29

Hydrant Water Rates by Fiscal Year										
Consumption Tiers	2002-2005		2006-2009		2010		2011		2012	2013
All B.U.'s	\$ 1.30		\$ 1.46		\$ 1.70		\$ 1.97		\$ 2.29	\$ 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"	10"
2004	5.00	5.00	5.00	10.00	18.00	25.00	35.00	55.00	75.00	95.00
2005	5.00	5.00	5.00	10.00	18.00	25.00	35.00	55.00	75.00	95.00
2006	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60	96.60
2007	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60	96.60
2008	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60	96.60
2009	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60	96.60
2010	7.67	7.67	7.67	13.48	22.78	30.91	42.53	65.77	89.01	112.25
2011	8.91	8.91	8.91	15.66	26.46	35.92	49.42	76.42	103.43	130.43
2012	10.36	10.36	10.36	34.53	55.25	120.87	207.20	431.67	621.60	1,001.47
2013	10.36	10.36	10.36	34.53	55.25	120.87	207.20	431.67	621.60	1,001.47

(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 Ten Years Ago**

Fiscal Year 2013

<u>Customer</u>	<u>Type of Property</u>	Total Water <u>Sales</u>	Percentage of Total Water <u>Sales</u>
Soka University of America	Private University	\$ 107,407	0.40%
Mission Hospital Regional Medical Center	Medical Facility	82,855	0.31%
SOCWA	Public Utility	73,792	0.27%
The Shops at Mission Viejo	Retail Center	58,525	0.22%
Saddleback Community College	Public College	54,530	0.20%
General Services Administration	Government Facility	49,364	0.18%
Shea Properties	Multi Family Residential	39,873	0.15%
Mission Imports	Retail Center	38,604	0.14%
Renaissance Hotel Operating Co.	Retail Business	36,723	0.14%
Mission Viejo Christian School	School	22,982	0.09%
K&M Royal Group LLC	Retail Center	<u>22,909</u>	<u>0.09%</u>
		\$ 587,564	2.18%
Total Water Sales for FY 2012-13 \$		26,932,655	

Fiscal Year 2003¹

<u>Customer</u>	<u>Type of Property</u>	Total Water <u>Sales</u>	Percentage of Total Water <u>Sales</u>
Aliso Viejo Golf Club	Golf Course	\$ 247,168	1.50%
Mission Viejo Country Club	Golf Course	164,779	1.00%
El Niguel Country Club	Golf Course	164,779	1.00%
Saddleback Community College	Public College	98,867	0.60%
Soka University of America	Private University	98,867	0.60%
Laguna Niguel Regional Park	Regional Park	49,434	0.30%
The Shops at Mission Viejo	Shopping Mall	48,610	0.30%
	Hospital and Medical		
Mission Hospital Regional Medical Center	Offices	48,445	0.29%
Laguna Hills High School	School	36,251	0.22%
Capistrano Valley High School	School	<u>31,308</u>	<u>0.19%</u>
		\$ 988,508	6.00%
Total Water Sales for FY 2002-03 \$		16,477,867	

(1) Data prior to fiscal year 2003 is unavailable. Data for FY 2003 did not separate potable and recycled water sales.

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										
	2004	2005	2006	2007	2008	2009	2010	2011	2011	2013
Basic Service Charges	\$ 5.50	\$ 5.50	\$ 7.10	\$ 7.10	\$ 7.10	\$ 7.10	\$ 8.25	\$ 9.59	\$ 11.14	\$ 11.14
Volumetric Charge										
1-25 B.U.	\$ 0.40	\$ 0.40	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.65	\$ 0.76	\$ 0.88	\$ 0.88
26+ B.U.										
Maximum per month	\$ 15.50	\$ 15.50	\$ 21.10	\$ 21.10	\$ 21.10	\$ 21.10	\$ 24.50	\$ 28.59	\$ 33.14	\$ 33.14

COMMERCIAL AND MULTI-FAMILY SEWER RATES										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Basic Service Charge per Sewer	\$ 14.20	\$ 14.20	\$ 14.20	\$ 14.20	\$ 14.20	\$ 14.20	\$ 16.50	\$ 19.18	\$ 22.28	\$ 22.28
Volumetric Charge - All B.U.'s										
Class 1	\$ 0.40	\$ 0.40	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.65	\$ 0.76	\$ 0.88	\$ 0.88
Class 2	\$ 0.60	\$ 0.60	\$ 0.76	\$ 0.76	\$ 0.76	\$ 0.76	\$ 0.88	\$ 1.03	\$ 1.19	\$ 1.19
Class 3	\$ 0.80	\$ 0.80	\$ 0.96	\$ 0.96	\$ 0.96	\$ 0.96	\$ 1.12	\$ 1.30	\$ 1.51	\$ 1.51
Class 4	\$ 1.00	\$ 1.00	\$ 1.16	\$ 1.16	\$ 1.16	\$ 1.16	\$ 1.35	\$ 1.57	\$ 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 Ten Years Ago**

Fiscal Year 2013

<u>Customer</u>	<u>Type of Property</u>	Total Sewer <u>Sales</u>	Percentage of Total <u>Sewer Sales</u>
The Shops at Mission Viejo	Shopping Mall	\$ 53,449	0.32%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	50,166	0.30%
Renaissance Hotel Operating Co.	Retail Business	31,642	0.19%
Soka University of America	Private University	29,418	0.17%
Shea Properties/City Lights	Multi-family Residential	22,914	0.14%
Saddleback Community College	Public College	21,670	0.13%
K&M Royal Group LLC	Retail Center	18,645	0.11%
Crown Valley Holding LLC	Retail Center	14,122	0.08%
Mission Imports	Retail Center	12,194	0.07%
Sunrise Assisted Living	Retirement Community	10,315	0.06%
Mission Viejo Christian Church	Church	<u>9,715</u>	<u>0.06%</u>
		\$ 274,250	1.62%

Total Sewer Sales for FY 2012-13 \$ 16,941,327

Fiscal Year 2003 ¹

<u>Customer</u>	<u>Type of Property</u>	Total Sewer <u>Sales</u>	Percentage of Total <u>Sewer Sales</u>
Soka University of America	Private University	\$ 33,900	0.40%
The Shops at Mission Viejo	Shopping Mall	27,276	0.32%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	26,925	0.32%
Saddleback Community College	Public College	9,374	0.11%
Mission Viejo Country Club	Golf Course	8,403	0.10%
Niguel Vista Condo Association	Multi-Family Residential	8,066	0.10%
Unisys Corporation	Commercial	5,994	0.07%
General Services Administration	Government Bldg.	5,004	0.06%
El Niguel Country Club	Golf Course	3,097	0.04%
Laguna Hills High School	School	<u>2,630</u>	<u>0.03%</u>
		\$ 130,669	1.56%

Total Sewer Sales for FY 2002-03 \$ 8,395,292

(1) Data prior to 2003 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
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
Tier 2									\$ 1.23		\$ 1.23
Tier 3									\$ 2.20		\$ 2.20
Tier 4									\$ 4.41		\$ 4.41
Tier 5									\$ 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
5/8"	\$ 5.00		\$ 6.60		\$ 7.67		\$ 8.91		\$ 10.36		\$ 10.36
3/4"	\$ 5.00		\$ 6.60		\$ 7.67		\$ 8.91		\$ 10.36		\$ 10.36
1"	\$ 5.00		\$ 6.60		\$ 7.67		\$ 8.91		\$ 10.36		\$ 10.36
1.5"	\$ 10.00		\$ 11.60		\$ 13.48		\$ 15.66		\$ 34.53		\$ 34.53
2"	\$ 18.00		\$ 19.60		\$ 22.78		\$ 26.47		\$ 55.25		\$ 55.25
3"	\$ 25.00		\$ 26.60		\$ 30.91		\$ 35.92		\$ 120.87		\$ 120.87
4"	\$ 35.00		\$ 36.60		\$ 42.53		\$ 49.42		\$ 207.20		\$ 207.20
6"	\$ 55.00		\$ 56.60		\$ 65.77		\$ 76.42		\$ 431.37		\$ 431.37
8"	\$ 75.00		\$ 76.60		\$ 89.01		\$ 103.43		\$ 621.60		\$ 621.60
10"	\$ 95.00		\$ 96.60		\$ 112.25		\$ 130.43		\$ 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 Ten Years Ago**

Fiscal Year 2013

<u>Customer</u>	<u>Type of Property</u>	Total <u>Consumption</u> ¹	Percentage of Total <u>Consumption</u> ¹
Aliso Viejo Community Association	Parks, Slopes, Medians	363,058	11.71%
Aliso Viejo Country Club	Golf Course	150,315	4.85%
Mission Viejo Country Club	Golf Course	144,579	4.66%
El Niguel Country Club	Golf Course	129,015	4.16%
Marina Hills PCA	Golf Course	81,798	2.64%
Arroyo Trabuco Golf Club	Golf Course	78,125	2.52%
City of Mission Viejo	Parks, Slopes, Medians	68,874	2.22%
Soka University of America	Private University	64,946	2.10%
County of Orange	Parks, Slopes, Medians	48,370	1.56%
Caltrans District 12	Slopes, Medians	<u>48,267</u>	<u>1.56%</u>
		1,177,347	37.98%
Total Consumption for Fiscal Year 2012-13		3,099,715	

Fiscal Year 2003

<u>Customer</u>	<u>Type of Property</u>	Total <u>Consumption</u> ¹	Percentage of Total <u>Consumption</u> ¹
Aliso Viejo Community Association	Parks, Slopes, Medians	412,733	14.58%
Aliso Viejo Country Club	Golf Course	172,425	6.09%
El Niguel Country Club	Golf Course	128,565	4.54%
Marina Hills PCA	Golf Course	88,612	3.13%
Soka University of America	Private University	69,700	2.46%
City of Mission Viejo	Parks, Slopes, Medians	69,544	2.46%
Caltrans District 12	Slopes, Medians	61,145	2.16%
El Niguel Heights Community Assn.	Landscape	50,207	1.77%
City of Laguna Niguel	Parks, Slopes, Medians	48,826	1.72%
Crest De Ville HOA	Landscape	43,520	1.54%
City of Laguna Hills	Parks, Slopes, Medians	43,449	1.53%
County of Orange - EMA	Park	<u>40,500</u>	<u>1.43%</u>
		1,229,226	43.41%
Total Consumption for Fiscal Year 2002-03		2,831,495	

(1) 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	<u>Total Tax Levy</u>	<u>Collected within the Levy Year</u>		Collections from Prior Years ²	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2004 ³	\$ 16,267,199	\$ 16,096,282	98.95%	\$ 197,152	\$ 16,293,434	100.16%
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	\$ 20,702,831	95.68%	\$ 511,337	\$ 21,214,168	98.04%
2012	\$ 21,141,700	\$ 20,394,203	96.46%	\$ 475,230	\$ 20,869,433	98.71%
2013	\$ 21,859,630	\$ 21,197,511	96.97%	\$ 555,032	\$ 21,752,543	99.51%

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

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

(3) The District collected a substantial amount of secured property taxes from prior years.

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 Eight Years Ago

Assessed Values by Land Use
FY 2013 **FY 2005**

<u>Land Use</u>	<u>Secured Assessed Value</u>	
Residential	\$ 13,021,368,106	\$ 10,583,018,637
Commercial	1,333,347,498	1,390,568,672
Industrial	334,019,325	254,501,705
Vacant/Other	24,794,909	503,361,979
Total	\$ 14,713,529,838	\$ 12,731,450,993

Principal Local Secured Taxpayers
For Fiscal Year 2013

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Shea Homes LP	Residential	\$ 52,284,496	0.34%
2	OC/SD Holdings LLC	Apartments	46,340,913	0.30%
3	BRE - FMCA LLC	Apartments	44,280,746	0.29%
4	Moritz Associates LLC	Apartments	43,537,354	0.29%
5	Barcelona, LLC	Apartments	37,620,842	0.25%
6	Laguna Cabot Road Business Park LP	Industrial	37,047,658	0.24%
7	Sequoia Equities - Alize	Commercial	28,818,270	0.19%
8	Sequoia Equities - Alicante	Apartments	26,514,160	0.17%
9	Costco Wholesale Corp.	Apartments	26,282,229	0.17%
10	Monarch Coast I LLC	Apartments	24,459,800	0.16%
			\$ 367,186,468	2.41%

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%
			\$ 864,563,424	7.81%

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.

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	Customer Accounts		
2004	\$ 62,975,000	\$ 34,900,234	\$ 46,204,775	\$ 6,732,000	\$ 150,812,009	53,079	\$ 2,841	165,317	\$ 912
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	\$ 85,332,336	\$ 19,336,551	\$ -	\$ 137,423,887	54,533	\$ 2,520	165,272	\$ 832
2013	\$ 27,775,000	\$ 84,065,864	\$ 17,198,820	\$ -	\$ 129,039,684	54,792	\$ 2,355	168,174	\$ 767

(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
2004 ⁴	\$ 62,975,000	\$ 1,882,953	\$ 4,071,102,047	0.05%	52,659	\$ 36
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

(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>	\$14,738,131,737 (Land only)	Total Debt 06/30/2013	% Applicable (1)	District's Share of Debt 06/30/2013
Metropolitan Water District		\$ 165,085,000	1.356%	\$ 2,238,553
Capistrano Unified School District School Facilities ID No. 1		39,579,930	32.171%	12,733,259
Laguna Beach Unified School District		29,510,000	1.957%	577,511
Saddleback Valley Unified School District		121,645,000	22.387%	27,232,666
City of San Juan Capistrano		30,910,000	0.188%	58,111
Moulton Niguel Water District, ID No. 6		18,620,000	100.000%	18,620,000
Moulton Niguel Water District, ID No. 7		9,155,000	100.000%	9,155,000
South Coast Water District		2,450,000	6.778%	166,061
Orange County Community Facilities Districts		42,777,573	7.771% to 100%	32,643,447
City of Aliso Viejo Community Facilities District No. 2005-01		33,945,000	100.000%	33,945,000
City of Mission Viejo Community Facilities District No. 92-1		1,670,000	100.000%	1,670,000
Capistrano Unified School District Community Facilities District No. 87-1		\$ 41,025,000	74.585%	30,598,496
<i>Total Direct & Overlapping Tax and Assessment Debt</i>				<u>\$ 169,638,104</u>

Direct & Overlapping General Fund Debt:

Orange County General Fund Obligations	\$ 190,546,000	6.653%	\$ 12,677,025
Orange County Pension Obligations	306,287,244	6.653%	20,377,290
Orange County Board of Education COP	15,770,000	6.653%	1,049,178
Capistrano Unified School District COP	19,635,000	32.396%	6,360,955
City of Aliso Viejo COP	7,335,000	97.975%	7,186,466
City of Laguna Hills COP	13,790,000	70.369%	9,703,885
City of Mission Viejo COP	15,730,000	34.525%	5,430,783
City of San Juan Capistrano Judgment Obligations	2,450,000	0.188%	4,606
Municipal Water District of Orange County Water Facilities Corp.	10,035,000	7.987%	801,495
Moulton Niguel Water District COP (2)	\$ 83,535,000	100.000%	83,535,000
<i>Total Gross Direct & Overlapping General Fund Debt</i>			<u>147,126,683</u>
Less: MWDOC Facilities Corp			801,495
<i>Total Net Direct & Overlapping General Fund Debt</i>			<u>\$ 146,325,188</u>

<u>Overlapping Tax Incremental Debt (Successor Agency):</u>	\$ 21,070,000	0.026%	\$ 5,478
Total Direct Debt			\$ 111,310,000
Total Gross Overlapping Debt			\$ 205,460,265
Total Net Overlapping Debt			\$ 204,658,770
Gross Combined Total Debt (3)			\$ 316,770,265
Net Combined Total Debt			\$ 315,968,770

Ratios to Land Only Assessed Valuation:

Direct Debt (\$27,775,000) (4)	0.19%
Total Direct and Overlapping Tax and Assessment Debt	1.15%

Ratios to Adjusted All Property Assessed Valuation:

Total Direct Debt (\$111,310,000)	0.39%
Gross Combined Total Debt	1.11%
Net Combined Total Debt	1.11%

Ratios to Redevelopment Incremental Valuation (\$160,401,314):

Total Overlapping Tax Incremental Debt	0.003%
--	--------

(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.

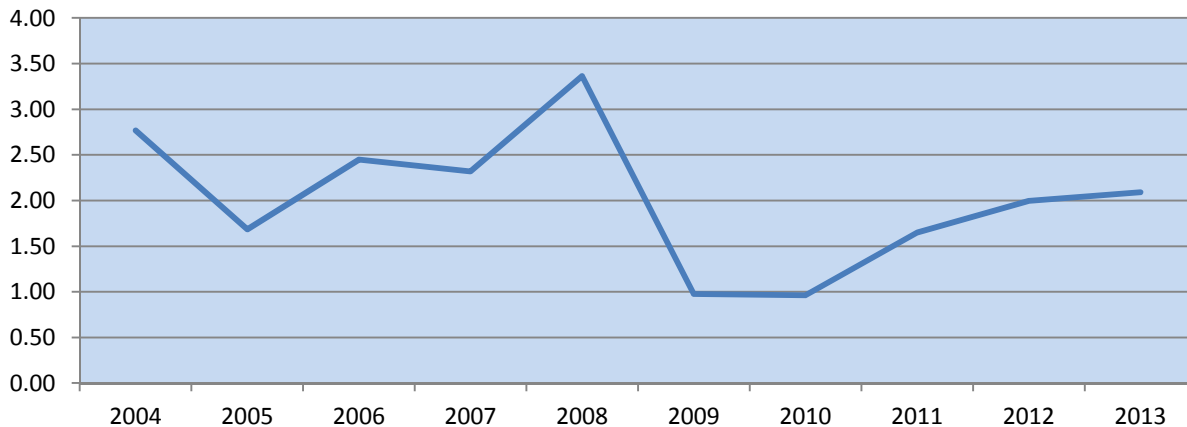
(4) Moulton Niguel Improvement Districts.

Source: California Municipal Statistics, Inc.

**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	
2004	\$ 53,102,198	\$ 36,496,320	\$ 16,605,878	\$ 3,671,059	\$ 2,332,737	\$ 6,003,796	2.77
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

- (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 Water Reuse 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	168,174

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%	

(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
2003	44,846	\$ 1,668,540,276	\$ 37,206	2.50%
2004	44,854	\$ 1,710,327,874	\$ 38,131	2.20%
2005	44,924	\$ 1,755,584,996	\$ 39,079	1.90%
2006	45,037	\$ 1,791,256,601	\$ 39,773	1.80%
2007	45,249	\$ 1,857,154,707	\$ 41,043	2.00%
2008	45,683	\$ 2,052,308,775	\$ 44,925	2.70%
2009	45,634	\$ 1,977,868,828	\$ 43,342	4.80%
2010	47,823	\$ 2,059,354,026	\$ 43,062	4.90%
2011	48,988	\$ 2,002,825,000	\$ 40,884	4.60%
2012 ³	49,477	\$ 2,100,001,788	\$ 42,444	3.00%

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

(3) Figures for 2013 are not yet available. The City of Aliso Viejo's FY 2013 CAFR was based on population and per capita statistics from FY 2012.

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

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	30,703			4.60%

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	\$ 163,300,000	\$ 53,733	6.7%
2012	94,196	\$ 166,900,000	\$ 54,319	5.7%
2013	94,824	\$ 164,900,000	\$ 53,029	4.7%

(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 2013 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	2,500	4.44%
2	Saddleback College	City of Mission Viejo	1,877	3.33%
3	Saddleback Valley Unified School District	City of Mission Viejo	1,245	2.21%
4	Saddleback Memorial Hospital	City of Laguna Hills	1,020	5.86%
5	UPS	City of Aliso Viejo 3	1,000	5.67%
6	Pacific Life Insurance	City of Aliso Viejo 3	811	4.59%
7	Fluor Corporation	City of Aliso Viejo 3	630	3.57%
8	Hines Growers LLC	City of Laguna Hills	600	3.44%
9	Quest Software Inc.	City of Aliso Viejo 3	600	3.40%
10	Capistrano Unified School District	City of Mission Viejo	537	0.95%

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	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Office of the General Manager	3	3	3	3	3	3	3	3	2	3
Human Resources	-	-	-	-	-	1	1	1	2	2
Administration	2	2	2	2	2	-	-	-	-	-
Customer Service	-	-	-	-	-	2	2	2	2	3
Utility Billing	5	5	5	5	5	6	6	7	7	7
Customer Service - Field	19	19	19	19	19	17	19	17	18	19
Customer Service - Office	8	8	6	6	6	5	6	6	7	5
Engineering - Field	10	10	10	10	10	10	11	9	8	9
Engineering - Office	3	3	3	3	3	3	3	7	9	14
Purchasing	1	1	1	1	1	1	2	2	2	2
Information Technology	2	2	3	3	3	3	3	3	3	3
Financial Services	2	2	2	2	2	2	2	3	2	2
Accounting	6	6	5	5	5	5	5	5	7	7
Operations Administration	6	6	6	6	6	6	6	6	6	6
Operations - Plant	18	18	18	18	18	18	14	9	10	11
Operations - Field	17	17	17	17	17	17	17	24	22	20
Total	102	102	100	100	100	99	100	102	107	113

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
2004	53,101	< 1,400	August	39.83	31.27	13.4	31.27	14
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	54,791	<1,400	September	43.50	29.31	13.6	25.19	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					
2004	12	28	19	12	29	7,000	4	700	530	140
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

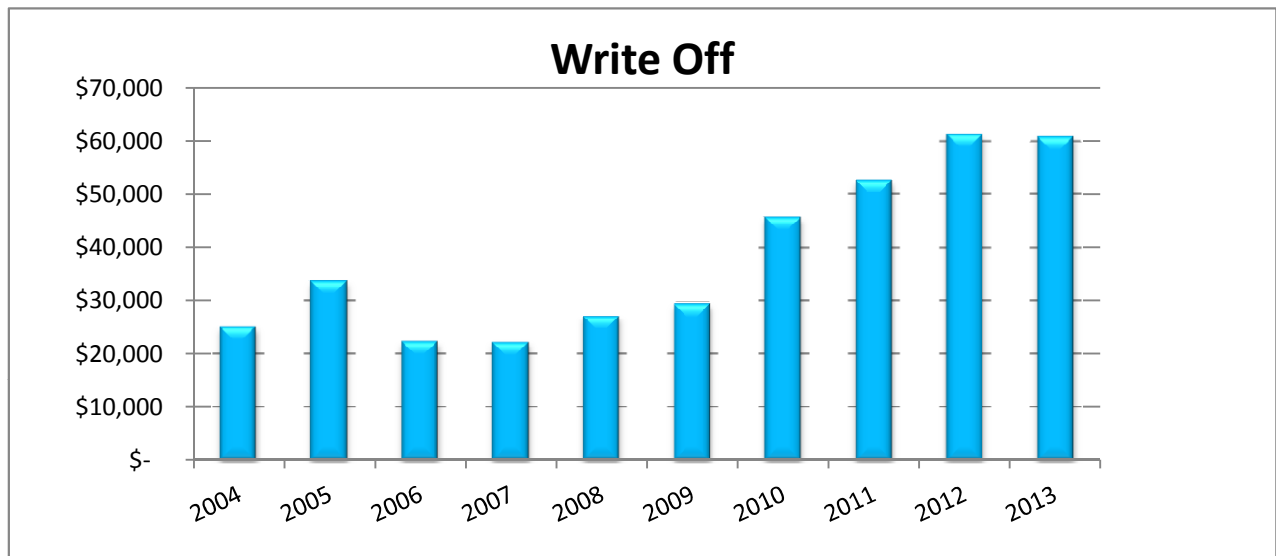
Note: MGD = Millions of Gallons per Day.

(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.

**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
2004	\$ 2,686,121	\$ 28,999,532	\$ 28,812,106	\$ 2,873,547	\$ 25,112	0.09%
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%

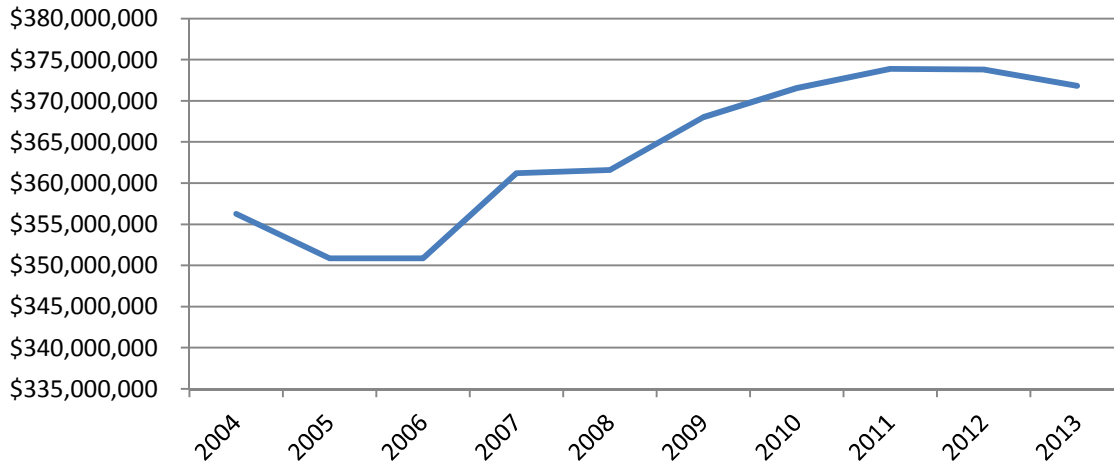


Source: Moulton Niguel Water District Finance Department.

**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
2004	\$ 341,057,377	\$ -	\$ 3,754,147	\$ 3,653,139	\$ 1,091,910	\$ 6,724,621	\$ 356,281,194
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

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department

Financial Planning Overview

Wednesday, November 20, 2013



Agenda

- Introduction
 - Priorities, Goals, and Assessment
- District's 10-Year Cash Flow Forecast
- Financial Reporting to the Board
- Financial Planning Update
 - Bond Refinancing
 - Multi-Year Finance Plan
- Budget
- Next Steps

Introduction



Goal Statement: Financial Planning

The District's Financial Planning goal is to *'ensure sufficient financial wherewithal to meet current and future demands of the District in providing the highest level of customer service, maintaining extensive water delivery/collections system and advocating for the needs of the region.'*

District's Priorities for FY 13-14

- Implement Asset Management Plan
- Implement the ERP
- Develop a Multi-Year Financial Plan (Budget)
- Implement the Labor Agreements
- Complete Operations Headquarters Assessment
- Outreach
- Procurement
- Initiate Cost-of-Service and Rates Review
- Recruitment & Staffing
- Water Reliability

Plans for FY 13-14

Financial Planning (formerly known as Budget)

- Staffing
- Audit
- Financial Assessment
 - Assess our current finances
 - Bond refinancing evaluation
 - Develop a multi-year financial plan
- Board Workshop – Nov. 2013
 - Revised 10-Year Cash Flow
 - Review financial reporting to the Board / reference guide
- Rate Review
- Budget
 - Develop a budget schedule

Preliminary Financial Assessment

- Review the District's Overall Financial Position
 - Available Cash / Fund Balances
 - Coverage Ratios
 - Net Revenues
 - Debt/Asset Ratios

- Policies
 - Reserves (operating reserves vs. “rainy day” reserves)
 - Debt service coverage ratio
 - Investment

District Has a Solid Financial Position

- District is highly rated
 - Fitch – AAA
 - S&P – AA+
- District has sufficient liquidity given its credit profile, policies, and current capital needs
- Debt service coverage ratios have been consistent with AA+ credit rating
 - Debt service coverage in FY 2013 = 2.84 times
- Leverage is low
 - Debt/Net Position(equity) at June 30, 2013 = 31%

Cash Balances Remain Strong

Cash balances by fund (as of 6/30/13)

- Rate Stabilization – \$9,627,003
- Replacement and Refurbishment – \$16,501,847
- Self Insurance – \$1,289,307
- Planning and Construction – \$29,497,500
- Water Supply Reliability – \$2,597,710
- WBBRS – \$4,383,762
- General Operating Reserves – \$75,391,432

Total: \$139,288,561

District Maintains Prudent Financial Policies

- Financial policies support strong financial position and high credit ratings
- Financial policies help mitigate need for large rate increases in the future and meet capital planning needs
- Operating reserve of three months is consistent with AA rating category
- Coverage target of 1.75 is at low end of AA category median
- Capital reserves – minimum and maximum are consistent with other comparable utilities

District's 10-Year Cash Flow Model



Model Results Driven By A Few Key Variables

- Revenue Drivers

- FY 2013-2014: \$86.7 million
 - Water/Sewer Sales (59.5% of Revenue)
 - Property taxes (34.2% of Revenue)

- Expense Drivers

- FY 2013-2014: \$108 million
 - Capital Projects (24.8% of Expenses)
 - Water Purchases (26.6% of Expenses)
 - Operations and Maintenance (12.1% of Expenses)
 - Debt Service (15.7% of Expenses)
 - SOCWA (8.6% of Expenses)
 - Salary & Benefits (12.6% of Expenses)

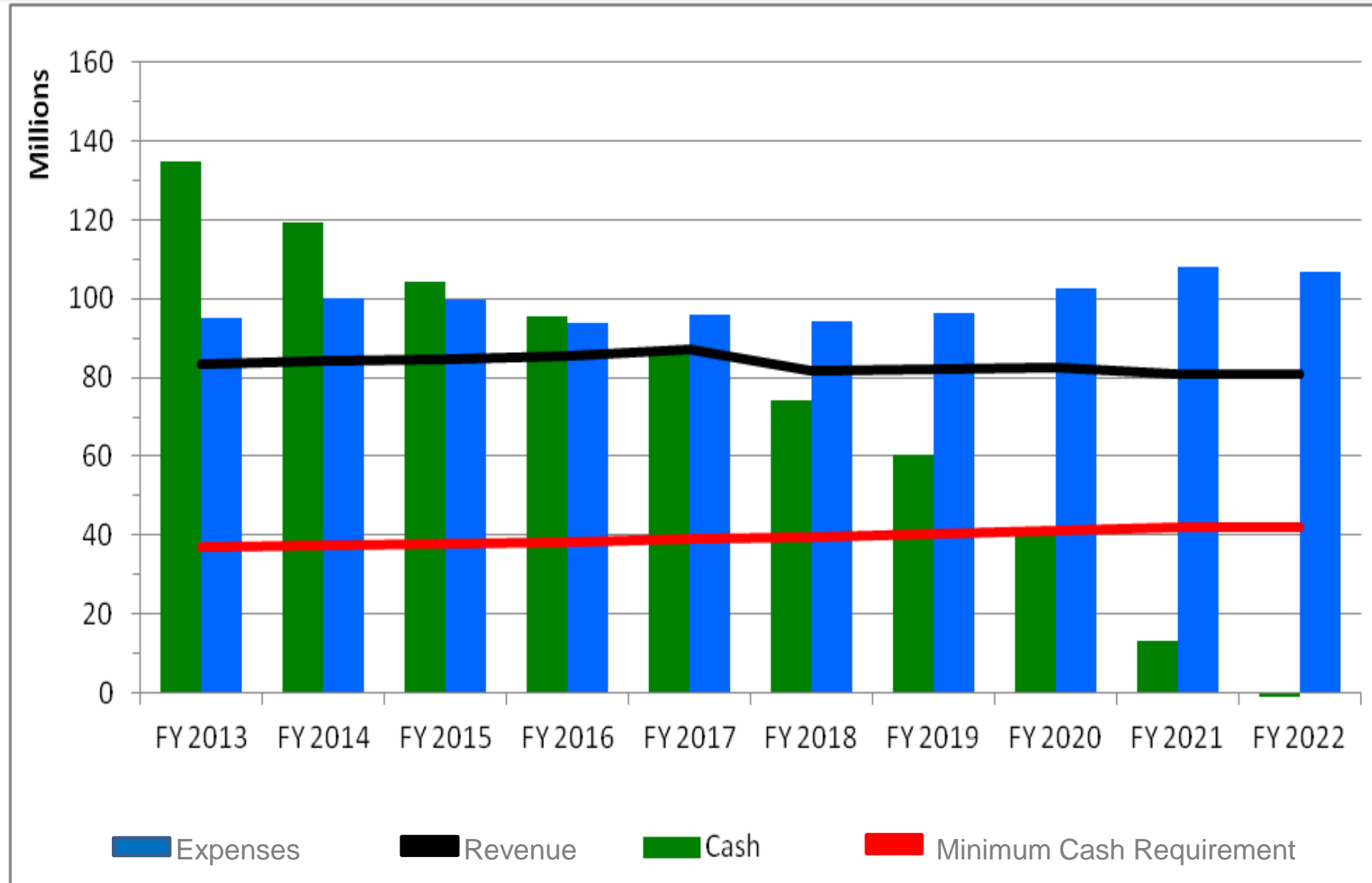
CIP Needs and Cash Targets Also Key Drivers

- \$234.4 million in CIP needs over next 10-years
 - SOCWA Projects – \$57.3 million
 - Baker Treatment Plant – \$33.5 million
 - Reservoir Tank Recoating – \$10 million
 - Easement Rehabilitation Projects – \$14 million
 - Force Main Replacements – \$2 million
 - Manhole Rehabilitation & Sewer Lining – \$6 million
 - SCWD / JRWSS – \$13 million

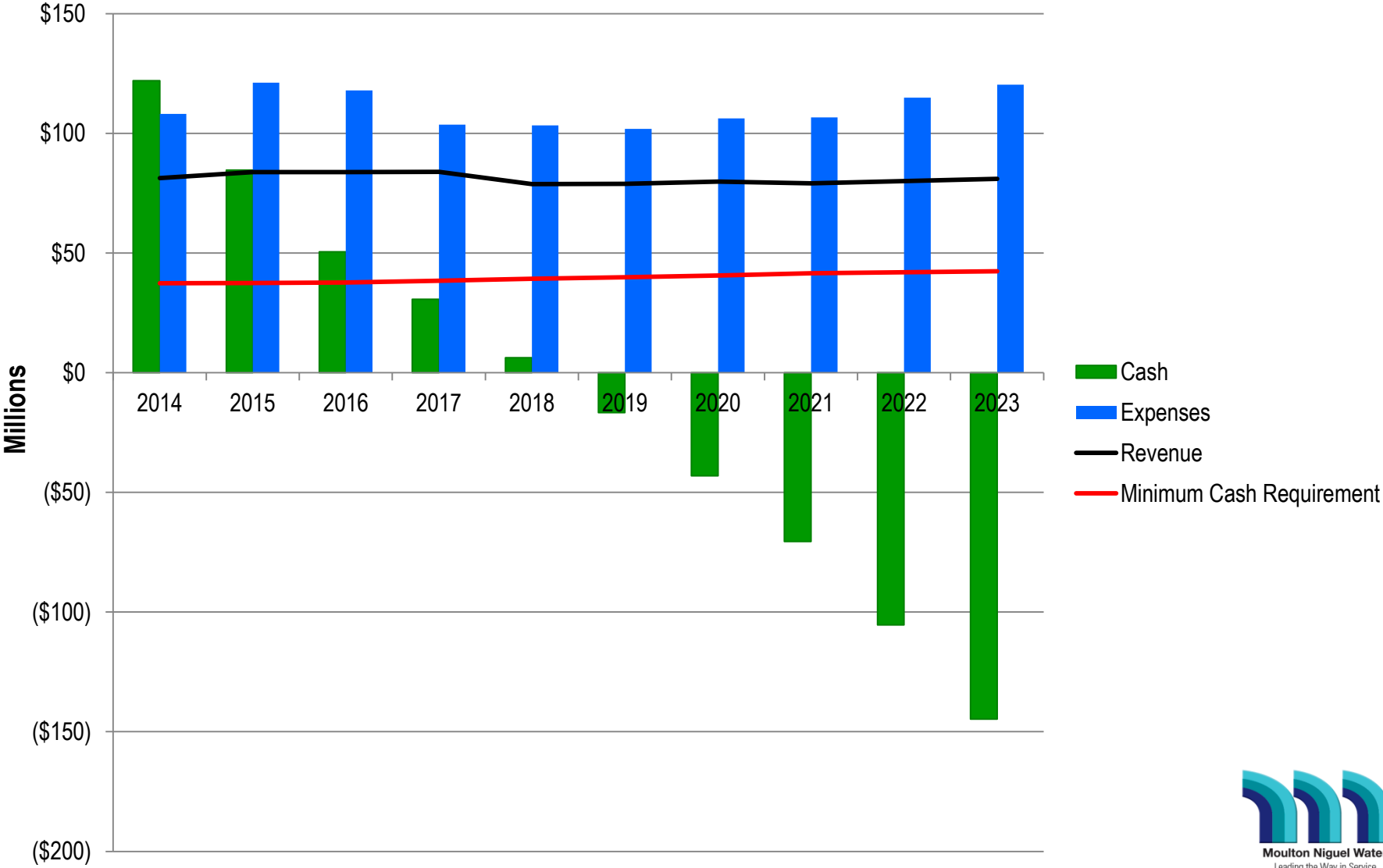
Critical Assumptions Drive Results

- Key Financial Results Assumptions
 - Debt service coverage target: 1.75x
 - Maintain current reserve policies
- Key Revenue Assumptions for Base Case
 - No future rate increase
 - Status quo property tax income
- Key Expenditure Assumptions
 - 100% funding for CIP needs
 - General O&M increase at 2.6% inflation factor
 - Salaries and Benefits based on MOUs
 - Baker Project
 - Untreated water cost
 - Operational cost

Previous 10-Year Cash Flow Model



Updated 10-Year Cash Flow Model



Model Update Reflects Actual Results

Key Differences in Model Results

- Updated model assumes:
 - 100% of Capital
 - Increased cost for Baker Project
 - Untreated water purchases for Baker
 - Updated expenditure assumptions
 - CDM water demand model

Takeaways from the Updated Model

- Significant capital improvements are expected during forecast period
- “Do nothing” is not a viable option
- District will utilize all options (“tools”) to mitigate impact to ratepayers
- Long-term planning is critical to optimal results
- Effectively manage and utilize resources and expertise

Results Are Most Sensitive to Certain Factors

- CIP
 - Changes to CIP have a significant affects on the model
- Water Purchases
 - Single changes to demand or MWDOC rates are tolerable
 - Changes to demand and MWDOC rates in a single year have a significant affect on the model

We Have Many Tools to Address Shortfalls

- Reserve Policy
 - Use reserves to help mitigate increases
- Debt Financing
 - Analyze how debt can be used for cash flow relief
- Cost Savings
 - Continuous review of operations for financial efficiency
- Rates
 - Cost of service study for water & sewer

Multi-Year Finance Plan

The following will be addressed by PFM in the Multi-Year Finance Plan:

- Executive Summary
- District Strategic Goals
- District Overview
 - Expenditures
 - Revenues
- Capital Improvement Program
 - Funding the Plan
 - Debt Management

Multi-Year Finance Plan, Cont.

The following will be addressed by PFM in the Multi-Year Finance Plan, continued:

- Financial Forecast
 - Assumptions
 - Sensitivity Analysis
- Management of Financial Risk
 - Financial Planning
 - Policies

Financial Reporting to the Board



Overview of Financial Reporting

- Financial Reports
- Background
- Current reports & schedule
- Comments received

Financial Reporting Schedule Options

Report	Frequency		
	Monthly	Quarterly	Annually
Budget Comparison	✘		
CIP Spending		✘	
Investment Report		✘	
CAFR			✘
Cash Flow Model Update (frequently as needed)			✘

Debt and Refunding Opportunities



Outstanding Debt

Series	Amount Outstanding	Final Maturity	Next Call Date	Bond Type
Improvement District Debt				
2003	\$27,775,000	9/1/2019	3/1/2014	Tax Exempt
District Backed Debt				
2003	\$16,210,000	9/1/2023	9/1/2016	Tax Exempt
2009	\$60,000,000	9/1/2039	9/1/2019	Taxable/BABs
2010	\$7,325,000	9/1/2017	N.A.	Tax Exempt
	\$83,535,000			
Loans Payable				
DWR	\$741,579	10/1/2015	N.A.	
SRF	\$14,935,240	10/16/2017	N.A.	
CIEDB	\$1,522,001	3/1/2022	N.A.	
	\$17,198,820			

Bond Refinancing

- 2003 Improvement District Bonds are currently callable
- Bonds can only be redeemed on an Interest Payment Date (9/1 or 3/1)
- No debt service reserve fund required for refunding bonds
- Based on the \$22,540,000 in bonds that would be outstanding at 3/1/2014 and assuming current market conditions (as of 10/22/13), the District can achieve:
 - Net Present Value Savings of \$1,471,100 (or 6.52% savings)
 - True Interest Cost of 1.12%
- Savings are net of costs – dependent on market interest rates at time of issuance

Preliminary Financing Schedule

Date	Event	Responsibility
November 2013	Kickoff Meeting	WG
December 2013/ January 2014	Present transaction to finance committee	MNWD
January 2014	Meet with Rating Agency(s)	MNWD/PFM
January 2014	Board vote on transaction	MNWD
January 2014	Receive Credit Rating(s)	
January/ February 2014	Conditional Notices Sent out 30-days before close	BC/TC
February 2014	Price 2013 refunding bonds	WG
March 2014	Transaction Closing	WG

Budget

- February
 - Staff Kickoff

- April
 - Revenue Presentation
 - CIP Budget Presentation
 - JPA Budget Presentation

- May
 - O & M Budget Presentation
 - Updated Cash Flow Presentation

Next Steps



Moulton Niguel Water

Leading the Way in Service

Purpose: This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- *Funding infrastructure replacement and refurbishment and new infrastructure*
- *Economic uncertainties, extraordinary costs, and other financial impacts*
- *Loss of significant revenue sources such as property tax receipts or connection fees*
- *Local disasters or catastrophic events*
- *Losses not covered by insurance*
- *Future debt or capital obligations*
- *Cash flow requirements*
- *Unfunded mandates including costly regulatory requirements*
- *Contractual obligations*
- *Credit market disruptions*

GENERAL RESERVES

General Operating Reserves: Will provide liquidity for funding day-to-day operating expenses. The minimum amount of General Operating Reserves will equal three months of operating expenses. The maximum amount of General Operating Reserves will equal twelve months of operating expenses. The General Operating Reserves will be maintained in the District's General Fund.

Self-Insurance Reserves: Will fund property and liability insurance deductibles, losses exceeding insurance limits and unemployment claims. The minimum amount of Self-Insurance Reserves will equal five times the current JPIA property insurance deductible (current deductible is up to \$50,000) and the maximum amount of Self-Insurance Reserves will equal twelve times the current JPIA property insurance deductible. The Self-Insurance reserves will be maintained in the District's General Fund.

Rate Stabilization Reserves: To avoid large fluctuations in customer water and sewer rates, the District will accumulate Rate Stabilization Reserves to provide for losses of revenue, significant increases in water purchase costs, and other extraordinary financial impacts to revenues and expenses. The District will maintain a Reserve equal to fifty percent of maximum annual debt service. The Rate Stabilization Reserves will be maintained in the Rate Stabilization Fund.

CAPITAL IMPROVEMENT RESERVES

The Replacement and Refurbishment (R&R) Reserves, the Planning and Construction and the Water Supply Reliability Reserves will constitute the District's Capital Reserves. Key objectives for accumulating these Reserves are to fund projects identified in the Long Range Plan and the 10-Year Financial Plan and to reduce the volatility of water and sewer rate increases.

Replacement and Refurbishment Reserves: Will fund the replacement and refurbishment of existing assets in conjunction with the District's Asset Management Plan. The minimum amount of R&R Reserves will equal five percent of the total ten-year expected capital spending on R&R projects. All amounts will be maintained in a separate R&R fund.

Planning and Construction Reserves: Will fund new infrastructure projects other than the Water Supply Reliability (WSR) projects. These reserves are an integral part of the District's capital plan documented in its Long-Range Plan and 10-Year Financial Plan. The minimum amount of Planning and Construction reserves will equal five percent of the total ten-year capital spending. All amounts will be maintained in a separate Planning and Construction Fund.

Water Supply Reliability Reserves: Will fund projects such as reservoirs and interties that will increase the number of days the District can serve its customers upon a planned or unplanned interruption in service from Municipal Water District of Orange County as supplied by Metropolitan Water District of Southern California. The minimum amount of the WSR Reserves will be five percent of the total ten-year expected capital spending for WSR projects. All amounts will be maintained in a separate WSR Fund.

Capital Reserve Maximum Reserve Level: The maximum sum of all monies in the Capital Reserves will not exceed the projected amount of the Capital Projects on a 10-year basis.

DEBT SERVICES RESERVES

The District will provide Debt Service Reserves are held in trust with a third party trustee as provided for in each debt agreement. Increases and decreases to these reserves will be as provided for in the various legal agreements associated with the debt issuance. The District's accounting records show these amounts in various debt funds.

PROCEDURE FOR USING RESERVE FUNDS

General Operating and Self-Insurance Reserves: Can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Administrative Policy Manual.

Replacement and Refurbishment, Planning and Construction and Water Supply Reliability (Capital) Reserves: The Board of Directors will authorize use of Capital Improvement Reserves during the budget process. Capital Improvement Reserves are also available for unplanned (unbudgeted) capital replacement. When appropriate, the Board may adopt Refurbishment Resolutions as necessary to advance reserves prior to obtaining external capital financing. Authorization for the use of Capital Improvement Reserves for unplanned capital replacement will be consistent with the District's Administrative Policy Manual.

Rate Stabilization Funds: The Director of Finance/Treasurer is authorized to use rate stabilization funds to supplement operating revenues when one or more of the following occur:

- Total revenue is projected to be five percent or more above below than the annual budget
- Total expense is projected to be five percent or more above the annual budget
- Developing the budget to avoid large fluctuations in customer water and sewer rates as directed by the Board of Directors
- Amounts are needed to meet the net revenue debt service covenants goals as specified in the District's Capital Financing Policy

- Amount are needed to meet the additional bond test for issuance of new debt as directed by the Board of Directors

PROCEDURES FOR MONITORING RESERVE LEVELS

The Director of Finance/Treasure will submit a reserve analysis to the Board of Directors upon the occurrence of the following events:

- Board of Directors deliberation of the annual budget process
- Board of Directors deliberation of a water and sewer rate increase
- When a major change in conditions threatens the reserve levels established within this policy

If the analysis indicates projected or actual reserve levels falling 10% below or above the levels outlined in this policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level, and/or
- A course of action to bring reserve levels within the minimum and maximum levels prescribed

Model Assumption: The District's 10 Year Cash Flow Model (Model) uses the most recent audited financial information and adopted budget for the first year of the Model. The Model then uses assumptions to calculate future year revenue, expenses, and cash balances. Model assumptions should be reviewed as necessary and each time the Model is significantly updated.

Staff and consultants reviewed and revised the Model assumptions for the November 2013 update.

MODEL ASSUMPTIONS

- **Inflation:** an inflation factor of 2.6% is used in the Model. The previous Model assumed a 4.0% factor. As part of last fiscal year's MOU analysis, staff revised the LA and Orange County Consumer Price Index. That analysis was the basis for using a 2.6% inflation factor for the current Model.
- **Labor:** there are two percentages assumed in the Model. The first is 2.5% for the first two years of the model, and for years five through ten. The previous Model assumed a 1% factor. In years three and four the Model uses a 5.1%. The first four years of the Model assumption are taken from the District's MOU.
- **Benefits:** there are three percentages assumed in the Model. The first is 3.5% for the first two years of the Model. The second is 5.5% for years three and four of the Model. The third is 2.6% for years five through ten of the Model. The previous Model assumed a 1% factor. The first four years of the Model percentages represent staff's estimate at this time of what health and retirement increases could be in the near future.
- **CIP and SOCWA:** an inflation factor of 2.6% is used in the Model. The previous Model assumed a 3% factor. Construction cost and operational expenses (SOCWA) can vary from year to year. Staff believe using the 2.6% inflation factor is the most appropriate percentage for the Model.
- **Utilities:** there are two percentages assumed in the Model. The first is 5% for the first four years of the Model, and 2.6% for years five through ten. The previous Model assumed a 5% factor for ten years. Staff analysis supports a 5% factor for the first four years of the Model. But, utilities are a volatile sector and staff believes using the 2.6% factor is most appropriate percentage for year five through ten.
- **Cell Tower:** a 3% factor is used in the Model. The previous Model also assumed a 3% factor. Staff believes this is a fair assumption. Recent cell site contract changes have increased revenue through reimbursement of staff expenses and cellular carriers are continuing to inquire about the use of District facilities for cellular equipment.

Moulton Niguel Water District
 Budget Balance Report
 Fiscal Year: July 2013 to June 2014
 Report Months: July 2013 to September 2013

Description	Approved Budget	Fiscal Year to Date Commitments	Budget Balance	Budget % Committed
GENERAL FUND				
<u>Operating Revenue</u>				
Water Sales	26,950,000	8,098,639	18,851,361	30%
Recycled Water Sales	4,547,715	1,753,962	2,793,753	39%
Sanitation Sales	16,920,000	4,728,170	12,191,830	28%
Other Operating Income	443,900	106,234	337,666	24%
Subtotal Operating Revenue	48,861,615	14,687,005	34,174,610	30%
<u>Operating Expenses</u>				
Salaries	8,536,016	1,828,429	6,707,587	21%
PERs Employer Contributions	879,054	196,342	682,712	22%
PERs Employee Contributions	201,699	52,108	149,591	26%
PERs Other (Side fund, 401A)	210,481	32,646	177,835	16%
Educational Courses	47,380	2,600	44,780	5%
Travels & Meetings	245,623	46,682	198,941	19%
Prehire Employment Expenses	13,000	3,625	9,375	28%
General Services	512,475	58,288	454,187	11%
Annual Audit	45,000	-	45,000	0%
Member Agencies O&M	1,140,100	783,236	356,864	69%
Dues & Memberships	84,214	11,370	72,844	14%
Election Expenses	-	-	-	0%
Consulting Services	1,129,974	382,746	747,228	34%
Equipment Rental	89,300	38,939	50,361	44%
District Fuel	346,000	83,715	262,285	24%
Insurance - District	585,246	133,137	452,109	23%
Insurance/Disability - Personnel	320,250	97,314	222,936	30%
Insurance - Benefits	2,493,531	573,362	1,920,169	23%
Legal Services - Personnel	87,500	75,431	12,069	86%
Legal Services - General	87,500	75,431	12,069	86%
District Office Supplies	563,300	129,349	433,951	23%
District Operating Supplies	244,095	182,347	61,748	75%
Repairs & Maintenance - Equipment	1,858,101	146,489	1,711,612	8%
Repairs & Maintenance - Facilities	3,314,624	1,472,392	1,842,232	44%
Safety Program & Compliance Requirements	134,985	57,406	77,579	43%
SOCWA	8,702,195	2,175,549	6,526,647	25%
Special Outside Assessments	173,500	25,688	147,812	15%
Utilities	1,839,205	599,019	1,240,186	33%
Water Purchases	26,790,439	8,067,524	18,722,915	30%
Meter / Vault Purchases	807,000	29,299	777,701	4%
Subtotal Operating Expenses	61,481,787	17,360,464	44,121,324	28%
Net Operating Revenues / Expenses	(12,620,172)	(2,673,458)	(9,946,714)	

Moulton Niguel Water District
 Budget Balance Report
 Fiscal Year: July 2013 to June 2014
 Report Months: July 2013 to September 2013

Description	Approved Budget	Fiscal Year to Date Commitments	Budget Balance	Budget % Committed
Non-Operating Revenue				
Property Tax Revenue	21,327,990	699,939	20,628,051	3%
Investment Income (Loss)	1,347,155	575,121	772,034	43%
Cellular Lease Income	1,650,085	429,055	1,221,030	26%
Misc Non-Operating Income	47,750	26,610	21,140	56%
Subtotal Non-Operating Revenue	24,372,980	1,730,724	22,642,256	7%
Net Revenues / Expenses	11,752,808	(942,734)	12,695,542	

Moulton Niguel Water District
 Budget Balance Report
 Fiscal Year: July 2013 to June 2014
 Report Months: July 2013 to September 2013

Description	Approved Budget	Fiscal Year to Date Commitments	Budget Balance	Budget % Committed
WATER EFFICIENCY FUND BALANCE			4,383,762	
WATER EFFICIENCY FUND				
<u>Operating Revenue</u>				
Water Efficiency	3,750,000	1,475,242	2,274,758	39%
Subtotal Operating Revenue	3,750,000	1,475,242	2,274,758	
<u>Operating Expenses</u>				
Salaries	411,903	94,183	317,720	23%
PERs Employer Contributions	43,505	10,144	33,361	23%
PERs Employee Contributions	11,966	2,918	9,048	24%
Educational Courses	500	-	500	0%
Travels & Meetings	3,800	-	3,800	0%
Dues & Memberships	500	-	500	0%
Consulting Services	20,000	-	20,000	0%
Insurance/Disability - Personnel	4,064	1,396	2,668	34%
Insurance - Benefits	100,369	15,631	84,738	16%
District Office Supplies	76,500	250	76,250	0%
District Operating Supplies	500	-	500	0%
Repairs & Maintenance - Equipment	2,000	-	2,000	0%
Water Efficiency	1,583,000	207,739	1,375,261	13%
Subtotal Operating Expenses	2,258,607	332,261	1,926,346	15%
Net Operating Revenues / Expenses	1,491,393	1,142,981	348,412	
<u>Non-Operating Revenue</u>				
Investment Income	118,312	-	118,312	0%
Subtotal Non-Operating Revenue	118,312	-	118,312	
Net Revenues / Expenses	1,609,705	1,142,981	466,725	
WATER EFFICIENCY FUND BALANCE			4,850,487	