



moulton niguel water district

FINANCE & INFORMATION TECHNOLOGY

BOARD OF DIRECTORS' MEETING

MOULTON NIGUEL WATER DISTRICT

27500 La Paz Road, Laguna Niguel

December 20, 2017

8:30 AM

Approximate Meeting Time: 3 Hours

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE NOVEMBER 15, 2017 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

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

PRESENTATION ITEMS

4. Grants Update

DISCUSSION ITEMS

5. Grants and Legislative Advocacy Services
6. Audit Reports for the Fiscal Year Ended June 30, 2017

INFORMATION ITEMS

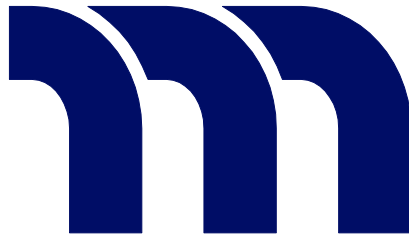
7. Monthly Financial Report
 - a. Summary of Financial Results
 - b. Budget Comparison Report
 - c. Statement of Net Position
 - d. Restricted Cash and Investments with Fiscal Agent

- e. Net Position
- f. Summary of Disbursements November 2017
- 8. Variance and Bill Adjustment Policy Update
- 9. Water Efficiency Fund Policy Update
- 10. Water Usage Update
- 11. Future Agenda Items (Any items added under this section are for discussion at future meetings only)
- 12. Late Items (Appropriate Findings to be Made)
 - a. Need to take immediate action; and
 - b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

ADJOURNMENT

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

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



moulton niguel water district

DRAFT

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

November 15, 2017

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 8:30 AM on November 15, 2017. There were present and participating:

DIRECTORS

Duane Cave	Director
Scott Colton	Vice President
Richard Fiore	Director
Donald Froelich	President
Gary Kurtz	Director
Larry Lizotte	Director
Brian Probolsky	Vice President/Chair (arrived at 8:44 a.m.)

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Matt Collings	Assistant General Manager
Gina Hillary	Director of Human Resources
Drew Atwater	Director of Planning
Jake Vollebregt	Director of Regional & Legal Affairs
Rod Woods	Director of Engineering
Todd Novacek	Director of Operations
Paige Gulck	Board Secretary
Tim Bonita	Recording Secretary
Trevor Agrelius	MNWD
Matthew Brown	MNWD
Johnathan Cruz	MNWD
Shavonne Mays	MNWD
Medha Patel	MNWD
Lindsey Stuvick	MNWD

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Carole Wayman-Piascik
Jayson Schmidt
Joel Bishop

MNWD
Chandler Asset Management
Member of the Public

1. CALL MEETING TO ORDER

The meeting was called to order by Richard Fiore at 8:30 a.m.

2. APPROVE THE MINUTES OF THE OCTOBER 18, 2017 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY DONALD FROELICH AND SECONDED BY SCOTT COLTON, MINUTES OF THE OCTOBER 18, 2017 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, AND LARRY LIZOTTE ALL VOTING 'AYE'. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.

3. PUBLIC COMMENTS

None.

PRESENTATION ITEMS

4. Quarterly Investment Report - Chandler Asset Management

Jayson Schmidt presented the Quarterly Investment Report. Key topics presented were the account profile and an economic update.

Brian Probolsky arrived at 8:44 a.m.

DISCUSSION/ACTION ITEMS

5. ADOPTION OF RESOLUTION IN SUPPORT OF DIRECTOR STEVEN E. LAMAR'S CANDIDACY TO SERVE AS VICE PRESIDENT OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES FOR 2018-2019 (RESOLUTION 17-__)

It is recommended that the Board of Directors approve the resolution entitled, "Support of Director Steven E. LaMar's candidacy to serve as Vice President of the Association of California Water Agencies for 2018-2019."

MOTION DULY MADE BY DONALD FROELICH AND SECONDED BY RICHARD FIORE. ITEM 5 WAS APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, SCOTT COLTON, RICHARD FIORE, DONALD

FROELICH, GARY KURTZ, LARRY LIZOTTE, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

INFORMATION ITEMS

6. Monthly Financial Report

Carole Wayman-Piasck presented the Monthly Financial Report.

7. Water Usage Update

Lindsey Stuvick provided the water usage update. The District achieved a 5% reduction for October 2017.

8. Future Agenda Items (Any items added under this section are for discussion at future meetings only)

None.

9. Late Items (Appropriate Findings to be Made)

None.

ADJOURNMENT

The meeting was adjourned at 9:31 a.m.

Respectfully submitted,

Tim Bonita
Recording Secretary



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STAFF REPORT

TO: Board of Directors **MEETING DATE:** December 20, 2017

FROM: Trevor Agrelius, Controller

SUBJECT: Audit Reports for the Fiscal Year Ended June 30, 2017

SUMMARY:

Issue: Final Audited Reports for the Fiscal Year Ended June 30, 2017

Recommendation: It is recommended that the Board receive and file the following reports:

- Comprehensive Annual Financial Report (“CAFR”), including auditors’ opinion on the fair presentation of the financial statements
- Auditors’ report on internal control
- Audit communication letter
- Article XIII-B Appropriations Limit Calculation report

Fiscal Impact: No fiscal impact to the District

Reviewed by Legal: N/A

BACKGROUND:

Each year, the District undergoes an independent annual audit, in adherence to Section 26909 of the California Government Code. The audit is comprised of several components, and the reports that have been provided are required per Governmental Accounting Standards and California Government Code.

DISCUSSION:

The audit reports for the Fiscal Year Ended June 30, 2017, have been finalized and are available to receive and file. The external audit firm, Vavrinek, Trine, Day & Co., LLP, have conducted the independent audit and have issued an unmodified (clean) opinion for the District’s financial statements for fiscal year ended June 30, 2017. The letter on internal control contained no significant deficiencies or material weaknesses.

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Audit Reports for the Fiscal Year Ended June 30, 2017

December 20, 2017

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Once these reports have been received and filed, the CAFR will be posted on the District's website.

Attachments:

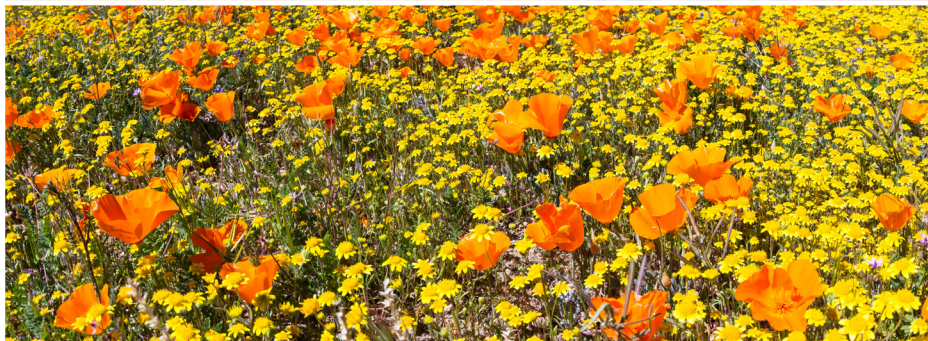
1. CAFR for the Fiscal Year Ended June 30, 2017
2. Letter on Internal Control for Fiscal Year Ended June 30, 2017
3. Audit Communication Letter for the Fiscal Year Ended June 30, 2017
4. Article XIII-B Appropriations Limit Calculation Report for the Fiscal Year Ended June 30, 2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



moulton niguel water district



#6.



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**Moulton Niguel Water District
Laguna Niguel, California**

Comprehensive Annual Financial Report

Year Ended June 30, 2017

**Prepared By:
The Finance Department**

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

**Moulton Niguel Water District
Comprehensive Annual Financial Report**

Year Ended June 30, 2017

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**Moulton Niguel Water District
Comprehensive Annual Financial Report**

Year Ended June 30, 2017

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December 8, 2017

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, 2017. This report was prepared by District staff in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

The CAFR provides an assessment of the District’s financial condition, informs readers about District services, includes information about capital improvement projects, discusses current initiatives, and offers financial and demographic trend information. Management at the District is responsible for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. We believe the information and data, as presented, is accurate in all material respects, and is presented in a manner that provides a fair representation of the financial position and operations of the District. We believe we have included all disclosures that are necessary to enhance your understanding of the financial condition of the District.

The District’s financial statements have been audited by Vavrinek, Trine, Day & Co., LLP, a firm of independent 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, 2017, 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, 2017, were fairly presented in conformity with GAAP. The Independent Auditors’ Report is presented as the first component of the financial section of this report.

The Management Discussion & Analysis (“MD&A”) includes a narrative introduction, overview, and analysis to provide a better understanding of the accompanying financial statements. The MD&A immediately follows the Independent Auditors’ Report.

Profile of the District

Authority, Services, and Customers

The District was formed on November 16, 1960, under the provisions of the California Water District Law, Division 13, of the Water Code of the State of California, commencing with Section 34000. The District was formed for the purposes of providing a water supply to the communities within its service area. In 1963, the California Water District Act was amended, allowing California water districts to provide wastewater reclamation services. On July 1, 1964, the District began operation and management of wastewater services previously provided by Orange County Sanitation District No. 12.

The District is authorized to acquire, control, store, treat, reclaim, recapture, and salvage any water (including wastewater) for the beneficial use of the District and its customers. The District’s water and

BOARD OF DIRECTORS

Duane D. Cave
DIRECTOR

Scott Colton
VICE PRESIDENT

Richard Fiore
DIRECTOR

Donald Froelich
PRESIDENT

Gary R. Kurtz
DIRECTOR

Larry Lizotte
DIRECTOR

Brian S. Probolsky
VICE PRESIDENT



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wastewater 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 revise and collect rates or other charges for the delivery of water and collection of wastewater, use of facilities or property, or provisions for service. The District may also issue bonds, borrow money, and incur indebtedness.

Governance

The District is governed by a seven-member Board of Directors ("Board"), who are publicly elected by registered voters within the District's service area for staggered four-year terms. Each Director is elected through an at-large voting process.

Policy-making and legislative authority are vested with the Board. The Board has the authority to set rates and charges for water, recycled water, and wastewater services. The Board 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, for overseeing the day-to-day operations of the District, and for hiring staff for the various divisions (e.g. Finance/Planning, Human Resources, and Engineering & Operations).

Service Area

The District's service area, located in South Orange County, California, encompasses approximately 37 square miles, serving over 172,000 in population within the cities of Laguna Niguel, Aliso Viejo, Laguna Hills, Mission Viejo, San Juan Capistrano, and Dana Point. The District distributes water to approximately 55,000 accounts, 52,000 of which also receive wastewater service. 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 District experienced a net taxable value increase of 4.7% for the most current tax roll, which was slightly less than the countywide increase of 6.0%. The assessed net taxable valuation of the District has grown to \$37.3 billion as of June 30, 2017.

Water Supply and Services



Diemer Filtration Plant

The District imports all of its potable water from the Metropolitan Water District of Southern California ("MET") through its member agency, the Municipal Water District of Orange County ("MWDOC"), a wholesale importer of water from MET. The District is a customer 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 Project. All of the District's potable water is treated at either the Diemer Filtration Plant in Yorba Linda, California, or the Baker Water Treatment Plant ("Baker WT Plant") in Lake Forest, California. The Diemer Filtration Plant is owned and operated by MET and supplies approximately two-thirds of the District's treated potable water. The Baker WT Plant was completed in October 2016, and provides

approximately one-third of the treated potable water to the District. The Baker WT Plant, which is owned by the District in partnership with four other water agencies, provides a secondary treatment plant that treats imported MET water and has improved local water reliability. All potable water is delivered through three major transmission facilities: the South County Pipeline ("SCP"), East Orange County Feeder #2 ("EOCF#2"), and the Allen-McColloch Pipeline ("AMP").



The District continues to exert significant efforts to reduce dependence on imported water supplies. Mission Viejo Country Club and El Niguel Country Club began using reclaimed wastewater approximately 50 years ago. Today, approximately 25% of the District’s total water demand is met by recycled water with more than 1300 accounts. The District has implemented several water-use efficiency programs, most notably the Water Budget-Based Rate Structure, and extensive rebate programs for its customers. The District continues to evaluate various alternative local water supplies to identify additional opportunities to reduce dependence on imported water, as well as implement demand management strategies and outreach programs to reduce water usage.

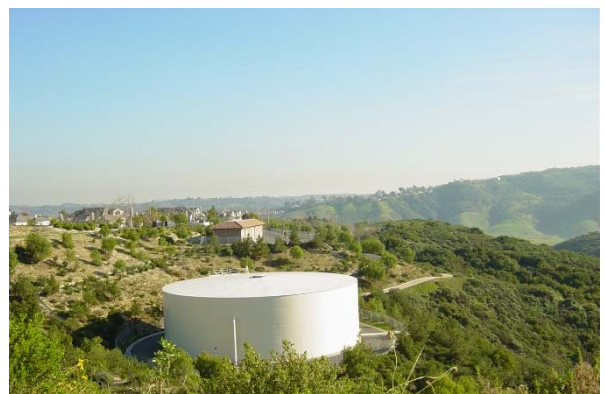
The District operates and maintains over 700 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a District-wide total potable water storage capacity of approximately 70 million gallons. The District owns capacity rights in several adjoining water agencies’ reservoirs and pipelines, such as El Toro Water District R-6 reservoir, the Santa Margarita Water District Upper Chiquita Reservoir, the Joint Transmission Main (a joint powers agreement between the District and other water agencies), Eastern Transmission Main jointly owned by the District and the City of San Juan Capistrano, the South County Pipeline, which conveys water from the Allen McColloch Pipeline to several south county water agencies, and the Irvine Ranch Water District 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. The District has adopted a policy to evaluate and develop reliability projects and demand management measures that will provide 31 days of average demand water supply to District customers. Since 2008, the District has achieved more than 75% of the stated target (24 days) with the implementation of the Baker WTP, and other water reliability projects and demand management programs.

Wastewater Services

The District maintains approximately 540 miles of wastewater pipelines. The District’s wastewater system has 19 lift stations that pump wastewater over the ridge lines to the various treatment plants for disposal or recycling. The District is a member of the South Orange County Wastewater Authority (“SOCWA”), a joint powers agency comprised of ten governmental agencies, which owns and operates three regional treatment plants and two ocean outfalls. The District’s cost to SOCWA for wastewater treatment and disposal is for operations and maintenance (“O&M”) costs for SOCWA and a pro-rata share of the capital costs based on the type and location of each project. The District also owns capacity in a fourth wastewater treatment plant, Plant 3A, with the Santa Margarita Water District providing contract operations services for the treatment plant.

Recycled Water Supply and Services

The District promotes the use of recycled water to reduce dependence on imported water and maximize the reuse of available resources. The District encourages the utilization of recycled water for any approved purpose to the maximum extent possible under the laws of the State of California. The District is developing a recycled water optimization plan to identify opportunities to further extend our recycled water supplies. The recycled water system consists of 150 miles of recycled water distribution pipelines with 5 pre-stressed concrete and 6 steel storage reservoirs to service the recycled water system. In addition, the District owns 1,000 acre-feet of capacity rights in the Upper Oso recycled water reservoir owned by the Santa Margarita Water District. The District operates 13



Aliso Viejo Recycled Water Reservoir



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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 7,500 acre feet per year over the next few years.

Factors Affecting Financial Conditions

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

Local Economy

The District serves affluent communities within South Orange County and unemployment rates have historically been lower than those of the region, state, and nation. 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. The Gateway Development in Laguna Niguel is the first significant redevelopment project in the District’s service area. The Gateway Development is redeveloping areas that were predominantly commercial with mixed-use development of multi-family residential and retail sites.

California Drought

The statewide drought from 2012-2016 set numerous records for its lack of precipitation and high temperatures. During this period, the State experienced the driest four-year statewide precipitation amounts on record from 2012-2015, and additionally in 2015, a record low snowpack for the Sierra-Cascades. Furthermore, 2014, 2015, and 2016 marked the first, second and third warmest years in California in relation to statewide average temperatures.

Those extreme conditions caused the Governor to issue the first ever statewide mandatory reductions on April 1, 2015. The District adopted its Water Shortage Contingency Plan (“WSCP”) to manage demand as a response to the water supply conditions from the drought and to address the mandates from the state. The WSCP uses a five-stage, phased approach based on the availability of water supplies. Each stage requires heightened levels of water conservation. The District operated under Stage 1 of its WSCP for nearly ten months of the fiscal year to promote efficient water use.

As the state received healthy rains during this past winter, the Governor issued an Executive Order to lift the drought emergency on April 7, 2017. The Board responded at its next regularly scheduled Board meeting held on April 20, 2017, to repeal the District’s WSCP.

Although the drought emergency is over, the State continues to maintain a set of conservative standards, which among other things, place a permanent ban on wasteful practices, such as hosing driveways and excessive watering. The plan also requires monthly reporting and calls for prudent planning and preparing for continued and future drought conditions and water shortages. The state has also proposed legislation that includes a plan to make water conservation a way of life, and to set long-term urban water use efficiency standards by May 20, 2021.

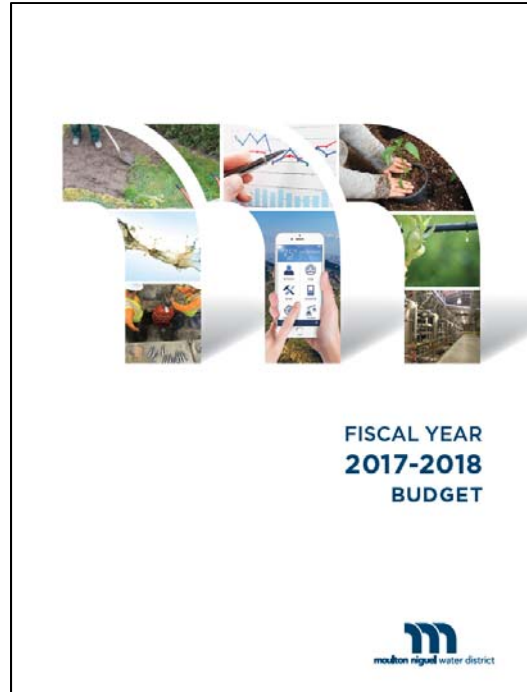
As the District reflects on this historic drought, through effective customer communication and outreach initiatives, the District and its customers were able to meet the state’s mandatory reduction requirements.



Since 2013, District customers have saved over \$5 million from reduced water usage, and in the District’s service area alone, over 5 million square feet of turf has been removed since 2012. The District continues to offer resources, rebates and information to help customers make conservation a California way of life. The District has ongoing partnerships with Universities to study water use, rebate programs, and other resources that will continue to inform prudent operational and financial decisions.

Budget Process

The Board adopts an operating and capital budget prior to each new fiscal year, commencing on July 1st. The development of the operating and the capital budgets 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 enterprise functions. The District reports its water, wastewater, and recycled water services as a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board to provide a year-to-date comparison of the revenues and expenses against the adopted budget, and on a quarterly basis, a capital improvement program progress report is submitted to the Board to provide insights into current infrastructure investments.



The District’s annual budget process includes refining District policies that govern financial affairs, and contains policies for Reserves, Investments, Purchasing, and Debt Management. In June 2017, the Board approved updates to the Reserve, Investment, and the Purchasing Policies, and in accordance with Senate Bill 1029, the District adopted a Debt Management Policy.

The main objective of the Reserve Policy is to set target levels for cash reserves to establish a relationship between current and anticipated future risks. The District’s reserve categories are discussed in Note 15 of the Notes to Financial Statements. The Board receives monthly updates on the status of the established reserve targets. The Investment Policy is used to direct the purchasing of securities, while also maintaining the flexibility to fund necessary infrastructure improvements. The Purchasing Policy establishes procedures for acquiring services and materials, equipment and supplies, and for public works projects for the District. The Debt Management Policy is used to document the District’s goals and guidelines for the use of debt instruments for financing District water, recycled water, and wastewater infrastructure projects and other financing needs.

Long-term Financial Planning

The District uses various planning documents; i.e. Urban Water Management Plan (“UWMP), Long Range Water Reliability Plan, and Long Range Financial Plan (“LRFP”) to forecast the District’s needs for water use and demand, capital improvement projects, water supply reliability projects, and financial resources. The associated financial models supporting the various planning documents are significant assets to the District and have been built internally by District staff, meaning the models can be updated under a variety of different scenarios to anticipate and plan for changes to the economic environment, operational requirements, or capital investments. These models were cited by Fitch rating agency in April 2017 as part of a key rating driver in reaffirming the District’s ‘AAA’ rating, the highest rating available.



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The objective of the LRFP is to identify strategies and actions to ensure sufficient financial resources to enable the District to achieve its mission and to utilize those financial resources effectively. Additionally, the LRFP serves as key contextual information to aid in making near-term financial decisions. The LRFP incorporates the District's reserve policies, debt policies, coverage ratios, water demand needs, water rates, capital improvement program, and operating budget to provide a financial forecast for the District. The District has historically maintained a strong financial position based upon conservative planning and budgeting, maintenance of adequate cash balances, and maintaining the proper debt service coverage ratios.

The State Water Resources Control Board ("SWRCB") has recognized the District's specific rate design as a best practice amongst the 409 urban water utilities statewide. The rate design focuses on the cost of service for the efficient use of water as the primary basis for setting rates and identifying costs associated with conservation and water-use efficiency programs as the basis for conservation pricing. The rates are also structured to

ensure that an appropriate level of fixed expenses are recovered with fixed revenue. A conservation based rate design has proven to be the most effective tool for the District in reducing water usage, while still providing the necessary revenues to recover the District's expenses regardless of changing water demands. As a result, the District has managed to remain financially strong despite a significant reduction in water use while continuing to maintain water rates among the lowest in the region and smooth out potential future increases. The Board annually reviews the financial plan and projected rates through the ten-year cash flow model to ensure the District's financial forecasts are consistent with District policy and objectives while providing a strong foundation.

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. The District's comprehensive framework of internal controls has been designed to provide reasonable assurance that the financial statements will be free from material misstatement. The Board and District staff continue to evaluate the District's internal control framework to determine areas that can be improved, and implement and welcome feasible recommendations.

Major Initiatives

Strategic Planning

The District had a productive year, and once again for the second consecutive year, one of the most beneficial accomplishments in 2017 was the Long Range Strategic Planning Session, which identified ten key priorities for the Board and District staff to focus efforts on. The identified goals were Financial Planning, Labor Relations, Operations Center Consolidation, Outreach and Customer Communication, Drought Response and Demand Management, Data and Document Management, Asset Management, Water Reliability, Wastewater Treatment, and Government Affairs.



Community Education and Outreach

The District further extended its outreach campaign during the year in order to better educate customers and other regional and state neighbors about significant issues involving the District, water, and measures that can be taken to achieve sustainability in the near term and future. In July, the District completely redesigned its website to better serve its customers, and continued to utilize its YouTube channel to post internally created instructional videos such as registering for the MyWater MNWD portal, or how to detect a leak.



Most recently, in August 2017, the District launched the Transparency, Access and Participation Initiative, or TAP Initiative. The TAP initiative focuses on increasing transparency, expanding community participation and strengthening relationships with all stakeholders. The TAP initiative is designed after the District's long-standing commitment to serve the best interests of its customers, and built on the successes that the District customers demonstrated during the historic drought. The TAP initiative will enable the District to further engage with its

customers through expanded communications, and encourages members of the community to remain informed and to actively participate in District programs.

The District held its third annual Live Smart Community Event in May at the Laguna Niguel Civic Center. This year's event drew several hundred attendees from the region, who were able to enjoy the free event that benefits the community. This year, the District focused on providing resources and information to ensure the public is prepared for emergencies. The District also had Moulton Niguel vehicles on display at the event, such as its Mobile Support Center and several of its emergency service trailers.

Recognition and Funding

The District was honored by receiving the "Golden Hub of Innovation Award" in May 2017 from the Association of California Cities – Orange County (ACC-OC). The award was received for the District's leadership involving the California Data Collaborative, a voluntary project where local agencies can join together to build new data infrastructure to ensure California has reliable water today and into the future. The award acknowledges the District's innovation in developing water reliability and demand management programs, while promoting ratepayer savings and efficacy. One of the projects that was highlighted in the award was a water demand forecasting tool, which helped save the District nearly \$20 million in recycled water infrastructure investments.

The District was awarded a grant from the United States Bureau of Reclamation through its WaterSmart program for an Advanced Meter Infrastructure pilot program. The program is intended to enhance available demand management programs and improve drought response, as well as provide better information to customers designed to increase awareness of water use. This program has allowed the District to install a fixed base meter on potable and recycled water irrigation customer meters, providing hourly water usage information through a customer portal. The pilot phase of this project became fully operational in Fiscal Year 2016-17, and will allow the District to evaluate the effectiveness of the program before investing in future phases.



#6.

In April 2017, the District utilized a portion of the funding from the U.S. Bureau of Reclamation and launched its online customer portal “My Water MNWD”. The portal allows customers to manage their water usage data, view consumption and bill history, provides helpful information about water conservation programs and rebates, and even allows customers to pay bills online. The District even launched its own app for smart phones that integrates with the customer portal, titled “MyWater MNWD.” The online portal can also be accessed at <https://mywater.mnwd.com/portal/>.



On April 17, 2017, Fitch Ratings reaffirmed the District’s ‘AAA’ rating, the highest rating attainable. This rating is a result of a healthy financial profile, providing affordable rates via MNWD’s water budget-based rate structure and maintaining favorable debt metrics, along with a collective group of internal staff that create and manage those financial tools, among other key rating drivers.

Regional Collaborative Ventures

Over the next three and a half years, the District will work with world-renowned scientists and engineers at UC Davis’ Center for Water and Energy Efficiency to optimize the District’s energy use and reduce operating costs -- while continuing to meet every customer’s water needs. The \$3.1 million project, which is funded by a grant from the California Energy Commission, will use real-time energy analytics to develop an energy management system that adapts to changing energy demands and different energy rate structures for the District’s potable and recycled water systems. As sophisticated as the energy management system is, the plan is simple: when energy rates are lower, the District will pump more water, and as rates rise, the District plans to cut back its power consumption.

In the spirit of innovation and looking to partner with the community and regional entities, the District is working with the County of Orange and local volunteer data scientists at OC Codelab to reduce urban runoff to protect local creek water quality, and ultimately, the ocean. The District has presented early results to the workshops hosted by the SWRCB and is looking to build on that early momentum to further collaborate with both local governmental and non-governmental organizations.

Major Capital Investments

The District completed its Recycled Water Master Plan (“RWMP”) and has identified recycled water as its highest priority alternative water supply source. The RWMP is used to identify further opportunities to expand the system to new customers and the necessary infrastructure to support the expansion, as well as to encourage and open the door to regional cooperation and involvement. The RWMP includes model development, supply and storage assessments, and identification of new recycled water users, along with all associated capital needs.

The District has implemented an extensive Capital Improvement Program, which is primarily driven by the replacement and/or refurbishment of existing infrastructure. To support the Capital Improvement Program, the District’s Asset Management Program uses various business system tools, i.e. Geographic Information System (GIS) and Computerized Maintenance Management System (CMMS). The District is in the process of expanding and upgrading the Asset Management Program by selecting and implementing a new CMMS that will be integrated with all business system processes to optimize operations and maintenance practices. The integrated Asset Management Program will provide the tools and data necessary to better assess infrastructure needs, optimize operations, and support short and long-range Capital Improvement Program decisions. This approach to comprehensive asset management will ensure the District maximizes the investment in its assets.





Proposed OCCI Campus

The Operations Center Consolidation and Improvement (OCCI) project is a critical initiative to address the increasing challenges associated with our current operations and administration facilities, which are over 30 years old, including lack of critical spaces to manage the District’s day-to-day business. The new structures will allow the District staff to operate more efficiently and better serve the District’s customers. The project will be constructed on an existing District site to simplify the transition to new facilities and reduce project costs. The District is developing the necessary environmental and planning documents to obtain the required permits for an improved operations center along with additional site elements, i.e. maintenance shops, warehouse upgrades, fleet

maintenance building, and site improvements. Concurrently, the District has initiated design contracts that should allow for construction documents to be completed during this upcoming fiscal year.

The District continues to collaborate and work with other south Orange County water providers, displaying effective drought response, demand management programs, planning capabilities, and forward-thinking policies. The recent challenges involving the drought, economy, and regulations have provided further opportunities for the District and our great customers to lead by example and have delivered an avenue where business practices and customer interaction can be recognized.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to Moulton Niguel Water District for its CAFR for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the 2017 CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

Joone Lopez
General Manager





Government Finance Officers Association

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

Presented to

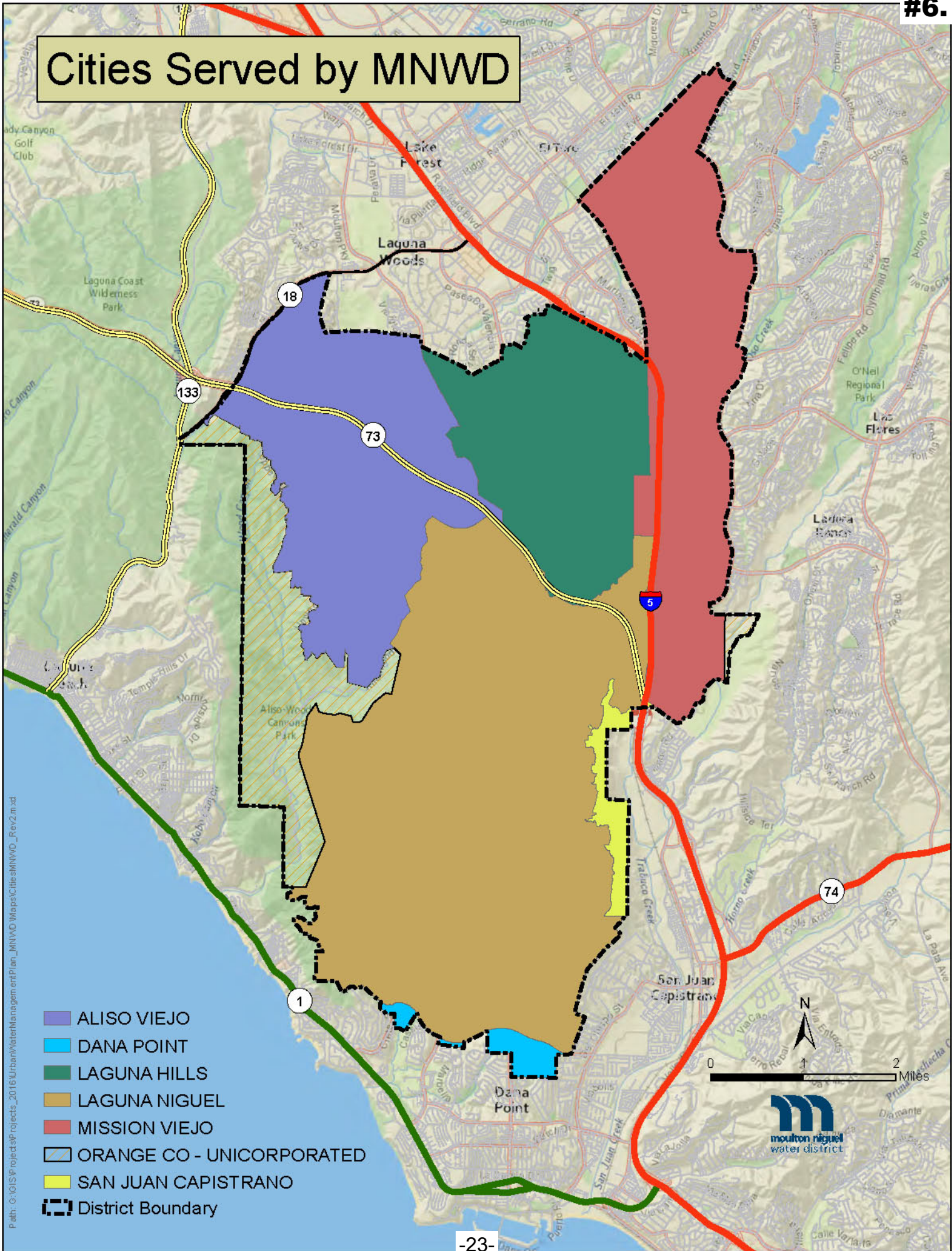
**Moulton Niguel Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Cities Served by MNWD



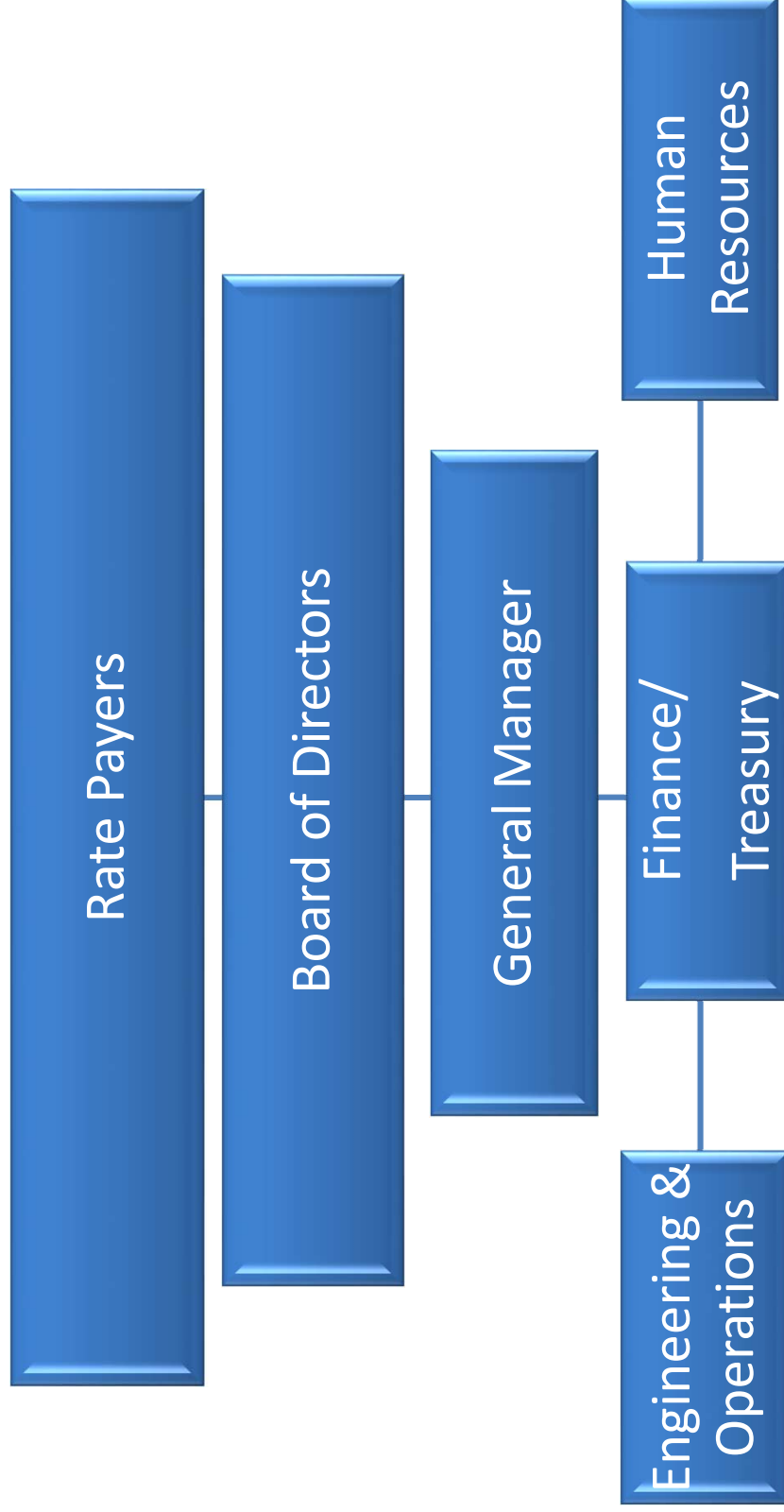
- ALISO VIEJO
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- LAGUNA HILLS
- LAGUNA NIGUEL
- MISSION VIEJO
- ORANGE CO - UNINCORPORATED
- SAN JUAN CAPISTRANO
- District Boundary



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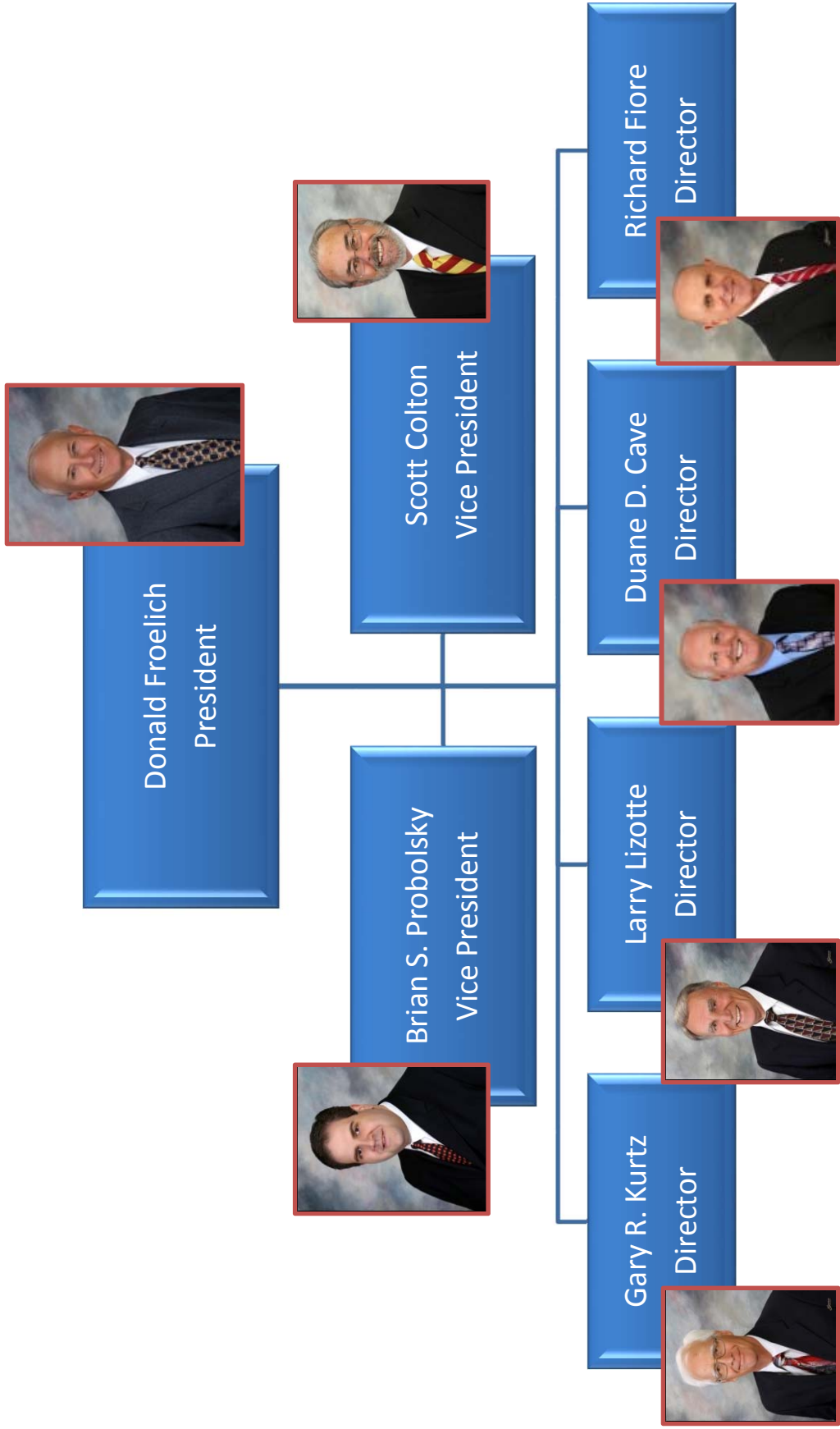
Moulton Niguel Water District

Organization Chart



Moulton Niguel Water District

Board of Directors



#6.



moulton niguel water district



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Moulton Niguel Water District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

#6.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2017, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10, schedule of funding progress on page 56, schedule of proportionate share of the net pension liability on page 57, and schedule of plan contributions on page 59 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedule of revenues, expenses, and other sources (uses) of funds, operations & maintenance (O&M) budget comparison report, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenses, and other sources (uses) of funds and operations & maintenance (O&M) budget comparison report are the responsibility of management and were derived from and relate 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 schedule of revenues, expenses, and other sources (uses) of funds, and operations & maintenance (O&M) budget comparison report are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which such summarized information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Laguna Hills, California
December 8, 2017

#6.



moulton niguel water district

**Moulton Niguel Water District
Management's Discussion & Analysis**

Year Ended June 30, 2017

Overview of the Financial Statements

The Moulton Niguel Water District ("District") financial statements are prepared 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 to Financial Statements. The Notes to 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 and its purpose is to provide an overall analysis of the District's financial position and results of operations.

Financial Highlights

- Total net income, including capital contributions, was \$0.9 million during the year, improving the District's financial position, and can be attributed to donated facilities and contributions for jointly owned facilities.
- The District's total capital asset investments increased by \$4.6 million during the year, net of \$17.8 million in depreciation, resulting in total net capital assets of \$395.6 million.
- Total long-term debt was \$89.0 million, a decrease of \$10.5 million since June 30, 2016, primarily due to scheduled principal payments.
- The District received \$26.4 million for its share of the 1% ad valorem property taxes.

Required Financial Statements

The *Statement of Net Position* states the financial position of the District at June 30, 2017. This statement includes five components: District assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the remaining difference between those items being reported as net position. The assets and liabilities are listed 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 revenues, expenses, capital contributions, and also calculates the overall change in net position. The sum of the beginning net position 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 health.

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 about 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.

#6.

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2017

District Financial Analysis

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

Statement of Net Position

	Condensed Statement of Net Position (in thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Current and noncurrent assets	\$ 133,490	\$ 148,656	\$ (15,166)	-10.2%
Capital assets, net	395,582	390,974	4,608	1.2%
Total Assets	529,072	539,630	(10,558)	-2.0%
Deferred outflows of resources ¹	5,269	2,357	2,912	123.5%
Total Deferred outflows of Resources	5,269	2,357	2,912	123.5%
Total Assets and Deferred Outflows of Resources	534,341	541,987	(7,646)	-1.4%
Current liabilities ²	15,249	21,563	(6,314)	-29.3%
Long-term liabilities	101,567	102,738	(1,171)	-1.1%
Total liabilities	116,816	124,301	(7,485)	-6.0%
Deferred inflows of resources ³	2,448	3,530	(1,082)	-30.7%
Total Deferred Inflows of Resources	2,448	3,530	(1,082)	-30.7%
Net investment in capital assets	307,273	292,404	14,869	5.1%
Restricted for capital projects ⁴	292	2,633	(2,341)	-88.9%
Unrestricted net position	107,512	119,119	(11,607)	-9.7%
Total Net Position	\$ 415,077	\$ 414,156	\$ 921	0.2%
Total Liabilities, Deferred Outflows of Resources, and Net Position	\$ 534,341	\$ 541,987	\$ (7,646)	-1.4%

Total Net Position increased by \$0.9 million.

¹ The deferred outflows of resources balance was impacted by the GASB 68 requirement to record the Net Pension Liability. As part of that assessment, the District recorded \$2.4 million as a deferred outflow related to the net difference between projected and actual earnings on the CalPERS pension plan investments. The prior year balance for that item was (\$0.3) million, a \$2.7 million increase this year.

² The portion of the 2014 Consolidated Refunding Bonds related to Improvement District Number 6 (located at the northwest end of the District's service area) fully matured during Fiscal Year 2016-17, resulting in a reduction in the current portion (amount due in one year) of bonds payable. The Fiscal Year 2016-17 payment included \$4.9 million for the final Improvement District Number 6 payment.

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2017

Statement of Net Position (Continued)

³ The deferred inflows of resources balance was impacted by the GASB 68 requirement to record the Net Pension Liability. As part of that assessment, the District recorded \$1.6 million as a deferred inflow related to the District's change in proportionate share of the collective cost-sharing plan liability.

⁴ The District collects capacity fees and demand offset fees for new development that occurs within the service area. Per California Government Code, those receipts are restricted to fund capital projects that benefit the area in which they were collected. During the budget process, the District identified projects that satisfy this requirement, and this restricted money was used to fund identified projects.

Revenues

	Condensed Total Revenues (in thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Operating Revenues:				
Water charges	\$ 32,150	\$ 29,812	\$ 2,338	7.8%
Recycled charges	5,031	4,850	181	3.7%
Sanitation charges	20,157	18,964	1,193	6.3%
Other	418	416	2	0.5%
Total Operating Revenues	57,756	54,042	3,714	6.9%
Non-operating Revenues:				
Property taxes	26,434	25,298	1,136	4.5%
GOB assessment ¹	2,074	5,306	(3,232)	-60.9%
Investment income ²	(438)	4,139	(4,577)	-110.6%
Cellular lease income	1,773	1,624	149	9.2%
Intergovernmental revenue ³	1,670	3,383	(1,713)	-50.6%
Other ⁴	127	-	127	100.0%
Total Non-operating Revenues	31,640	39,750	(8,110)	-20.4%
Capital Contributions	1,103	1,361	(258)	-18.9%
Total Revenues	\$ 90,499	\$ 95,153	\$ (4,654)	-4.9%

The District finances operations through user charges, property tax receipts, and other income. Total operating revenue increased by \$3.7 million, while total revenues decreased by (\$4.7) million as compared to the prior year.

¹ The portion of the 2014 Consolidated Refunding Bonds related to Improvement District Number 6 (located at the northwest end of the District's service area) fully matured during Fiscal Year 2016-17, resulting in a corresponding reduction in the required assessments needed to be collected.

² Investment income can vary year to year due to the GASB 31 requirement to value all investments at fair value. Due to changes in market conditions, the District's unrealized loss during Fiscal Year 2016-17 was (\$2.3) million. In contrast, in Fiscal Year 2015-16, the District recognized a \$1.7 million unrealized gain.

#6.

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2017

Revenues (Continued)

³ The District received \$2.1 million in the prior year in federal funding for various grants, and in Fiscal Year 2016-17, the District received \$0.3 million in grant funding.

⁴ The District renewed several cell site licenses during the fiscal year, which required a renewal fee. In the prior year, these revenues were recorded elsewhere.

Expenses

	Condensed Total Expenses (in thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Operating Expenses:				
Water purchases	\$ 24,412	\$ 23,730	\$ 682	2.9%
Meters ¹	594	723	(129)	-17.8%
Utilities	1,676	1,905	(229)	-12.0%
Wastewater treatment & pumping	13,081	13,883	(802)	-5.8%
Water transmission & distribution ²	1,547	1,341	206	15.4%
General, administrative & other	25,741	25,133	608	2.4%
Depreciation	17,811	17,123	688	4.0%
Total Operating Expenses	84,862	83,838	1,024	1.2%
Non-operating Expenses:				
Interest on long-term debt	4,630	4,911	(281)	-5.7%
Other ³	86	10	76	760.0%
Total Non-operating Expenses	4,716	4,921	(205)	-4.2%
Total Expenses	\$ 89,578	\$ 88,759	\$ 819	0.9%

Total operating expenses increased by \$1.0 million, while total expenses increased by \$0.8 million.

¹ The District engaged in a meter replacement program in Fiscal Year 2015-16, which was mostly completed by June 30, 2016. The current Fiscal Year costs represent a return to the typical annual expenses.

² The District incurred more costs related to system repairs related to its potable system in Fiscal Year 2016-17. The region experienced a strong water year which often causes adjustments in the soil that lead to more breaks and leaks in the pipes and joints within the water system.

³ The District adjusted the account coding for certain other non-operating expenses during the fiscal year, resulting in the apparent increase. Actual non-operating expenses were in line with the prior year.

**Moulton Niguel Water District
Management's Discussion & Analysis (Continued)**

Year Ended June 30, 2017

Changes in Net Position

	Condensed Changes in Net Position (in thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Beginning Net Position	\$ 414,156	\$ 407,761	\$ 6,395	1.6%
Income (loss) before capital contributions ¹	(182)	5,034	(5,216)	-103.6%
Donated facilities ²	109	-	109	100.0%
Capacity fees ³	331	1,046	(715)	-68.4%
Other contributions ⁴	663	315	348	110.5%
Change in Net Position	921	6,395	(5,474)	-85.6%
Ending Net Position	\$ 415,077	\$ 414,156	\$ 921	0.2%

Total Net Position increased by \$0.9 million.

¹ Total revenues decreased by (\$4.7) million as compared to Fiscal Year 2015-16, largely due to the GASB 31 unrealized gain or loss difference of (\$4.0) million from Fiscal Year 2015-16 to Fiscal Year 2016-17.

² The District received \$0.1 million in donated facilities related to private development projects that completed within the service area during the year. The donated facilities balances are dependent on outside projects and can vary each year.

³ In Fiscal Year 2015-16, a large multi-year development project was completed, resulting in nearly \$0.5 million in capacity fee revenues for the District. As this revenue is dependent on new developments, the current Fiscal Year was less due to fewer development projects.

⁴ The District received \$0.7 million from a neighboring Water District to fund projects at a jointly owned facility. In Fiscal Year 2015-16, the District received approximately \$0.4 million for the same project.

Capital Assets

	Condensed Capital Asset Summary (in thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Net Depreciable Assets:				
Water systems	\$ 267,967	\$ 271,113	\$ (3,146)	-1.2%
Capacity rights ¹	67,863	63,993	3,870	6.0%
Buildings ²	2,126	2,408	(282)	-11.7%
Equipment and automobiles ³	11,685	7,233	4,452	61.6%
Total Net Depreciable Assets	349,641	344,747	4,894	1.4%
Non-Depreciable Assets:				
Land	1,092	1,092	-	0.0%
Construction in Progress	44,849	45,135	(286)	-0.6%
Total Non-Depreciable Assets	45,941	46,227	(286)	-0.6%
Capital Assets, Net	\$ 395,582	\$ 390,974	\$ 4,608	1.2%

#6.

Moulton Niguel Water District Management's Discussion & Analysis (Continued)

Year Ended June 30, 2017

Capital Assets (Continued)

The District's net capital assets increased by \$4.6 million (net of \$17.8 million of depreciation) during the current fiscal year. See Note 5 in the Notes to Financial Statements for detail on capital asset activities.

¹ The District records its capital investments in the Joint Regional Water Supply System and South Orange County Wastewater Authority as Capacity rights. In Fiscal Year 2016-17, the total amount acquired was \$8.4 million.

² The District did not incur any additional costs for buildings during the Fiscal Year. The (\$0.3) million decrease is due to depreciation on current building assets.

³ The District acquired equipment and automobiles of \$4.4 million during the Fiscal Year.

Long-term Liabilities

	Condensed Long-term Liabilities Summary (in thousands)			
	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Bonds Payable ¹	\$ 18,328	\$ 24,891	\$ (6,563)	-26.4%
Certificates of Participation (COP)	61,946	63,929	(1,983)	-3.1%
Loans ²	8,693	10,688	(1,995)	-18.7%
Total Long-term Liabilities	\$ 88,967	\$ 99,508	\$ (10,541)	-10.6%

The District's total long-term liabilities as of June 30, 2017, was comprised of \$89.0 million in Bonds, COPs, and loans. The District did not issue any new debt during the fiscal year or refund any prior issuances. Annual principal payments during the year were primarily responsible for the \$10.5 million reduction in the outstanding balance. See Note 6 in the Notes to Financial Statements for detail on long-term liabilities.

¹ The portion of the 2014 Consolidated Refunding Bonds related to Improvement District Number 6 (located at the northwest end of the District's service area) fully matured during Fiscal Year 2016-17, resulting in a reduction in bonds payable. The Fiscal Year 2016-17 payment included \$4.9 million for the final Improvement District Number 6 payment.

² Principal payments on the District's State Revolving Fund loan amounted to \$1.8 million for Fiscal Year 2016-17.

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 funds. 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

Moulton Niguel Water District

Statement of Net Position
June 30, 2017
(With Comparative Totals for June 30, 2016)

	2017	2016
Assets:		
Current:		
Cash and investments (Note 2)	\$ 19,067,436	\$ 21,149,580
Accounts receivable:		
Water and sanitation charges	3,742,510	4,023,360
Taxes	333,100	255,190
Other accounts receivable	331,365	347,088
Grants receivable	179,628	1,771,918
Interest receivable	634,133	589,339
AMP receivable (Note 3)	-	656
Inventory	975,276	1,322,755
Prepaid expenses	578,665	566,095
Other current assets	48,168	-
	25,890,281	30,025,981
Noncurrent:		
Investments (Note 2)	99,173,736	109,982,071
Restricted cash and investments with fiscal agent (Note 2)	7,886,334	8,086,043
Retrofit loans receivable (Note 3)	539,940	561,582
Capital assets - net of accumulated depreciation (Note 5)	349,641,085	344,747,326
Capital assets not being depreciated (Note 5):		
Land	1,091,910	1,091,910
Construction in progress	44,848,592	45,135,106
	503,181,597	509,604,038
	529,071,878	539,630,019
Deferred Outflows of Resources:		
Deferred charges on refundings (Note 6)	658,585	937,158
Deferred items related to pension (Note 8)	4,610,581	1,419,676
	5,269,166	2,356,834
	\$ 534,341,044	\$ 541,986,853

Statement of Net Position
June 30, 2017
(With Comparative Totals for June 30, 2016)

	2017	2016
Liabilities:		
Current:		
Accounts payable	\$ 7,504,051	\$ 9,107,383
Interest payable	1,760,660	1,880,732
Unearned revenue	-	45,572
Compensated absences (Note 6)	751,852	618,807
Current portion of long-term debt (Note 6):		
Bonds payable	1,275,000	6,060,000
Certificates of participation	1,925,000	1,855,000
Loans payable	2,032,109	1,994,998
Total Current Liabilities	15,248,672	21,562,492
Long-Term Liabilities:		
Compensated absences (Note 6)	250,617	206,269
Long-term debt (Note 6):		
Bonds payable	17,052,964	18,830,785
Certificates of participation	60,021,234	62,073,642
Loans payable	6,660,907	8,693,015
Net pension liability (Note 8)	17,581,392	12,934,337
Total Long-Term Liabilities	101,567,114	102,738,048
Total Liabilities	116,815,786	124,300,540
Deferred Inflows of Resources:		
Deferred items related to pension (Note 8)	2,447,949	3,530,389
Total Deferred Inflows of Resources	2,447,949	3,530,389
Net Position:		
Net investment in capital assets	307,272,958	292,404,060
Restricted for capital projects (Note 14)	291,818	2,632,947
Unrestricted (Note 15)	107,512,533	119,118,917
Total Net Position	415,077,309	414,155,924
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 534,341,044	\$ 541,986,853

#6.



moulton niguel water district

Moulton Niguel Water District
Statement of Revenues, Expenses,
and Changes in Net Position
Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Water charges	\$ 32,149,585	\$ 29,812,128
Recycled charges	5,030,973	4,850,326
Sanitation charges	20,156,723	18,963,978
Other	417,705	415,565
Total Operating Revenues	<u>57,754,986</u>	<u>54,041,997</u>
Operating Expenses:		
Source of supply:		
Water purchases	24,411,717	23,729,595
Meter purchases	593,902	723,310
Utilities	1,675,715	1,904,437
Pumping water	1,629,215	3,177,393
Wastewater treatment	11,452,080	10,705,495
Water transmission and distribution	1,546,693	1,341,220
Customer service	3,094,606	3,047,070
Water efficiency	4,037,455	6,749,664
General, administrative, and other	18,319,946	14,947,755
Post retirement medical benefits (OPEB)	289,096	388,058
Depreciation	17,811,064	17,123,278
Total Operating Expenses	<u>84,861,489</u>	<u>83,837,275</u>
Operating Income (Loss)	<u>(27,106,503)</u>	<u>(29,795,278)</u>
Non-Operating Revenues (Expenses):		
Investment income (loss) (Note 2)	(545,638)	4,063,731
Investment income (loss) - restricted (Note 2)	107,458	75,353
Property tax revenue	26,434,110	25,298,065
General obligation bond assessments	2,073,819	5,306,117
Interest on long-term debt	(4,629,947)	(4,910,737)
Intergovernmental revenue	1,670,403	3,382,555
Cellular lease and license income (Note 4)	1,772,941	1,623,544
Other non-operating revenues	126,847	-
Other non-operating expenses	(85,430)	(9,718)
Total Non-Operating Revenues (Expenses)	<u>26,924,563</u>	<u>34,828,910</u>
Income (Loss) Before Capital Contributions	<u>(181,940)</u>	<u>5,033,632</u>
Capital Contributions:		
Developer donated capital facilities	109,100	-
Capacity fees	331,393	1,046,335
Other contributions	662,832	314,510
Total Capital Contributions	<u>1,103,325</u>	<u>1,360,845</u>
Change in Net Position	<u>921,385</u>	<u>6,394,477</u>
Net Position:		
Beginning of fiscal year	414,155,924	407,761,447
End of Fiscal Year	<u>\$ 415,077,309</u>	<u>\$ 414,155,924</u>

Moulton Niguel Water District

Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 59,865,917	\$ 54,900,155
Cash paid to suppliers	(49,709,806)	(50,138,591)
Cash paid to employees	(18,106,107)	(15,720,115)
Net Cash Provided By (Used For) Operating Activities	<u>(7,949,996)</u>	<u>(10,958,551)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash received from property taxes	26,356,200	25,343,717
Net Cash Provided By (Used For) Non-Capital Financing Activities	<u>26,356,200</u>	<u>25,343,717</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(22,418,309)	(32,252,058)
Cash received from general obligation bond assessments	2,073,819	5,306,117
Repayment of notes receivable	22,298	36,101
Capital contributions	1,103,325	1,360,845
Principal payments on long-term debt	(10,540,226)	(10,449,487)
Interest payments on long-term debt	(4,471,446)	(4,309,003)
Intergovernmental revenue	3,217,121	2,061,277
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(31,013,418)</u>	<u>(38,246,208)</u>
Cash Flows from Investing Activities:		
Investment earnings received	1,793,633	2,430,148
Proceeds from sales and maturities of investments	92,019,899	87,774,455
Purchases of investments	(83,488,170)	(68,710,356)
Net Cash Provided By (Used For) Investing Activities	<u>10,325,361</u>	<u>21,494,247</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,281,853)</u>	<u>(2,366,795)</u>
Cash and Cash Equivalents, Beginning of Year	29,235,623	31,602,418
Cash and Cash Equivalents, End of Year	<u>\$ 26,953,770</u>	<u>\$ 29,235,623</u>
Reconciliation of Cash and Cash Equivalents		
Cash and investments	\$ 19,067,436	\$ 21,149,580
Restricted cash and investments with fiscal agent	7,886,334	8,086,043
Total Cash and Cash Equivalents	<u>\$ 26,953,770</u>	<u>\$ 29,235,623</u>

Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating income (loss)	<u>\$ (27,106,503)</u>	<u>\$ (29,795,278)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	17,811,064	17,123,278
Other non-operating revenue	1,899,788	1,613,826
Other non-operating expense	(85,430)	-
Changes in net pension liability, deferred inflows/outflows of resources and pension expense	373,710	(711,830)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, water and sanitation	280,850	(630,749)
(Increase) decrease in accounts receivable, other	15,723	(124,919)
(Increase) decrease in inventory	347,479	380,880
(Increase) decrease in prepaid expenses	(12,570)	(85,971)
(Increase) decrease in other current assets	(48,168)	-
Increase (decrease) in accounts payable	(1,603,332)	944,684
Increase (decrease) in compensated absences	<u>177,393</u>	<u>327,528</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (7,949,996)</u></u>	<u><u>\$ (10,958,551)</u></u>
Non-cash Investing, Capital, and Financing Activities:		
Unrealized gain (loss) on investments	\$ (2,276,607)	\$ 1,740,527
Developer donated capital facilities	109,100	-
Amortization of deferred charges on refundings	278,573	551,742
Impairment of capital assets	(690,763)	-
Bad debt expense	(58,742)	(284,100)
Amortization of (premiums) discounts	(630,229)	(873,882)

#6.



moulton niguel water district

Moulton Niguel Water District**Notes to Financial Statements
June 30, 2017****I. Significant Accounting Policies****Note 1: Organization and Summary of Significant Accounting Policies**

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

a. Description of the Reporting Entity

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

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

b. Basis of Accounting

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

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

Moulton Niguel Water District**Notes to Financial Statements (Continued)****June 30, 2017****Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

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

c. MNWD Public Facilities Corporation

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

The Corporation was formed for the purpose of providing financing through the issuance of certificates of participation to construct District infrastructure necessary to provide water, wastewater, and recycled water services to existing and future customers with the District. Members of the Board of Directors of the District act as the Corporation's governing board and exert significant influence over its operations. Separate financial statements are prepared for the Corporation. To obtain complete financial information from the Corporation, please contact the District at 27500 La Paz Street, Laguna Niguel, CA, 92677, or via telephone at (949) 831-2500.

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

- i. The component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit. Management of a primary government has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs, departments, or agencies.
- ii. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. Usually the services provided by a blended component unit are financing services provided solely to the primary government.

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2017****Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

- iii. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. Repayment generally occurs through a continuing pledge and appropriation by the primary government to the component unit that, in turn, pledges those appropriation payments as the primary source of repayment for its debt.

Because the Corporation meets the requirements in circumstances i, ii, and iii, the Corporation has been reported as a blended component unit. In accordance with GASB Statement 61, condensed financial information is reported in Note 10.

d. Property Taxes

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

Property taxes are levied annually as of July 1, using a lien date of January 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 remitted to the District throughout the year.

e. Inventory and Prepaid Expenses

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

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

f. Capital Assets

Capital assets are valued at cost where historical records are available, and at an estimated historical cost where no historical records exist. Donated assets are valued at their acquisition value on the date received in accordance with GASB Statement 72, *Fair Value Measurement and Application*. 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2017

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

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

Water and wastewater systems	10 to 75 years
Capacity rights	10 to 99 years
Buildings	5 to 40 years
Automobiles and equipment	3 to 20 years

g. Compensated Absences

It is the District's policy to permit employees to accrue vacation leave up to 200% of their annual vacation accrual. Vacation accrual schedules vary depending on length of employment and begin on the date of employment. Once employees reach the maximum accrual limit, they cease to accrue vacation until vacation is reduced to an amount below the limit. Employees are eligible to be compensated in cash for up to a maximum of their annual vacation accrual, upon meeting certain criteria. In addition, an employee is eligible to transfer up to 80 hours of accrued vacation into his/her deferred compensation plan, under certain conditions.

All regular full-time employees are eligible to accrue 96 hours of sick leave per year from the date of employment. Prior to December 31 of each year, employees who have accumulated more than 176 hours of sick leave are eligible to receive compensation equal to 75% of the amount over 176 hours.

Upon separation from employment, the District pays employees 100% of vacation leave accrued but not taken. In addition, employees who worked for the District for ten or more years, may receive a portion of up to 100% of sick leave accrued but not taken.

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

h. Cash and Cash Equivalents

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

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2017****Note 1: Organization and Summary of Significant Accounting Policies (Continued)****i. Investments**

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

j. Fair Value Measurement

The District has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

k. Net Pension Liabilities

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

l. Deferred Outflows and Inflows of Resources

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

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

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2017****Note 1: Organization and Summary of Significant Accounting Policies (Continued)****m. Net Position**

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

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

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

All net position not categorized as net investment in capital assets or restricted are included in unrestricted net position, including amounts reserved in accordance with designations by the Board of Directors included in Note 15.

n. Use of Estimates

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

o. Prior year data

The information included in the financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made to conform to the current year presentation.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

II. Detailed Notes on all Activities

Note 2: Cash and Investments

Cash and Investments are classified in the accompanying Statement of Net Position as follows at June 30, 2017:

Statement of Net Position:	
Cash and Investments-Current	\$ 19,067,436
Investments-Noncurrent	99,173,736
Cash and Investments with Fiscal Agent	<u>7,886,334</u>
Total Cash and Investments	<u>\$ 126,127,506</u>

Cash and Investments held by the District at June 30, 2017, consisted of the following:

Cash:	
Petty Cash on Hand	\$ 1,000
Deposits with Financial Institutions	<u>595,284</u>
Total Cash	<u>596,284</u>
Investments:	
State Treasurer's Investment Pool	18,451,585
US Treasury Notes	22,830,456
Federal Agency Securities	44,810,101
Medium Term Notes	32,487,282
Asset Backed Securities	3,599,350
Commerical Paper	2,251,045
Money Market Funds	<u>1,101,403</u>
Total Investments	<u>125,531,222</u>
Total Cash and Investments	<u>\$ 126,127,506</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. The table below does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy:

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 2: Cash and Investments (Continued)

	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Municipal Securities	5 years	30%	5%
U.S. Treasury Obligations	10 years**	None	None
Federal Agency Securities	10 years**	None	25%
Bankers Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	5%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	None
Asset Backed Securities***	5 years	20%	5%
Local Agency Investment Fund (LAIF)	N/A	\$25M	None
Local Government Investment Pools	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive, except for maturities in excess of 5 years, as described below.

**5 years for the limited maturity fund, up to 10 years and a maximum of 40% exceeding 5 years for the operating reserve fund, as allowed by the investment policy.

***The District's investment policy in effect at June 30, 2017, does not allow for the purchase of new asset backed securities, but the policy does allow securities purchased prior to changes to the policy. The asset backed securities held by the District at June 30, 2017, were previously authorized per the District policy in effect at the time of the purchase and authorized per the California Government Code. Policy revisions will be implemented effective July 1, 2017, to align the policy with the Government Code.

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 certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury 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

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 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 short-term and long-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:

Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months	More Than 60 Months
State Investment Pool	\$ 18,451,585	\$ 18,451,585	\$ -	\$ -	\$ -
US Treasury Notes	18,242,490	-	1,886,620	9,241,355	7,114,515
Federal Agency Securities	41,975,648	3,239,098	9,233,439	21,918,578	7,584,533
Medium Term Notes	32,487,282	9,703,410	13,265,656	9,518,216	-
Asset Backed Securities	3,599,350	127,359	3,471,991	-	-
Commercial Paper	2,251,045	2,251,045	-	-	-
Money Market Funds	637,488	637,488	-	-	-
Held by Fiscal Agent:					
US Treasury Notes	4,587,966	274,830	1,610,280	2,702,856	-
Federal Agency Securities	2,834,453	530,530	1,009,937	1,293,986	-
Money Market Funds	463,915	463,915	-	-	-
Total	\$ 125,531,222	\$ 35,679,260	\$ 30,477,923	\$ 44,674,991	\$ 14,699,048

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 Standard and Poor's as of year-end for each investment type:

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 2: Cash and Investments (Continued)

Investment Type	Total	Minimum Legal Rating*	Rating as of Year-End			
			AAA	AA	A	Not Rated
State Investment Pool	\$ 18,451,585	N/A	\$ -	\$ -	\$ -	\$ 18,451,585
US Treasury Notes	18,242,490	N/A	18,242,490	-	-	-
Federal Agency Securities	41,975,648	N/A	41,975,648	-	-	-
Medium Term Notes	32,487,282	A	3,970,542	5,442,656	23,074,084	-
Asset Backed Securities	3,599,350	AA	3,599,350	-	-	-
Commerical Paper	2,251,045	A	-	-	2,251,045	-
Money Market Funds	637,488	Highest rated	637,488	-	-	-
Held by Fiscal Agent:						
US Treasury Notes	4,587,966	N/A	4,587,966	-	-	-
Federal Agency Securities	2,834,453	N/A	-	2,834,453	-	-
Money Market Funds	463,915	Highest rated	-	-	463,915	-
Total	<u>\$ 125,531,222</u>		<u>\$ 73,013,484</u>	<u>\$ 8,277,109</u>	<u>\$ 25,789,044</u>	<u>\$ 18,451,585</u>

* Minimum legal rating according to California Government Code

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:

Investment Type	Year-end Balance
Federal Home Loan Bank	\$ 14,129,603
Federal Home Loan Mortgage Co.	11,730,513
Federal National Mortgage Assoc.	12,368,944
Tennessee Valley Authority	6,473,413

Disclosures Relating to Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 2: Cash and Investments (Continued)

The District had the following recurring fair value measurements as of June 30, 2017:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets		Significant Other	Uncategorized
		(Level 1)	(Level 2)	Observable Inputs (Level 2)	
State Investment Pool	\$ 18,451,585	\$ -	\$ -	\$ -	\$ 18,451,585
US Treasury Notes	18,242,490	-	-	18,242,490	-
Federal Agency Securities	41,975,648	-	-	41,975,648	-
Medium Term Notes	32,487,282	-	-	32,487,282	-
Asset Backed Securities	3,599,350	-	-	3,599,350	-
Commerical Paper	2,251,045	-	-	2,251,045	-
Money Market Funds	637,488	637,488	-	-	-
Held by Fiscal Agent:					
US Treasury Notes	4,587,966	-	-	4,587,966	-
Federal Agency Securities	2,834,453	-	-	2,834,453	-
Money Market Funds	463,915	-	-	463,915	-
Total	<u>\$ 125,531,222</u>	<u>\$ 637,488</u>	<u>\$ 106,442,149</u>	<u>\$ 18,451,585</u>	

Money market funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those specific investments. US Treasuries, Corporate bonds and securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model and evaluated based on various market and industry inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The State Investment Pool is managed by the State Treasurer, and by law is regulated by the California Government Code.

Deposits and withdrawals in State Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the District's investments in LAIF at June 30, 2017, of \$18,451,585 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

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 Financial Statements (Continued)
June 30, 2017**Note 2: Cash and Investments (Continued)**

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. For investments, the District's portfolio is held in safekeeping in the District's name by a third party bank trust department, acting as agent for the District, under the terms of a custody agreement. The District Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

State Treasurer's Investment Pool

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

Investment Earnings

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments and as a result, realized gains and losses of the current period include unrealized amounts from prior periods. Investment earnings consist of the following for the year ended June 30, 2017:

Interest income	\$	2,232,599
Realized gain (loss)		(394,172)
Unrealized gain (loss)		<u>(2,276,607)</u>
Total gain (loss)	\$	<u>(438,180)</u>

Note 3: Other ReceivablesAllen-McColloch Pipeline ("AMP")

Before fiscal year 1995, the District was a part owner and participant in the 27-mile AMP used by the Municipal Water District of Orange County ("MWDOC") to deliver potable water to the participants. In fiscal year 1995, the participants sold the AMP to Metropolitan Water District of Southern California ("MET"). Under the Sale agreement the District will receive \$16,158,563 over 22 years. This represents an approximate 13.6% ownership of AMP. The Sale agreement also provides for the District to continue to have AMP flow capacity rights, but MWDOC has no obligation to deliver an actual quantity of water. During the year, the remaining portion of the AMP receivable was received in full.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017**Note 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. As of the end of the fiscal year, the District has 53 loans outstanding totaling \$539,940 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 10 years with the balance of the loans to be repaid within 30+ years from the date of the agreement.

Note 4: Operating Leases and Licenses

The District leases a portion of its facilities for cellular tower antenna sites. Lessees purchase and install the wireless equipment. These leases are non-cancelable for a period of 10 years, with one renewal period of 5 years. Inception dates range from 1996 to the present. 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. Since the start of fiscal year 2015-2016, any new agreement or renewal is classified as a license. The combined cost of District facilities that are included as part of these agreements was \$36,376,040, with a carrying value at June 30, 2017, of \$18,845,791, and the difference of \$17,530,249 being accumulated depreciation. The total cellular lease and license revenue for the fiscal year was \$1,772,941. Future minimum lease payments are as follows:

Fiscal Year Ended June 30	Amount
2018	\$ 1,723,533
2019	1,626,486
2020	1,644,355
2021	1,644,355
2022	1,644,355
Thereafter	<u>8,221,775</u>
Total	<u>\$ 16,504,859</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2017, is as follows:

Capital Assets	Balance at June 30, 2016	Transfers	Additions	Deletions	Balance at June 30, 2017
Depreciable assets					
Water systems	\$ 562,103,056	\$ 8,756,660	\$ -	\$ (130,099)	\$ 570,729,617
Capacity rights	76,274,994	8,096,834	-	-	84,371,828
Building	5,755,374	-	-	-	5,755,374
Automobiles and equipment	17,718,129	4,173,395	1,677,934	(173,468)	23,395,990
Total cost of depreciable assets	661,851,553	21,026,889	1,677,934	(303,567)	684,252,809
Less accumulated depreciation					
Water systems	(289,415,806)	-	(13,477,257)	130,099	(302,762,964)
Capacity rights	(13,855,759)	-	(2,653,551)	-	(16,509,310)
Buildings	(3,347,316)	-	(281,376)	-	(3,628,692)
Automobiles and equipment	(10,485,346)	-	(1,398,880)	173,468	(11,710,758)
Total accumulated depreciation	(317,104,227)	-	(17,811,064)	303,567	(334,611,724)
Net depreciable assets	344,747,326	21,026,889	(16,133,130)	-	349,641,085
Capital assets not depreciated					
Land	1,091,910	-	-	-	1,091,910
Construction in progress	45,135,106	(21,026,889)	21,592,160	(851,785) *	44,848,592
Capital assets net	\$ 390,974,342	\$ -	\$ 5,459,030	\$ (851,785)	\$ 395,581,587

Depreciation expense for the year ended June 30, 2017, was \$17,811,064.

* The District recognized an impairment of \$690,763 related to investments towards desalination made in prior years. In Fiscal Year 2016-17, the District determined it would not pursue the project further. Since the economic benefit of the proposed asset will not be realized, the District recognized the impairment loss.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017**Note 6: Long-Term Liabilities**

Long-Term liabilities for the year ended June 30, 2017, are as follows:

	Balance at June 30, 2016	Addition	Deletion	Ending June 30, 2017	Due Within One Year
Bonds payable:					
2014 GOB	\$ 10,165,000	\$ -	\$ (6,060,000)	\$ 4,105,000	\$ 1,275,000
Add: Premium	532,414	-	(236,839)	295,575	-
2015 Refunding	12,265,000	-	-	12,265,000	-
Add: Premium	1,928,371	-	(265,982)	1,662,389	-
Total Bonds	<u>24,890,785</u>	<u>-</u>	<u>(6,562,821)</u>	<u>18,327,964</u>	<u>1,275,000</u>
Certificates of Participation:					
2009 COPs	60,000,000	-	-	60,000,000	-
2010 COPs	3,780,000	-	(1,855,000)	1,925,000	1,925,000
Add: Premium	148,642	-	(127,408)	21,234	-
Total COPs	<u>63,928,642</u>	<u>-</u>	<u>(1,982,408)</u>	<u>61,946,234</u>	<u>1,925,000</u>
Loans Payable:					
CIEDB	1,057,580	-	(163,885)	893,695	168,647
State Revolving Fund	9,630,433	-	(1,831,112)	7,799,321	1,863,462
Total Loans	<u>10,688,013</u>	<u>-</u>	<u>(1,994,997)</u>	<u>8,693,016</u>	<u>2,032,109</u>
Compensated Absences:					
Vacation pay	457,213	718,749	(557,288)	618,674	464,006
Sick Pay	367,863	358,120	(342,188)	383,795	287,846
Total Compensated Absences	<u>825,076</u>	<u>1,076,869</u>	<u>(899,476)</u>	<u>1,002,469</u>	<u>751,852</u>
Total:	<u>\$ 100,332,516</u>	<u>\$ 1,076,869</u>	<u>\$ (11,439,702)</u>	<u>\$ 89,969,683</u>	<u>\$ 5,983,961</u>

Bonds Payable2014 Consolidated Refunding (General Obligation) Bonds

On February 4, 2014, the District issued \$21,315,000 of 2014 Consolidated Refunding Bonds ("2014 Refunding Bonds") General Obligation Bonds. Proceeds from the issuance were used to refund the 2003 Consolidated Refunding Bonds and to pay costs of issuing the Bonds. The Bonds constitute the consolidated obligations of Improvement District Number 6 and Improvement District Number 7. A voter approved tax assessment is levied each year to pay the debt service on these bonds. The serial bonds accrue interest at rates between 3% and 5% and mature between September 1, 2014, and September 1, 2019. Interest is payable on September 1 and March 1 of each year. The remaining deferred charges related to this refunding at June 30, 2017, is \$30,104, and will be amortized over the life of the bonds.

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2017****Note 6: Long-Term Liabilities (Continued)**2015 Revenue Refunding Bond

On June 1, 2015, the District issued \$12,265,000 of 2015 Revenue Refunding Bonds ("2015 Revenue Bonds"). Proceeds from the issuance were used to refund the 2003 Refunding Certificates of Participation, fund a debt service reserve fund for the Bonds, and pay the costs of issuing the Bonds. Interest on the Bonds is payable on March 1 and September 1 of each year at 5% per annum. The Bonds mature starting September 1, 2018, and end on September 1, 2023. The Bonds are special obligations of the District and are payable exclusively from Tax Revenues and Net Revenues of the District, and from amounts on deposit in certain funds and accounts established under the Indenture. The remaining deferred charges related to this refunding at June 30, 2017, is \$611,032, and will be amortized over the life of the bonds. As of June 30, 2017, the refunded 2003 Certificates were redeemed in full.

As of June 30, 2017, the Reserve Requirement for the 2015 Revenue Refunding Bond was \$1,226,500 and the District had \$1,250,127 in the reserve account.

Certificates of Participation2009 Certificates of Participation (COP)

In December 2009, the District issued \$60,000,000 of Certificates of Participation federally taxable "Build America Bonds" pursuant to an installment sale agreement with the Corporation 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 ("MET") deliveries. The serial certificates accrue interest at rates between 5.982% and 6.332%. Interest is payable on March 1 and September 1 of each year. The true interest cost ("TIC") will range from 4.49% to the serial rates mentioned. The TIC 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 6: Long-Term Liabilities (Continued)

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government pursued certain automatic reductions that took place starting March 1, 2013. This sequester reduction affected the Build America Bonds refundable credit payments under Internal Revenue Code section 6531. As determined by the Office of Management and Budget, payments to issuers of Build America Bonds are subject to a 6.9% reduction as of October 1, 2016, through September 30, 2017, resulting in a refundable credit equal to 32.59%

As of June 30, 2017, the Reserve Requirement for the 2009 COPs was \$6,000,000 and the District had \$6,116,159 in the reserve account.

2010 Refunding Certificates of Participation (COP)

On November 1, 2010, the District issued \$8,965,000 of the 2010 Refunding Certificates of Participation ("2010 Refunding COPs") pursuant to an installment sale agreement with the Corporation 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 COPs. The interest for the 2010 Refunding COPs is calculated 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. The remaining deferred charges related to this refunding at June 30, 2017, is \$17,449, and will be amortized over the life of the certificates.

As of June 30, 2017, the Reserve Requirement for the 2010 Refunding COPs was \$192,500 and the District had \$378,971 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 wastewater 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 wastewater 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017**Note 6: Long-Term Liabilities (Continued)**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 September 3, 2022.

Compensated Absences

All accrued vacation and sick leave pay is recorded as an expense and a liability at the time the benefit is earned. As of June 30, 2017, the District's compensated absences liability was \$1,002,469.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 6: Long-Term Liabilities (Continued)

Remaining Amortization on Long-Term Liabilities

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2017, are as follows:

June 30	Bonds Payable	
	Principal	Interest
2018	\$ 1,275,000	\$ 757,750
2019	3,170,000	653,000
2020	3,360,000	501,000
2021	1,990,000	378,500
2022	2,085,000	276,625
2023-2027	4,490,000	227,250
Total	<u>\$ 16,370,000</u>	<u>\$ 2,794,125</u>
	Certificates of Participation	
June 30	Principal	Interest
2018	1,925,000	4,137,476
2019	-	4,098,976
2020	-	4,098,976
2021	-	4,098,976
2022	-	4,098,976
2023-2027	8,265,000	19,753,448
2028-2032	16,400,000	15,248,197
2033-2037	20,565,000	8,860,787
2038-2042	14,770,000	1,575,569
Total	<u>\$ 61,925,000</u>	<u>\$ 65,971,381</u>
	Loans Payable	
June 30	Principal	Interest
2018	\$ 2,032,109	\$ 163,673
2019	1,572,589	125,851
2020	1,283,260	95,960
2021	1,307,912	71,307
2022	1,333,059	46,160
2023*	1,164,087	20,508
Total	<u>\$ 8,693,016</u>	<u>\$ 523,459</u>

*All outstanding loans mature at or before June 30, 2023

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 7: Rate Covenants

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2017:

Debt Service Coverage

Operating Revenues:	
Water sales and service charges	\$ 37,180,558
Wastewater service charges	20,156,723
Meter sales & other	417,705
Total Operating Revenues	<u>57,754,986</u> (A)
Operations & Maintenance Expenses:	
Source of supply	26,681,334
Pumping water	1,629,215
Wastewater treatment	11,452,080
Water transmission & distribution	1,546,693
Customer service	3,094,606
Water efficiency	4,037,455
General, administrative & other	18,609,042
Total Operations & Maintenance Expenses	<u>67,050,425</u> (B)
Net Operating Income (Loss)	(9,295,439) (A-B)
Non-Operating Revenues (Expenses):	
Capacity fees	331,393
Cellular lease income	1,772,941
Investment income (loss)	(438,180)
Intergovernmental revenue	1,670,403
Other contributions	771,932
Other income	126,847
Other expense	(85,430)
Total Non-Operating Revenues	<u>4,149,906</u> (C)
Net Revenues	(5,145,533) (A-B+C)
Property Tax Revenues	<u>26,434,110</u>
Sum of Net & Tax Revenues	<u>\$ 21,288,577</u> (D)
Debt Service On Parity Obligations	
2009 COP	\$ 4,098,976
2010 Refunding COP	1,969,100
Governmental loans	2,195,782
2015 Refunding Revenue Bonds	613,250
Total Existing Parity Obligations	<u>\$ 8,877,108</u> (E)
Calculated Debt Service Coverage Percentage	240% (D/E)

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 8: Pension Plans

Defined Benefit Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Defined Benefit Pension Plan ("Plan"), a cost-sharing, multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). Board members are not eligible for participation in CalPERS. The CalPERS Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employers miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Fund C ("PERF C"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. 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 CalPERS annual financial report may be obtained from their website at www.calpers.ca.gov or from their executive Office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law ("PERL"). Each plan has a 3% annual cost-of-living allowance increase benefit.

The District has three different tiers that employees participate in: First Tier Miscellaneous Plan (employed prior to July 28, 2009), Second Tier Miscellaneous Plan (employed on or after July 28, 2009, but before January 1, 2013), and PEPRA Miscellaneous Plan (employed on or after January 1, 2013). The District's current plans are referred to as the 2% @ 55, which is closed to new CalPERS members as of January 1, 2013, and 2% @ 62 defined benefit plans, where a qualified employee may receive an annual retirement benefit equal to 2% of his/her final year compensation times the number of years of service at age 55 or 62, depending on which tier the employee participates. First and Second Tier plans have a highest 12 consecutive months' compensation period and the PEPRA plan has a highest 36 consecutive months' compensation period.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 8: Pension Plans (Continued)

	Miscellaneous cost-sharing plans		
	Tier 1	Tier 2	PEPRA
		July 28, 2009 but	
Hire date	Prior to July 28, 2009	prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	7.000%	7.000%	6.500%
Required employer contribution rates	10.771%	9.846%	7.066%

Contribution Description

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary, and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, contributions to the plan were \$1,539,047, matching the Actuarially Determined Contribution.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the collective net pension liability as \$17,581,392.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2017

Note 8: Pension Plans (Continued)

The District's net pension liability for each plan was measured as the proportionate share of the collective cost-sharing plan. The District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard actuarial update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the actuarially determined projected contributions of all participating employers. The District's proportion of the collective net pension liability as of June 30, 2015 and 2016, was as follows:

	<u>Pension Plans</u>
Proportion - June 30, 2015	0.18844%
Proportion - June 30, 2016	0.20318%
Change - Increase (Decrease)	0.01474%

Recognition of Gains and Losses

Under GASB Statement 68, gains and losses related to changes in total pension liability are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions, and are to be recognized in future pension expense.

For the year ended June 30, 2017, the District recognized pension expense of \$1,912,757. At June 30, 2017, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 37,146	\$ -
Change in assumptions	-	(455,886)
Differences between Projected and Actual Investment	2,372,746	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	(1,478,028)
Change in Employer's Proportion	661,642	(514,035)
Contribution subsequent to measurement date	1,539,047	-
Total	\$ 4,610,581	\$ (2,447,949)

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017**Note 8: Pension Plans (Continued)**

\$1,539,047 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

June 30:	Deferred Outflows/(Inflows) of Resources	
2018	\$	(667,389)
2019		(385,542)
2020		1,061,946
2021		614,570
Total	\$	<u>623,585</u>

The amortization period differs depending on the source of the deferred inflow or outflow of resources. The difference between projected and actual earnings is amortized straight-line over 5 years. All other deferred amounts are amortized straight-line over the expected average remaining service life ("EARSL") of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The EARSL is calculated by dividing the total future service years of active employees by the total number of plan participants in PERF C. Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund. As of the June 30, 2016, measurement period, the EARSL was 3.7 years.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016, measurement date total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.75% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2015 experience study report on the CalPERS website.

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2017****Note 8: Pension Plans (Continued)**

All other actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

Assumptions during the measurement period ended June 30, 2016 remained consistent with the prior measurement period. Deferred inflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plans (including PERF C), the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the rate plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017**Note 8: Pension Plans (Continued)**

The table below reflects long-term expected real rate of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Current Target Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%

¹ An expected inflation of 2.50% was used for this period.

² An expected inflation of 3.00% was used for this period.

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

The following table presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate - 1%	Current Discount	Discount Rate +1%
District's proportionate share of the Net Pension Liability:	6.65%	7.65%	8.65%
	\$ 27,934,412	\$ 17,581,392	\$ 9,025,134

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial reports. See the CalPERS website for additional information.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

Note 8: Pension Plans (Continued)

Defined Contribution Plan

The District sponsors the Moulton Niguel Water District 401(a) Plan and Trust ("401(a) Plan"), a single employer defined contribution pension plan. The District's Board of Directors established the 401(a) Plan and is authorized to amend the 401(a) 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 401(a) Plan. Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employees' salary to the 401(a) Plan if the employee elects to participate in the District's 457 Deferred Compensation Plan. Employer contributions were \$172,298 and recognized as pension expense for the year ended June 30, 2017. 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 after separation from employment.

Note 9: Other Post-Employment Benefits (OPEB)

To mitigate the costs of increasing healthcare, the District has imposed a three-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 health benefits for themselves and their dependents. Employees hired after July 1, 2008, but before July 1, 2017, retiring from the District at age 60 with fifteen years of continuous employment, receive post-retirement health benefits for themselves and their dependents. Employees hired on or after July 1, 2017, will not be eligible for retiree health benefits.

Under the authority of the District's Board of Directors, post-retirement health 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 as a single employer defined benefit OPEB plan for the purpose of receiving employer contributions that will prefund health and OPEB costs for retirees and their beneficiaries.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

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

Eligibility and Benefits: Generally the District provides retiree health coverage to former full-time employees and Board Members (“OPEB Participants”) and their dependents when retirement is from the District in good standing. OPEB Participants receive this benefit on or after age 55 with 10 years of service if hired before July 1, 2008. Board members elected after January 1, 1995, are not eligible for retiree health coverage, regardless of age and years of service at retirement. OPEB Participants receive this benefit on or after age 60 with 15 years of service if hired after July 1, 2008, but before July 1, 2017. After age 65, the District provides \$235 per month, cash allotment, towards a Medicare supplement policy to the retiree or former Board Member. Dependent coverage ceases when the retiree or former Board member reaches age 65.

Membership of the plan per the actuarial valuation report for June 30, 2015, consisted of the following at June 30, 2017:

Active plan members	116
Retired (age 55-65) HMO/PPO Participants & Dependents	15
Retired (age 65+) Medicare Participants (No Dependents)	<u>18</u>
Total	<u><u>149</u></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 the fiscal year ending 2017, the required contribution rates for the District was 4.4% of covered payroll (.0379% per member), and the District contributed a total of \$443,446, which includes premiums and the implicit rate subsidy. The District provides health retirement benefits to OPEB Participants, which are equal to the value of the health benefit provided to active employees, until the retiree is eligible for Medicare. OPEB Participants electing coverage through the Health Maintenance Organization (“HMO”) contributed approximately 4%, or \$9,088 toward the cost of coverage and participants electing coverage through the Preferred Provider Organization (“PPO”) contributed approximately 18%, or \$18,664 toward the cost of the coverage during the fiscal year. 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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017

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

Annual OPEB Cost and Net OPEB Obligation: The District's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined to comply with GASB Statement 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)	\$	395,278
Contribution made (including premium paid)		<u>(443,446)</u>
Change in net OPEB obligation (asset)		(48,168)
Net OPEB obligation (asset), beginning of year		<u>-</u>
Net OPEB obligation (asset), end of year	\$	<u>(48,168)</u>

The Net OPEB asset is recorded as "other current assets" on the Statement of Net Position.

As of June 30, 2017, the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation (asset)</u>
6/30/2015	\$ 402,959	100%	\$ -
6/30/2016	417,834	100%	-
6/30/2017	395,278	112%	(48,168)

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 included as required supplementary information immediately following the Notes to Financial Statements, presents 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 are 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.

Moulton Niguel Water District**Notes to Financial Statements (Continued)****June 30, 2017****Note 9: Other Post-Employment Benefits (OPEB) (Continued)**

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 7.5%, as well as an inflation rate of 2.8%. The UAAL is being amortized over an initial 30 years using the level-percentage-of-pay method on a closed-basis. The remaining amortization period is assumed to be 14 years as of June 30, 2015. It is assumed the District's payroll will increase 3% per year. 75% percent of future retirees are assumed to have a spouse. The valuation as of June 30, 2015, 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 fair value of trust investments.

As of June 30, 2015, the most recent actuarial valuation date, the plan was 50.8% funded. The actuarial accrued liability for benefits was \$5,841,821, and the actuarial value of assets was \$2,964,517, resulting in an unfunded liability (UAAL) of \$2,877,304. The covered payroll (annual payroll of active employees covered by the plan) was \$8,727,000, and the ratio of the UAAL to the covered payroll was 33.0%.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017**Note 10: Blended Component Unit**

The Corporation has been included as part of the District financial statements as a blended component unit. In accordance with GASB 61, the following summarized information as of June 30, 2017, for the Corporation is required:

Corporation Condensed Statement of Net Position at June 30, 2017:

Assets:	
Current (due from the District)	\$ 3,316,992
Noncurrent (due to the District)	60,021,234
Total Assets:	<u>63,338,226</u>
Liabilities:	
Current	3,316,992
Long-term	60,021,234
Total Liabilities	<u>63,338,226</u>
Net Position:	
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 63,338,226</u>

Corporation Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2017:

Nonoperating revenues	\$ 4,086,450
Nonoperating expenses	<u>4,086,450</u>
Change in net position	<u>-</u>
Net Position, beginning of year	<u>-</u>
Net Position, end of year	<u>\$ -</u>

Corporation Condensed Statement of Cash Flows for the Year Ended June 30, 2017:

Net Cash Provided by (Used for):	
Operating activities	\$ -
Capital and related financing activities	(6,044,125)
Investing activities	<u>6,044,125</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>-</u>
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>

Moulton Niguel Water District**Notes to Financial Statements (Continued)****June 30, 2017****Note 11: 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 risk management and self-insurance and insured programs. The program provides workers' compensation, property, and employment liability and general liability coverage for the District. The membership includes 363 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the ACWA JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the ACWA JPIA, including selection of management and approval of the operating budget.

The District maintains \$60,000,000 in commercial general liability insurance, auto liability, and public official's error & omissions. The property damage insurance program provided for up to \$150 million in coverage on structures and contents with a \$25,000 deductible per loss, and underground storage tank coverage of \$1,000,000. 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 statutory workers' compensation level of coverage and Employer's Liability coverage of \$2,000,000 for bodily injury by each accident and \$2,000,000 for bodily injury per occurrence from the ACWA JPIA Pool. If the District's deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place. The District promotes safety in the workplace through an extensive safety program. As a result of the program, the District has received retrospective refunds from the ACWA JPIA Rate Stabilization Fund. 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 15 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 P.O. Box 619082, Roseville, CA, 95661, or via telephone at (800) 231-5742. Information may be available at www.acwajpia.com.

The District also holds additional insurance policies amounting to a \$2,000,000 commercial blanket bond for employee dishonesty, forgery and alteration and computer fraud, and a \$30,000 bond for Notary Errors and Omissions that covers four notaries.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2017**Note 12: Commitments and Contingencies**

The following material commitments related to Capital Improvement Projects existed at June 30, 2017:

Project Name	Total Project Budget	Cumulative Expenses as of June 30, 2017	Remaining Budget	Outstanding Commitments
District Headquarters	\$ 32,000,000	\$ 1,199,996	\$ 30,800,004	\$ 350,357
Upper Salada Electrical Switchgear Replacement	700,000	68,698	631,302	480,378
Del Avion LS AUX Generator Replacement	576,090	267,171	308,919	250,816
Lower Boundary Oak LS Upgrade	396,420	58,803	337,617	294,196

Note 13: Joint Powers Authorities and Joint VenturesSouth Orange County Wastewater Authority (a California Joint Powers Authority)

The District is one of ten member agencies that participate in SOCWA. SOCWA treats, beneficially reuses, and disposes of wastewater in South Orange County. SOCWA operates three wastewater treatment plants ("WWTP") and two ocean outfalls 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 governs 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 44% 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. The District remitted \$16,441,158 to SOCWA for the year ended June 30, 2017, consisting of \$7,695,940 for capital projects and \$8,745,218 for operations and maintenance ("O&M").

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

Moulton Niguel Water District**Notes to Financial Statements (Continued)**
June 30, 2017**Note 13: Joint Powers Authorities and Joint Ventures (Continued)**Joint Regional Water Supply System (Formed Using a Trust Agreement)

The District is one of nine members who participate in the Joint Regional Water Supply System ("JRWSS"). JRWSS owns and operates several pipelines, including the Joint Transmission Main that serves the District. The pipelines deliver drinking water to the nine member agencies. 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. The District remitted \$746,562 to JRWSS for the year ended June 30, 2017, consisting of \$296,526 for capital projects and \$450,036 for O&M.

To obtain complete financial information from JRWSS, contact SCWD at 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 ("Basin") and is best classified as an underground stream. It holds a capacity of 40,000 acre-feet, with about half as usable storage, where storm flows are recharged and withdrawn by various production wells. The state has granted SJBA water rights to divert water from the Basin for beneficial purposes. The objective of the District's membership is to diversify and increase its water sources in the future.

SJBA's membership includes the District along with Santa Margarita Water District, City of San Juan Capistrano 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. The District remitted \$166,626 to SJBA for the year ended June 30, 2017, consisting entirely of O&M.

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.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2017

Note 13: Joint Powers Authorities and Joint Ventures (Continued)

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 13 cubic feet per second (cfs) of capacity rights in the Baker Pipeline and is responsible for costs to operate and maintain the Baker Pipeline. Irvine Ranch Water District maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC. The District remitted \$36,210 to SAC for the year ended June 30, 2017, consisting entirely of O&M.

To obtain complete financial information on the SAC, contact Irvine Ranch Water District at 15600 Sand Canyon Avenue, Irvine, CA, 92618, 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.

Note 14: Restricted Net Position

At June 30, 2017, the District held \$291,818 in unspent capacity fee revenue. By State law the capacity fees must be spent on capital projects. All interest earned on these funds are added to the total restricted fund balance.

Note 15: Unrestricted Net Position

A portion of the District's unrestricted net position has been designated by the Board of Directors for specific purposes. The detail of unrestricted net position at June 30, 2017, is as follows:

Unrestricted net position:	
Designated for rate stabilization	\$ 13,747,488
Designated for replacement and refurbishment	13,112,946
Designated for self-insurance reserves	239,981
Designated for planning and construction	8,293,858
Designated for water efficiency	7,258,366
Designated for water supply reliability	3,836,274
Designated for emergency reserves	35,510,000
Designated for operating reserves	15,820,000
Unrestricted, undesignated	9,693,620
Total unrestricted net position	<u>\$ 107,512,533</u>

Moulton Niguel Water District**Notes to Financial Statements (Continued)
June 30, 2017****Note 15: Unrestricted Net Position (Continued)**Rate Stabilization

The Rate Stabilization reserves were established to provide funds to be used specifically for stabilizing potential fluctuation in District water and wastewater service rates that may result from losses or reductions of ad valorem property tax revenues.

Replacement & Refurbishment

The Replacement & Refurbishment fund ("R&R") was established to fund ongoing costs related to the replacement and refurbishment of existing assets in conjunction with the District's Capital Improvement Plan. Funding for the R&R fund will be provided from new debt issuances or fund transfers as part of the District annual budget process.

Self-Insurance

The District maintains a Self-Insurance reserve to provide funding for property and liability insurance deductibles, losses exceeding insurance limits, and unemployment benefit payments.

Planning and Construction Reserves

Planning and Construction reserves were established to provide funding for the development of new capital facilities that do not result in new water or recycled water supplies as identified in the District Capital Improvement Plan. Funding for the Planning and Construction reserve will be provided from debt issuances or fund transfers as part of the District annual budget process.

Water Efficiency Fund

The Water Efficiency 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, conservation goals and policies, and water reliability projects as specifically directed by the Board under budgetary and other approval programs from time to time.

Water Supply Reliability

The Water Supply Reliability reserves were created to provide funding for the development of new water or recycled water supplies as identified in the District Capital Improvement Plan. Funding for the Water Supply Reliability reserve will be provided from debt issuances or fund transfers as part of the District annual budget process.

Moulton Niguel Water District**Notes to Financial Statements (Continued)**
June 30, 2017**Note 15: Unrestricted Net Position (Continued)**Emergency Reserve

The Emergency Reserve was created to provide funds to enable the District to quickly repair critical assets in the event of a natural disaster or facility failure. The target balance of the Emergency Reserve is equal to 2% of the replacement costs of the District's assets as outlined in current guidelines from the Federal Management Agency (FEMA).

General Operating Reserve

The District will maintain a General Operating Reserve in order to provide sufficient liquidity for funding the day-to-day operating expenses and District cash flow needs during normal operations due to standard delays between the receipt of revenues and the payment of expenses. The target balance in the General Operating Reserve will equal three months of operating expenses, consistent with best practices in the industry for agencies with monthly rate revenue.

#6.

**Moulton Niguel Water District
Other Post Employment Benefits
Schedule of Funding Progress
Year Ended June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entity Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
06/30/11	\$ 1,131,224	\$ 6,857,673	\$ 5,726,449	16.50%	\$ 6,819,000	83.98%
06/30/13	2,115,096	5,539,489	3,424,393	38.18%	6,730,000	50.88%
06/30/15	2,964,517	5,841,821	2,877,304	50.75%	8,727,000	32.97%

Notes to Schedule:

This information is intended to help users assess the District's OPEB plan status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

Moulton Niguel Water District
Miscellaneous Plan - Cost Sharing Multiple Employer Benefit Plan
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2017

Last Ten Fiscal Years ¹

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Net Pension Liability	0.19721%	0.18844%	0.20318%
Proportionate Share of the Net pension Liability	\$ 12,251,838	\$ 12,934,337	\$ 17,581,392
Covered Payroll	\$ 7,060,907	\$ 7,735,097	8,936,374
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	174%	167%	197%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability ²	79.82%	78.40%	74.06%

Notes to Schedule:

Benefit Changes:

None.

Changes of Assumptions:

Discount rate changed from 7.50% at the June 30, 2014, measurement date, to 7.65% at the June 30, 2015, measurement date.

¹ Historical information is required only for measurement to which GASB 68 is applicable. Amounts presented above were determined as of June 30. As Fiscal Year 2015 was the first year of implementation, additional years will be presented as they become available.

² Plan represents the total CalPERS risk pool.

#6.



moulton niguel water district

Moulton Niguel Water District
Miscellaneous Plan - Cost Sharing Multiple Employer Benefit Plan
Schedule of Plan Contributions
As of June 30, 2017

Last Ten Fiscal Years ¹

	<u>2015</u>	<u>2016</u>	<u>2017</u>
All Plans			
Actuarially Determined Contribution	\$ 997,427	\$ 1,351,327	\$ 1,539,047
Contribution in Relation to the Actuarially Determined Contribution	<u>(997,427)</u>	<u>(1,351,327)</u>	<u>(1,539,047)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 7,735,097	\$ 8,936,374	\$ 9,739,736
Contributions as a Percentage of Covered Payroll	12.89%	15.12%	15.80%

¹ Historical information is required only for measurement to which GASB 68 is applicable. Amounts presented above were determined as of June 30. As Fiscal Year 2015 was the first year of implementation, additional years will be presented as they become available.

Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds
Year Ended June 30, 2017

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.

	2016-17 Final Budget*	2016-17 Actual*	Variance with Budget Over (Under)	% Variance with Budget Over (Under)
Revenues				
Potable Water Sales	\$ 28,338,290	\$ 26,224,008	\$ (2,114,282)	-7.46%
Wastewater Sales	18,911,865	20,156,723	1,244,858	6.58%
Recycled Water Sales	5,489,814	5,030,973	(458,841)	-8.36%
WBBRS Efficiency Funds ¹	3,303,844	5,925,577	2,621,733	79.35%
Ad Valorem Property Tax	27,069,573	26,434,110	(635,463)	-2.35%
General Obligation Bond Assessment	1,888,007	2,073,819	185,812	9.84%
Investment Income ²	2,348,860	(438,180)	(2,787,040)	-118.66%
Other Income ³	990,895	1,621,189	630,294	63.61%
Cellular Lease Income	1,569,878	1,772,941	203,063	12.93%
Intergovernmental Revenue ⁴	1,331,147	1,670,403	339,256	25.49%
Total Revenues	\$ 91,242,173	\$ 90,471,563	\$ (770,610)	
Expenses, Debt Obligations, and Capital Improvement Projects				
Operations and Maintenance	70,012,317	67,109,167	(2,903,150)	-4.15%
Capital Outlay ⁵	2,942,017	1,611,039	(1,330,978)	-45.24%
General Obligation Bonds Debt Service	6,365,900	6,137,222	(228,679)	-3.59%
Other Debt Service	8,880,281	9,032,951	152,670	1.72%
Depreciation ⁶	-	17,811,064	17,811,064	-
Replacement and Refurbishment Projects ⁵	13,257,897	8,040,775	(5,217,122)	-39.35%
Wastewater Treatment & JRWSS Capital Projects ⁵	13,886,529	8,117,222	(5,769,307)	-41.55%
Water Supply Reliability Projects ⁵	9,812,064	2,704,847	(7,107,217)	-72.43%
Planning and Construction Projects ⁵	9,613,031	1,672,258	(7,940,773)	-82.60%
Total Expenses, Debt Obligations, and Capital Improvement Projects	\$ 134,770,036	\$ 122,236,545	\$ (12,533,491)	
Net Income (Deficit)*	\$ (43,527,863)	\$ (31,764,982)	\$ 11,762,881	

*The variance between budgetary basis net income and financial statement net income is due to the inclusion of Debt Service and capital activity as expenses on the budgetary basis.

¹ The District operated under Stage II of its Water Shortage Contingency Plan (WSCP) from July 1, 2016 through February 28, 2017. Under Stage II of the WSCP, all usage over Tier II is assessed a penalty. The District does not budget for penalty revenues.

² Investment income was impacted by an unrealized loss of (\$2.3) million due to the GASB standard of recording investments at fair value.

³ The District received \$0.7 million from a neighboring Water District to fund projects for a jointly owned facility.

⁴ The District received \$0.3 million from the state in the form of grants to fund a portion of construction projects.

⁵ The adopted budget included 64 construction projects and 36 additional capital outlay purchases for the fiscal year. At the end of fiscal year 2016-17, 23 construction projects were closed and 22 capital outlay purchases were completed. The remaining projects and purchases will be carried forward to fiscal year 2017-18.

⁶ Depreciation is not included as part of the budget as the transaction is not an activity involving cash.

Operations & Maintenance (O&M) Budget Comparison Report
Year Ended June 30, 2017

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 noteworthy items in this report.

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual Expense</u>	<u>Remaining Budget</u>
General Fund				
Salaries	\$ 11,181,396	\$ 11,181,396	\$ 10,690,361	\$ 491,035
Retirement Program ¹	1,748,438	1,748,438	1,778,737	(30,299)
Educational Courses	51,580	51,580	32,912	18,668
Travel and Meetings	253,320	253,320	243,117	10,203
Recruitment and Employee Relations	78,397	78,397	19,418	58,979
General Services	394,750	394,750	408,982	(14,232)
Annual Audit	53,000	53,000	39,078	13,922
Member Agencies O&M	692,228	692,228	458,052	234,176
Dues and Memberships	101,245	101,245	103,822	(2,577)
Election Expenses	83,000	83,000	12,707	70,293
Consulting Services	1,315,400	1,315,400	1,228,152	87,249
Equipment Rental	69,000	69,000	15,509	53,491
District Fuel	340,000	340,000	220,605	119,395
Insurance - District	443,170	443,170	373,859	69,311
Insurance - Personnel	460,266	460,266	299,767	160,499
Insurance - Benefits	2,924,922	2,924,922	2,494,453	430,469
Legal Services	470,000	470,000	279,438	190,562
District Office Supplies	473,250	473,250	524,560	(51,310)
District Operating Supplies	390,450	390,450	377,942	12,508
Repairs and Maintenance - Equipment	626,269	626,269	709,017	(82,748)
Repairs and Maintenance - Facilities ²	3,447,205	3,447,205	4,116,820	(669,615)
Safety Program and Compliance Requirements	191,650	191,650	296,809	(105,159)
Wastewater Treatment ³	9,480,876	9,480,876	10,315,343	(834,467)
Special Outside Assessments	240,000	240,000	108,054	131,946
Utilities	2,373,260	2,373,260	1,883,528	489,732
Water Purchases	25,826,808	25,826,808	24,411,717	1,415,091
Meter/Vault Purchases	615,000	615,000	593,902	21,098
Miscellaneous Operating Expenses ⁴	-	-	1,025,761	(1,025,761)
WBBRS Fund				
Labor	1,068,280	1,068,280	1,264,287	(196,007)
Educational Courses	2,500	2,500	1,863	637
Travel and Meetings	24,700	24,700	15,214	9,486
Dues and Memberships	500	500	105	395
Consulting Services	1,300,000	1,300,000	584,961	715,039
Legal Services	10,000	10,000	19,627	(9,627)
Conservation Supplies	380,500	380,500	154,465	226,035
Repairs and Maintenance - Equipment	2,500	2,500	222	2,278
Safety Program & Compliance Requirements	-	-	1,489	(1,489)
Water Efficiency	2,898,457	2,898,457	2,004,512	893,945
Total O&M	\$ 70,012,317	\$ 70,012,317	\$ 67,109,167	\$ 2,903,150

¹ The actual expenses include the GASB 68 adjustment for pension expense of \$0.6 million.

² The District incurred more costs related to system repairs related to its potable system in Fiscal Year 2016-17. The region experienced a strong water year which often casuse adjustments in the soil that lead to more line breaks.

³ The District's share of O&M costs at SOCWA increased by \$0.8 million, or nearly 10% compared to the prior year.

⁴ The District determined it would not be participating in a construction project and wrote off \$0.7 million as an impaired asset.

#6.



moulton niguel water district

Year Ended June 30, 2017

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

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

	2008	2009	2010	2011	2012
Assets:					
Current & other assets	\$ 141,180,151	\$ 126,077,279	\$ 182,990,924	\$ 174,874,392	\$ 178,970,721
Capital assets	361,582,353	368,009,569	371,543,848	373,881,504	373,802,210
Total Assets	502,762,504	494,086,848	554,534,772	548,755,896	552,772,931
Deferred Outflows of Resources: ¹					
	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	502,762,504	494,086,848	554,534,772	548,755,896	552,772,931
Liabilities:					
Current and other liabilities	15,849,444	17,165,769	20,038,911	18,166,398	20,048,452
Long-term liabilities	111,527,615	94,335,405	145,122,499	136,276,375	127,632,200
Total Liabilities	127,377,059	111,501,174	165,161,410	154,442,773	147,680,652
Deferred Inflows of Resources: ¹					
	-	-	-	-	-
Net Position:					
Net investment in capital assets	253,165,739	270,849,808	268,089,986	267,962,257	272,169,901
Restricted for capital projects	4,143,149	98,855	119,402	312,742	326,175
Unrestricted	118,076,557	111,637,011	121,163,974	126,038,124	132,596,203
Total Net Position ²	\$ 375,385,445	\$ 382,585,674	\$ 389,373,362	\$ 394,313,123	\$ 405,092,279

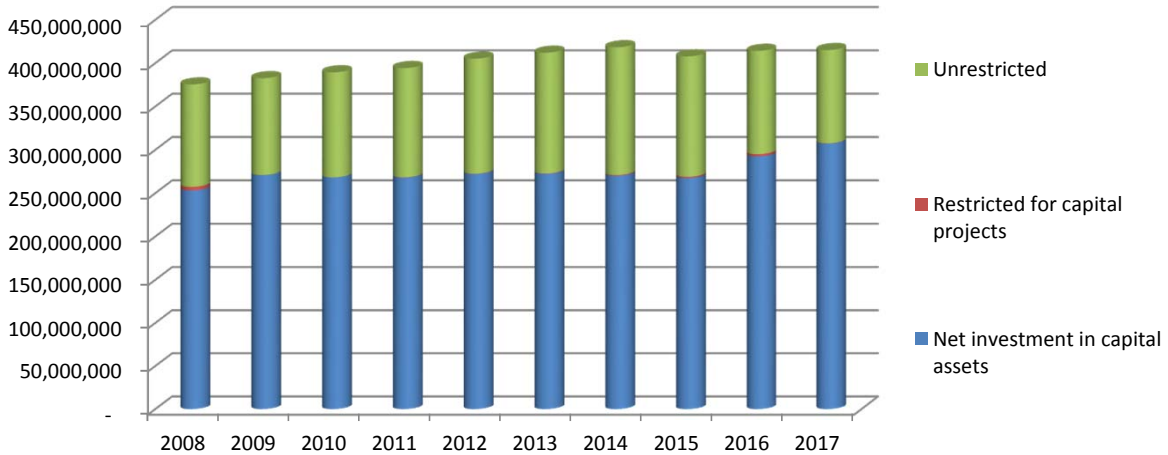
¹ GASB 65 modified the presentation of the statement of net position. Deferred inflows of resources and deferred outflows of resources are reported prospectively from 2013.

² Beginning net position was restated for FY 2007, FY 2008, FY 2013 and FY 2015.

Source: Moulton Niguel Water District Audited Financial Statements.

**Net Position by Component
Last Ten Fiscal Years**

2013	2014	2015	2016	2017	
					Assets:
\$ 180,037,968	\$ 179,892,333	\$ 166,631,779	\$ 148,655,677	\$ 133,490,291	Current & other assets
371,840,527	366,859,960	375,845,562	390,974,342	395,581,587	Capital assets
551,878,495	546,752,293	542,477,341	539,630,019	529,071,878	Total Assets
1,318,562	1,136,314	2,920,477	2,356,834	5,269,166	Deferred Outflows of Resources: ¹
553,197,057	547,888,607	545,397,818	541,986,853	534,341,044	Total Assets and Deferred Outflows of
					Liabilities:
21,174,407	19,459,691	19,942,207	21,768,761	15,499,289	Current and other liabilities
120,022,562	110,150,054	112,757,545	102,531,779	101,316,497	Long-term liabilities
141,196,969	129,609,745	132,699,752	124,300,540	116,815,786	
-	-	4,936,619	3,530,389	2,447,949	Deferred Inflows of Resources: ¹
					Net Position:
272,287,164	269,994,246	267,393,560	292,404,060	307,272,958	
424,363	931,603	1,508,109	2,632,947	291,818	Restricted for capital projects
139,288,561	147,353,013	138,859,778	119,118,917	107,512,539	Unrestricted
\$ 412,000,088	\$ 418,278,862	\$ 407,761,447	\$ 414,155,924	\$ 415,077,309	Total Net Position ²



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>
Operating Revenue:					
Water charges	\$ 20,642,013	\$ 19,860,752	\$ 20,578,666	\$ 22,520,064	\$ 28,866,153
Recycled water charges	4,201,937	3,968,090	4,446,515	4,340,197	4,530,175
Sanitation charges	11,425,324	11,261,857	12,542,595	14,448,835	16,826,066
Other	337,489	323,684	572,611	444,346	429,064
Total Operating Revenue	36,606,763	35,414,383	38,140,387	41,753,442	50,651,458
Operating Expenses:					
Source of supply ¹	18,944,598	20,972,373	22,505,838	22,088,538	24,415,284
Pumping water	390,681	360,363	349,221	419,633	1,593,316
Sewage treatment	8,179,717	8,962,772	9,093,471	8,588,172	8,665,958
Water transmission and distribution	2,958,395	3,277,410	4,267,727	3,752,224	1,020,852
Customer service	335,049	351,151	332,685	311,483	1,202,302
Water efficiency	-	-	-	-	-
General, administrative and other	11,407,703	13,069,750	12,788,639	13,130,167	16,481,929
Post retirement medical benefits (OPEB)	-	-	-	-	-
Depreciation	13,783,963	14,097,033	14,572,711	15,162,538	15,566,287
Total Operating Expenses	56,000,106	61,090,852	63,910,292	63,452,755	68,945,928
Operating Income (Loss)	(19,393,343)	(25,676,469)	(25,769,905)	(21,699,313)	(18,294,470)
Non-Operating Revenues (Expenses):					
Interest income ²	9,477,382	7,118,974	6,846,996	4,009,900	6,271,001
Property tax revenue & GOB assessments	26,755,228	28,320,274	27,407,480	27,250,759	27,221,147
Interest on long-term debt	(5,340,125)	(5,097,414)	(6,766,600)	(7,897,888)	(7,608,336)
Intergovernmental Revenue	-	-	-	-	-
Cellular lease income	1,203,720	1,349,901	1,491,862	1,498,290	1,562,383
Other non-operating revenues	19,422	54,270	1,438,137	1,480,660	1,557,431
Other non-operating expenses	-	-	-	-	-
Total Non-operating Revenues (Expenses)	32,115,627	31,746,005	30,417,875	26,341,721	29,003,626
Income (Loss) before Capital Contributions	12,722,284	6,069,536	4,647,970	4,642,408	10,709,156
Capital Contributions:					
Grant funding	144,899	930,379	54,212	20,530	-
Developer donated capital facilities	970,889	156,511	2,069,786	94,332	70,000
Connection fees	13,169	43,800	15,723	182,491	-
Other contributions	-	-	-	-	-
Change in Net Position	13,851,241	7,200,226	6,787,691	4,939,761	10,779,156
Net Position - Beginning of Year³	361,534,204	375,385,445	382,585,671	389,373,362	394,313,123
Net Position - End of Year	\$ 375,385,445	\$ 382,585,671	\$ 389,373,362	\$ 394,313,123	\$ 405,092,279

¹ Source of Supply includes: water purchases, meter purchases and utilities.² Interest income is combined with unrealized gain/loss on investments.
For FY 2013 and 2017, the unrealized loss on investments exceeded investment income.³ Beginning Net Position was restated for FY 2007, 2008, 2013 and 2015.

Source: Moulton Niguel Water District Audited Financial Statements.

**Changes in Net Position
Last Ten Fiscal Years**

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
\$ 30,633,036	\$ 30,503,803	\$ 28,604,894	\$ 29,812,128	\$ 32,149,585	Operating Revenue:
4,612,874	17,135,446	4,880,742	4,850,326	5,030,973	Water charges
16,941,327	5,005,391	16,182,197	18,963,978	20,156,723	Recycled water charges
1,035,873	562,871	329,755	415,565	417,705	Sanitation charges
					Other
53,223,110	53,207,511	49,997,588	54,041,997	57,754,986	Total Operating Revenue
					Operating Expenses:
28,049,259	29,770,326	28,610,139	26,357,342	26,681,334	Source of supply ¹
2,135,266	2,100,550	2,596,544	3,177,393	1,629,215	Pumping water
9,841,299	9,647,000	9,519,199	10,705,495	11,452,080	Sewage treatment
2,299,355	2,138,767	959,193	1,341,220	1,546,693	Water transmission and distribution
2,711,672	2,750,999	2,839,137	3,047,070	3,094,606	Customer service
1,446,759	1,448,498	3,472,838	6,749,664	4,037,455	Water efficiency
10,652,698	11,236,876	14,702,063	14,947,755	18,319,946	General, administrative and other
-	591,372	361,057	388,058	289,096	Post retirement medical benefits (OPEB)
13,472,995	16,554,024	16,708,439	17,123,278	17,811,064	Depreciation
70,609,303	76,238,412	79,768,609	83,837,275	84,861,489	Total Operating Expenses
(17,386,193)	(23,030,901)	(29,771,021)	(29,795,278)	(27,106,503)	Operating Income (Loss)
					Non-Operating Revenues (Expenses):
(533,131)	2,931,831	2,624,306	4,139,084	(438,180)	Interest income ²
28,528,175	29,083,747	28,946,309	30,604,182	28,507,929	Property tax revenue & GOB assessments
(5,850,174)	(6,781,711)	(6,160,882)	(4,910,737)	(4,629,947)	Interest on long-term debt
-	-	6,401,510	3,382,555	1,670,403	Intergovernmental Revenue
1,642,410	1,694,478	1,731,352	1,623,544	1,772,941	Cellular lease income
1,522,360	1,361,984	3,661,818	(9,718)	126,847	Other non-operating revenues
				(85,430)	Other non-operating expenses
25,309,640	28,290,329	37,204,413	34,828,910	26,924,563	Total Non-operating Revenues (Expenses)
7,923,447	5,259,428	7,433,392	5,033,632	(181,940)	Income (Loss) before Capital Contributions
					Capital Contributions:
-	-	-	-	-	Grant funding
60,000	495,000	294,000	-	109,100	Developer donated capital facilities
83,038	489,346	551,179	1,046,335	331,393	Connection fees
-	35,000	-	314,510	662,832	Other contributions
8,066,485	6,278,774	8,278,571	6,394,477	921,385	Change in Net Position
403,933,603	412,000,088	399,482,876	407,761,447	414,155,924	Net Position - Beginning of Year³
\$ 412,000,088	\$ 418,278,862	\$ 407,761,447	\$ 414,155,924	\$ 415,077,309	Net Position - End of Year

#6.**Moulton Niguel Water District****Water and Wastewater Sold by Type of Customer
Last Ten Fiscal Years**

Water & Wastewater Sales	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	\$ 20,536,190	\$ 19,960,314	\$ 21,661,402	\$ 24,489,400	\$ 30,493,294
Commercial	3,598,135	3,484,263	3,691,101	4,131,299	4,672,173
Multi-Family Commercial	4,157,669	4,082,323	4,615,167	5,293,520	6,373,846
Irrigation ¹	3,725,795	3,551,458	3,118,258	3,013,689	3,705,286
Recycled Water ¹	4,201,937	3,968,090	4,446,515	4,340,197	4,894,136
Hydrant ¹	49,548	44,251	35,333	40,992	83,659
Total Water & Wastewater Sales	\$ 36,269,274	\$ 35,090,699	\$ 37,567,776	\$ 41,309,097	\$ 50,222,394

Metered Accounts	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	46,367	46,479	46,649	46,840	46,996
Commercial	4,793	4,804	4,824	4,839	4,841
Irrigation	1,380	1,414	1,395	1,387	1,395
Recycled Water	1,206	1,218	1,244	1,262	1,265
Hydrant	42	37	32	34	36
Total Metered Accounts	53,788	53,952	54,144	54,362	54,533

¹ Irrigation, Hydrant, and Recycled Water sales do not include wastewater sales.

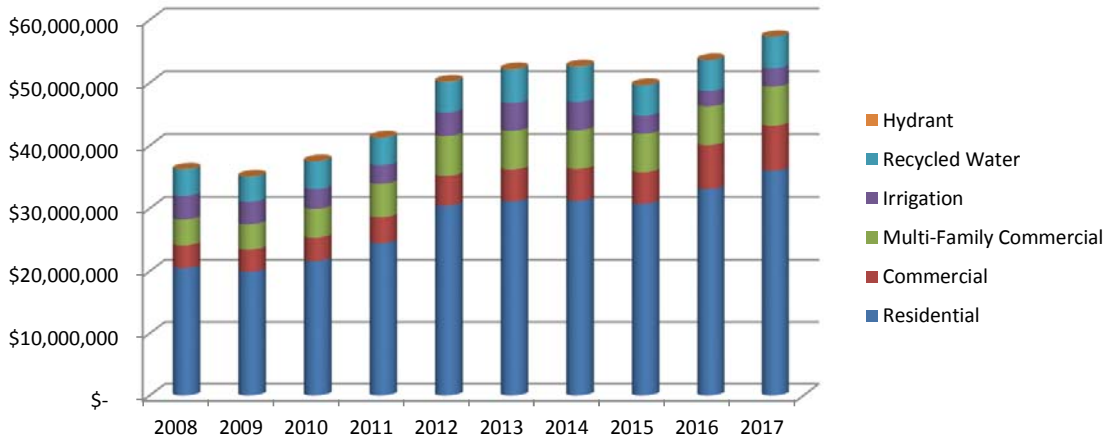
Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

Water and Wastewater Sold by Type of Customer
Last Ten Fiscal Years

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	Water & Wastewater Sales
\$ 31,138,646	\$ 31,233,677	\$ 30,767,071	\$ 33,081,103	\$ 35,988,870	Residential
5,049,139	5,043,859	4,983,870	7,029,909	7,176,604	Commercial
6,171,180	6,165,998	6,154,836	6,126,794	6,241,262	Multi-Family Commercial
4,392,099	4,499,879	2,842,933	2,516,562	2,887,963	Irrigation ¹
5,369,133	5,633,000	4,880,742	4,850,326	5,030,973	Recycled Water ¹
65,027	68,229	38,381	21,738	11,609	Hydrant ¹
\$ 52,185,224	\$ 52,644,642	\$ 49,667,833	\$ 53,626,432	\$ 57,337,281	Total Water & Wastewater Sales

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	Metered Accounts
47,197	47,305	47,339	47,372	47,419	Residential
4,901	4,898	4,977	4,984	5,013	Commercial
1,369	1,367	1,368	1,336	1,339	Irrigation
1,292	1,299	1,315	1,329	1,388	Recycled Water
33	30	34	43	50	Hydrant
54,792	54,899	55,033	55,064	55,209	Total Metered Accounts



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

Fiscal Year	Usage (AF)	Purchase Price ¹	Average cost per AF	Metered Accounts	Average AF per Metered Account	Average Cost per Metered Account
2008	35,083	\$ 16,975,357	\$ 484	53,788	0.65	\$ 315
2009	33,744	18,933,932	561	53,952	0.63	353
2010	29,635	20,131,901	679	54,144	0.55	373
2011	27,360	19,908,518	728	54,362	0.50	364
2012	27,610	21,625,497	783	54,533	0.51	399
2013	29,704	24,434,327	823	54,792	0.54	444
2014	31,010	25,689,087	828	54,899	0.56	464
2015	27,285	24,257,752	889	55,033	0.50	445
2016	28,762	21,829,003	759	55,064	0.52	395
2017	22,916	18,753,836	818	55,209	0.42	344

¹ Purchase price does not include any charges for services.

Source: Moulton Niguel Water District Accounting Department.

**Water Rates
Last Ten Fiscal Years**

Residential & Multi-Family Potable Water Rate by Fiscal Year							
Consumption Tiers	2006-2009 (Note 1)	2010 (Note 1)	2011 (Note 1)	2012-2014 (Note 2)	2015 (Note 3)	2016	2017
Tier 1	\$ 0.86	\$ 1.00	\$ 1.16	\$ 1.38	\$ 1.41	\$ 1.49	\$ 1.56
Tier 2	0.96	1.12	1.30	1.54	1.61	1.70	1.78
Tier 3	1.16	1.35	1.57	2.75	2.49	2.62	2.73
Tier 4	1.36	1.58	1.84	5.51	4.25	4.38	4.49
Tier 5	1.46	1.70	1.97	11.02	9.04	9.17	9.28

Commercial & Irrigation Potable Water Rate by Fiscal Year ⁴							
Consumption Tiers	2006-2009 (Note 1)	2010	2011	2012-2014 (Note 3)	2015 (Note 3)	2016	2017
Former Irr. Uniform Rate	\$ 1.46	\$ 1.70	\$ 1.97	\$ 2.29	\$ -	\$ -	\$ -
Former Comm. Tier 1	0.86	1.00	1.16	1.38	-	-	-
Tier 1	0.96	1.12	1.30	1.54	1.61	1.70	1.78
Tier 2	1.16	1.35	1.57	2.75	2.49	2.62	2.73
Tier 3	1.36	1.58	1.84	5.51	4.25	4.38	4.49
Tier 4	1.46	1.70	1.97	11.02	9.04	9.17	9.28

¹ Prior to 2011, water usage was billed according to an inclining tier based rate structure. The first 10 BU were considered Tier 1 usage, while 11-20 B.U., 21-30 B.U., and 31-50 B.U. were considered Tiers 2, 3, and 4, respectively. Any usage above 50 B.U. was considered Tier 5.

² 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.

³ A revised Water Budget Based Rate Structure was implemented April 2015. Indoor allowance was lowered to 60 R-GPCD and the Outdoor Allowance was lowered to reflect a plant factor of 0.7.

Meter Size	Monthly Basic Service Charge for Potable Water ⁴								
	Uniform Charge				2015				
	2008 - 2009	2010	2011	2012 - 2014	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 6.60	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.79	\$ 6.64	\$ 5.93	\$ 16.88	\$ 3.58
3/4"	6.60	7.67	8.91	10.36	10.79	6.64	5.93	16.88	3.58
1"	6.60	7.67	8.91	10.36	10.79	6.64	5.93	16.88	3.58
1.5"	11.60	13.48	15.66	34.53	35.97	22.13	19.77	56.27	11.94
2"	19.60	22.78	26.46	55.25	57.55	35.41	31.63	90.03	19.11
3"	26.60	30.91	35.92	120.87	125.89	77.47	69.19	196.94	41.80
4"	36.60	42.53	49.42	207.20	215.80	132.80	118.60	337.60	71.65
6"	56.60	65.77	76.42	431.67	449.94	276.89	247.28	703.90	149.27
8"	76.60	89.01	103.43	621.60	647.40	398.40	355.80	1,012.80	214.95
10	56.60	65.77	76.42	431.67	1,043.39	642.09	573.43	1,632.30	346.31

Meter Size	Monthly Basic Service Charge for Potable Water ⁴									
	2016					2017				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 11.39	\$ 7.01	\$ 6.26	\$ 17.83	\$ 3.78	\$ 11.91	\$ 7.33	\$ 6.55	\$ 18.65	\$ 3.95
3/4"	11.39	7.01	6.26	17.83	3.78	11.91	7.33	6.55	18.65	3.95
1"	11.39	7.01	6.26	17.83	3.78	11.91	7.33	6.55	18.65	3.95
1.5"	37.98	23.37	20.88	59.42	12.61	39.73	24.45	21.84	62.15	13.19
2"	60.77	37.39	33.40	95.07	20.18	63.57	39.11	34.94	99.44	21.11
2.5"	-	-	-	-	-	-	-	-	-	33.64
3"	132.94	81.81	73.06	207.97	44.14	139.06	85.57	76.42	217.54	46.17
4"	227.88	140.24	125.24	356.51	75.66	238.36	146.69	131.00	372.91	79.14
6"	475.14	292.40	261.13	743.32	157.63	497.00	305.85	273.14	777.51	164.88
8"	683.65	420.71	375.72	1,069.52	226.99	715.10	440.06	393.00	1,118.72	237.43
10	1,101.82	678.05	605.54	1,723.71	365.70	1,152.50	709.24	633.39	1,803.00	382.52

⁴ Prior to the April 2015 rate change all potable water meters were charged the same meter size based charge. Monthly service charges are now determined by both customer class and meter size.

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 Nine Years AgoFiscal Year 2017

<u>Customer</u>	<u>Type of Property</u>	Total Water <u>Sales</u> ¹	Percentage of Total Water <u>Sales</u>
Mission Hospital Reg Med Ctr	Medical Facility	\$ 183,981	0.57%
Moritz Associates Llc	Multi Family Residential	151,177	0.47%
Fpa-Reit Holdings Llc	Multi Family Residential	135,764	0.42%
Bre Properties	Multi Family Residential	132,548	0.41%
Barcelona Llc	Multi Family Residential	128,619	0.40%
City Of Laguna Niguel	Parks, Slopes, Medians	126,586	0.39%
Hidden Hills Apts	Multi Family Residential	122,187	0.38%
City Of Mission Viejo	Parks, Slopes, Medians	113,479	0.35%
Soka University Of America	Private University	110,871	0.34%
Shea Properties/City Lights	Multi Family Residential	<u>105,437</u>	<u>0.33%</u>
		\$ 1,310,648	4.06%
Total Water Sales for FY 2016-17 \$		32,149,585	

Fiscal Year 2008

<u>Customer</u>	<u>Type of Property</u>	Total Water <u>Sales</u> ¹	Percentage of Total Water <u>Sales</u>
City of Mission Viejo	Parks, Slopes, Medians	\$ 106,427	0.70%
City of Laguna Hills	Parks, Slopes, Medians	98,762	0.65%
Moritz Associates LLC	Multi Family Residential	97,258	0.64%
Aliso Meadows Condo Assoc	Multi Family Residential	95,153	0.63%
Barcelona LLC	Multi Family Residential	93,753	0.62%
Shea Properties/City Lights	Multi Family Residential	76,073	0.50%
Mission Hospital Regional Medical Center	Medical Facility	75,012	0.50%
Aliso Creek Sares	Multi Family Residential	72,165	0.48%
Quail Creek-La Paz HOA	Multi Family Residential	71,043	0.47%
City of Laguna Niguel	Parks, Slopes, Medians	<u>67,128</u>	<u>0.44%</u>
		\$ 852,774	5.63%
Total Water Sales for FY 2007-08 \$		15,115,315	

¹Total water sales includes only potable water sales.

Source: Moulton Niguel Water District Billing Department.

**Wastewater Rates
Last Ten Fiscal Years**

RESIDENTIAL WASTEWATER RATES										
	2008	2009	2010	2011	2011	2013	2014	2015	2016	2017
Basic Service Charges	\$ 7.10	\$ 7.10	\$ 8.25	\$ 9.59	\$ 11.14	\$ 11.14	\$ 11.14	\$ 22.68	\$ 24.83	\$ 26.22
Volumetric Charge										
1-25 B.U.	0.56	0.56	0.65	0.76	0.88	0.88	0.88	-	-	-
26+ B.U.										
Maximum per month	21.10	21.10	24.50	28.59	33.14	33.14	33.14	-	-	-

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

COMMERCIAL AND MULTI-FAMILY WASTEWATER RATES										
	2015					2016				
	MFR	Comm 1	Comm 2	Comm 3	Comm 4	MFR	Comm 1	Comm 2	Comm 3	Comm 4
Basic Service Charge Meter Size	\$ 22.28	\$ -	\$ -	\$ -	\$ -	\$ 22.28	\$ -	\$ -	\$ -	\$ -
5/8"	24.72	17.87	38.07	78.32	84.49	27.07	19.56	41.69	85.76	92.52
3/4"	24.72	17.87	38.07	78.32	84.49	27.07	19.56	41.69	85.76	92.52
1"	24.72	17.87	38.07	78.32	84.49	27.07	19.56	41.69	85.76	92.52
1.5"	75.90	53.05	120.39	254.54	275.11	83.11	58.09	131.83	278.72	301.25
2"	119.77	83.22	190.96	405.60	438.53	131.15	91.12	209.10	444.14	480.19
2.5"	119.77	83.22	190.96	405.60	438.53	131.15	91.12	209.10	444.14	480.19
3"	258.72	178.75	414.46	884.04	956.06	283.30	195.73	453.84	968.02	1,046.88
4"	441.52	304.43	708.50	1,513.46	1,636.92	483.47	333.35	775.81	1,657.24	1,792.43
6"	916.83	631.22	1,473.04	3,150.05	3,407.27	1,003.93	691.18	1,612.98	3,449.31	3,730.96
8"	1,319.01	907.72	2,119.93	4,534.81	4,905.21	1,444.31	993.95	2,321.33	4,965.62	5,371.20
10"	2,123.37	1,460.74	3,413.76	7,304.41	7,901.16	2,325.09	1,599.51	3,738.07	7,998.33	8,651.77

2017					
Meter Size	MFR	Comm 1	Comm 2	Comm 3	Comm 4
5/8"	20.66	122.31	44.02	90.56	97.70
3/4"	20.66	122.31	44.02	90.56	97.70
1"	20.66	122.31	44.02	90.56	97.70
1.5"	61.35	400.52	139.21	294.33	318.12
2"	96.23	639.03	220.81	469.01	507.08
2.5"	-	639.03	-	-	-
3"	206.69	1,394.36	479.25	1,022.23	1,105.51
4"	352.02	2,388.09	819.25	1,750.04	1,892.81
6"	729.89	4,971.94	1,703.30	3,642.47	3,939.89
8"	1,049.61	7,158.19	2,451.32	5,243.70	5,671.99
10"	1,689.08	11,530.82	3,947.40	8,446.24	9,136.27

Wastewater 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.

#6.**Moulton Niguel Water District****Principal Wastewater Customers
Current Fiscal Year and Nine Years Ago****Fiscal Year 2017**

<u>Customer</u>	<u>Type of Property</u>	Total Wastewater Sales	Percentage of Total <u>Wastewater Sales</u>
Moritz Associates Llc	Multi-family Residential	\$ 218,323	1.08%
Barcelona Llc	Multi-family Residential	134,274	0.67%
Heather Ridge Condo Assn	Multi-family Residential	106,045	0.53%
Laguna Gardens Apartments	Multi-family Residential	102,092	0.51%
Bre Properties	Multi-family Residential	91,385	0.45%
Fpa-Reit Holdings Llc	Multi Family Residential	81,008	0.40%
Seaside Meadows Apts	Multi Family Residential	78,389	0.39%
Aliso Creek - Sares	Multi Family Residential	77,787	0.39%
Monarch Coast Apt Homes	Multi Family Residential	76,312	0.38%
Seabrook Apts	Multi Family Residential	<u>76,225</u>	<u>0.38%</u>
		\$ 1,041,840	5.18%

Total Wastewater Sales for FY 2016-17 \$ 20,156,723

Fiscal Year 2008

<u>Customer</u>	<u>Type of Property</u>	Total Wastewater Sales	Percentage of Total <u>Wastewater Sales</u>
Shea Properties	Multi Family Residential	\$ 94,212	0.88%
Moritz Associates LLC	Multi Family Residential	81,843	0.77%
Barcelona LLC	Multi Family Residential	73,148	0.69%
Aliso Creek Sares	Multi Family Residential	62,751	0.59%
BRE Properties	Multi Family Residential	53,573	0.50%
Quail Creek - LA Paz HOA	Multi-Family Residential	50,635	0.48%
Monarch Coast Apt Homes	Multi-Family Residential	49,143	0.46%
Laguna Gardens Apartments	Multi-Family Residential	49,064	0.46%
Las Palmas HOA	Multi Family Residential	48,437	0.45%
The Park at Crown Valley	Parks, Slopes, Medians	<u>48,172</u>	<u>0.45%</u>
		\$ 610,978	5.73%

Total Wastewater Sales for FY 2007-08 \$ 10,658,279

Source: Moulton Niguel Water District Billing Department.

Recycled Water Rates
Last Ten Fiscal Years

Recycled Water Rates by Fiscal Year									
Consumption Tiers (Note 1)	2006-2009	2010	2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Notes 2&3)	2016	2017
All B.U.'s	\$ 1.17	\$ 1.36	\$ 1.58	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1 - 50 B.U.	-	-	-	-	-	-	-	-	-
51+ B.U.	-	-	-	-	-	-	-	-	-
Tier 1	-	-	-	1.23	1.23	1.23	1.17	1.24	1.29
Tier 2	-	-	-	1.23	1.23	1.23	1.66	1.74	1.81
Tier 3	-	-	-	2.20	2.20	2.20	3.42	3.50	3.57
Tier 4	-	-	-	4.41	4.41	4.41	8.21	8.29	8.36
Tier 5	-	-	-	8.81	8.81	8.81	-	-	-

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

² 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.

³ A revised Water Budget Based Rate Structure was implemented April 2015. Outdoor Allowance was lowered to reflect a plant factor of 0.7.

Recycled Water Basic Service Charge									
Meter Size	2006-2009	2010	2011	2012	2013	2014	2015	2016	2017
5/8"	\$ 6.60	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36	\$ 16.88	\$ 17.83	\$ 18.65
3/4"	6.60	7.67	8.91	10.36	10.36	10.36	16.88	17.83	18.65
1"	6.60	7.67	8.91	10.36	10.36	10.36	16.88	17.83	18.65
1.5"	11.60	13.48	15.66	34.53	34.53	34.53	56.27	59.42	62.15
2"	19.60	22.78	26.47	55.25	55.25	55.25	90.03	95.07	99.44
3"	26.60	30.91	35.92	120.87	120.87	120.87	196.94	207.97	217.54
4"	36.60	42.53	49.42	207.20	207.20	207.20	337.60	356.51	372.91
6"	56.60	65.77	76.42	431.37	431.37	431.37	703.90	743.32	777.51
8"	76.60	89.01	103.43	621.60	621.60	621.60	1,012.80	1,069.52	1,118.72
10"	96.60	112.25	130.43	1,001.47	1,001.47	1,001.47	1,632.30	1,723.71	1,803.00

Source: Moulton Niguel Water District Billing Department.

#6.**Mouton Niguel Water District****Principal Recycled Water Customers
Current Fiscal Year and Nine Years Ago****Fiscal Year 2017**

<u>Customer</u>	<u>Type of Property</u>	<u>Total Recycled Water Sales</u>	<u>Percentage of Total Sales</u>
Aliso Viejo Comm Assn	Parks, Slopes, Medians	\$ 714,866	14.21%
City Of Laguna Niguel	Parks, Slopes, Medians	329,763	6.55%
City Of Mission Viejo	Parks, Slopes, Medians	247,847	4.93%
Aliso Viejo Country Club	Golf Course	231,617	4.60%
Mission Viejo Country Club	Golf Course	191,343	3.80%
El Niguel Country Club	Golf Course	162,611	3.23%
Marina Hills Pca	Golf Course	161,725	3.21%
City Of Laguna Hills	Parks, Slopes, Medians	145,676	2.90%
Caltrans District 12	Slopes, Medians	113,401	2.25%
Arroyo Trabuco Golf Club	Golf Course	<u>112,162</u>	<u>2.23%</u>
		\$ 2,411,012	47.91%

Total Recycled Water Sales for Fiscal Year 2016-17 \$ 5,030,973

Fiscal Year 2008

<u>Customer</u>	<u>Type of Property</u>	<u>Total Recycled Water Sales</u>	<u>Percentage of Total Sales</u>
Aliso Viejo Community Association	Parks, Slopes, Medians	\$ 520,418	15.51%
El Niguel Country Club	Golf Course	143,259	4.27%
Marina Hills PCA	Golf Course	134,243	4.00%
Aliso Viejo Country Club	Parks, Slopes, Medians	128,864	3.84%
Soka University of America	Private University	116,371	3.47%
City of Laguna Niguel	Parks, Slopes, Medians	80,272	2.39%
City of Mission Viejo	Landscape	78,422	2.34%
Beacon Hill Planned Community	Parks, Slopes, Medians	65,487	1.95%
County of Orange - EMA	Parks, Slopes, Medians	62,766	1.87%
City of Laguna Hills	Parks, Slopes, Medians	<u>61,416</u>	<u>1.83%</u>
		\$ 1,391,518	41.47%

Total Recycled Water Sales for Fiscal Year 2007-08 \$ 3,355,726

Source: Moulton Niguel Water District Billing Department.

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Levy Year	Total Tax Levy	Collected within the Levy Year		Collections from Prior Years	Total Collections to Date	
		Amount ¹	Percentage of Levy		Amount	Percentage of Levy
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	22,007,459	98.93%
2010	21,679,649	20,656,502	95.28%	968,078	21,624,580	99.75%
2011	21,638,200	20,835,460	96.29%	511,337	21,346,797	98.65%
2012	22,143,993	20,666,470	93.33%	475,230	21,141,700	95.47%
2013	22,511,515	21,304,598	94.64%	555,032	21,859,630	97.10%
2014	22,890,247	22,311,794	97.47%	211,474	22,523,268	98.40%
2015	24,520,773	23,957,232	97.70%	54,284	24,011,516	97.92%
2016	25,996,107	25,252,413	97.14%	45,652	25,298,065	97.31%
2017	27,121,477	26,200,549	96.60%	233,561	26,434,110	97.47%

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

² Collections from prior years does not include penalty revenue.

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

Moulton Niguel Water District

Assessed Valuations and Largest Local Secured Taxpayers
Current Fiscal Year and Nine Years Ago

	Secured Net Taxable Values	
	<u>FY 2017</u>	<u>FY 2008</u>
	<u>Net Taxable Value</u>	
Residential	\$ 28,866,468,169	\$ 23,486,686,359
Commercial	3,708,632,649	2,667,067,374
Industrial	625,366,971	565,963,605
Vacant/Other	284,065,639	815,251,112
Total	<u>\$ 33,484,533,428</u>	<u>\$ 27,534,968,450</u>

Principal Local Secured Taxpayers

For Fiscal Year 2017

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Sequoia Equities	Apartments	\$ 246,915,488	0.74%
2	Shops at Mission Viejo LLC	Commercial	179,382,569	0.54%
3	HTA-Mission MOB LLC	Commercial	121,829,999	0.36%
4	Vista Bella Apartments AV LLC	Apartments	116,617,187	0.35%
5	RREEF America Reit II Corporation	Commercial	114,830,583	0.34%
6	City Lights-Aliso Viejo LLC	Apartments	114,764,452	0.34%
7	Moritz Associates LLC	Apartments	113,911,535	0.34%
8	Summit Office LLC	Commercial	109,748,525	0.33%
9	BRE-FMCA LLC	Apartments	109,559,570	0.33%
10	Mission Hospital Regional Medical Ctr	Medical Facility	108,869,356	0.33%
			<u>\$ 1,336,429,264</u>	<u>3.99%</u>

Fiscal Year 2016-17 Total Local Secured Net Taxable Value: \$ 33,484,533,428

Principal Local Secured Taxpayers

For Fiscal Year 2008

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Shea Homes Vantis Inc	Apartments	\$ 163,666,462	0.59%
2	Mission Viejo Associates	Apartments	129,784,054	0.47%
3	Mission Viejo Medical LLC	Medical Facility	117,001,658	0.42%
4	RREEF America Reit II Corporation	Commercial	111,842,997	0.41%
5	City Lights-Aliso Viejo LLC	Apartments	101,402,196	0.37%
6	Moritz Associates LLC	Apartments	100,648,582	0.37%
7	Northwestern Mutual Life Insurance	Commercial	90,346,996	0.33%
8	Barcelona, LLC	Apartments	86,763,353	0.32%
9	Stonebridge Investors Limited	Commercial	86,049,511	0.31%
10	Arden Realty LP	Apartments	79,169,633	<u>0.29%</u>
			<u>\$ 1,066,675,442</u>	<u>3.88%</u>

Fiscal Year 2007-08 Local Secured Net Taxable Value: \$ 27,534,968,450

Source: HDL
California Municipal Statistics, Inc.

**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 ²	Debt per Capita
						Total Customer Accounts	Debt per Customer Accounts		
2008	\$ 49,565,000	\$ 31,433,831	\$ 42,865,904	\$ 5,149,000	\$ 129,013,735	53,788	\$ 2,399	166,677	\$ 774
2009	45,765,000	24,096,239	30,174,053	4,667,000	104,702,292	53,952	1,941	166,964	627
2010	41,740,000	88,672,820	23,489,486	-	153,902,306	54,144	2,842	167,408	919
2011	37,400,000	87,590,679	21,432,781	-	146,423,460	54,362	2,693	164,450	890
2012	32,755,000	85,873,271	19,336,551	-	137,964,822	54,533	2,530	165,272	835
2013	27,775,000	84,065,864	17,160,816	-	129,001,680	54,792	2,354	168,174	767
2014	22,816,846	82,198,457	14,998,798	-	120,014,101	54,899	2,186	169,212	709
2015	31,326,483	65,836,049	12,794,395	-	109,956,927	55,033	1,998	170,326	646
2016	24,890,785	63,928,642	10,688,013	-	99,507,440	55,064	1,807	172,324	577
2017	18,327,964	61,946,234	8,693,016	-	88,967,214	55,209	1,611	172,324	516

¹ 2015 Revenue Refunding Bonds refunded the 2003 Certificates of Participation, and are listed under the Certificates of Participation column by California Municipal Statistics, Inc.

² Estimated District Population is based on the most recent available data

Source: Moulton Niguel Water District Finance Department.
California Municipal Statistics, Inc.

#6.**Moulton Niguel Water District****Ratio of Net Direct General Obligation Debt
Last Ten Fiscal Years**

Fiscal Year	Total General Obligation Bonds Outstanding ¹	Net Direct General Obligation Debt	Assessed Value ²	Percent of General Obligation Debt to Assessed Value	Population ³	Net General Obligation Debt per Capita
2008	\$ 49,565,000	\$ 5,855,913	\$ 6,746,635,752	0.09%	53,223	\$ 110
2009	45,765,000	5,982,738	6,734,350,793	0.09%	53,437	112
2010	41,740,000	6,022,175	6,193,574,675	0.10%	56,919	106
2011	37,400,000	6,159,813	6,062,288,925	0.10%	58,503	105
2012	32,755,000	6,263,016	6,051,286,544	0.10%	56,114	112
2013	27,775,000	6,416,000	6,093,356,189	0.11%	56,675	113
2014	22,816,846	6,466,700	6,300,950,763	0.10%	57,236	113
2015	16,867,130	6,227,747	5,749,154,516	0.11%	57,613	108
2016	10,697,414	6,240,500	6,159,717,218	0.10%	58,289	107
2017	4,400,575	6,365,900	6,559,781,425	0.10%	58,289	109

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 by the California State University at Fullerton Center for Demographic Research (CDR) and is based on the most recent available data.

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

**Direct and Overlapping Debt
Current Fiscal Year**

2016-17 Assessed Valuations: \$19,298,046,493 (Land only)

Direct & Overlapping Tax and Assessment Debt: (Based on all property assessed valuation of \$34,198,970,237)

	Total Debt		District's Share
	06/30/2017	% Applicable ¹	of Debt 06/30/2017
Metropolitan Water District	\$ 74,905,000	1.324%	\$ 991,742
Capistrano Unified School District School Facilities Improvement Distri	27,212,966	31.043%	8,447,721
Laguna Beach Unified School District	24,755,000	1.830%	453,017
Saddleback Valley Unified School District	118,585,000	21.918%	25,991,460
City of San Juan Capistrano	29,395,000	0.061%	17,931
Moulton-Niguel Water District, I.D. No. 7	4,105,000	100.000%	4,105,000
South Coast Water District	220,000	5.968%	13,130
City of Aliso Viejo Community Facilities District No. 2005-01	31,205,000	100.000%	31,205,000
City of Mission Viejo Community Facilities District No. 92-1	350,000	100.000%	350,000
Capistrano Unified School District Community Facilities District No. 87	21,290,000	75.718%	16,120,362
<i>Total Direct & Overlapping Tax and Assessment Debt</i>			<u><u>\$ 87,695,363</u></u>

Direct & Overlapping General Fund Debt:

Orange County General Fund Obligations	\$ 227,516,000	6.514%	\$ 14,820,392
Orange County Pension Obligation Bonds	386,762,539	6.514%	25,193,712
Orange County Board of Education Certificates of Participation	14,440,000	6.514%	940,622
Capistrano Unified School District Certificates of Participation	13,805,000	31.743%	4,382,121
City of Laguna Hills Certificates of Participation	8,685,000	70.212%	6,097,912
City of Mission Viejo Certificates of Participation	38,037,326	34.700%	13,198,952
City of San Juan Capistrano Judgment Obligations	1,420,000	0.061%	866
Moulton-Niguel Water District General Fund Obligations²	74,190,000	100.000%	<u><u>74,190,000</u></u>
<i>Total Direct & Overlapping General Fund Debt</i>			138,824,577

TOTAL DIRECT DEBT			\$ 78,295,000
TOTAL OVERLAPPING DEBT			148,224,940
Combined Total Debt ³			\$ 226,519,940

Ratios to Land Only Assessed Valuation:

Direct Debt (\$4,105,000) ⁴	0.02%
Total Direct and Overlapping Tax and Assessment Debt	0.45%

Ratios to All Property Assessed Valuation:

Total Direct Debt (\$78,295,000)	0.23%
Combined Total Debt	0.66%

¹ The 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 water 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.

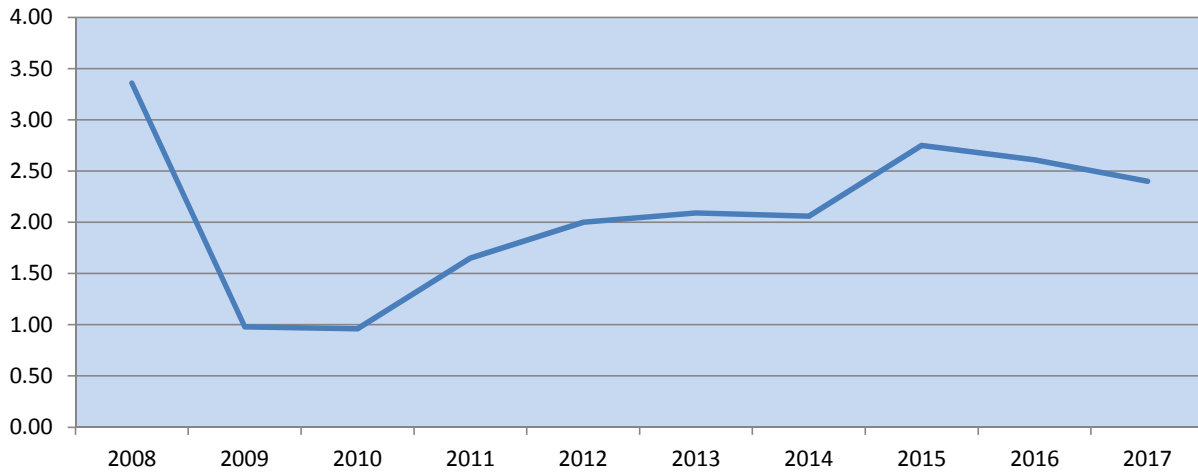
#6.**Moulton Niguel Water District****Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Total Revenues ¹	Operating Expenses ²	Net Available Revenues	Annual Debt Service ³			Coverage Ratio
				Principal	Interest	Total	
2008	\$ 65,783,315	\$ 42,216,143	\$ 23,567,172	\$ 4,331,069	\$ 2,675,483	\$ 7,006,552	3.36
2009	63,008,926	46,993,818	16,015,108	14,261,828	2,163,186	16,425,014	0.98
2010	67,240,733	55,611,741	11,628,992	8,309,566	3,787,050	12,096,616	0.96
2011	71,267,139	55,783,588	15,483,551	3,681,716	5,701,425	9,383,141	1.65
2012	72,127,432	53,336,041	18,791,391	3,686,551	5,727,264	9,413,815	2.00
2013	76,664,834	57,089,327	19,575,507	3,572,972	5,790,836	9,363,808	2.09
2014	78,969,108	59,633,768	19,335,340	3,918,909	5,475,003	9,393,912	2.06
2015	88,604,859	63,060,170	25,544,689	3,821,389	5,478,923	9,300,312	2.75
2016	89,836,372	66,713,997	23,122,375	3,766,711	5,093,380	8,860,091	2.61
2017	88,339,002	67,050,425	21,288,577	3,849,998	5,027,110	8,877,108	2.40

¹ Total Revenues include all operating revenues, interest income and other non-operating revenues, but excludes general obligation bond assessment revenues used to repay the general obligation bond debt.

² Operating expenses exclude depreciation and amortization expense.

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



Source: Moulton Niguel Water District Finance Department.

Demographic and Economic Statistics
Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	168,402
2013	168,174
2014	169,212
2015	170,326
2016	172,324

City of Laguna Niguel ¹				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	65,959	\$ 3,445,757	\$ 49,815	2.6%
2008	66,058	3,506,042	52,162	3.0%
2009	66,522	3,423,303	52,705	4.1%
2010	67,117	3,235,788	51,005	7.0%
2011	67,666	3,880,866	47,820	7.5%
2012	63,691	3,172,067	49,804	6.8%
2013	64,065	3,236,436	50,518	4.4%
2014	64,460	3,280,305	50,889	3.9%
2015	64,449	3,215,232	49,888	5.0%
2016	66,142	3,327,443	50,308	4.1%

Source: CSUF Center for Demographic Research. Based on most recent data available.

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

Source: City of Laguna Niguel Finance Department. Based on most recent available data.

City of Aliso Viejo ²				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	44,924	\$ 1,791,257	\$ 39,773	1.8%
2008	45,037	1,857,155	41,043	2.0%
2009	45,249	2,052,309	44,925	2.7%
2010	45,683	1,977,869	43,342	4.8%
2011	45,634	2,059,354	43,062	4.9%
2012	47,823	2,002,825	40,884	4.6%
2013	48,988	2,100,002	42,444	3.0%
2014	49,951	2,100,839	42,058	2.6%
2015	49,939	2,181,535	43,684	3.5%
2016	50,509	2,223,991	44,032	3.6%

² The District serves approximately 98% of the City of Aliso Viejo which represents approximately 30% of the total District population.

Source: City of Aliso Viejo Finance Department. Based on most recent available data.

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.

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

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	168,402
2013	168,174
2014	169,212
2015	170,326
2016	172,324

City of Laguna Hills ³				
Calendar Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	33,129	\$ 1,384,623	\$ 41,813	2.9%
2008	33,143	1,425,961	43,058	2.9%
2009	33,421	1,441,089	43,346	4.0%
2010	33,280	1,417,282	42,444	7.0%
2011	33,593	1,500,666	44,672	8.0%
2012	30,341	1,445,996	47,227	6.6%
2013	30,410	1,363,858	44,421	4.8%
2014	30,857	1,320,001	42,778	4.2%
2015	30,848	1,336,181	43,315	5.0%
2016	30,681	1,373,184	44,757	4.1%

Source: CSUF Center for Demographic Research. Based on most recent data available.

³ The City of Laguna Hills represents approximately 18% of the total District population. Source: City of Laguna Hills Finance Department. Based on most recent data available.

City of Mission Viejo ⁴				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	98,030	\$ 153,300,000	\$ 55,172	2.8%
2008	99,781	155,000,000	53,552	3.8%
2009	100,122	148,300,000	51,374	6.8%
2010	93,297	153,300,000	52,124	6.9%
2011	93,483	154,100,000	50,440	6.7%
2012	94,196	161,700,000	52,342	5.7%
2013	94,824	165,300,000	53,032	4.7%
2014	95,334	172,400,000	55,096	3.9%
2015	96,652	185,400,000	57,133	4.2%
2016	96,701	189,800,000	59,303	4.1%

⁴ The City of Mission Viejo represents approximately 56% of the total District population. Source: City of Mission Viejo Finance Department. Based on most recent data available

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.

Demographic and Economic Statistics
Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	168,402
2013	168,174
2014	169,212
2015	170,326
2016	172,324

City of Dana Point ⁵				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2007	36,884	\$ 1,736,000	\$ 47,066	2.8%
2008	36,441	1,858,000	50,987	3.8%
2009	35,822	1,681,000	46,926	6.4%
2010	35,561	1,706,000	47,974	6.9%
2011	35,109	1,816,000	51,725	6.3%
2012	33,054	1,663,000	50,312	5.5%
2013	33,398	1,723,000	51,590	5.9%
2014	33,625	1,699,000	50,528	5.5%
2015	33,710	1,649,000	48,917	5.2%
2016	33,415	1,742,949	52,161	4.2%

Source: CSUF Center for Demographic Research. Based on most recent data available.

⁵ The City of Dana Point represents approximately 19% of the total District population. Source: City of Dana Point Finance Department. Based on most recent data available.

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.

#6.**Moulton Niguel Water District****Principal Employers
Current Fiscal Year and Nine Years Ago**FY 2017^{1,2}

<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	3,033	5.89%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	2,200	4.27%
3	Saddleback Memorial Medical Center	City of Laguna Hills	1,707	10.04%
4	Saddleback Valley Unified School District	City of Mission Viejo	1,200	2.33%
5	United Parcel Service	City of Aliso Viejo	1,000	4.08%
6	Pacific Life Insurance	City of Aliso Viejo	811	3.31%
7	Capistrano Unified School District	City of Mission Viejo	691	1.34%
8	Capistrano Unified School District	City of Aliso Viejo	679	2.77%
9	Flour	City of Aliso Viejo	630	2.57%
10	Quest Software	City of Aliso Viejo	600	2.45%

FY 2009^{1,2}

<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	2,196	3.95%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	1,349	2.43%
3	Unisys Corporation	City of Mission Viejo	1,000	1.80%
4	Fluor Industrial Services, Inc.	City of Aliso Viejo	1,000	6.07%
5	US Technology Resources LLC	City of Aliso Viejo	1,000	6.07%
6	Qlogic Switch Products	City of Aliso Viejo	900	5.46%
7	Quest Software Inc.	City of Aliso Viejo	607	3.68%
8	Fluor Daniel Construction Co.	City of Aliso Viejo	500	3.39%
9	Costco Wholesale Corporation	City of Laguna Niguel	500	3.37%
10	Merit Property Management, Inc.	City of Aliso Viejo	500	3.03%

¹ Principal Employers represents blended most recent available data from the four cities the District serves: Laguna Niguel, Laguna Hills, Mission Viejo and Dana Point.

² The District used data from the FYE 2009 - 2016 CAFRs for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo, Laguna Hills, Mission Viejo and Dana Point. Data from 2008 was unavailable, so only 9 years are included.

**Full Time Employees by Function
Last Ten Fiscal Years**

<u>Function</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Office of the General Manager	5	3	3	3	2	3	6	6	7	6
Human Resources	-	1	1	1	2	2	2	2	2	2
Customer Service - Admin	-	2	2	2	2	3	2	1	1	1
Utility Billing	5	6	6	7	7	7	6	-	-	-
Customer Service - Field	19	17	19	17	18	19	16	16	16	16
Customer Accounts	6	5	6	6	7	5	6	12	12	13
Engineering	3	3	3	7	9	14	11	9	8	10
Inspection	10	10	11	9	8	9	12	11	12	13
Purchasing	1	1	2	2	2	2	3	3	3	3
Information Technology	3	3	3	3	3	3	3	3	4	6
Finance & Planning	2	2	2	3	2	2	2	3	3	3
Accounting	5	5	5	5	7	7	7	6	6	6
Operations - Admin	6	6	6	6	6	6	4	6	8	6
Operations - Facilities	18	18	14	9	10	11	17	18	19	16
Operations - Utilities	17	17	17	24	22	20	18	19	22	28
Water Efficiency	-	-	-	-	-	-	-	3	6	9
Total	100	99	100	104	107	113	115	118	129	138

Source: Moulton Niguel Water District Human Resources Department.

#6.**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.)	AVG. DAILY SEWAGE (M.G.D.)	AVG. DAILY POTABLE IMPORT (M.G.D.)	TAKEOUTS
2008	53,804	< 1,400	July	41.21	30.69	14.6	30.69	14
2009	53,938	< 1,400	August	39.30	29.24	14.6	29.24	14
2010	54,174	<1,400	August	34.20	26.15	14.6	26.15	14
2011	54,374	<1,400	August	31.30	24.16	12.5	24.16	13
2012	54,597	<1,400	August	34.31	24.43	13.4	20.54	13
2013	54,790	<1,400	August	43.50	25.10	13.6	25.19	13
2014	54,899	<1,400	July	35.30	25.58	11.9	25.6	13
2015	55,559	<1,400	August	39.94	29.10	11.2	24.03	13
2016	56,382	<1,400	June	31.66	24.75	11.2	20.72	13
2017	56,362	<1,400	September	37.32	24.28	10.9	22.47	9

FISCAL YEAR	PUMP STATIONS ¹			RESERVOIRS ¹		NO. OF FIRE HYDRANTS	TREATMENT PLANTS ¹	MILES OF WATER	MILES OF WASTEWATER	MILES OF RECYCLED
	RECYCLED	POTABLE	LIFT	RECYCLED	POTABLE					
2008	12	30	19	12	28	7,170	4	700	530	140
2009	12	30	19	12	28	7,200	4	700	530	140
2010	12	30	19	12	28	7,250	4	700	530	144
2011	12	30	19	13	28	7,256	4	700	537	148
2012	12	30	19	13	28	7,258	4	700	537	148
2013	12	30	19	13	28	7,211	4	700	537	148
2014	12	30	19	13	28	7,141	4	700	537	148
2015	10	25	18	11	28	7,112	4	663	504	140
2016	10	25	18	11	28	7,149	4	668	505	141
2017	9	23	17	11	28	7,154	4	655	501	142

Note: MGD = Millions of Gallons per Day.

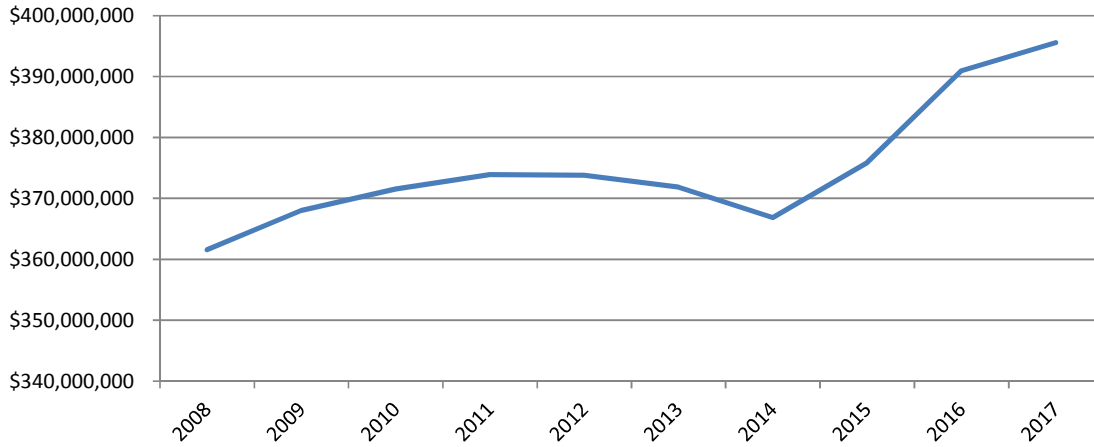
¹ The District wholly owns or has capacity rights in its pump stations, reservoirs, and treatment plants.

Source: Moulton Niguel Water District Operations and Billing Department.

**Capital Asset Statistics
Last Ten Fiscal Years**

Fiscal Year	Water Systems	Capacity Rights	Buildings	Automobiles & Equipment	Land	Construction in Progress	Capital Assets, Net of Depreciation
2008	\$ 341,989,768	\$ -	\$ 3,455,277	\$ 3,622,842	\$ 1,091,910	\$ 11,422,556	\$ 361,582,353
2009	343,943,064	-	3,365,172	4,145,584	1,091,910	15,463,838	368,009,568
2010	341,293,660	8,551,999	3,538,659	3,484,082	1,091,910	13,583,539	371,543,849
2011	335,560,748	7,995,119	3,401,805	3,448,555	1,091,910	22,383,367	373,881,504
2012	329,278,513	27,691,901	3,217,693	2,949,815	1,091,910	9,572,378	373,802,210
2013	330,699,738	27,149,621	3,119,398	2,722,514	1,091,910	7,057,346	371,840,527
2014	319,084,402	26,607,341	2,864,432	2,426,058	1,091,910	14,785,817	366,859,960
2015	311,408,504	26,065,062	2,689,869	2,947,705	1,091,910	31,642,242	375,845,292
2016	271,113,215	63,993,270	2,408,058	7,232,783	1,091,910	45,135,106	390,974,342
2017	267,966,653	67,862,518	2,126,682	11,685,232	1,091,910	44,848,592	395,581,587

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department



VAVRINEK, TRINE, DAY & CO., LLP
 Certified Public Accountants

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

Board of Directors
 Moulton Niguel Water District
 Laguna Niguel, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Moulton Niguel Water District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2017.

Internal Control over Financial Reporting

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

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

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


#6.

Compliance and Other Matters

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

Purpose of this Report

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



Laguna Hills, California

December 8, 2017



VAVRINEK, TRINE, DAY & CO., LLP
 Certified Public Accountants

VALUE THE *difference*

Board of Directors
 Moulton Niguel Water District
 Laguna Niguel, California

We have audited the financial statements of the Moulton Niguel Water District (District) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 15, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the:

- Fair value measurements for investments are based on observable market inputs and information from the District's safekeeping custodian bank,
- Amounts related to depreciation expense are based on estimated useful lives of capital assets,
- Amounts related to the net pension liability, deferred outflows of resources and deferred inflows of resources, pension expense, and the related disclosures, are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop these estimates in determining that they appeared reasonable in relation to the financial statements taken as a whole.

#6.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 8 to the financial statements disclose the District's cost-sharing employer pension plan's net pension liability, and related deferred outflows and inflows of resources, and pension expense. The valuation of the net pension liability and related deferred outflows and inflows are sensitive to the underlying actuarial assumptions used, including but not limited to, the investment rate of return and discount rates. As disclosed in Note 8, a 1% increase or decrease in the discount rate has a significant effect on the District's net pension liability.

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of plan contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of revenues, expenses, and other sources (uses) of funds, and operations & maintenance (O&M) budget comparison report, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has 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.

Restriction on Use

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



Laguna Hills, California
December 8, 2017

MOULTON NIGUEL WATER DISTRICT

Independent Accountants' Report on Applying
Agreed-Upon Procedures Related to the
Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2017



VAVRINEK, TRINE, DAY & CO., LLP
 Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES
 RELATED TO THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION**

Board of Directors
 Moulton Niguel Water District
 Laguna Niguel, California

We have performed the procedures enumerated below, which were agreed to by the Moulton Niguel Water District (District) (the specified party), on the Appropriations Limit Calculation of the District prepared in accordance with Article XIII-B of the California Constitution for the fiscal year ended June 30, 2017. The District's management is responsible for the Appropriations Limit Calculation. The sufficiency of these procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been required or for any other purpose.

The procedures and associated findings are as follows:

1. We obtained completed worksheets setting forth the calculations necessary to establish the District's appropriation limit and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Board of Directors. We recalculated the apportionment limit provided by the District.

Findings: No exceptions were found as a result of this procedure.

2. We added last year's limit to the total adjustments and compared the resulting amount to the 2016-2017 appropriations limit.

Findings: No exceptions were found as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above.

Findings: No exceptions were found as result of this procedure.

4. We agree the prior year appropriations limit to the prior year appropriations limit adopted by the Board of Directors.

Findings: No exceptions were found as result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's Appropriation Limit Calculation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

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



Laguna Hills, California
December 8, 2017

MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results
December 20, 2017

Unaudited results of operations for the four months ended October 31, 2017, are summarized below.

Total operating revenues were \$21.5 million for the four months ended, which came in at 35% of the budget. Total operating expenses ended at \$24.7 million, which amounted to 34% of the approved budget. Total Net Income (Loss) for the four months ended was (\$7.7) million.

The District has paid 100% of its invoices related the operations and maintenance of wastewater treatment to one of its contract operators, SOCWA (South Orange County Wastewater Authority). Those invoices are paid at the beginning of each quarter, so as of October 31st, the District had paid for 42% of the budgeted wastewater treatment expenses. As a result of paying for two months early, the total operating expenses of 34% appears slightly high, but this is within the District's expectations.

The District also typically receives the majority of its share of property taxes from the County during the months of December and April of each fiscal year. The property tax budget for Fiscal Year 2017-18 is \$27.6 million, or approximately 30% of total budgeted revenues. Thus far, the District has received \$0.8 million, or just 3% of the budget. As a result of the timing of those payments, the District's Net Income (Loss) of (\$7.7) million is within the District's Long Range Financial Plan projections.

Investment income ended at \$0.5 million, including a mark down (unrealized) of (\$0.4) million due to the changes to the market value of securities held. Actual interest income received (realized) was \$0.8 million, up from \$0.3 million at this same point in the prior year.

The District has received \$0.5 million in capacity fees and demand offset fees, primarily driven by two large developments in Laguna Niguel (the Broadstone apartments and the Laguna Niguel-Crown Valley Acquisition, LLC, project)

The District currently has \$6.8 million available in the Water Efficiency Fund for new projects, rebate applications or additional programs. The remaining fund balance takes into account \$0.7 million in water efficiency program commitments already approved by the Board.

The District's Cash and Investments balance has decreased by \$12.6 million as compared to last year, primarily due to Debt Service payments and execution of the Capital Improvement Plan ("CIP") program. Through October 31th, the District has reduced its total outstanding debt balance by \$5.0 million, and spent an additional \$2.7 million on capital projects.

All District fiscal agent reserves are properly funded and meet the reserve requirements in the bond indentures. The portfolio maintains a very secure AA+ average credit rating.

The Board has established a target reserve level of \$66.9 million, and as of October 31, 2017, the District held \$67.0 million in reserves, down from \$75.0 million as of June 30, 2017. This difference was projected by District staff, and is due to transfers made to the Capital Improvement Project Funds in accordance with the FY 2017-18 Adopted Budget.

Moulton Niguel Water District
All Funds - Budget Comparison Report
Four Months Ended October 31, 2017

	1	2	3	=3-1	=1/3
Description	Fiscal Year to Date Actuals	Prior Fiscal Year to Date Actuals	Current Year Approved Budget	Current Year Budget Balance	% of Actuals to Budget
ALL FUNDS					
Operating Revenues					
Water Sales	\$ 10,797,248	\$ 9,979,324	\$ 29,909,274	\$ 19,112,025	36%
Recycled Water Sales	2,374,628	2,384,026	5,462,967	3,088,339	43%
Sewer Sales	6,952,694	6,560,696	21,413,568	14,460,874	32%
Water Efficiency	1,247,974	3,494,518	3,335,112	2,087,138	37%
Other Operating Income	153,302	154,900	516,900	363,598	30%
A Total Operating Revenue	21,525,846	22,573,464	60,637,821	39,111,974	35%
Operating Expenses					
Salaries	4,234,876	3,760,534	13,181,187	8,946,312	32%
PERs Employer Contributions	597,722	502,187	1,903,162	1,305,440	31%
Defined Contribution 401A	67,863	55,187	230,127	162,264	29%
Educational Courses	2,879	5,121	72,253	69,374	4%
Travel & Meetings	58,680	72,032	329,651	270,971	18%
Recruitment & Employee Relations	11,367	11,494	81,250	69,883	14%
General Services	66,874	84,413	517,820	450,946	13%
Annual Audit	15,050	163	50,000	34,950	30%
Member Agencies O&M	11,000	175,854	793,341	782,341	1%
Dues & Memberships	42,808	30,232	125,175	82,367	34%
Consulting Services	558,478	587,566	2,525,400	1,966,922	22%
Equipment Rental	21,086	4,581	62,000	40,914	34%
District Fuel	63,898	54,469	270,000	206,102	24%
Insurance - District	128,230	120,221	402,420	274,190	32%
Insurance - Personnel	108,618	98,908	394,324	285,706	28%
Insurance - Benefits	932,449	846,978	3,023,763	2,091,315	31%
Legal Services - Personnel	1,218	11,305	50,000	48,782	2%
Legal Services - General	297,513	62,081	350,000	52,487	85%
District Office Supplies	153,095	147,951	725,151	572,056	21%
District Operating Supplies	118,532	135,555	444,788	326,256	27%
Repairs & Maintenance - Equipment ¹	300,902	225,711	695,669	394,767	43%
Repairs & Maintenance - Facilities	947,820	904,735	3,725,857	2,778,038	25%
Safety Program & Compliance Requirements	64,422	68,806	282,165	217,743	23%
Wastewater Treatment ²	4,464,768	4,170,622	10,752,352	6,287,584	42%
Special Outside Assessments	26,473	25,186	251,641	225,168	11%
Utilities	996,357	671,880	2,281,900	1,285,543	44%
Water Purchases	9,929,726	7,519,898	26,710,799	16,781,073	37%
Meter / Vault Purchases	119,027	8,109	440,000	320,973	27%
Water Efficiency	362,834	396,934	2,885,000	2,522,166	13%
Other Operating Expenses	-	345,797	-	-	n/a
B Total Operating Expenses	24,704,565	21,104,509	73,557,197	48,852,632	34%
A-B Operating Income (Loss)	(3,178,718)	1,468,955	(12,919,377)	(9,740,658)	25%
Non-Operating Revenues (Expenses)					
Property Tax Revenue	820,382	738,090	27,581,361	26,760,979	3%
Investment Income ³	452,096	(439,777)	2,354,217	1,902,121	19%
Property Lease Income	669,034	587,256	1,723,533	1,054,499	39%
Interest Expense	(1,686,240)	(1,792,291)	(5,201,569)	(3,515,329)	32%
Misc. Non-Operating Income (Expense) ⁴	889,851	1,590,423	3,004,247	2,114,396	30%
Capacity/Demand Offset Fees ⁵	479,831	-	390,198	(89,633)	123%
C Total Non-Operating Revenue (Expenses)	1,624,953	683,701	29,461,788	27,836,835	6%
A-B+C Change in All Funds	\$ (1,553,766)	\$ 2,152,656	\$ 16,542,412	\$ 18,096,177	
Other Non Cash Expenses					
Depreciation	6,159,621	5,838,212	-	(6,159,621)	n/a
D Total Change in Net Position	\$ (7,713,386)	\$ (3,685,556)	\$ 16,542,412	\$ 24,255,798	

Note: Totals may not sum due to rounding.

- Approximately half of these expenses relate to maintenance of the District fleet vehicles.
- The District paid each of the first 2 quarterly bills for SOCWA, including PC 15 O&M, for July - December.
- Investment income is comprised of realized income of \$847,761 and unrealized income (loss) of (\$395,666).
- The District received \$665,670 related to the first semi-annual 2009 COPs Federal Subsidy payment.
- The District received over \$300k in Capacity fees related to several large projects, including the Broadstone North Getty Gateway project.

#7.b.

**Moulton Niguel Water District
All Funds - Budget Comparison Report
Four Months Ended October 31, 2017
Legal Services - General**

Firm	Water Use		Capital ⁷	Total
	General ⁶	Efficiency ⁶		
Best Best & Krieger LLP	\$ 295,179	\$ 2,335	\$ 5,825	\$ 303,338
Budget Amount	300,000	50,000	-	350,000
Budget Balance	\$ 4,821	\$ 47,665	n/a	\$ 52,487

Note: Totals may not sum due to rounding.

6. Legal Services - General on the previous page is made up of the General balance of \$295,179 and the \$2,335 Water Use Efficiency balance, for a total of \$297,513.

7. Capital legal services represent legal services rendered during construction and are capitalized by the District as part of the project. Each project has a separate budget for legal expenses and those individual budgets are not included as part of this schedule.

Consulting Services - Grant Administration

Firm	Spent YTD	Spent Overall	Grants Received
Nossaman LLP ⁸	\$ 13,750	\$ 13,750	\$ -
West Yost Associates ⁹	17,832	17,832	-

8. Nossaman receives a fixed monthly retainer for general grant services, including identification, tracking, and administering of grants.

9. West Yost YTD compiled the AMI WaterSmart final closeout documents and prepared documents for an additional grant application.

Moulton Niguel Water District
General Fund - Budget Comparison Report
Four Months Ended October 31, 2017

	1	2	=1-2	=2/1
Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
GENERAL FUND				
<u>Operating Revenues</u>				
Water Sales	\$ 29,909,274	\$ 10,797,248	\$ 19,112,026	36%
Recycled Water Sales	5,462,967	2,374,628	3,088,339	43%
Sewer Sales	21,413,568	6,952,694	14,460,874	32%
Other Operating Income	516,900	153,302	363,598	30%
A Total Operating Revenue	57,302,709	20,277,872	37,024,837	35%
<u>Operating Expenses</u>				
Salaries	12,205,909	3,970,736	8,235,174	33%
PERs Employer Contributions	1,804,882	563,499	1,241,384	31%
Defined Contribution 401A	213,638	63,473	150,165	30%
Educational Courses	69,753	2,879	66,874	4%
Travel & Meetings	304,451	51,533	252,918	17%
Employee Relations	81,250	11,367	69,883	14%
General Services	517,820	66,874	450,946	13%
Annual Audit	50,000	15,050	34,950	30%
Member Agencies O&M	793,341	89,418	703,923	11%
Dues & Memberships	124,675	41,808	82,867	34%
Consulting Services	1,425,400	300,530	1,124,870	21%
Equipment Rental	62,000	21,086	40,914	34%
District Fuel	270,000	63,898	206,102	24%
Insurance - District	402,420	128,230	274,190	32%
Insurance - Personnel	370,102	103,919	266,183	28%
Insurance - Benefits	2,836,557	879,950	1,956,607	31%
Legal Services - Personnel	50,000	1,218	48,782	2%
Legal Services - General	300,000	295,179	4,821	98%
District Office Supplies	446,951	120,564	326,387	27%
District Operating Supplies	444,788	118,532	326,256	27%
Repairs & Maintenance - Equipment ¹	693,169	300,781	392,389	43%
Repairs & Maintenance - Facilities	3,725,857	947,820	2,778,038	25%
Safety Program & Compliance Requirements	280,415	63,434	216,981	23%
Wastewater Treatment ²	10,752,352	4,464,768	6,287,584	42%
Special Outside Assessments	251,641	26,473	225,168	11%
Utilities	2,281,900	996,357	1,285,543	44%
Water Purchases	26,336,456	9,851,308	16,485,148	37%
Meter / Vault Purchases	440,000	119,027	320,973	27%
B Total Operating Expenses	67,535,729	23,679,710	43,856,019	35%
A-B Operating Income (Loss)	(10,233,020)	(3,401,838)	(6,831,182)	33%
<u>Non-Operating Revenues (Expenses)</u>				
Property Tax Revenue	27,581,361	820,382	26,760,979	3%
Investment Income	2,256,279	136,766	2,119,513	6%
Property Lease Income	1,723,533	669,034	1,054,499	39%
Misc. Non-Operating Income ³	3,004,247	788,148	2,216,099	26%
Capacity Fees ⁴	340,198	410,632	(70,434)	121%
C Total Non-Operating Revenue (Expenses)	34,905,618	2,824,962	32,080,656	8%
A-B+C Change in General Fund	\$ 24,672,598	\$ (576,876)	\$ 25,249,474	8%
<u>Other Non Cash Expenses</u>				
Depreciation	-	6,159,621	(6,159,621)	n/a
D Total Change in Net Position	\$ 24,672,598	\$ (6,736,497)	\$ 31,409,095	

Note: Totals may not sum due to rounding.

1. Approximately half of these expenses relate to maintenance of the District fleet vehicles.
2. The District paid each of the first 2 quarterly bills for SOCWA, including PC 15 O&M, for July - December.
3. The District received \$665,670 related to the first semi-annual 2009 COPs Federal Subsidy payment.
5. The District received over \$300k in Capacity fees related to several large projects, including the Broadstone North Getty Gateway project.

#7.b.

Moulton Niguel Water District
Water Efficiency Fund - Budget Comparison Report
Four Months Ended October 31, 2017

Description	1 Approved Budget	2 Fiscal Year to Date Actuals	=-1-2 Budget Balance	=-2/1 % of Actuals to Budget		
WATER EFFICIENCY FUND						
Projected Operating Revenue						
Water Efficiency	\$ 3,335,112	\$ 1,247,974	\$ 2,087,138	37%		
A	Projected Total Operating Revenue		3,335,112	1,247,974	2,087,138	37%
Projected Operating Expenses						
Labor	1,300,574	359,952	940,622	28%		
Educational Courses	2,500	-	2,500	0%		
Travel & Meetings	25,200	7,147	18,053	28%		
Dues & Memberships ¹	500	1,000	(500)	200%		
Consulting Services	1,100,000	257,948	842,052	23%		
Legal Services	50,000	2,335	47,665	5%		
Conservation supplies	278,200	32,531	245,669	12%		
Repairs and Maintenance - Equipment	2,500	121	2,379	5%		
Water Efficiency	2,885,000	362,834	2,522,166	13%		
B	Projected Total Operating Expenses		5,644,474	1,023,868	4,620,606	18%
A-B	Projected Operating Income (Loss)		(2,309,362)	224,106	(2,533,468)	-10%
Projected Non-Operating Revenue						
Demand offset fees	50,000	69,199	(19,199)	138%		
Investment Income	97,937	32,848	65,090	34%		
C	Projected Total Non-Operating Revenue		147,937	102,047	45,891	69%
A-B+C	Projected Change in Water Efficiency Fund		\$ (2,161,424)	\$ 326,153	\$ (2,487,577)	

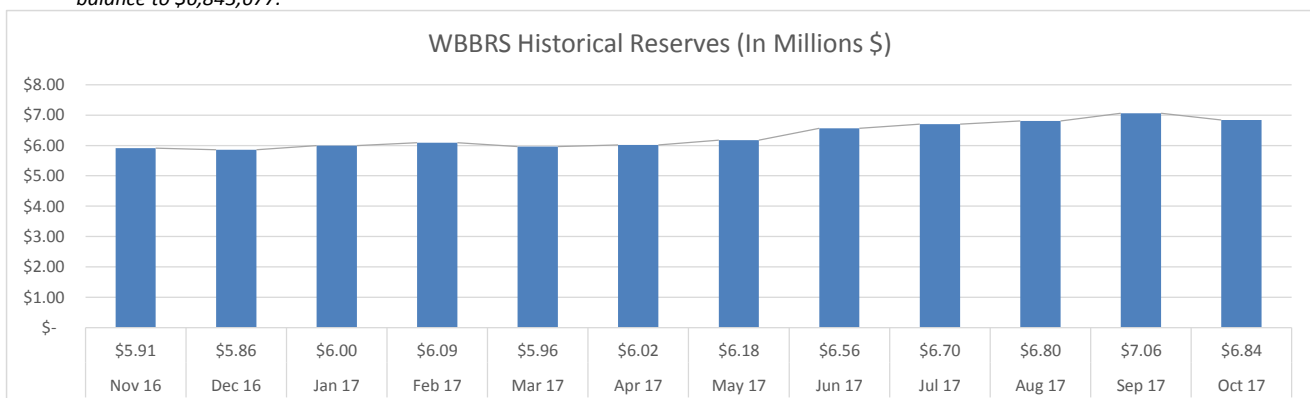
Note: Totals may not sum due to rounding.

1. The District participated in the Governmental membership for Sustain OC membership for FY 17-18 for \$1,000.

Water Efficiency Available Net Position ²

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance
Fund Net Position, Beginning of Year	\$ 7,258,366	\$ 7,258,366	\$ 7,258,366
Projected Change in Water Efficiency Fund	(2,161,424)	326,153	(2,487,577)
Project Commitments		(740,842)	
Fund Net Position, Four Months Ended October 31, 2017	\$ 5,096,941	\$ 6,843,677	

2. In addition to realized expenditures, there is approximately \$740,842 in project commitments, reducing the available WBBRS reserve balance to \$6,843,677.



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

	(Unaudited)	
	October 31, 2017	June 30, 2017
CURRENT ASSETS:		
Cash and investments	\$ 25,622,247	\$ 34,380,673
Restricted cash and investments with fiscal agent	7,268,848	7,886,334
Accounts receivables:		
Water and sanitation charges	3,367,838	3,742,510
Property taxes	-	333,100
Grant Reimbursements	179,628	179,628
Other accounts receivable	487,131	331,365
Interest receivable	610,728	634,134
Inventory	1,097,780	975,276
Prepaid expenses	1,741,320	626,833
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	40,375,520	49,089,853
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Investments	80,602,696	83,860,499
Retrofit loans receivable	528,800	539,940
Capital assets, net of accumulated depreciation	344,386,363	349,641,085
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress	46,707,629	44,848,592
	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	473,317,399	479,982,026
	<hr/>	<hr/>
TOTAL ASSETS	513,692,919	529,071,879
	<hr/>	<hr/>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	603,312	658,585
Deferred Items related to Pension	4,610,581	4,610,581
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOW OF RESOURCES	5,213,893	5,269,166
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES \$	518,906,811	\$ 534,341,045
	<hr/> <hr/>	<hr/> <hr/>

MOULTON NIGUEL WATER DISTRICT
STATEMENT OF NET POSITION

	(Unaudited)	
	October 31, 2017	June 30, 2017
CURRENT LIABILITIES:		
Accounts payable	\$ 5,788,412	\$ 7,504,051
Interest payable	816,604	1,760,661
Compensated absences	874,559	751,852
Current portion of long-term debt:		
Bonds payable	1,365,000	1,275,000
Loans Payable	1,567,688	2,032,109
Certificates of participation	1,805,000	1,925,000
	12,217,263	15,248,673
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES		
Compensated absences	291,520	250,617
Long-term debt:		
Bonds payable	11,925,000	15,095,000
Loans payable	5,261,865	6,660,907
Certificates of participation	60,000,000	60,000,000
Net Pension Liability	17,581,392	17,581,392
	95,059,777	99,587,916
TOTAL LONG-TERM LIABILITIES		
Bond Discount/Premium	1,817,899	1,979,199
TOTAL LIABILITIES	109,094,939	116,815,787
DEFERRED INFLOW OF RESOURCES:		
Deferred Items related to Pension	2,447,949	2,447,949
	2,447,949	2,447,949
TOTAL DEFERRED INFLOW OF RESOURCES		
NET POSITION:		
Net investment in capital assets	309,046,761	307,272,958
Restricted for capital projects	437,031	291,818
Unrestricted	97,880,130	107,512,533
	407,363,923	415,077,309
TOTAL NET POSITION		
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 518,906,811	\$ 534,341,045

Note: Totals may not sum due to rounding.

**MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
As of October 31, 2017**

	Reserve Requirement	(Unaudited) Balance 10/31/2017	Over (Under) Requirement	Balance 6/30/2017
<u>Restricted Cash and Investments:</u>				
2009 COPS Trust Reserve	\$ 6,000,000	\$ 6,014,777	\$ 14,777	\$ 6,116,159
2009 COPS Installment	-	112	112	59
2010 Installment Payment	-	-	-	141,006
2010 COPS Trust Reserves	-	-	-	378,971
2014 Consolidated Ref Bonds	-	52	52	2
2015 Refunding Bonds	-	12	12	9
2015 Refunding Reserve	1,226,500	1,253,895	27,395	1,250,127
Total Restricted Trust Accounts	\$ 7,226,500	\$ 7,268,848	\$ 42,348	\$ 7,886,334

Note: Totals may not sum due to rounding.

MOULTON NIGUEL WATER DISTRICT
NET POSITION
As of October 31, 2017

	<u>Reserve Target</u>	(Unaudited)		<u>Balance</u>
		<u>10/31/2017</u>	<u>Net Change</u>	
Adopted Reserve Targets ¹				
Designated for Self Insurance Reserve	\$ 250,000	\$ 248,786	\$ 8,805	\$ 239,981
Designated for Rate Stabilization	14,500,430	14,565,407	817,919	13,747,488
Designated for Emergency Reserves	35,300,000	35,300,000	(210,000)	35,510,000
Designated for Operating Reserves ²	16,883,932	16,885,146	(8,628,475)	25,513,621
Total Adopted Reserve Targets	\$ 66,934,362	\$ 66,999,339	\$ (8,011,751)	\$ 75,011,090
	FY Capital			
	Budget ⁴			
Designated for Capital Projects ³				
Designated for Replacement and Refurbishment	\$ 25,140,108	\$ 13,809,230	\$ 696,285	\$ 13,112,946
Designated for Water Supply Reliability	350,000	351,568	(3,484,706)	3,836,274
Designated for Planning and Construction	18,957,000	9,135,475	841,617	8,293,858
Total Designated for Capital Projects	\$ 44,447,108	\$ 23,296,274	\$ (1,946,804)	\$ 25,243,078
Other amounts				
Designated for Water Efficiency (WBBRS) ⁵		\$ 7,584,518	\$ 326,152	\$ 7,258,366
Restricted for Capital Facilities (Projects)		437,031	145,214	291,818
Net Investment in Capital Assets ⁶		309,046,761	1,773,803	307,272,958
Total Other amounts		\$ 317,068,311	\$ 2,245,169	\$ 314,823,141
Total Net Position		\$ 407,363,923	\$ (7,713,385)	\$ 415,077,309

Note: Totals may not sum due to rounding.

1. Board designated balances represent available cash in that fund.
2. General Operating Reserves include the unrestricted, undesignated balance, and other general District accrued cash flows. This amount includes the remaining total cash balance of \$24,034,358.
3. Balances in the Capital Project Funds represent available and designated cash to fund identified CIP projects.
4. FY 17-18 Budget also includes \$50,000 for capital expenses in Fund 6, bringing the total CIP budget to \$44,497,108.
5. In addition to realized expenditures, there is approximately \$740,842 in project commitments, reducing the available WBBRS reserve balance to \$6,843,677.
6. Net Investment in Capital Assets calculated as follows:

Total capital assets	\$ 392,185,903
Less capital related debt	(83,742,453)
Add deferred charges related to debt	603,312
Total Net Investment in Capital Assets	<u>\$ 309,046,761</u>

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF NOVEMBER 2017**

Summary of Disbursements in November 2017:

General Fund Disbursements		4,709,435
<u>Restricted Fund Disbursements:</u>		
Water Efficiency Fund	173,629	
Replacement & Refurbishment Fund	452,438	
Planning & Construction Fund	126,797	752,863
Total Disbursements for all Funds	\$	5,462,298

Detail of Major Expenditures in November 2017:

1. Municipal Water District of Orange County (MWDOC)		
September Water Purchases 2580.2 AF	2,324,757	
September Readiness To Serve	71,766	
September Capacity Charge	30,934	
September 2017 Turf, Nozzles, and Smart Timer Rebates	15,117	
September and October 2017 SoCal WaterSmart Residential Rebate	12,400	
September SCP Operation Surcharge	9,411	
September SAC Operation Surcharge	900	
August Reclaimed Rebate 859.8 AF	(132,409)	2,332,876
2. Pacific Hydrotech Corp		
C#2014002 Del Avion LS AUX GEN Replacement, progress payment #5	140,726	
C#2016012 Del Avion Lift Station Grinder, progress payment #5	107,833	248,560

