

COMPREHENSIVE  
**ANNUAL  
FINANCIAL  
REPORT**

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2018



**moulton niguel** water district

27500 La Paz Rd | Laguna Niguel, CA

[mnwd.com](http://mnwd.com)





**moulton niguel** water district

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

**Comprehensive Annual Financial Report**

**Year Ended June 30, 2018**

**Prepared By:  
The Finance Department**

27500 La Paz Road  
Laguna Niguel, CA 92677

[www.mnwd.com](http://www.mnwd.com)

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

**Year Ended June 30, 2018**

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

**Year Ended June 30, 2018**

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**moulton niguel** water district



December 10, 2018

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, 2018. 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, 2018, 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, 2018, 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  
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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, Engineering, and 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 5.7%. The assessed net taxable valuation of the District has grown to \$37.3 billion as of June 30, 2018.

## 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, more than 1,300 recycled water customers account for approximately 25% of the District's total water demand. 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.

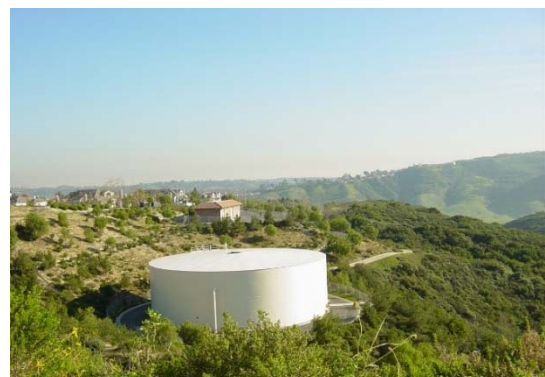
The District operates and maintains over 700 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a District-wide total potable water storage capacity of approximately 70 million gallons. The District owns 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 through June 30, 2019, after which the District will assume operation of the 3A 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 two Advanced Water Treatment ("AWT") plants to treat wastewater and supply recycled water, as well as 150 miles of recycled water distribution pipelines with 5 pre-stressed concrete and 6 steel storage reservoirs to service the recycled water system. In



Aliso Viejo Recycled Water Reservoir



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.

### 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 and light industrial with mixed-use developments consisting of multi-family residential and retail sites.

#### Water Efficiency

The statewide drought is past, but all Californian's need to be prepared for future dry conditions. As such, 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, water efficiency is now a way of life for all southern California residents. 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 discussed below under "Major Initiatives" that will continue to inform prudent operational and financial decisions.

The District has embarked on a partnership with the OC Coastkeeper to bring water education to schools. This is an exciting partnership that will help involve children with water conservation and environmental protection. Through the OC Coastkeeper's W.H.A.L.E.S. program, Orange County middle school students attend field trips to a local watershed in the District's service area and even conduct a water quality test of their own.

In March 2018, the District held its first ever Fix-a-Leak Workshop for customers to learn about how to find and fix common household and irrigation leaks. District employees performed demonstrations as well as answered customer's individual questions about their own leaks.



## Budget Process

The Board adopts an operating and capital budget prior to each new fiscal year, commencing on July 1<sup>st</sup>. 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 the status of current infrastructure projects.

The District's annual budget process includes reviewing and updating, if necessary, District policies that govern financial affairs, and contains policies for Reserves, Investments, Purchasing, and Debt Management. In June 2018, the Board approved updates to several financial policies, including the Reserve, Investment, Debt Management, Capitalization and Surplus, and Purchasing Policies.



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 adopted reserve targets. The Investment Policy is used to direct the purchasing of securities, while also maintaining the flexibility to fund 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. The Capitalization and Surplus policy is intended to provide guidance for accounting and treatment related to the District's investments in critical assets.

## 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 as part of a key rating driver in reaffirming the District's 'AAA' rating, the highest rating that can be attained.





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 more than 400 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 if improvements are attainable, and implement feasible recommendations.

### Major Initiatives

#### Strategic Planning

The District had a productive year, and for the third consecutive year, one of the highlights was the 2018 Long Range Strategic Planning Session, which identified ten key priorities for the Board and District staff to focus efforts on. The identified initiatives 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

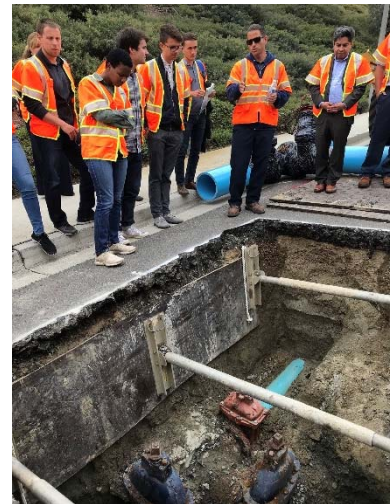
The District further extended its outreach efforts during the year in order to further educate customers and other regional and state stakeholders about the policies and programs involving the District, water and wastewater issues, and opportunities for the District and its customers to achieve sustainability in the near term and future. In July 2017, 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, how to detect a leak, and has even posted some “Moulton Cam” videos featuring notable leaders in the water industry from the State Water Resources Control Board to Denmark.



In August 2017, the District launched the Transparency, Access and Participation or “TAP” Initiative. The TAP initiative focuses on increasing transparency, expanding community participation and strengthening relationships with all stakeholders. The TAP initiative was 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 most recent drought. The TAP initiative has enabled 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 also takes an active role in many community events, such as the Aliso Creek cleanup effort, and even named a fifth grader as “GM for the Day” back in October 2017. As “GM for the Day”, the student from Moulton Elementary was able to visit the District Headquarters, meet with the District’s elected Board of Directors, and toured some of the District’s infrastructure facilities. Later in April, the District hosted more than a dozen young professionals participating in the CORO Fellowship program. The visit consisted of a tour to various facilities and a site visit to watch a live valve replacement project. The participants were also able to step inside a water reservoir tank.



## Recognition and Funding

In November 2017 the District was recognized by SustainOC for its efforts to mitigate urban runoff caused by overwatering and was also lauded by several others, including WaterWorld, Aliso Laguna News, Laguna Niguel Patch, California Water News Daily, and the Orange County Register for achieving milestone achievements of 500 million gallons of water saved by removing over 5 million square feet of turf in the District’s service area. In total, more than 2,500 customers have participated in the program. To expand on those successes, in February 2018, the District launched its NatureScape Program, which simplifies turf replacement projects by connecting customers with a local nursery to streamline the landscape design and installation process. The program has been greatly successful.

In December 2017, the District was recognized by the Orange County Register as a Top Workplace in Orange County. The District was the only Government utility to achieve this honor and was ranked #4 in the category based on size. The District is hoping to achieve the Top Workplace designation again in 2018.

In March 2018, the District’s Board received the WaterNow Alliance Impact Award for accelerating innovative and sustainable water solutions in the community. WaterNow Alliance highlighted the





District's innovative partnerships, data driven analytics, water use efficiency, and commitment to improvements in water quality.

In July 2018, the District became the only Water District in the World to receive top honors from Amazon for best practices in cloud innovation at the annual global innovation competition. The District earned praise from the e-commerce giant after upgrading its online infrastructure to provide customers with real-time water consumption data and visualization tools that help customers detect leaks, conserve water, and save money.

The District was awarded a grant from the United States Bureau of Reclamation through its WaterSmart program for phase II of the Advanced Meter Infrastructure (AMI) program. The District successfully implemented AMI for all potable and recycled water dedicated landscape meters within the District (about 2,650 meters) as well as a residential pilot program on a legacy AMI system (about 1,800 meters). Customers can log into the customer portal to get access to near real time water usage information and receive alerts for potential leaks. For the upcoming fiscal year, the District is looking to expand AMI to all commercial and multi-family customers in Phase II.

### Water Recycling

In 2018, the District is celebrating its 50<sup>th</sup> year of operating one of the state's most successful water recycling programs, reusing more than 2 billion gallons of water each year. The District was one of the first agencies to begin using recycled water, and the system now supports more than 1,300 customers, and collectively supplies 7 million gallons per day for irrigation uses at parks, recreational facilities, golf courses, and street medians. In total, approximately 25% of the District's total demand is now met with recycled water.



The District plans to expand its recycled water distribution system with the implementation of a recycled water optimization plan. The District offers a recycled water retrofit rebate as an incentive to encourage recycled water use. Additionally, the District has partnered with the Metropolitan Water District of Southern California to help customers in its service area access additional financial incentives for recycled water use through its On-Site Retrofit Program.

### 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.

In the spirit of innovation and looking to partner with the community and regional entities, the District is working with the County of Orange, the Cities within the Districts' service area, 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.



## Wastewater Treatment

In August 2018, the District’s Board of Directors adopted a resolution updating the District’s wastewater treatment plant capacity requirements. As part of that resolution, the District provided an update to its 1998 Revised Sewer Master Plan analyzing its wastewater treatment plant capacity requirements. The Board also indicated they intend to direct wastewater flows to the Regional Treatment Plant and 3A Plant to maximize recycled water.

## 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 has approved the initial study/Mitigated Negative Declaration and Mitigation and Reporting Program for the project. The District intends to award the construction contract for this project in the 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, 2017. 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 2018 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





**moulton niguel** water district



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

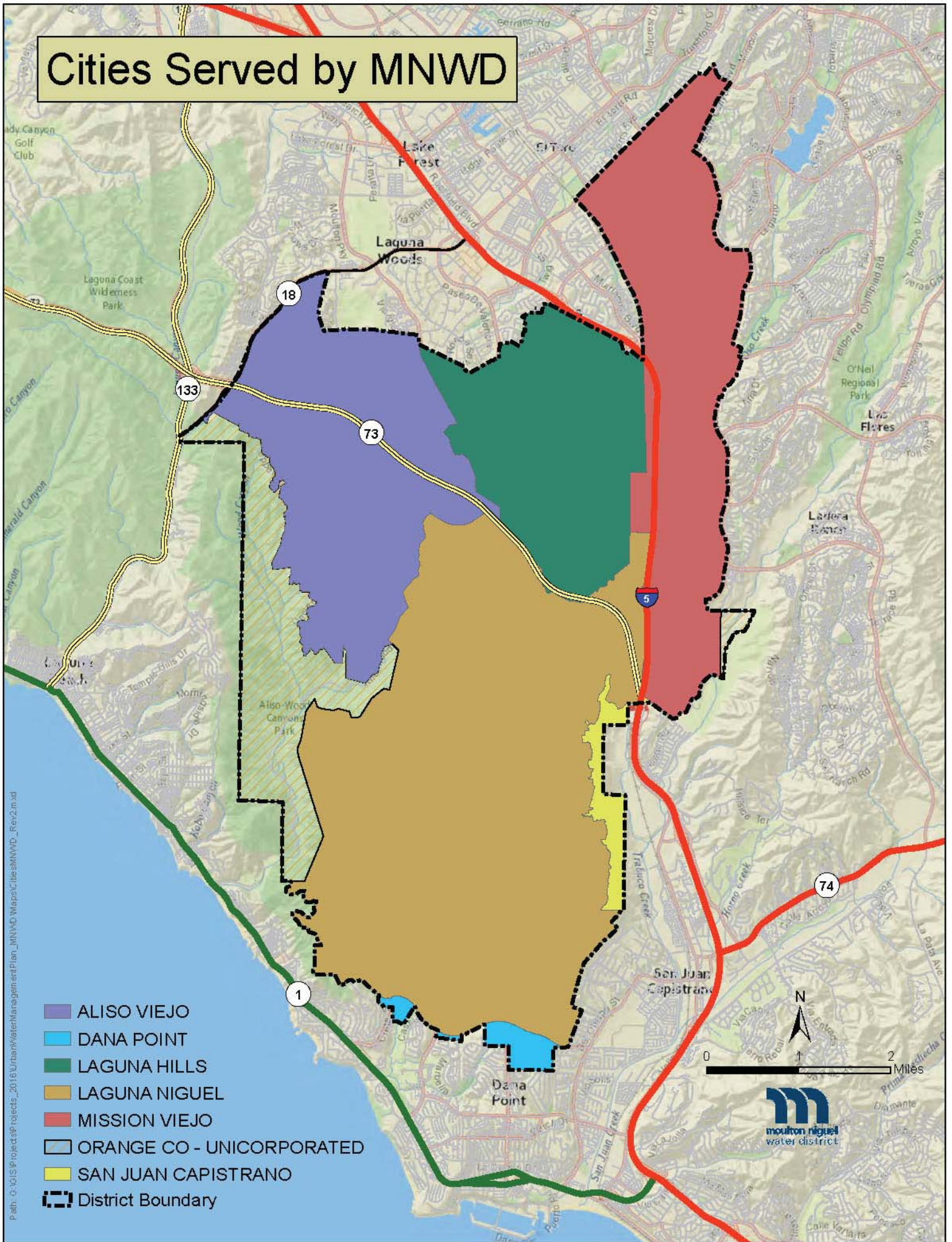
**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO



# Cities Served by MNWD



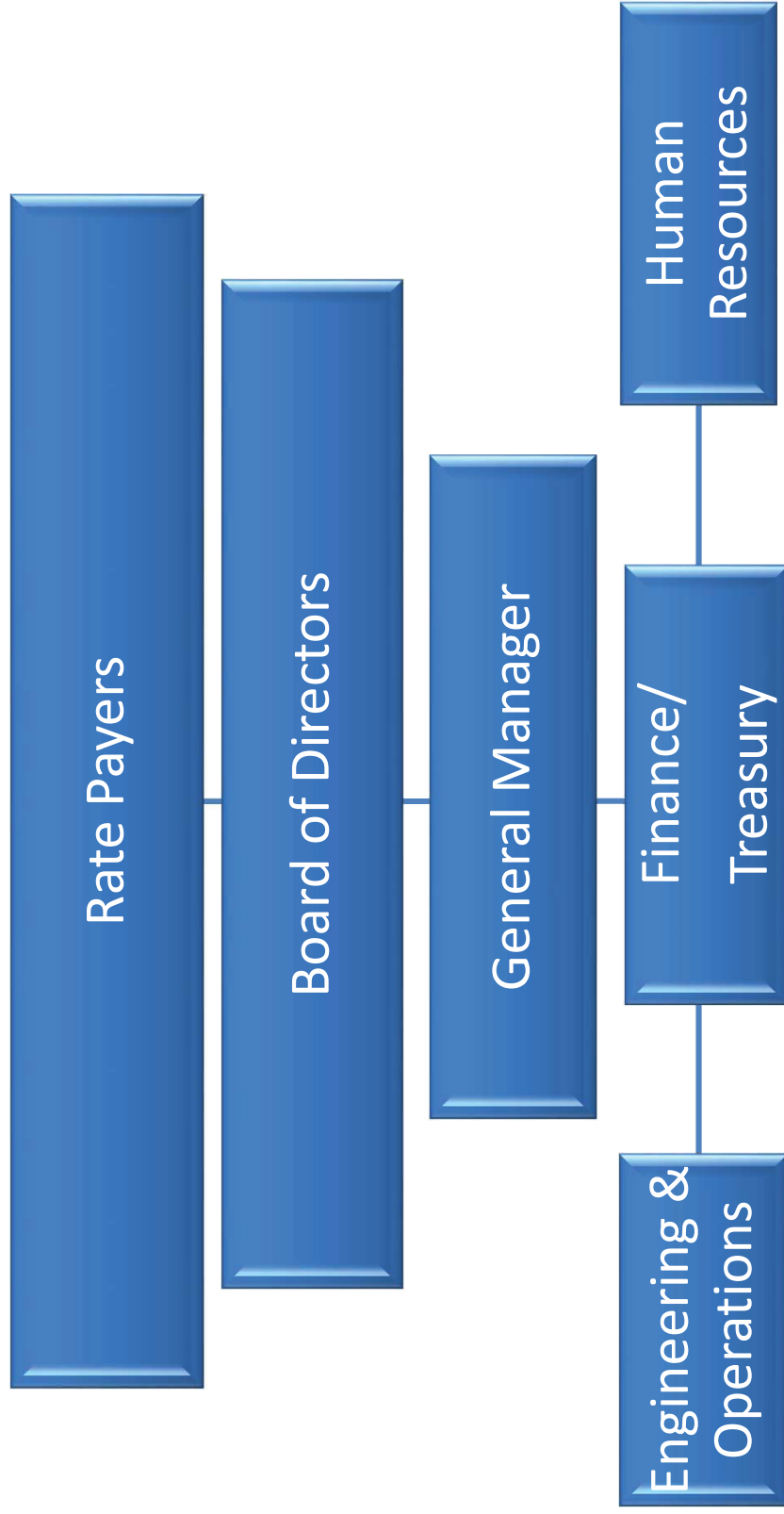
- ALISO VIEJO
- DANA POINT
- LAGUNA HILLS
- LAGUNA NIGUEL
- MISSION VIEJO
- ORANGE CO - UNINCORPORATED
- SAN JUAN CAPISTRANO
- District Boundary



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# Moulton Niguel Water District

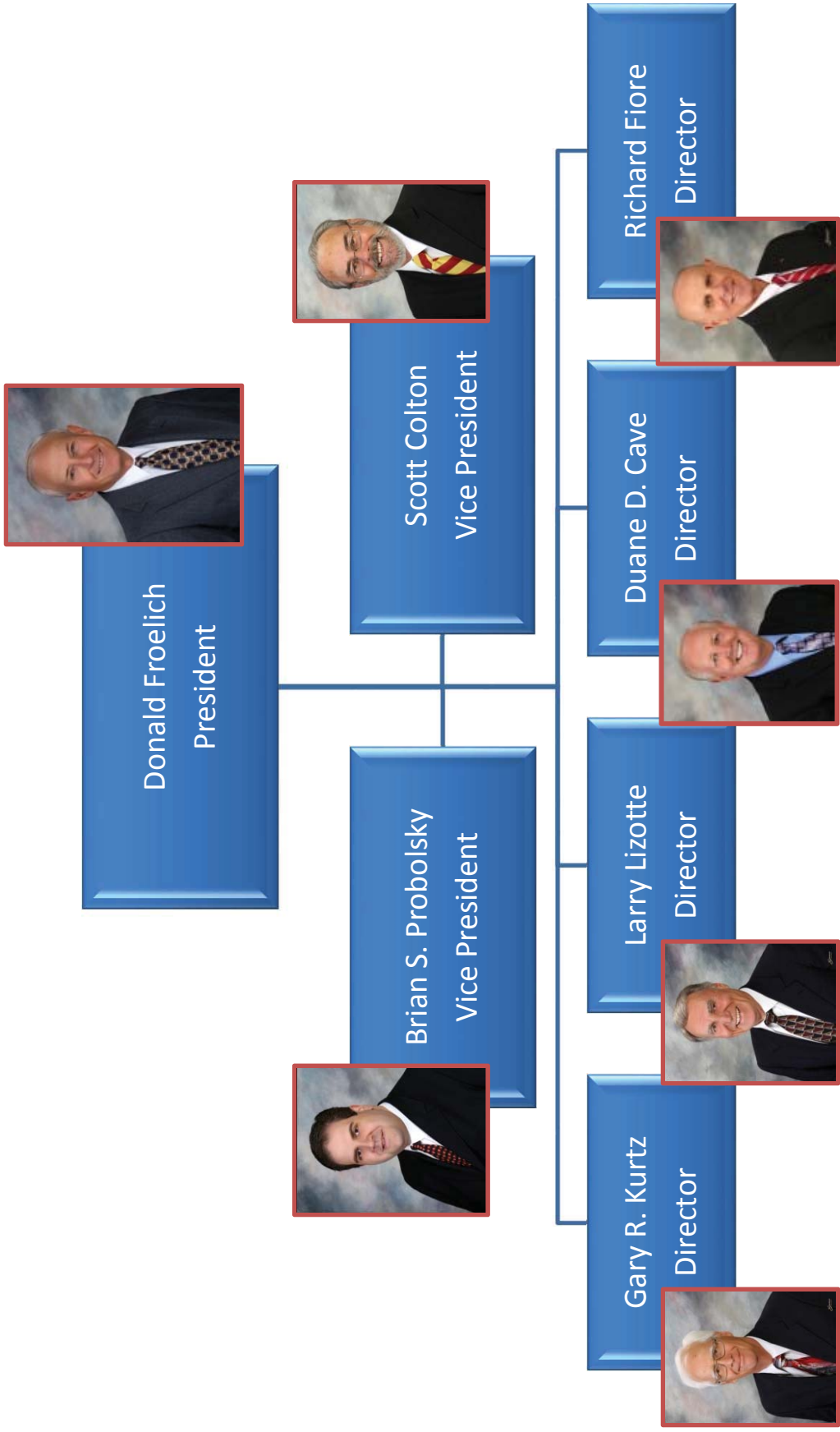
## Organization Chart





# Moulton Niguel Water District

## Board of Directors





**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.



## ***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, 2018, 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.

## ***Emphasis of Matter***

As described in Note 1 and 16 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

## ***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 11, schedule of proportionate share of the net pension liability on page 58, schedule of changes in the net OPEB liability and related ratios on page 60, and schedule of plan contributions for the Miscellaneous pension plan and OPEB plan on pages 59 and 61, respectively, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, 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 solely 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 the effectiveness of the District's 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 10, 2018



**moulton niguel** water district

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

Year Ended June 30, 2018

### 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 decrease in net position of (\$0.4) million during the year was mostly attributed to the reporting of \$2.6 million in additional pension expense in accordance with requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions* in fiscal year 2017-18, which changed the reporting requirements related to the District's OPEB Plan. The new standard required the District to include a Net OPEB liability of \$1.8 million on the Statement of Net Position. Additionally, as a result of this new standard, the District was required to restate its beginning net position for the year by \$1.6 million. Additional information regarding the new OPEB standard and the restatement can be found in Notes 9 and 16 respectively in the Notes to Financial Statements.
- Total Revenues increased by 5.1% to \$95.1 million, largely driven by an increase in capital contributions and sanitation charges.
- Total long-term debt was \$83.3 million, a decrease of \$5.7 million since June 30, 2017, primarily due to scheduled principal payments. Additionally, interest expense on outstanding debt decreased to \$4.5 million.
- The District received \$27.9 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, 2018. 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.

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

**Year Ended June 30, 2018**

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.

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 2018	Fiscal Year 2017	Dollar Change	Percent Change
Current and noncurrent assets	\$ 138,224	\$ 133,490	\$ 4,734	3.5%
Capital assets, net	387,587	395,582	(7,995)	-2.0%
<b>Total Assets</b>	<b>525,811</b>	<b>529,072</b>	<b>(3,261)</b>	<b>-0.6%</b>
Deferred outflows of resources <sup>1</sup>	7,321	5,269	2,052	38.9%
<b>Total Deferred outflows of Resources</b>	<b>7,321</b>	<b>5,269</b>	<b>2,052</b>	<b>38.9%</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>533,132</b>	<b>534,341</b>	<b>(1,209)</b>	<b>-0.2%</b>
Current liabilities	16,613	15,249	1,364	8.9%
Long-term liabilities	101,294	101,567	(273)	-0.3%
<b>Total liabilities</b>	<b>117,907</b>	<b>116,816</b>	<b>1,091</b>	<b>0.9%</b>
Deferred inflows of resources	2,183	2,448	(265)	-10.8%
<b>Total Deferred Inflows of Resources</b>	<b>2,183</b>	<b>2,448</b>	<b>(265)</b>	<b>-10.8%</b>
Net investment in capital assets	304,821	307,273	(2,452)	-0.8%
Restricted for capital projects <sup>2</sup>	605	292	313	107.2%
Unrestricted net position	107,616	107,512	104	0.1%
<b>Total Net Position <sup>3</sup></b>	<b>\$ 413,042</b>	<b>\$ 415,077</b>	<b>\$ (2,035)</b>	<b>-0.5%</b>
<b>Total Liabilities, Deferred Outflows of Resources, and Net Position</b>	<b>\$ 533,132</b>	<b>\$ 534,341</b>	<b>\$ (1,209)</b>	<b>-0.2%</b>

Total Net Position decreased by \$2.0 million.



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

**Year Ended June 30, 2018**

**Statement of Net Position (Continued)**

<sup>1</sup> The deferred outflows of resources balance was impacted by changes in assumptions to the District's pension plan. As a requirement of GASB 68, the District recorded \$3.3 million as deferred outflows related to changes in assumptions for the pension plan, mostly related to the decision made by the administrator of the plan, CalPERS to reduce the assumed discount rate from 7.65% to 7.15%. More information regarding the pension plan can be found in Note 8 in Notes to Financial Statements.

<sup>2</sup> The District collects capacity 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. Each year, during the budget process, the District identified projects that satisfy this requirement and will be used to fund identified projects.

<sup>3</sup> Beginning Net Position was restated by \$1.6 million as a result of the implementation of GASB 75. See Note 16 in Notes to Financial Statements for additional information.

**Revenues**

	Condensed Total Revenues (in thousands)			
	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
<b>Operating Revenues:</b>				
Water charges	\$ 32,318	\$ 32,150	\$ 168	0.5%
Recycled charges	5,597	5,031	566	11.3%
Sanitation charges	22,624	20,157	2,467	12.2%
Other	469	418	51	12.2%
<b>Total Operating Revenues</b>	<b>61,008</b>	<b>57,756</b>	<b>3,252</b>	<b>5.6%</b>
<b>Non-operating Revenues:</b>				
Property taxes	27,926	26,434	1,492	5.6%
GOB assessment <sup>1</sup>	922	2,074	(1,152)	-55.5%
Investment income <sup>2</sup>	(9)	(438)	429	-97.9%
Cellular lease income	1,898	1,773	125	7.1%
Intergovernmental revenue <sup>3</sup>	1,336	1,670	(334)	-20.0%
Other <sup>4</sup>	252	127	125	98.4%
<b>Total Non-operating Revenues</b>	<b>32,325</b>	<b>31,640</b>	<b>685</b>	<b>2.2%</b>
Capital Contributions <sup>5</sup>	1,764	1,103	661	59.9%
<b>Total Revenues</b>	<b>\$ 95,097</b>	<b>\$ 90,499</b>	<b>\$ 4,598</b>	<b>5.1%</b>

The District finances operations through user charges, property tax receipts, and other income. Total operating revenues increased by \$3.3 million, while total revenues increased by \$4.6 million.

<sup>1</sup> 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 assessments needed in fiscal year 2017-18.

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

**Year Ended June 30, 2018**

**Revenues (Continued)**

- <sup>2</sup> Investment income can vary year to year due to the GASB 31 requirement to value all investments at fair value. In fiscal year 2017-18, realized income amounted to \$2.2 million, compared to \$1.8 million in the prior year.
- <sup>3</sup> The District records grant monies received as intergovernmental revenue. In fiscal year 2016-17, the District received \$0.3 million in grant monies from the State of California, but those monies were fully exhausted as of June 30, 2017, and the District did not receive any additional grants in the current year.
- <sup>4</sup> Other non-operating revenues fluctuate annually as these revenues can relate to gains on the sale of fixed assets, sales of scrap materials, and reimbursements of prior miscellaneous expenses.
- <sup>5</sup> The District received \$0.8 million in facilities donated by outside developers this year. This revenue is recorded when a developer is required to install infrastructure to connect to the Districts' system as part of their project, and transfers ownership of those assets to the District. The revenues are dependent on construction activity occurring in the cities within the District's service area and fluctuate on an annual basis. In fiscal year 2016-17, the District received \$0.1 million.

**Expenses**

	Condensed Total Expenses (in thousands)			
	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
<b>Operating Expenses:</b>				
Water purchases	\$ 26,866	\$ 24,412	\$ 2,454	10.1%
Meters <sup>1</sup>	395	594	(199)	-33.5%
Utilities <sup>2</sup>	2,185	1,676	509	30.4%
Wastewater treatment & pumping	13,391	13,081	310	2.4%
Water transmission & distribution <sup>3</sup>	1,227	1,547	(320)	-20.7%
General, administrative & other	27,470	25,741	1,729	6.7%
Depreciation	19,375	17,811	1,564	8.8%
<b>Total Operating Expenses</b>	<b>90,909</b>	<b>84,862</b>	<b>6,047</b>	<b>7.1%</b>
<b>Non-operating Expenses:</b>				
Interest on long-term debt	4,518	4,630	(112)	-2.4%
Other	85	86	(1)	-1.2%
<b>Total Non-operating Expenses</b>	<b>4,603</b>	<b>4,716</b>	<b>(113)</b>	<b>-2.4%</b>
<b>Total Expenses</b>	<b>\$ 95,512</b>	<b>\$ 89,578</b>	<b>\$ 5,934</b>	<b>6.6%</b>

Total operating expenses increased by \$6.0 million, while total expenses increased by \$5.9 million.

<sup>1</sup> The District engaged in a meter replacement program from 2015-2017, incurring a larger scale of expenses during that time. The current year costs represent a return to the typical annual expenses.

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

**Year Ended June 30, 2018**

**Expenses (Continued)**

<sup>2</sup> The District's electrical costs increased by \$0.5 million in fiscal year 2017-18 as a result of the electrical company discovering a billing issue from prior fiscal years. The District had been undercharged in previous years, and in fiscal year 2017-18, the expenses were made current.

<sup>3</sup> The District was required to perform less repairs on the transmission system than in the prior fiscal year. The prior fiscal year was above average related to repairs on that system.

**Changes in Net Position**

	Condensed Changes in Net Position (in thousands)			
	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
<b>Beginning Net Position</b>	<b>\$ 415,077</b>	<b>\$ 414,156</b>	<b>\$ 921</b>	<b>0.2%</b>
Restatement due to change in accounting principle <sup>1</sup>	(1,620)	-	(1,620)	-
Income (loss) before capital contributions <sup>2</sup>	(2,179)	(182)	(1,997)	1097.3%
Donated facilities <sup>3</sup>	823	109	714	655.0%
Capacity fees <sup>4</sup>	649	331	318	96.1%
Other contributions <sup>5</sup>	292	663	(371)	-56.0%
Change in Net Position	(2,035)	921	(2,956)	-321.0%
<b>Ending Net Position</b>	<b>\$ 413,042</b>	<b>\$ 415,077</b>	<b>\$ (2,035)</b>	<b>-0.5%</b>

Total Net Position decreased by \$2.0 million.

<sup>1</sup> The District implemented GASB No. 75 in fiscal year 2017-18, which changed the reporting requirements related to the District's OPEB Plan. As a result of this new standard, the District was required to restate its beginning net position for the year by \$1.6 million. Additional information regarding the new OPEB standard and the restatement can be found in Note 16 in the Notes to Financial Statements.

<sup>2</sup> The District is required to abide by GASB Statement No. 68, which requires the District to report its share of the Net Pension Liability. In connection with those requirements, the District was required to report \$2.6 million in additional pension expense for the year, recorded as an operating expense.

<sup>3</sup> This revenue is recorded when a developer is required to install infrastructure to connect to the Districts' system as part of their project, and transfers ownership of those assets to the District. The revenues are dependent on construction activity occurring in the cities within the District's service area and fluctuate on an annual basis. Fiscal year 2017-18 saw a higher volume of those projects.

<sup>4</sup> The District collects capacity fees for new development that occurs within the service area. These revenues also depend on the amount of construction activity occurring in the cities within the District's service area and can fluctuate on an annual basis.

<sup>5</sup> In fiscal year 2016-17, the District received \$0.7 million from a neighboring District to fund projects at a jointly owned facility. In the current year, that project had mostly been completed.

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

**Year Ended June 30, 2018**

**Capital Assets**

	Condensed Capital Asset Summary (in thousands)			
	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
<b>Net Depreciable Assets:</b>				
Water systems	\$ 261,018	\$ 267,967	\$ (6,949)	-2.6%
Capacity rights <sup>1</sup>	106,003	67,863	38,140	56.2%
Buildings	1,846	2,126	(280)	-13.2%
Equipment and automobiles	10,174	11,685	(1,511)	-12.9%
<b>Total Net Depreciable Assets</b>	<b>379,041</b>	<b>349,641</b>	<b>29,400</b>	<b>8.4%</b>
<b>Non-Depreciable Assets:</b>				
Land	1,092	1,092	-	0.0%
Construction in Progress <sup>1</sup>	7,454	44,849	(37,395)	-83.4%
<b>Total Non-Depreciable Assets</b>	<b>8,546</b>	<b>45,941</b>	<b>(37,395)</b>	<b>-81.4%</b>
<b>Capital Assets, Net</b>	<b>\$ 387,587</b>	<b>\$ 395,582</b>	<b>\$ (7,995)</b>	<b>-2.0%</b>

The District's net capital assets decreased by \$8.0 million during the current fiscal year. This decrease is because actual spending on capital assets did not exceed depreciation expense of \$19.4 million. See Note 5 in the Notes to Financial Statements for detail on capital asset activities.

<sup>1</sup> The District invested \$37.6 million into capacity rights at the Baker Water Treatment Plant, which was completed and placed into service during the year. As a result, the \$37.6 million was moved from construction in progress to capacity rights.

**Long-term Liabilities**

	Condensed Long-term Liabilities Summary (in thousands)			
	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Bonds Payable	\$ 16,633	\$ 18,328	\$ (1,695)	-9.2%
Certificates of Participation (COP)	60,000	61,946	(1,946)	-3.1%
Loans <sup>1</sup>	6,661	8,693	(2,032)	-23.4%
<b>Total Long-term Liabilities</b>	<b>\$ 83,294</b>	<b>\$ 88,967</b>	<b>\$ (5,673)</b>	<b>-6.4%</b>

The District's total long-term liabilities as of June 30, 2018, was comprised of \$83.3 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 \$5.7 million reduction noted. See Note 6 in the Notes to Financial Statements for detail on long-term liabilities.

<sup>1</sup> Principal payments on the District's State Revolving Fund loan amounted to \$1.9 million for the fiscal year.

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

**Year Ended June 30, 2018**

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](http://www.mnwd.com). If you have questions about this report or need additional financial information, please contact the Finance Department at Moulton Niguel Water District at (949) 831-2500.

Moulton Niguel Water District

Statement of Net Position  
June 30, 2018

**Assets:**

Current:

Cash and investments (Note 2)	\$ 13,974,173
Accounts receivable:	
Water and sanitation charges	4,114,801
Taxes	280,221
Other accounts receivable	687,336
Interest receivable	825,762
Inventory	1,110,856
Prepaid expenses	562,137
<b>Total Current Assets</b>	<b>21,555,286</b>

Noncurrent:

Investments (Note 2)	108,904,106
Restricted cash and investments with fiscal agent (Note 2)	7,257,989
Retrofit loans receivable (Note 3)	506,303
Capital assets - net of accumulated depreciation (Note 5)	379,040,946
Capital assets not being depreciated (Note 5):	
Land	1,091,910
Construction in progress	7,454,600
<b>Total Noncurrent Assets</b>	<b>504,255,854</b>

**Total Assets** **525,811,140**

**Deferred Outflows of Resources:**

Deferred charges on refundings (Note 6)	527,664
Deferred items related to pension (Note 8)	6,316,056
Deferred items related to OPEB (Note 9)	477,082
<b>Total Deferred Outflows of Resources</b>	<b>7,320,802</b>

**Total Assets and Deferred Outflows of Resources** **\$ 533,131,942**



Moulton Niguel Water District

Statement of Net Position  
June 30, 2018

**Liabilities:**

Current:

Accounts payable	\$ 8,900,955
Interest payable	1,694,353
Unearned revenue	525,902
Compensated absences (Note 6)	749,498
Current portion of long-term debt (Note 6):	
Bonds payable	3,170,000
Loans payable	1,572,589

**Total Current Liabilities**

**16,613,297**

Long-Term Liabilities:

Compensated absences (Note 6)	249,833
Long-term debt (Note 6):	
Bonds payable	13,462,769
Certificates of participation	60,000,000
Loans payable	5,088,317
Net pension liability (Note 8)	20,711,604
Net OPEB liability (Note 9)	1,781,885

**Total Long-Term Liabilities**

**101,294,408**

**Total Liabilities**

**117,907,705**

**Deferred Inflows of Resources:**

Deferred items related to pension (Note 8)	2,163,337
Deferred items related to OPEB (Note 9)	19,083

**Total Deferred Inflows of Resources**

**2,182,420**

**Net Position:**

Net investment in capital assets	304,821,445
Restricted for capital projects (Note 14)	604,783
Unrestricted (Note 15)	107,615,589

**Total Net Position**

**413,041,817**

**Total Liabilities, Deferred Inflows of Resources,  
and Net Position**

**\$ 533,131,942**



**moulton niguel** water district

**Moulton Niguel Water District**  
**Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
**Year Ended June 30, 2018**

<b>Operating Revenues:</b>	
Water charges	\$ 32,317,988
Recycled charges	5,597,493
Sanitation charges	22,623,626
Other	468,673
	<hr/>
<b>Total Operating Revenues</b>	<b>61,007,780</b>
<b>Operating Expenses:</b>	
Source of supply:	
Water purchases	26,866,197
Meter purchases	395,365
Utilities	2,185,007
Pumping water	1,656,773
Wastewater treatment	11,733,752
Water transmission and distribution	1,226,775
Customer service	3,346,966
Water efficiency	3,448,360
General, administrative, and other	20,674,477
Depreciation	19,374,985
	<hr/>
<b>Total Operating Expenses</b>	<b>90,908,657</b>
	<hr/>
<b>Operating Income (Loss)</b>	<b>(29,900,877)</b>
<b>Non-Operating Revenues (Expenses):</b>	
Investment income (loss) (Note 2)	(121,779)
Investment income - restricted (Note 2)	113,058
Property tax revenue	27,926,233
General obligation bond assessments	921,785
Interest on long-term debt	(4,517,784)
Intergovernmental revenue	1,335,648
Cellular lease and license income (Note 4)	1,897,765
Other non-operating revenues	252,021
Other non-operating expenses	(84,765)
	<hr/>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>27,722,182</b>
	<hr/>
<b>Income (Loss) Before Capital Contributions</b>	<b>(2,178,695)</b>
<b>Capital Contributions:</b>	
Developer donated capital facilities	822,585
Capacity fees	649,528
Other contributions	291,790
	<hr/>
<b>Total Capital Contributions</b>	<b>1,763,903</b>
	<hr/>
<b>Change in Net Position</b>	<b>(414,792)</b>
<b>Net Position:</b>	
Beginning of fiscal year	415,077,309
Restatements (Note 16)	(1,620,700)
	<hr/>
Beginning of fiscal year, restated	413,456,609
	<hr/>
<b>End of Fiscal Year</b>	<b>\$ 413,041,817</b>
	<hr/> <hr/>

**Moulton Niguel Water District**

**Statement of Cash Flows  
Year Ended June 30, 2018**

**Cash Flows from Operating Activities:**

Cash received from customers	\$ 62,344,539
Cash paid to suppliers	(49,581,343)
Cash paid to employees	(19,786,136)

**Net Cash Provided By (Used For) Operating Activities** (7,022,940)

**Cash Flows from Non-Capital Financing Activities:**

Cash received from property taxes	<u>27,979,112</u>
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**Net Cash Provided By (Used For) Non-Capital Financing Activities** 27,979,112

**Cash Flows from Capital and Related Financing Activities:**

Acquisition and construction of capital assets	(10,558,269)
Cash received from general obligation bond assessments	921,785
Repayment of notes receivable	33,637
Capital contributions	941,318
Principal payments on long-term debt	(5,673,539)
Interest payments on long-term debt	(4,453,170)
Intergovernmental revenue	<u>2,041,178</u>

**Net Cash Provided By (Used For) Capital and Related Financing Activities** (16,747,060)

**Cash Flows from Investing Activities:**

Investment earnings received	2,038,742
Proceeds from sales and maturities of investments	74,050,488
Purchases of investments	<u>(86,019,950)</u>

**Net Cash Provided By (Used For) Investing Activities** (9,930,720)

**Net Increase (Decrease) in Cash and Cash Equivalents** (5,721,608)

Cash and Cash Equivalents, Beginning of Year 26,953,770

**Cash and Cash Equivalents, End of Year** \$ 21,232,162

**Reconciliation of Cash and Cash Equivalents**

Cash and investments	\$ 13,974,173
Restricted cash and investments with fiscal agent	<u>7,257,989</u>

**Total Cash and Cash Equivalents** \$ 21,232,162

**Moulton Niguel Water District**

**Statement of Cash Flows  
Year Ended June 30, 2018**

**Reconciliation of Operating Income (Loss) to Net Cash Provided By  
(Used For) Operating Activities:**

Operating income (loss)	<u>\$ (29,900,877)</u>
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**Adjustments to Reconcile Operating Income (Loss) to  
Net Cash Provided By (Used For) Operating Activities:**

Depreciation	19,374,985
Other non-operating revenue	2,149,786
Other non-operating expense	(84,765)
Changes in net pension liability, deferred inflows/outflows of resources and pension expense	1,140,125
Changes in net OPEB liability, deferred inflows/outflows of resources and OPEB expense	(296,814)
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, water and sanitation	(372,291)
(Increase) decrease in accounts receivable, other	(355,971)
(Increase) decrease in inventory	(135,580)
(Increase) decrease in prepaid expenses	16,528
(Increase) decrease in other current assets	48,168
Increase (decrease) in accounts payable	1,396,904
Increase (decrease) in compensated absences	<u>(3,138)</u>

<b>Net Cash Provided By (Used For) Operating Activities</b>	<b><u><u>\$ (7,022,940)</u></u></b>
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**Non-cash Investing, Capital, and Financing Activities:**

Unrealized gain (loss) on investments	\$ (2,239,092)
Developer donated capital facilities	822,585
Amortization of deferred charges on refundings	130,921
Impairment of capital assets	(755,870)
Bad debt expense	(71,117)
Amortization of (premiums) discounts	(441,429)



**moulton niguel** water district



## Moulton Niguel Water District

### Notes to Financial Statements June 30, 2018

#### 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, Dana Point and San Juan Capistrano. 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, 2018

#### 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 within 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, 2018

#### 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, 2018**

**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, 2018

#### 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 of resources and deferred 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. Net OPEB Liabilities

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s plan (OPEB Plan) and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis. 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.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

## Moulton Niguel Water District

### Notes to Financial Statements (Continued)

June 30, 2018

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

Valuation Date	January 1, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

#### m. 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. The District has three items that qualify for reporting in this category on the Statement of Net Position. The first item is a deferred charge on refunding which results from the difference in the net carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the pension plan deferred outflows, which are changes in assumptions, the net difference between projected and actual earnings on pension plan investments, changes in the employer's proportion, and the employer contributions for the current fiscal year. The third item is the OPEB plan deferred outflows, which are the employer contributions for the current fiscal year.

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. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The District has three items that qualify for reporting in this category on the Statement of Net Position. The first item is the pension plan deferred inflows resulting from the difference between employer's contributions and proportionate share of contributions, and changes in the employer's proportion. The second item is the OPEB plan deferred inflows resulting from the difference between projected and actual earnings on the assets invested in the OPEB plan. The third item is the pension plan deferred inflows resulting from the difference between expected and actual experience.

#### n. 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.



**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**  
**June 30, 2018**

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

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.

**o. 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.

**p. New Accounting Pronouncements Implemented**

The following accounting pronouncements were implemented effective July 1, 2017:

In June 2015, GASB issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*". This Statement intends to improve accounting and financial reporting by governments for postemployment benefits other than pensions. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

In March 2017, GASB issued Statement No. 85 "*Omnibus 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, 2018:

Statement of Net Position:	
Cash and Investments-Current	\$ 13,974,173
Investments-Noncurrent	108,904,106
Cash and Investments with Fiscal Agent	<u>7,257,989</u>
Total Cash and Investments	<u>\$ 130,136,268</u>

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

**Note 2: Cash and Investments (Continued)**

Cash and Investments held by the District at June 30, 2018, consisted of the following:

Cash:	
Petty Cash on Hand	\$ 1,000
Deposits with Financial Institutions	669,927
	<hr/>
Total Cash	670,927
	<hr/>
Investments:	
State Treasurer's Investment Pool	13,278,328
US Treasury Notes	26,528,086
Federal Agency Securities	36,404,574
Medium Term Notes	33,753,480
Asset Backed Securities	4,720,120
Commerical Paper	6,113,240
Negotiable Certificates of Deposit	7,378,511
Money Market Funds	1,289,002
	<hr/>
Total Investments	129,465,341
	<hr/>
Total Cash and Investments	\$ 130,136,268
	<hr/>

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:

	*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	\$65M	None
Local Government Investment Pools	N/A	None	None
Supranationals	5 years	30%	10%

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

**Note 2: Cash and Investments (Continued)**

\*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.

\*\*\*Government code allows a combined total of 20% between mutual funds and money market mutual funds.

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
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

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:

## Moulton Niguel Water District

### Notes to Financial Statements (Continued) June 30, 2018

#### Note 2: Cash and Investments (Continued)

Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months	More Than 60 Months
State Investment Pool	\$ 13,278,328	\$ 13,278,328	\$ -	\$ -	\$ -
US Treasury Notes	21,672,643	2,218,266	1,461,352	12,655,843	5,337,182
Federal Agency Securities	34,069,022	-	15,757,616	11,966,508	6,344,898
Medium Term Notes	33,753,480	11,890,997	8,022,799	13,839,684	-
Asset Backed Securities	4,720,120	644,357	3,033,604	1,042,159	-
Commercial Paper	6,113,240	6,113,240	-	-	-
Negotiable Certificates of Deposit	7,378,511	7,378,511	-	-	-
Money Market Funds	1,222,008	1,222,008	-	-	-
Held by Fiscal Agent:					
US Treasury Notes	4,855,443	-	2,711,643	2,143,800	-
Federal Agency Securities	2,335,552	-	1,463,987	871,565	-
Money Market Funds	66,994	66,994	-	-	-
Total	<u>\$ 129,465,341</u>	<u>\$ 42,812,701</u>	<u>\$ 32,451,001</u>	<u>\$ 42,519,559</u>	<u>\$ 11,682,080</u>

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following table shows the minimum rating required by (where applicable) the California Government Code, the District's investment policy or debt agreements, and the actual rating from Standard and Poor's as of year-end for each investment type:

Investment Type	Total	Minimum Legal Rating*	Rating as of Year-End			
			AAA	AA	A	Not Rated
State Investment Pool	\$ 13,278,328	N/A	\$ -	\$ -	\$ -	\$ 13,278,328
US Treasury Notes	21,672,643	N/A	21,672,643	-	-	-
Federal Agency Securities	34,069,022	N/A	34,069,022	-	-	-
Medium Term Notes	33,753,480	A	9,009,284	3,959,221	20,784,975	-
Asset Backed Securities	4,720,120	AA	4,720,120	-	-	-
Commercial Paper	6,113,240	A	-	-	6,113,240	-
Negotiable Certificates of Deposit	7,378,511	A	-	-	7,378,511	-
Money Market Funds	1,222,008	Highest rated	1,222,008	-	-	-
Held by Fiscal Agent:						
US Treasury Notes	4,855,443	N/A	4,855,443	-	-	-
Federal Agency Securities	2,335,552	N/A	2,335,552	-	-	-
Money Market Funds	66,994	Highest rated	66,994	-	-	-
Total	<u>\$ 129,465,341</u>		<u>\$ 77,951,066</u>	<u>\$ 3,959,221</u>	<u>\$ 34,276,726</u>	<u>\$ 13,278,328</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:

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

**Note 2: Cash and Investments (Continued)**

Investment Type	Year-end Balance
Federal Home Loan Bank	\$ 14,202,429
Federal National Mortgage Assoc.	12,588,984

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.

The District had the following recurring fair value measurements as of June 30, 2018:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized
State Investment Pool	\$ 13,278,328	\$ -	\$ -	\$ 13,278,328
US Treasury Notes	21,672,643	-	21,672,643	-
Federal Agency Securities	34,069,022	-	34,069,022	-
Medium Term Notes	33,753,480	-	33,753,480	-
Asset Backed Securities	4,720,120	-	4,720,120	-
Commerical Paper	6,113,240	-	6,113,240	-
Negotiable Certificates of Depc	7,378,511	-	7,378,511	-
Money Market Funds	1,222,008	1,222,008	-	-
Held by Fiscal Agent:				
US Treasury Notes	4,855,443	-	4,855,443	-
Federal Agency Securities	2,335,552	-	2,335,552	-
Money Market Funds	66,994	-	66,994	-
Total	\$ 129,465,341	\$ 1,222,008	\$ 114,965,005	\$ 13,278,328

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.

## Moulton Niguel Water District

### Notes to Financial Statements (Continued) June 30, 2018

#### Note 2: Cash and Investments (Continued)

Deposits and withdrawals in the State Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the District's investments in LAIF at June 30, 2018, of \$13,278,328 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).

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, 2018:



**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

**Note 2: Cash and Investments (Continued)**

Interest income	\$ 2,446,997
Realized gain (loss)	(216,626)
Unrealized gain (loss)	<u>(2,239,092)</u>
Total gain (loss)	<u>\$ (8,721)</u>

**Note 3: Other Receivables**

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 49 loans outstanding totaling \$506,303, 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 \$39,206,734, with a carrying value at June 30, 2018, of \$20,071,313, and the difference of \$19,135,421 being accumulated depreciation. The total cellular lease and license revenue for the fiscal year was \$1,897,765. Future minimum lease payments are as follows:

Fiscal Year Ended June 30	Amount
2019	\$ 1,732,671
2020	1,800,265
2021	1,870,512
2022	1,943,515
2023	2,019,384
Thereafter	<u>11,251,435</u>
Total	<u>\$ 20,617,782</u>

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**  
**June 30, 2018**

**Note 5: Capital Assets**

Capital asset activity for the year ended June 30, 2018, is as follows:

Capital Assets	Balance at June 30, 2017	Transfers	Additions	Deletions	Balance at June 30, 2018
Depreciable assets					
Water systems	\$ 570,729,617	\$ 7,216,237	\$ 805,490	\$ (1,021,700) *	\$ 577,729,644
Capacity rights	84,371,828	41,038,770	-	-	125,410,598
Building	5,755,374	-	-	-	5,755,374
Automobiles and equipment	23,395,990	219,984	250,236	(29,817)	23,836,393
Total cost of depreciable assets	684,252,809	48,474,991	1,055,726	(1,051,517)	732,732,009
Less accumulated depreciation					
Water systems	(302,762,964)	-	(14,214,249)	265,829	(316,711,384)
Capacity rights	(16,509,310)	-	(2,898,421)	-	(19,407,731)
Buildings	(3,628,692)	-	(280,939)	-	(3,909,631)
Automobiles and equipment	(11,710,758)	-	(1,981,376)	29,817	(13,662,317)
Total accumulated depreciation	(334,611,724)	-	(19,374,985)	295,646	(353,691,063)
Net depreciable assets	349,641,085	48,474,991	(18,319,259)	(755,871)	379,040,946
Capital assets not depreciated					
Land	1,091,910	-	-	-	1,091,910
Construction in progress	44,848,592	(48,474,991)	11,251,858	(170,859)	7,454,600
Capital assets net	\$ 395,581,587	\$ -	\$ (7,067,401)	\$ (926,730)	\$ 387,587,456

Depreciation expense for the year ended June 30, 2018, was \$19,374,985.

\* The District tendered a payment under protest of \$755,870 for capacity rights associated with the Coastal Treatment Plant to the South Orange County Wastewater Authority ("SOCWA") on May 12, 2017, which was rejected by SOCWA. In Fiscal Year 2017-18, the District concluded the economic benefit of the asset would not be realized, and accordingly recognized the impairment loss.

The District incurred a total of \$4,992,591 in interest related to outstanding debt issuances disclosed in Note 6, and \$164,298 of that amount was capitalized and included as part of the historical cost of acquiring certain assets. The remaining interest of \$4,828,293 was charged to non-operating expenses. Additionally, the District offset interest expense by (\$310,509) for the amortization of premiums on outstanding debt issuances.

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**  
**June 30, 2018**

**Note 6: Long-Term Liabilities**

Long-Term liabilities for the year ended June 30, 2018, are as follows:

	Balance at June 30, 2017	Addition	Deletion	Ending June 30, 2018	Due Within One Year
<b>Bonds payable:</b>					
2014 GOB	\$ 4,105,000	\$ -	\$ (1,275,000)	\$ 2,830,000	\$ 1,365,000
Add: Premium	295,575	-	(154,213)	141,362	-
2015 Refunding	12,265,000	-	-	12,265,000	1,805,000
Add: Premium	1,662,389	-	(265,982)	1,396,407	-
Total Bonds	<u>18,327,964</u>	<u>-</u>	<u>(1,695,195)</u>	<u>16,632,769</u>	<u>3,170,000</u>
<b>Certificates of Participation:</b>					
2009 COPs	60,000,000	-	-	60,000,000	-
2010 COPs	1,925,000	-	(1,925,000)	-	-
Add: Premium	21,234	-	(21,234)	-	-
Total COPs	<u>61,946,234</u>	<u>-</u>	<u>(1,946,234)</u>	<u>60,000,000</u>	<u>-</u>
<b>Loans Payable:</b>					
CIEDB	893,695	-	(168,648)	725,047	173,548
State Revolving Fund	7,799,321	-	(1,863,462)	5,935,859	1,399,041
Total Loans	<u>8,693,016</u>	<u>-</u>	<u>(2,032,110)</u>	<u>6,660,906</u>	<u>1,572,589</u>
<b>Compensated Absences:</b>					
Vacation pay	618,674	758,954	(765,439)	612,189	459,142
Sick Pay	383,795	516,282	(512,935)	387,142	290,356
Total Compensated Absences	<u>1,002,469</u>	<u>1,275,236</u>	<u>(1,278,374)</u>	<u>999,331</u>	<u>749,498</u>
<b>Total:</b>	<u>\$ 89,969,683</u>	<u>\$ 1,275,236</u>	<u>\$ (6,951,913)</u>	<u>\$ 84,293,006</u>	<u>\$ 5,492,087</u>

***Bonds Payable***

**2014 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, 2018, is \$14,398, and will be amortized over the life of the bonds.

## Moulton Niguel Water District

### Notes to Financial Statements (Continued)

June 30, 2018

#### 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, 2018, is \$513,266, and will be amortized over the life of the bonds.

As of June 30, 2018, the Reserve Requirement for the 2015 Revenue Refunding Bond was \$1,226,500 and the District had \$1,243,327 in the reserve account.

##### ***Certificates of Participation***

##### 2009 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, 2018

#### 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 6.6% reduction as of October 1, 2017, through September 30, 2018, resulting in a refundable credit equal to 32.69%.

As of June 30, 2018, the Reserve Requirement for the 2009 COPs was \$6,000,000 and the District had \$6,014,569 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. As of June 30, 2018, the 2010 Refunding COPs were fully matured.

#### ***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, 2018**

**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. As of June 30, 2018, one of the three loans had fully matured. This loan had an original principal balance of \$8,271,474.

***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, 2018, the District's compensated absences liability was \$999,331.

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

**Note 6: Long-Term Liabilities (Continued)**

***Remaining Payments on Long-Term Liabilities***

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2018, are as follows:

Bonds Payable		
June 30	Principal	Interest
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	2,190,000	169,750
2024-2028	<u>2,300,000</u>	<u>57,500</u>
Total	<u>\$ 15,095,000</u>	<u>\$ 2,036,375</u>
Certificates of Participation		
June 30	Principal	Interest
2019	-	4,098,976
2020	-	4,098,976
2021	-	4,098,976
2022	-	4,098,976
2023	-	4,098,976
2024-2028	11,260,000	19,141,810
2029-2033	17,155,000	14,093,020
2034-2038	21,515,000	7,394,299
2039-2043	<u>10,070,000</u>	<u>709,895</u>
Total	<u>\$ 60,000,000</u>	<u>\$ 61,833,904</u>
Loans Payable		
June 30	Principal	Interest
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*	<u>1,164,086</u>	<u>20,508</u>
Total	<u>\$ 6,660,906</u>	<u>\$ 359,786</u>

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



**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**  
**June 30, 2018**

**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, 2018:

**Debt Service Coverage**

Operating Revenues:	
Water sales and service charges	\$ 37,915,481
Wastewater service charges	22,623,626
Meter sales & other	468,673
<b>Total Operating Revenues</b>	<b><u>61,007,780</u> (A)</b>
Operations & Maintenance Expenses:	
Source of supply	29,446,569
Pumping water	1,656,773
Wastewater treatment	11,733,752
Water transmission & distribution	1,226,775
Customer service	3,346,966
Water efficiency	3,448,360
General, administrative & other	20,674,477
<b>Total Operations &amp; Maintenance Expenses</b>	<b><u>71,533,672</u> (B)</b>
<b>Net Operating Income (Loss)</b>	<b>(10,525,892) (A-B)</b>
Non-Operating Revenues (Expenses):	
Capacity fees	649,528
Cellular lease income	1,897,765
Investment income (loss)	(8,721)
Intergovernmental revenue	1,335,648
Other contributions	1,114,375
Other income	252,021
Other expense	(84,765)
<b>Total Non-Operating Revenues</b>	<b><u>5,155,851</u> (C)</b>
<b>Net Revenues</b>	<b>(5,370,041) (A-B+C)</b>
<b>Property Tax Revenues</b>	<b><u>27,926,233</u></b>
<b>Sum of Net &amp; Tax Revenues</b>	<b><u>\$ 22,556,192</u> (D)</b>
Debt Service On Parity Obligations	
2009 COP	\$ 4,098,976
2010 Refunding COP	1,963,500
Governmental loans	2,195,782
2015 Refunding Revenue Bonds	613,250
<b>Total Existing Parity Obligations</b>	<b><u>\$ 8,871,508</u> (E)</b>
<b>Calculated Debt Service Coverage Percentage</b>	<b>254% (D/E)</b>

## Moulton Niguel Water District

### Notes to Financial Statements (Continued)

June 30, 2018

#### 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](http://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, 2018**

**Note 8: Pension Plans (Continued)**

	<b>Miscellaneous cost-sharing plans</b>		
	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	10.812%	9.887%	7.045%
Unfunded actuarial liability payment	\$ 788,672	\$ 3,066	\$ 1,826

***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, 2018, contributions to the plan were \$1,820,425, matching the Actuarially Determined Contribution.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the collective net pension liability as \$20,711,604.

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

**Note 8: Pension Plans (Continued)**

The District's net pension liability at June 30, 2018, for the 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, 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, 2016 and 2017, was as follows:

	<b>Pension Plans</b>
Proportion - June 30, 2016	0.20318%
Proportion - June 30, 2017	0.20884%
Change - Increase (Decrease)	0.00566%

***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, 2018, the District recognized pension expense of \$2,603,741. At June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ (384,063)
Change in assumptions	3,303,078	-
Differences between Projected and Actual Investment	808,683	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	(1,302,463)
Change in Employer's Proportion	383,870	(476,811)
Contribution subsequent to measurement date	1,820,425	-
<b>Total</b>	<b>\$ 6,316,056</b>	<b>\$ (2,163,337)</b>

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

**Note 8: Pension Plans (Continued)**

\$1,820,425 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, 2019.

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

<b>June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>	
2019	\$	(81,900)
2020		1,837,623
2021		1,056,701
2022		(480,130)
<b>Total</b>	<b>\$</b>	<b>2,332,294</b>

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, 2017, measurement period, the EARSL was 3.8 years.

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017, 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	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	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

<sup>1</sup> 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 2014 experience study report on the CalPERS website.

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**  
**June 30, 2018**

**Note 8: Pension Plans (Continued)**

Other significant actuarial assumptions used in the June 30, 2016, valuations were based on the results of an actuarial experience study for the period from 1997 to 2011.

***Change of Assumptions***

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented represent the unamortized portion of this assumption change.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. 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 adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a 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 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 can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 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+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 to equal the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017.

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

**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.

<b>Asset Class</b>	<b>Current Target Allocation</b>	<b>Real Return Years 1 - 10 <sup>1</sup></b>	<b>Real Return Years 11+ <sup>2</sup></b>
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%

<sup>1</sup> An expected inflation of 2.50% was used for this period.

<sup>2</sup> 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:

	<b>Discount Rate - 1%</b>	<b>Current Discount</b>	<b>Discount Rate +1%</b>
<b>District's proportionate share of the Net Pension Liability:</b>	<b>6.15%</b>	<b>7.15%</b>	<b>8.15%</b>
	\$ 32,498,235	\$ 20,711,604	\$ 10,949,703

***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, 2018

#### 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 \$207,000 and recognized as pension expense for the year ended June 30, 2018. 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)

##### *Plan Description*

Under the authority of the District's Board of Directors, the District has established a Retiree Healthcare Plan (HC Plan), and participates in an agent multiple-employer defined benefit retiree healthcare plan. These benefits may be amended at the discretion of the Board of Directors. 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, are not eligible for retiree health benefits. Board members elected after January 1, 1995, are not eligible for retiree health coverage, regardless of age and years of service at retirement.

After age 65, the District provides \$235 per month, cash allotment, towards a Medicare supplement policy to the retiree or former Board Member. Dependent coverage ceases when the retiree or former Board member reaches age 65.



**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

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

***Employees Covered***

As of the June 30, 2017, actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active plan members	130
Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to, but not yet receiving benefits	<u>-</u>
Total	<u><u>170</u></u>

***Contributions***

The HC Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the District's cash contributions, which include payments made to the trust and retiree benefits paid by the District outside the trust, were \$322,544 in payments to the trust and the estimated implied subsidy was \$154,538 resulting in total payments of \$477,082.

***Net OPEB Liability***

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2017, that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

**Actuarial Assumptions:**

Discount Rate	6.50%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	6.50% per year; assumes the District invests in the CERBT asset allocation Strategy 2 with a margin for adverse deviation of 23 bps
Mortality Rate <sup>1</sup>	Derived using CalPERS' membership data for all funds
Pre-Retirement Turnover <sup>2</sup> Increase	Derived using CalPERS' membership data for all funds
Healthcare Trend Rate	6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO

**Notes:**

<sup>1</sup> Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

## Moulton Niguel Water District

### Notes to Financial Statements (Continued)

June 30, 2018

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

<sup>2</sup> The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	40.0%	5.50%
REITs	8.0%	3.65%
US Fixed Income	39.0%	2.35%
Commodities	3.0%	1.75%
Inflation Assets	10.0%	1.50%
<b>Total</b>	<b>100.0%</b>	

Long-term expected rate of return is 6.50%.

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**  
**June 30, 2018**

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

***Changes in the OPEB Liability***

The changes in the net OPEB liability for the HC Plan are as follows:

	Increase (Decrease)		Net OPEB Liability/(Asset ) (c) = (a) - (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
<b>Balance at June 30, 2017</b> <i>(Valuation Date June 30, 2016)</i>	<b>\$ 5,183,047</b>	<b>\$ 3,051,218</b>	<b>\$ 2,131,829</b>
<b>Changes recognized for the measurement period:</b>			
Service cost	104,316	-	104,316
Interest	329,346	-	329,346
Contributions - employer	-	559,297	(559,297)
Net investment income	-	225,973	(225,973)
Benefit payments	(441,013)	(441,013)	-
Administrative expense	-	(1,664)	1,664
<b>Net Changes</b>	<b>(7,351)</b>	<b>342,593</b>	<b>(349,944)</b>
<b>Balance at June 30, 2018</b> <i>(Measurement Date June 30, 2017)</i>	<b>\$ 5,175,696</b>	<b>\$ 3,393,811</b>	<b>\$ 1,781,885</b>

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Discount Rate - 1% 5.50%	Current Discount Rate 6.50%	Discount Rate +1% 7.50%
<b>Net OPEB Liability</b>	\$ 2,204,553	\$ 1,781,885	\$ 1,409,048

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5.00%HMO/5.50%PPO decreasing to 4.00%HMO/4.00%PPO)	Current Healthcare Cost Trend Rates (6.00%HMO/6.50%PPO decreasing to 5.00%HMO/5.00%PPO)	1% Increase (7.00%HMO/7.50%PPO decreasing to 6.00%HMO/6.00%PPO)
<b>Net OPEB Liability</b>	\$ 1,562,051	\$ 1,781,885	\$ 2,031,522

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**

**June 30, 2018**

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

***OPEB Plan Fiduciary Net Position***

CERBT issues a publicly available financial report that may be obtained from the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

***Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts (if applicable)	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2017)

***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$228,436. As of fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ (19,083)
Contributions subsequent to measurement date	477,082	-
<b>Total</b>	<b>\$ 477,082</b>	<b>\$ (19,083)</b>

The \$477,082 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2019	\$ (4,771)
2020	(4,771)
2021	(4,771)
2022	(4,770)
<b>Total</b>	<b>\$ (19,083)</b>

**Moulton Niguel Water District**

**Notes to Financial Statements (Continued)**  
**June 30, 2018**

**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, 2018, for the Corporation is required:

**Corporation Condensed Statement of Net Position at June 30, 2018:**

Assets:	
Current (due from the District)	\$ 1,366,325
Noncurrent (due from the District)	60,000,000
Total Assets:	<u>61,366,325</u>
Liabilities:	
Current	1,366,325
Long-term	60,000,000
Total Liabilities	<u>61,366,325</u>
Net Position:	
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 61,366,325</u>

**Corporation Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2018:**

Nonoperating revenues	<u>\$ 4,108,024</u>
Nonoperating expenses	<u>4,108,024</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, 2018:**

Net Cash Provided by (Used for):	
Operating activities	\$ -
Capital and related financing activities	(6,007,357)
Investing activities	<u>6,007,357</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, 2018

#### 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, employment practices liability coverage and public official's error & omissions. The District also has a \$3 million cyber liability commercial insurance policy through ACWA JPIA which, is not a risk-sharing program. The property damage insurance program provided for up to \$500 million in limits, per occurrence, 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. Workers Compensation coverage provides statutory limits for bodily injury by each accident and bodily injury per occurrence, and Employee's Liability is \$2 million per occurrence. 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](http://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, 2018**

**Note 12: Commitments and Contingencies**

The District considers the following to be material commitments, or existing arrangements to enter into future transactions or events, at June 30, 2018:

<u>Project Name</u>	<u>Total Project Budget</u>	<u>Cumulative Expenses as of June 30, 2018</u>	<u>Outstanding Commitments</u>
Reservoir Management System Replacement	\$ 4,071,695	\$ 671,226	\$ 3,110,249
Vault Removals	1,150,300	56,256	987,399
Valencia LS Refurbishment	1,024,022	122,615	782,309
Mission Hospital 750-Zone Service	1,028,499	205,596	764,257
Rehabilitate El Dorado Reservoir	917,070	160,160	677,188
Regional LS Force Main Replacement	10,000,000	223,517	670,473
Rehabilitate Aliso Hills Reservoir	826,055	121,687	629,556

**Note 13: Joint Powers Authorities and Joint Ventures**

South 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 capacity rights capital assets on the District’s financial statements. The District remitted \$11,620,526 to SOCWA for the year ended June 30, 2018, consisting of \$2,690,990 for capital projects and \$8,929,536 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, 2018

#### 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 \$908,301 to JRWSS for the year ended June 30, 2018, consisting of \$446,089 for capital projects and \$462,212 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 amount due for the fiscal year was \$61,150 for the District, however, a credit from prior years' expenses of \$61,150 was applied, and as a result \$0 was remitted to SJBA for the year ended June 30, 2018.

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, 2018

#### 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 \$14,820 to SAC for the year ended June 30, 2018, 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, 2018, the District held \$604,783 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, 2018, is as follows:

Unrestricted net position:	
Designated for rate stabilization	\$ 14,500,545
Designated for replacement and refurbishment	17,556,979
Designated for self-insurance reserves	244,335
Designated for planning and construction	15,383,588
Designated for water efficiency	7,191,459
Designated for water supply reliability	344,751
Designated for emergency reserves	35,510,000
Designated for operating reserves	16,883,932
Total unrestricted net position	<u>\$ 107,615,589</u>

## Moulton Niguel Water District

### Notes to Financial Statements (Continued) June 30, 2018

#### 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, 2018**

**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.

**Note 16: Net Position Restatement**

The District restated beginning net position as of July 1, 2017, due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Beginning net position has been restated by \$1,620,700. \$1,572,532 of that restatement is related to the recording of the accrued net OPEB liability. Additionally, beginning net position has been restated by \$48,168 due to the elimination of the net OPEB asset that had been created in prior years as a result of the District contributions exceeding the annual required contributions. Recognition of the net OPEB asset was no longer in accordance with the current GASB standards after the implementation of GASB 75.

	Beginning balances per financial statements dated 6/30/17	Total restatement	Restated beginning balances
OPEB Asset (Other Current Assets)	\$ 48,168	\$ (48,168)	\$ -
Net Position	(415,077,309)	1,620,700	(413,456,609)
Deferred Outflows of Resources	-	559,297	559,297
Net OPEB Liability	-	(2,131,829)	(2,131,829)



**moulton niguel** water district

**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**

Last Ten Fiscal Years <sup>1</sup>

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the Net Pension Liability	0.19721%	0.18844%	0.20318%	0.20884%
Proportionate Share of the Net Pension Liability	<u>\$ 12,251,838</u>	<u>\$ 12,934,337</u>	<u>\$ 17,581,392</u>	<u>\$ 20,711,604</u>
Covered Payroll	<u>\$ 7,060,907</u>	<u>\$ 7,735,097</u>	<u>\$ 8,936,374</u>	<u>\$ 9,739,736</u>
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	174%	167%	197%	213%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability <sup>2</sup>	79.82%	78.40%	74.06%	73.31%

**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,

a 2015, measurement date.

b In Fiscal Year 2016-17, the financial reporting discount for the PERF C was lowered from 7.65% to 7.15%.

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

<sup>2</sup> Plan represents the total CalPERS risk pool.

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

Last Ten Fiscal Years <sup>1</sup>

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
All Plans				
Actuarially Determined Contribution	\$ 997,427	\$ 1,351,327	\$ 1,539,047	\$ 1,820,425
Contribution in Relation to the Actuarially Determined Contribution	<u>(997,427)</u>	<u>(1,351,327)</u>	<u>(1,539,047)</u>	<u>(1,820,425)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 7,735,097	\$ 8,936,374	\$ 9,739,736	\$ 11,147,956
Contributions as a Percentage of Covered Payroll	12.89%	15.12%	15.80%	16.33%

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

**Moulton Niguel Water District**  
**OPEB Plan**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**As of June 30**

Last Ten Measurement Periods <sup>1</sup>

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 104,316
Interest on the total OPEB liability	329,346
Benefit payments	(441,013)
	<b>(7,351)</b>
<b>Total OPEB liability - beginning</b>	<b>5,183,047</b>
<b>Total OPEB liability - ending (a)</b>	<b>5,175,696</b>
<b>Plan Fiduciary Net Position</b>	
Contribution - employer	559,297
Net investment income	225,973
Benefit payments	(441,013)
Administrative expense	(1,664)
	<b>342,593</b>
<b>Plan fiduciary net position - beginning</b>	<b>3,051,218</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>3,393,811</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 1,781,885</b>
Plan fiduciary net position as a percentage of the total OPEB liability	65.6%
Covered employee payroll	\$ 10,391,010
Net OPEB liability as a percentage of covered-employee payroll	17.1%
<b>Notes to schedule:</b>	
Measurement date	June 30, 2017
Changes in assumptions	
None	

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Moulton Niguel Water District  
OPEB Plan  
Schedule of Contributions  
Fiscal Year Ended June 30**

Last Ten Fiscal Years <sup>1</sup>

	<b>2018</b>
Actuarially Determined Contribution (ADC)	\$ 392,230
Contributions in relation to ADC	477,082
Contribution deficiency (excess)	\$ (84,852)
Covered employee payroll	\$ 10,826,985
Contributions as a percentage of covered-employee payroll	4.4%

**Notes to schedule:**

\* Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 were from the January 1, 2017 actuarial valuation.

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.75% per annum
Payroll Growth	3.00% per annum, in aggregate
Investment Rate of Return	6.50% per year; assumes the District invests in the CERBT asset allocation Strategy 2 with a margin for adverse deviation of 23 bps
Healthcare cost-trend rates	6.00% HMO/6.50% PPO decreasing to 5.00% HMO/5.00% PPO
	According to the retirement rates under the most recent CalPERS pension plan experience study. According to the following retirement tables:
	Miscellaneous Tier 1: 2.00% @ 55
Retirement Age	Miscellaneous Tier 2: 2.00% @ 62
	Pre-retirement mortality probability based on the most recent CalPERS pension plan experience study. Post-retirement mortality probability based on the most recent CalPERS pension plan experience study covering participants in CalPERS
Mortality	

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.



Moulton Niguel Water District

Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds  
Year Ended June 30, 2018

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.

	2017-18 Final Budget*	2017-18 Actual*	Variance with Budget Over (Under)	% Variance with Budget Over (Under)
<b>Revenues</b>				
Potable Water Sales	\$ 29,909,274	\$ 29,084,629	\$ (824,645)	-2.76%
Wastewater Sales	21,413,568	22,623,626	1,210,058	5.65%
Recycled Water Sales	5,462,967	5,597,493	134,526	2.46%
WBBRS Efficiency Funds	3,335,112	3,233,359	(101,753)	-3.05%
Ad Valorem Property Tax	27,581,361	27,926,233	344,872	1.25%
General Obligation Bond Assessment	871,538	921,785	50,247	5.77%
Investment Income <sup>1</sup>	2,354,216	(8,721)	(2,362,937)	-100.37%
Other Income <sup>2</sup>	1,708,659	2,470,948	762,289	44.61%
Cellular Lease Income	1,723,533	1,897,765	174,232	10.11%
Intergovernmental Revenue	1,331,147	1,335,648	4,501	0.34%
<b>Total Revenues</b>	<b>\$ 95,691,375</b>	<b>\$ 95,082,765</b>	<b>\$ (608,610)</b>	
<b>Expenses, Debt Obligations, and Capital Improvement Projects</b>				
Operations and Maintenance	73,180,202	71,604,788	(1,575,414)	-2.15%
Capital Outlay <sup>3</sup>	495,765	250,236	(245,529)	-49.53%
General Obligation Bonds Debt Service	1,419,500	1,422,456	2,956	0.21%
Other Debt Service	8,874,189	8,768,867	(105,322)	-1.19%
Depreciation <sup>4</sup>	-	19,374,985	19,374,985	-
Replacement and Refurbishment Projects <sup>3</sup>	13,789,167	5,432,651	(8,356,516)	-60.60%
Wastewater Treatment & JRWSS Capital Projects <sup>3</sup>	11,350,941	3,177,602	(8,173,339)	-72.01%
Water Supply Reliability Projects <sup>3</sup>	400,000	2,001,591	1,601,591	400.40%
Planning and Construction Projects <sup>3</sup>	18,957,000	219,030	(18,737,970)	-98.84%
<b>Total Expenses, Debt Obligations, and Capital Improvement Projects</b>	<b>\$ 128,466,764</b>	<b>\$ 112,252,206</b>	<b>\$ (16,214,557)</b>	
<b>Net Income (Deficit)*</b>	<b>\$ (32,775,389)</b>	<b>\$ (17,169,441)</b>	<b>\$ 15,605,947</b>	

\*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.

<sup>1</sup> Investment income was impacted by an unrealized loss of (\$2.2) million due to the GASB standard of recording investments at fair value.

<sup>2</sup> The District received approximately \$1.1 million in capital contributions for the year, which are not included in the budget to be conservative.

<sup>3</sup> The adopted budget included 74 construction projects and 11 additional capital outlay purchases for the fiscal year. At the end of fiscal year 2017-18, 34 construction projects were closed and 10 capital outlay purchases were completed. The remaining projects and purchases will be carried forward to fiscal year 2018-19.

<sup>4</sup> Depreciation is not included as part of the budget as the transaction does not involve cash.

Moulton Niguel Water District

Operations & Maintenance (O&M) Budget Comparison Report  
Year Ended June 30, 2018

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.

	Adopted Budget	Final Budget	Actual Expense	Remaining Budget
<b>General Fund</b>				
Salaries	\$ 12,205,909	\$ 12,205,909	\$ 11,316,886	\$ 889,023
Retirement Program <sup>1</sup>	2,018,521	2,018,521	2,585,525	(567,005)
Educational Courses	69,753	69,753	39,865	29,888
Travel and Meetings	304,451	304,451	246,608	57,843
Recruitment and Employee Relations	81,250	81,250	19,223	62,027
General Services	517,820	517,820	429,468	88,352
Annual Audit	50,000	50,000	38,085	11,915
Member Agencies O&M	458,341	458,341	376,164	82,177
Dues and Memberships	124,675	124,675	138,581	(13,906)
Consulting Services	945,400	945,400	1,026,947	(81,547)
Equipment Rental	62,000	62,000	56,032	5,968
District Fuel	235,000	235,000	257,771	(22,771)
Insurance - District	402,420	402,420	431,446	(29,026)
Insurance - Personnel	370,102	370,102	323,784	46,318
Insurance - Benefits <sup>2</sup>	2,836,557	2,836,557	3,045,766	(209,209)
Legal Services	1,500,000	1,500,000	1,459,598	40,402
District Office Supplies	446,951	446,951	507,559	(60,608)
District Operating Supplies	444,788	444,788	386,652	58,136
Repairs and Maintenance - Equipment	693,169	693,169	807,771	(114,601)
Repairs and Maintenance - Facilities <sup>3</sup>	3,725,857	3,725,857	4,033,209	(307,352)
Safety Program and Compliance Requirements	280,415	280,415	289,749	(9,334)
Wastewater Treatment	10,502,352	10,502,352	10,483,221	19,131
Special Outside Assessments	201,641	201,641	177,048	24,594
Utilities	2,281,900	2,281,900	2,386,405	(104,505)
Water Purchases <sup>4</sup>	26,336,456	26,336,456	26,866,197	(529,741)
Meter/Vault Purchases	440,000	440,000	395,365	44,635
<b>Water Efficiency Fund</b>				
Labor <sup>1</sup>	1,300,574	1,300,574	1,460,116	(159,542)
Educational Courses	2,500	2,500	655	1,845
Travel and Meetings	25,200	25,200	33,970	(8,770)
Dues and Memberships	500	500	10,741	(10,241)
Consulting Services	1,100,000	1,100,000	885,156	214,844
Legal Services	50,000	50,000	22,264	27,736
Conservation Supplies	278,200	278,200	166,781	111,419
Repairs and Maintenance - Equipment	2,500	2,500	5,127	(2,627)
Safety Program & Compliance Requirements	-	-	1,127	(1,127)
Water Efficiency <sup>5</sup>	2,885,000	2,885,000	893,931	1,991,069
<b>Total O&amp;M</b>	<b>\$ 73,180,202</b>	<b>\$ 73,180,202</b>	<b>\$ 71,604,788</b>	<b>\$ 1,575,414</b>

<sup>1</sup> The actual expenses include the General Fund and Water Efficiency Fund portions of the GASB 68 and 75 adjustment for pension and OPEB expense of \$0.8 million and \$0.2 million, respectively.

<sup>2</sup> Any unused paid time off is now recorded as a benefit instead of a salary. The original budget was not moved during the year, but in total, both the salaries and benefit line items are under budget.

<sup>3</sup> The District was required to repair several large potable line breaks during the year.

<sup>4</sup> District customers utilized 25,951 Acre Feet of water in FY 17/18, exceeding budgeted estimates by 2%, and representing an increase of 8% as compared to the prior year.

<sup>5</sup> The majority of the anticipated expenses in the Water Efficiency line item relates to the District rebate program. Although there was consistent interest in the programs during the year, participation was less than anticipated, so the expenses finished the year under budget.



**moulton niguel** water district

**Moulton Niguel Water District**  
**Statistical Section Overview**

**Year Ended June 30, 2018**

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**Moulton Niguel Water District**

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

	2009	2010	2011	2012	2013
<b>Assets:</b>					
Current & other assets	\$ 126,077,279	\$ 182,990,924	\$ 174,874,392	\$ 178,970,721	\$ 180,037,968
Capital assets	368,009,569	371,543,848	373,881,504	373,802,210	371,840,527
<b>Total Assets</b>	<b>494,086,848</b>	<b>554,534,772</b>	<b>548,755,896</b>	<b>552,772,931</b>	<b>551,878,495</b>
<b>Deferred Outflows of Resources:</b> <sup>1</sup>	-	-	-	-	<b>1,318,562</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>494,086,848</b>	<b>554,534,772</b>	<b>548,755,896</b>	<b>552,772,931</b>	<b>553,197,057</b>
<b>Liabilities:</b>					
Current and other liabilities	17,165,769	20,038,911	18,166,398	20,048,452	21,174,407
Long-term liabilities	94,335,405	145,122,499	136,276,375	127,632,200	120,022,562
<b>Total Liabilities</b>	<b>111,501,174</b>	<b>165,161,410</b>	<b>154,442,773</b>	<b>147,680,652</b>	<b>141,196,969</b>
<b>Deferred Inflows of Resources:</b> <sup>1</sup>	-	-	-	-	-
<b>Net Position:</b>					
Net investment in capital assets	270,849,808	268,089,986	267,962,257	272,169,901	272,287,164
Restricted for capital projects	98,855	119,402	312,742	326,175	424,363
Unrestricted	111,637,011	121,163,974	126,038,124	132,596,203	139,288,561
<b>Total Net Position</b> <sup>2</sup>	<b>\$ 382,585,674</b>	<b>\$ 389,373,362</b>	<b>\$ 394,313,123</b>	<b>\$ 405,092,279</b>	<b>\$ 412,000,088</b>

<sup>1</sup> 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.

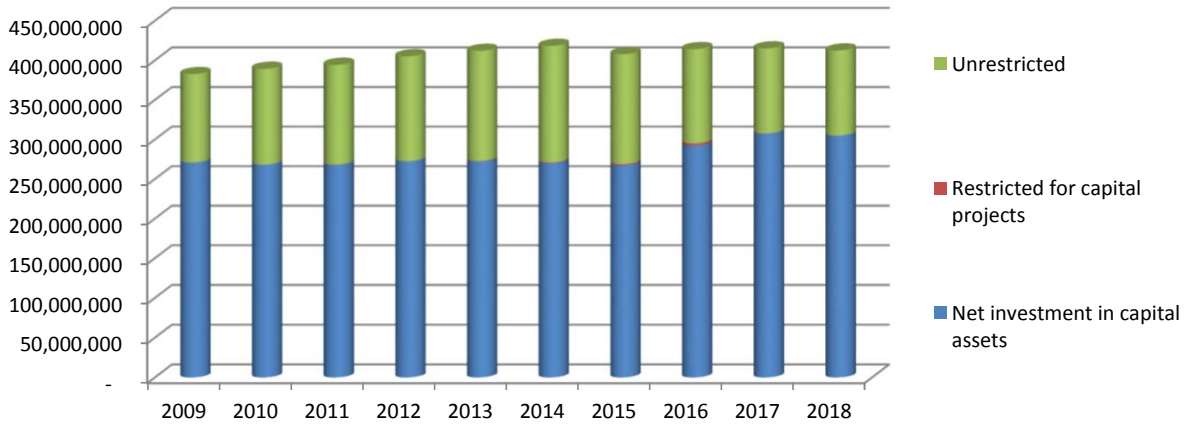
<sup>2</sup> Beginning net position was restated for FY 2013, 2015, and 2018.

Source: Moulton Niguel Water District Audited Financial Statements.

**Moulton Niguel Water District**

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

2014	2015	2016	2017	2018	
					<b>Assets:</b>
\$ 179,892,333	\$ 166,631,779	\$ 148,655,677	\$ 133,490,291	\$ 138,223,685	Current & other assets
366,859,960	375,845,562	390,974,342	395,581,587	387,587,456	Capital assets
<b>546,752,293</b>	<b>542,477,341</b>	<b>539,630,019</b>	<b>529,071,878</b>	<b>525,811,141</b>	<b>Total Assets</b>
<b>1,136,314</b>	<b>2,920,477</b>	<b>2,356,834</b>	<b>5,269,166</b>	<b>7,320,802</b>	<b>Deferred Outflows of Resources: <sup>1</sup></b>
<b>547,888,607</b>	<b>545,397,818</b>	<b>541,986,853</b>	<b>534,341,044</b>	<b>533,131,943</b>	<b>Total Assets and Deferred Outflows of</b>
					<b>Liabilities:</b>
19,459,691	19,942,207	21,768,761	15,499,289	16,613,298	Current and other liabilities
110,150,054	112,757,545	102,531,779	101,316,497	101,294,408	Long-term liabilities
<b>129,609,745</b>	<b>132,699,752</b>	<b>124,300,540</b>	<b>116,815,786</b>	<b>117,907,706</b>	
-	<b>4,936,619</b>	<b>3,530,389</b>	<b>2,447,949</b>	<b>2,182,420</b>	<b>Deferred Inflows of Resources: <sup>1</sup></b>
					<b>Net Position:</b>
269,994,246	267,393,560	292,404,060	307,272,958	304,821,445	Net investment in capital assets
931,603	1,508,109	2,632,947	291,818	604,783	Restricted for capital projects
147,353,013	138,859,778	119,118,917	107,512,539	107,615,589	Unrestricted
<b>\$ 418,278,862</b>	<b>\$ 407,761,447</b>	<b>\$ 414,155,924</b>	<b>\$ 415,077,309</b>	<b>\$ 413,041,817</b>	<b>Total Net Position <sup>2</sup></b>



## Moulton Niguel Water District

### Changes in Net Position Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Operating Revenue:</b>					
Water charges	\$ 19,860,752	\$ 20,578,666	\$ 22,520,064	\$ 28,866,153	\$ 30,633,036
Recycled water charges	3,968,090	4,446,515	4,340,197	4,530,175	4,612,874
Sanitation charges	11,261,857	12,542,595	14,448,835	16,826,066	16,941,327
Other	323,684	572,611	444,346	429,064	1,035,873
<b>Total Operating Revenue</b>	<b>35,414,383</b>	<b>38,140,387</b>	<b>41,753,442</b>	<b>50,651,458</b>	<b>53,223,110</b>
<b>Operating Expenses:</b>					
Source of supply <sup>1</sup>	20,972,373	22,505,838	22,088,538	24,415,284	28,049,259
Pumping water	360,363	349,221	419,633	1,593,316	2,135,266
Sewage treatment	8,962,772	9,093,471	8,588,172	8,665,958	9,841,299
Water transmission and distribution	3,277,410	4,267,727	3,752,224	1,020,852	2,299,355
Customer service	351,151	332,685	311,483	1,202,302	2,711,672
Water efficiency	-	-	-	-	1,446,759
General, administrative and other	13,069,750	12,788,639	13,130,167	16,481,929	10,652,698
Post retirement medical benefits (OPEB)	-	-	-	-	-
Depreciation	14,097,033	14,572,711	15,162,538	15,566,287	13,472,995
<b>Total Operating Expenses</b>	<b>61,090,852</b>	<b>63,910,292</b>	<b>63,452,755</b>	<b>68,945,928</b>	<b>70,609,303</b>
<b>Operating Income (Loss)</b>	<b>(25,676,469)</b>	<b>(25,769,905)</b>	<b>(21,699,313)</b>	<b>(18,294,470)</b>	<b>(17,386,193)</b>
<b>Non-Operating Revenues (Expenses):</b>					
Interest income <sup>2</sup>	7,118,977	6,846,993	4,009,900	6,271,001	(533,131)
Property tax revenue & GOB assessments	28,320,274	27,407,480	27,250,759	27,221,147	28,528,175
Interest on long-term debt	(5,097,414)	(6,766,600)	(7,897,888)	(7,608,336)	(5,850,174)
Intergovernmental Revenue	930,379	54,212	20,530	-	-
Cellular lease income	1,349,901	1,491,862	1,498,290	1,562,383	1,642,410
Other non-operating revenues	54,270	1,438,137	1,480,660	1,557,431	1,522,360
Other non-operating expenses	-	-	-	-	-
<b>Total Non-operating Revenues (Expenses)</b>	<b>32,676,387</b>	<b>30,472,084</b>	<b>26,362,251</b>	<b>29,003,626</b>	<b>25,309,640</b>
<b>Income (Loss) before Capital Contributions</b>	<b>6,999,918</b>	<b>4,702,179</b>	<b>4,662,938</b>	<b>10,709,156</b>	<b>7,923,447</b>
<b>Capital Contributions:</b>					
Developer donated capital facilities	156,511	2,069,786	94,332	70,000	60,000
Connection fees	43,800	15,723	182,491	-	83,038
Other contributions	-	-	-	-	-
<b>Change in Net Position</b>	<b>7,200,229</b>	<b>6,787,688</b>	<b>4,939,761</b>	<b>10,779,156</b>	<b>8,066,485</b>
<b>Net Position - Beginning of Year<sup>3</sup></b>	<b>375,385,445</b>	<b>382,585,674</b>	<b>389,373,362</b>	<b>394,313,123</b>	<b>403,933,603</b>
<b>Net Position - End of Year</b>	<b>\$ 382,585,674</b>	<b>\$ 389,373,362</b>	<b>\$ 394,313,123</b>	<b>\$ 405,092,279</b>	<b>\$ 412,000,088</b>

<sup>1</sup> Source of Supply includes: water purchases, meter purchases and utilities.

<sup>2</sup> Interest income is combined with unrealized gain/loss on investments.

For FY 2013, 2017, and 2018, the unrealized loss on investments exceeded investment income.

<sup>3</sup> Beginning Net Position was restated for FY 2013, 2015, and 2018.

Source: Moulton Niguel Water District Audited Financial Statements.

## Moulton Niguel Water District

### Changes in Net Position Last Ten Fiscal Years

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
\$ 30,503,803	\$ 28,604,894	\$ 29,812,128	\$ 32,149,585	\$ 32,317,988	<b>Operating Revenue:</b>
5,005,391	4,880,742	4,850,326	5,030,973	5,597,493	Water charges
17,135,446	16,182,197	18,963,978	20,156,723	22,623,626	Recycled water charges
562,871	329,755	415,565	417,705	468,673	Sanitation charges
					Other
<b>53,207,511</b>	<b>49,997,588</b>	<b>54,041,997</b>	<b>57,754,986</b>	<b>61,007,780</b>	<b>Total Operating Revenue</b>
					<b>Operating Expenses:</b>
29,770,326	28,610,139	26,357,342	26,681,334	29,446,569	Source of supply <sup>1</sup>
2,100,550	2,596,544	3,177,393	1,629,215	1,656,773	Pumping water
9,647,000	9,519,199	10,705,495	11,452,080	11,733,752	Sewage treatment
2,138,767	959,193	1,341,220	1,546,693	1,226,775	Water transmission and distribution
2,750,999	2,839,137	3,047,070	3,094,606	3,346,966	Customer service
1,448,498	3,472,838	6,749,664	4,037,455	3,448,360	Water efficiency
11,236,876	14,702,063	14,947,755	18,319,946	20,436,785	General, administrative and other
591,372	361,057	388,058	289,096	237,692	Post retirement medical benefits (OPEB)
16,554,024	16,708,439	17,123,278	17,811,064	19,374,985	Depreciation
<b>76,238,412</b>	<b>79,768,609</b>	<b>83,837,275</b>	<b>84,861,489</b>	<b>90,908,657</b>	<b>Total Operating Expenses</b>
<b>(23,030,901)</b>	<b>(29,771,021)</b>	<b>(29,795,278)</b>	<b>(27,106,503)</b>	<b>(29,900,877)</b>	<b>Operating Income (Loss)</b>
					<b>Non-Operating Revenues (Expenses):</b>
2,931,831	2,624,306	4,139,084	(438,180)	(8,721)	Interest income <sup>2</sup>
29,083,747	28,946,309	30,604,182	28,507,929	28,848,018	Property tax revenue & GOB assessments
(6,781,711)	(6,160,882)	(4,910,737)	(4,629,947)	(4,517,784)	Interest on long-term debt
-	6,401,510	3,382,555	1,670,403	1,335,648	Intergovernmental Revenue
1,694,478	1,731,352	1,623,544	1,772,941	1,897,765	Cellular lease income
1,361,984	3,661,818	(9,718)	126,847	252,021	Other non-operating revenues
			(85,430)	(84,765)	Other non-operating expenses
<b>28,290,329</b>	<b>37,204,413</b>	<b>34,828,910</b>	<b>26,924,563</b>	<b>27,722,182</b>	<b>Total Non-operating Revenues (Expenses)</b>
<b>5,259,428</b>	<b>7,433,392</b>	<b>5,033,632</b>	<b>(181,940)</b>	<b>(2,178,695)</b>	<b>Income (Loss) before Capital Contributions</b>
					<b>Capital Contributions:</b>
495,000	294,000	-	109,100	822,585	Developer donated capital facilities
489,346	551,179	1,046,335	331,393	649,528	Connection fees
35,000	-	314,510	662,832	291,790	Other contributions
<b>6,278,774</b>	<b>8,278,571</b>	<b>6,394,477</b>	<b>921,385</b>	<b>(414,792)</b>	<b>Change in Net Position</b>
412,000,088	399,482,876	407,761,447	414,155,924	413,456,609	<b>Net Position - Beginning of Year <sup>3</sup></b>
<b>\$ 418,278,862</b>	<b>\$ 407,761,447</b>	<b>\$ 414,155,924</b>	<b>\$ 415,077,309</b>	<b>\$ 413,041,817</b>	<b>Net Position - End of Year</b>



## Moulton Niguel Water District

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

<b>Water &amp; Wastewater Sales</b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Residential	\$ 19,960,314	\$ 21,661,402	\$ 24,489,400	\$ 30,493,294	\$ 31,138,646
Commercial	3,484,263	3,691,101	4,131,299	4,672,173	5,049,139
Multi-Family Commercial	4,082,323	4,615,167	5,293,520	6,373,846	6,171,180
Irrigation <sup>1</sup>	3,551,458	3,118,258	3,013,689	3,705,286	4,392,099
Recycled Water <sup>1</sup>	3,968,090	4,446,515	4,340,197	4,894,136	5,369,133
Hydrant <sup>1</sup>	44,251	35,333	40,992	83,659	65,027
<b>Total Water &amp; Wastewater Sales</b>	<b>\$ 35,090,699</b>	<b>\$ 37,567,776</b>	<b>\$ 41,309,097</b>	<b>\$ 50,222,394</b>	<b>\$ 52,185,224</b>

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

<sup>1</sup> Irrigation, Hydrant, and Recycled Water sales do not include wastewater sales.

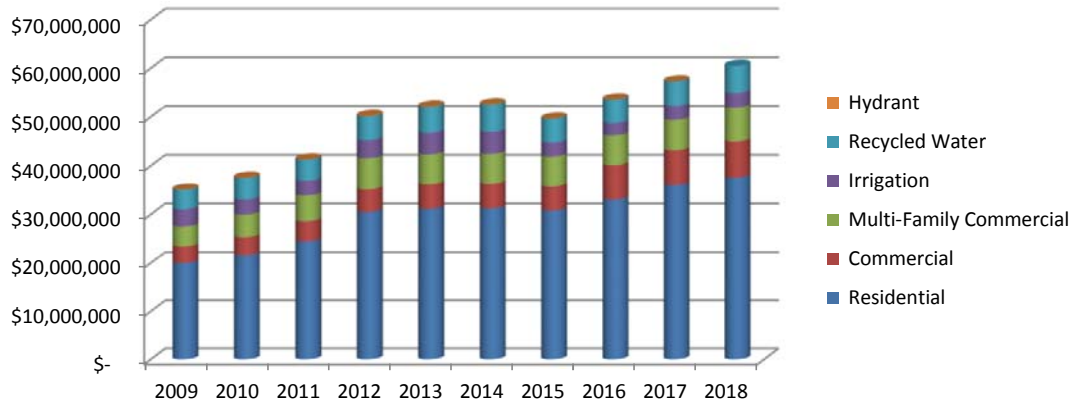
Source: Moulton Niguel Water District Billing Department.

## Moulton Niguel Water District

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<b>Water &amp; Wastewater Sales</b>
\$ 31,233,677	\$ 30,767,071	\$ 33,081,103	\$ 35,988,870	\$ 37,563,077	Residential
5,043,859	4,983,870	7,029,909	7,176,604	7,421,598	Commercial
6,165,998	6,154,836	6,126,794	6,241,262	6,981,747	Multi-Family Commercial
4,499,879	2,842,933	2,516,562	2,887,963	2,957,065	Irrigation <sup>1</sup>
5,633,000	4,880,742	4,850,326	5,030,973	5,597,493	Recycled Water <sup>1</sup>
68,229	38,381	21,738	11,609	18,128	Hydrant <sup>1</sup>
<b>\$ 52,644,642</b>	<b>\$ 49,667,833</b>	<b>\$ 53,626,432</b>	<b>\$ 57,337,281</b>	<b>\$ 60,539,108</b>	<b>Total Water &amp; Wastewater Sales</b>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<b>Metered Accounts</b>
47,305	47,586	47,535	47,333	47,333	Residential
4,898	4,804	4,738	5,006	5,032	Commercial
1,367	1,338	1,286	1,313	1,294	Irrigation
1,299	1,257	1,247	1,356	1,369	Recycled Water
30	34	43	22	39	Hydrant
<b>54,899</b>	<b>55,019</b>	<b>54,849</b>	<b>55,030</b>	<b>55,067</b>	<b>Total Metered Accounts</b>



**Moulton Niguel Water District**

**Annual Domestic Consumption in Acre Feet (AF)  
Last Ten Fiscal Years**

Fiscal Year	Usage (AF)	Purchase Price <sup>1</sup>	Average cost per AF	Metered Accounts	Average AF per Metered Account	Average Cost per Metered Account
2009	33,744	\$ 18,933,932	\$ 561	53,952	0.63	\$ 353
2010	29,491	20,131,901	683	54,144	0.54	369
2011	27,360	19,908,518	728	54,362	0.50	364
2012	28,047	21,625,497	771	54,533	0.51	393
2013	28,920	24,434,327	845	54,792	0.53	448
2014	29,516	25,689,087	870	54,899	0.54	470
2015	27,285	24,257,752	889	55,033	0.50	445
2016	28,762	21,829,003	759	54,849	0.52	395
2017	22,916	20,933,121	913	55,030	0.42	383
2018	26,797	24,041,011	897	55,067	0.49	440

<sup>1</sup> Purchase price does not include any charges for services.

Source: Moulton Niguel Water District Accounting Department.

# Moulton Niguel Water District

## Water Rates Last Ten Fiscal Years

Residential & 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	2018
Tier 1	\$ 0.86	\$ 1.00	\$ 1.16	\$ 1.38	\$ 1.41	\$ 1.49	\$ 1.56	\$ 1.69
Tier 2	0.96	1.12	1.30	1.54	1.61	1.70	1.78	1.94
Tier 3	1.16	1.35	1.57	2.75	2.49	2.62	2.73	3.32
Tier 4	1.36	1.58	1.84	5.51	4.25	4.38	4.49	5.12
Tier 5	1.46	1.70	1.97	11.02	9.04	9.17	9.28	9.59

Commercial & Irrigation Potable Water Rate by Fiscal Year <sup>4</sup>								
Consumption Tiers	2006-2009 (Note 1)	2010	2011	2012-2014 (Note 3)	2015 (Note 3)	2016	2017	2018
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	1.94
Tier 2	1.16	1.35	1.57	2.75	2.49	2.62	2.73	3.32
Tier 3	1.36	1.58	1.84	5.51	4.25	4.38	4.49	5.12
Tier 4	1.46	1.70	1.97	11.02	9.04	9.17	9.28	9.59

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 <sup>4</sup>													
	Uniform Charge				2015					2016				
	2008 - 2009	2010	2011	2012 - 2014	Residential	Multi family	Commercial	Irrigation	Fire Protection	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	\$ 11.39	\$ 7.01	\$ 6.26	\$ 17.83	\$ 3.78
3/4"	6.60	7.67	8.91	10.36	10.79	6.64	5.93	16.88	3.58	11.39	7.01	6.26	17.83	3.78
1"	6.60	7.67	8.91	10.36	10.79	6.64	5.93	16.88	3.58	11.39	7.01	6.26	17.83	3.78
1.5"	11.60	13.48	15.66	34.53	35.97	22.13	19.77	56.27	11.94	37.98	23.37	20.88	59.42	12.61
2"	19.60	22.78	26.46	55.25	57.55	35.41	31.63	90.03	19.11	60.77	37.39	33.40	95.07	20.18
3"	26.60	30.91	35.92	120.87	125.89	77.47	69.19	196.94	41.80	132.94	81.81	73.06	207.97	44.14
4"	36.60	42.53	49.42	207.20	215.80	132.80	118.60	337.60	71.65	227.88	140.24	125.24	356.51	75.66
6"	56.60	65.77	76.42	431.67	449.94	276.89	247.28	703.90	149.27	475.14	292.40	261.13	743.32	157.63
8"	76.60	89.01	103.43	621.60	647.40	398.40	355.80	1,012.80	214.95	683.65	420.71	375.72	1,069.52	226.99
10"	56.60	65.77	76.42	431.67	1,043.39	642.09	573.43	1,632.30	346.31	1,101.82	678.05	605.54	1,723.71	365.70

Meter Size	Monthly Basic Service Charge for Potable Water <sup>4</sup>									
	2017					2018				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 11.91	\$ 7.33	\$ 6.55	\$ 18.65	\$ 3.95	\$ 11.22	\$ 10.78	\$ 5.54	\$ 18.06	\$ 4.29
3/4"	11.91	7.33	6.55	18.65	3.95	11.22	10.78	5.54	18.06	4.29
1"	11.91	7.33	6.55	18.65	3.95	11.22	10.78	5.54	18.06	4.29
1.5"	39.73	24.45	21.84	62.15	13.19	37.41	25.20	18.46	60.21	14.31
2"	63.57	39.11	34.94	99.44	21.11	59.85	37.56	29.54	96.34	22.90
2.5"	-	-	-	-	33.64	-	-	-	-	36.50
3"	139.06	85.57	76.42	217.54	46.17	130.94	76.70	64.61	210.76	50.10
4"	238.36	146.69	131.00	372.91	79.14	224.46	128.19	110.76	361.29	85.88
6"	497.00	305.85	273.14	777.51	164.88	467.62	262.09	230.76	752.68	178.92
8"	715.10	440.06	393.00	1,118.72	237.43	673.37	375.38	332.29	1,083.86	257.65
10"	1,152.50	709.24	633.39	1,803.00	382.52	1,084.87	601.96	535.36	1,746.22	415.10

<sup>4</sup> 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 Ago**

**Fiscal Year 2018**

<u>Customer</u>	<u>Type of Property</u>	<u>Total Water Sales<sup>1</sup></u>	<u>Percentage of Total Water 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%
<b>Total Water Sales for FY 2017-18 \$</b>		<b>32,317,988</b>	

**Fiscal Year 2009**

<u>Customer</u>	<u>Type of Property</u>	<u>Total Water Sales 1</u>	<u>Percentage of Total Water Sales</u>
Aliso Viejo Community Association	Parks, Slopes, Medians	\$ 595,562	2.49%
City of Laguna Hills	Parks, Slopes, Medians	265,174	1.11%
City of Mission Viejo	Parks, Slopes, Medians	260,785	1.09%
City of Laguna Niguel	Parks, Slopes, Medians	256,052	1.07%
Aliso Viejo Country Club	Golf Course	198,288	0.83%
El Niguel Country Club	Golf Course	145,284	0.61%
Soka University of America	Private University	172,092	0.72%
Saddleback Community College	Public University	132,363	0.55%
Mission Viejo Country Club	Golf Course	103,088	0.43%
County of Orange - Laguna Niguel Regional Park	Regional Park	<u>91,765</u>	<u>0.38%</u>
		\$ 2,220,453	9.28%
<b>Total Water Sales for FY 2008-09 \$</b>		<b>19,860,752</b>	

<sup>1</sup>Total water sales includes only potable water sales.

Source: Moulton Niguel Water District Billing Department.

# Moulton Niguel Water District

## Wastewater Rates Last Ten Fiscal Years

RESIDENTIAL WASTEWATER RATES										
	2009	2010	2011	2011	2013	2014	2015	2016	2017	2018
<b>Basic Service Charges</b>	\$ 7.10	\$ 8.25	\$ 9.59	\$ 11.14	\$ 11.14	\$ 11.14	\$ 22.68	\$ 24.83	\$ 26.22	\$ 14.36
<b>Volumetric Charge</b>										
1-25 B.U.	0.56	0.65	0.76	0.88	0.88	0.88	-	-	-	-
26+ B.U.										
Maximum per month	21.10	24.50	28.59	33.14	33.14	33.14	-	-	-	-

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

2018					
Meter Size	MFR	Comm 1	Comm 2	Comm 3	Comm 4
5/8"	16.94	20.84	49.92	107.85	117.98
3/4"	16.94	20.84	49.92	107.85	117.98
1"	16.94	20.84	49.92	107.85	117.98
1.5"	51.38	64.39	161.31	354.40	388.15
2"	80.91	101.73	256.81	565.75	619.76
2.5"	-	-	-	-	-
3"	174.42	219.98	559.23	1,235.12	1,353.26
4"	297.44	375.55	957.11	2,115.74	2,318.26
6"	617.32	780.05	1,991.64	4,405.47	4,827.39
8"	887.98	1,122.30	2,866.98	6,342.87	6,950.43
10"	1,429.31	1,806.83	4,617.72	10,217.77	11,196.63

**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.

**Moulton Niguel Water District**

**Principal Wastewater Customers  
Current Fiscal Year and Nine Years Ago**

**Fiscal Year 2018**

<u>Customer</u>	<u>Type of Property</u>	Total Wastewater Sales	Percentage of Total <u>Wastewater Sales</u>
Moritz Associates LLC	Multi-family Residential	\$ 229,736	1.14%
Barcelona LLC	Multi-family Residential	152,409	0.76%
Heather Ridge Condo Assn	Multi-family Residential	115,958	0.58%
Laguna Gardens Apartments	Multi-family Residential	111,584	0.55%
Bre Properties	Multi-family Residential	100,134	0.50%
Aliso Creek - Sares	Multi Family Residential	94,898	0.47%
ERP Operating LP LN	Multi Family Residential	89,887	0.45%
Fpa-Reit Holdings LLC	Multi Family Residential	86,440	0.43%
Alize at Aliso Viejo	Multi Family Residential	84,865	0.42%
Monarch Coast Apt Homes	Multi Family Residential	<u>84,410</u>	<u>0.42%</u>
		\$ 1,150,321	5.72%

**Total Wastewater Sales for FY 2017-18 \$ 22,623,626**

**Fiscal Year 2009**

<u>Customer</u>	<u>Type of Property</u>	Total Wastewater Sales	Percentage of Total <u>Wastewater Sales</u>
Soka University of America	Private University	\$ 51,375	0.48%
The Shops at Mission Viejo	Shopping Mall	33,909	0.32%
Mission Hospital Regional Med Center	Hospital and Medical	32,724	0.31%
Saddleback Business Park	Commercial Offices	20,481	0.19%
Shea Properties/City Lights	Multi Family Residential	14,283	0.13%
Saddleback Community College	Public College	13,764	0.13%
Expressions Rancho Niguel HOA	Multi-Family Residential	12,052	0.11%
K&M Royal Group LLC	Retail Center	11,856	0.11%
Shapell Industries, Inc.	Retail Center	10,989	0.10%
Urdang/Cadence-MV, LLC	Retail Center	<u>7,924</u>	<u>0.07%</u>
		\$ 209,357	1.85%

**Total Wastewater Sales for FY 2008-09 \$ 11,261,857**

Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

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	2018
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	1.39
Tier 2	-	-	-	1.23	1.23	1.23	1.66	1.74	1.81	2.51
Tier 3	-	-	-	2.20	2.20	2.20	3.42	3.50	3.57	4.31
Tier 4	-	-	-	4.41	4.41	4.41	8.21	8.29	8.36	8.78
Tier 5	-	-	-	8.81	8.81	8.81	-	-	-	-

<sup>1</sup> Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons

<sup>2</sup> 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.

<sup>3</sup> 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	2018
5/8"	\$ 6.60	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36	\$ 16.88	\$ 17.83	\$ 18.65	\$ 18.06
3/4"	6.60	7.67	8.91	10.36	10.36	10.36	16.88	17.83	18.65	18.06
1"	6.60	7.67	8.91	10.36	10.36	10.36	16.88	17.83	18.65	18.06
1.5"	11.60	13.48	15.66	34.53	34.53	34.53	56.27	59.42	62.15	60.21
2"	19.60	22.78	26.47	55.25	55.25	55.25	90.03	95.07	99.44	96.34
3"	26.60	30.91	35.92	120.87	120.87	120.87	196.94	207.97	217.54	210.76
4"	36.60	42.53	49.42	207.20	207.20	207.20	337.60	356.51	372.91	361.29
6"	56.60	65.77	76.42	431.37	431.37	431.37	703.90	743.32	777.51	752.68
8"	76.60	89.01	103.43	621.60	621.60	621.60	1,012.80	1,069.52	1,118.72	1,083.86
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	1,746.22

Source: Moulton Niguel Water District Billing Department.



**Mouton Niguel Water District**

**Principal Recycled Water Customers  
Current Fiscal Year and Nine Years Ago**

**Fiscal Year 2018**

<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	\$ 680,990	12.17%
City Of Laguna Niguel	Parks, Slopes, Medians	344,640	6.16%
City Of Mission Viejo	Parks, Slopes, Medians	237,928	4.25%
Mission Viejo Country Club	Golf Course	200,897	3.59%
Marina Hills Pca	Golf Course	180,428	3.22%
Aliso Viejo Country Club	Golf Course	180,303	3.22%
El Niguel Country Club	Golf Course	172,625	3.08%
City Of Laguna Hills	Parks, Slopes, Medians	170,285	3.04%
Caltrans District 12	Slopes, Medians	133,916	2.39%
Arroyo Trabuco Golf Club	Golf Course	128,894	2.30%
		<u>\$ 2,430,906</u>	<u>43.42%</u>

**Total Recycled Water Sales for Fiscal Year 2016-17 \$ 5,597,493**

**Fiscal Year 2010<sup>1</sup>**

<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	\$ 652,783	14.68%
Mission Viejo Country Club	Golf Course	201,868	4.54%
Aliso Viejo Country Club	Golf Course	193,610	4.35%
El Niguel Country Club	Golf Course	169,381	3.81%
City of Laguna Niguel	Parks, Slopes, Medians	187,950	4.23%
City of Laguna Hills	Parks, Slopes, Medians	151,355	3.40%
Marina Hills PCA	Parks, Slopes, Medians	154,764	3.48%
City of Mission Viejo	Parks, Slopes, Medians	117,617	2.65%
Saddleback Community College	Public College	101,850	2.29%
Soka University of America	Private University	100,669	2.26%
		<u>\$ 2,031,847</u>	<u>45.69%</u>

**Total Recycled Water Sales for Fiscal Year 2009-10 \$ 4,446,515**

Source: Moulton Niguel Water District Billing Department.

<sup>1</sup> FY 2009 data was not available, therefore FY 2010 data is presented.

**Moulton Niguel Water District**

**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 <sup>1</sup>	Percentage of Levy		Amount	Percentage of Levy
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%
2018	28,757,033	27,873,354	96.93%	52,879	27,926,233	97.11%

<sup>1</sup> Property Tax revenue is the District's second major revenue source.

<sup>2</sup> 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**

<u>Land Use</u>	<u>Assessed Land Values by Use</u> <sup>1</sup>	
	<u>FY 2018</u>	<u>FY 2009</u>
	<u>Secured Assessed Value</u>	
Residential	18,215,129,455	\$ 13,921,802,602
Commercial	1,843,159,481	1,360,352,721
Industrial	402,341,445	317,357,606
Vacant/Other	19,845,446	161,001,884
<b>Total</b>	<b>\$ 20,480,475,827</b>	<b>\$ 15,760,514,813</b>

**Principal Local Secured Taxpayers  
For Fiscal Year 2018**

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	BRE-FMCA LLC	Apartments	76,260,917	0.37%
2	HTA-Mission MOB LLC	Commercial	59,498,998	0.29%
3	Moritz Associates LLC	Apartments	47,118,804	0.23%
4	Monarch Coast I LLC	Apartments	41,870,941	0.2%
5	Valuerock Aliso Viejo	Commercial	41,514,000	0.2%
6	Barcelona LLC	Apartments	40,715,590	0.2%
7	TR Polaris LLC	Commercial	40,596,000	0.2%
8	Summit Office LLC	Commercial	38,108,424	0.19%
9	Vista Real Apartments MV LLC	Apartments	36,669,509	0.18%
10	Vista Bella Apartments AV	Apartments	36,038,699	0.18%
			\$ 458,391,882	1.37%

**Fiscal Year 2017-18 Total Local Secured Net Taxable Value: \$ 33,484,533,428**

**Principal Local Secured Taxpayers  
For Fiscal Year 2009**

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Shea Homes LP & Shea Homes Vantis Inc.	Residential	\$ 174,107,339	1.10%
2	OC/SD Holdings LLC	Apartments	88,041,228	0.56%
3	Arden Realty LP	Commercial	48,698,400	0.31%
4	Stonebridge Investors Ltd.	Apartments	46,515,287	0.30%
5	Target Corporation	Commercial	44,352,778	0.28%
6	BRE Properties, Inc.	Apartments	42,343,534	0.27%
7	Moritz Associates LLC	Apartments	41,632,664	0.26%
8	Summit Enterprise LLC	Commercial	38,862,000	0.25%
9	Barcelona, LLC	Apartments	35,974,991	0.23%
10	Aliso Investment No. 1, 2 & 3 LLC	Commercial	35,581,680	0.23%
			\$ 596,109,901	3.78%

**Fiscal Year 2008-09 Local Secured Net Taxable Value: \$ 15,760,514,813**

<sup>1</sup> Values are for land only and do not include any improvements.

**Moulton Niguel Water District**

**Outstanding Debt by Type and Debt per Customer  
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds <sup>1</sup>	Certificates of Participation	Loans Payable	Operating Lease	Total Debt	Total		Est. District Population <sup>2</sup>	Debt per Capita
						Total Customer Accounts	Debt per Customer Accounts		
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	55,019	1,999	170,326	646
2016	24,890,785	63,928,642	10,688,013	-	99,507,440	54,849	1,814	170,610	583
2017	18,327,964	61,946,234	8,693,016	-	88,967,214	55,030	1,617	171,178	520
2018	16,632,769	60,000,000	6,660,906	-	83,293,675	55,067	1,513	172,324	483

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

<sup>2</sup> Estimated District Population is based on the most recent available data

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

**Moulton Niguel Water District**

**Ratio of Net Direct General Obligation Debt  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total General Obligation Bonds Outstanding</u> <sup>1</sup>	<u>Net Direct General Obligation Debt</u>	<u>Assessed Value</u> <sup>2</sup>	<u>Percent of General Obligation Debt to Assessed Value</u>	<u>Population</u> <sup>3</sup>	<u>Net General Obligation Debt per Capita</u>
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%	57,709	108
2017	4,400,575	6,365,900	6,559,781,425	0.10%	58,289	109
2018	2,971,362	1,419,500	7,001,618,675	0.02%	58,483	24

<sup>1</sup> 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.

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

<sup>3</sup> 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

## Moulton Niguel Water District

### Direct and Overlapping Debt Current Fiscal Year

**2017-18 Assessed Valuations:** \$20,518,529,010 (Land only)

**Direct & Overlapping Tax and Assessment Debt:** (Based on all property assessed valuation of \$35,870,200,622)

	Total Debt		District's Share
	06/30/2018	% Applicable <sup>1</sup>	of Debt 06/30/2018
Metropolitan Water District	\$ 60,600,000	1.309%	\$ 793,254
Capistrano Unified School District School Facilities Improvement District	24,498,787	30.512%	7,475,070
Laguna Beach Unified School District	23,300,000	1.797%	418,701
Saddleback Valley Unified School District	113,365,000	21.582%	24,466,434
City of San Juan Capistrano	28,030,000	0.014%	3,924
<b>Moulton-Niguel Water District, I.D. No. 7</b>	<b>2,830,000</b>	<b>100.000%</b>	<b>2,830,000</b>
City of Aliso Viejo Community Facilities District No. 2005-01	30,745,000	100.000%	30,745,000
<i>Total Direct &amp; Overlapping Tax and Assessment Debt</i>			<u><u>\$ 66,732,383</u></u>

**Direct & Overlapping General Fund Debt:**

Orange County General Fund Obligations	\$ 210,347,000	6.433%	\$ 13,531,623
Orange County Pension Obligation Bonds	383,564,389	6.433%	24,674,697
Orange County Board of Education Certificates of Participation	13,990,000	6.433%	899,977
Capistrano Unified School District Certificates of Participation	29,955,000	31.440%	9,417,852
City of Laguna Hills Certificates of Participation	7,295,000	70.706%	5,158,003
City of Mission Viejo Certificates of Participation	36,067,326	34.514%	12,448,277
City of San Juan Capistrano Judgment Obligations	1,150,000	0.014%	161
<b>Moulton-Niguel Water District General Fund Obligations<sup>2</sup></b>	<b>72,265,000</b>	<b>100.000%</b>	<b>72,265,000</b>
<i>Total Direct &amp; Overlapping General Fund Debt</i>			<u>138,395,590</u>

<b>TOTAL DIRECT DEBT</b>	<b>\$ 75,095,000</b>
TOTAL OVERLAPPING DEBT	130,032,973
Combined Total Debt <sup>3</sup>	<b>\$ 205,127,973</b>

**Ratios to Land Only Assessed Valuation:**

Direct Debt (\$2,830,000) <sup>4</sup>	0.01%
Total Direct and Overlapping Tax and Assessment Debt	0.33%

**Ratios to All Property Assessed Valuation:**

Total Direct Debt (\$75,095,000)	0.21%
Combined Total Debt	0.57%

<sup>1</sup> 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.

<sup>2</sup> Excludes accreted value.

<sup>3</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

<sup>4</sup> Moulton Niguel Improvement Districts.

**Moulton Niguel Water District**

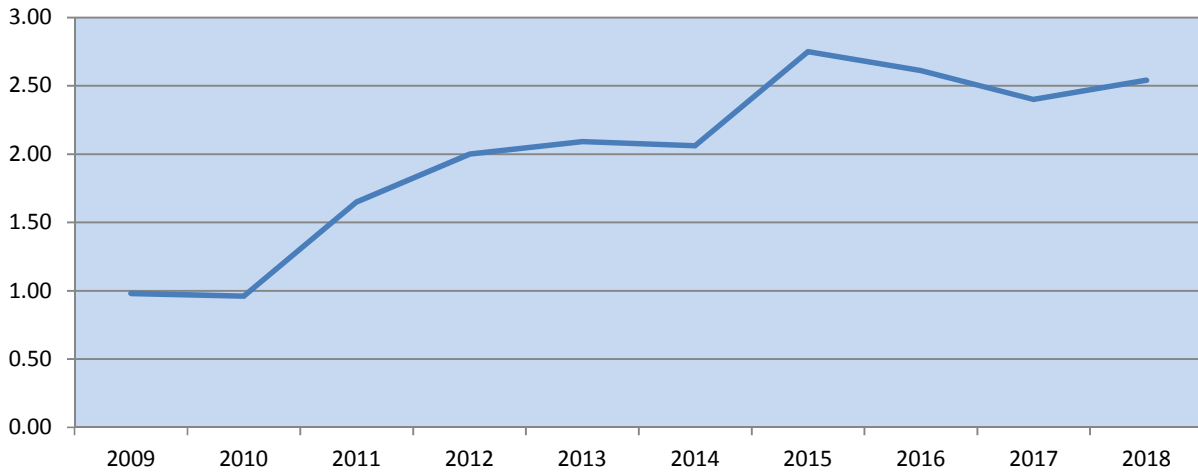
**Pledged Revenue Coverage  
Last Ten Fiscal Years**

Fiscal Year	Total Revenues <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Available Revenues	Annual Debt Service <sup>3</sup>			Coverage Ratio
				Principal	Interest	Total	
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
2018	94,089,864	71,533,672	22,556,192	3,957,110	4,914,398	8,871,508	2.54

<sup>1</sup> 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.

<sup>2</sup> Operating expenses exclude depreciation and amortization expense.

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



Source: Moulton Niguel Water District Finance Department.

## Moulton Niguel Water District

### Demographic and Economic Statistics Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	165,272
2013	168,174
2014	169,212
2015	170,326
2016	170,610
2017	171,178

City of Laguna Niguel <sup>1</sup>				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
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%
2017	66,689	3,337,813	50,050	3.7%

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

<sup>1</sup> The District serves 100% of the City of Laguna Niguel which represents approximately 39% of the total District

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

City of Aliso Viejo <sup>2</sup>				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
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%
2017	50,312	2,274,460	45,207	3.1%

<sup>2</sup> 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.



**Moulton Niguel Water District**

**Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Moulton Niguel Water District</b>	
<b>Fiscal Year</b>	<b>Estimated District Population</b>
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	165,272
2013	168,174
2014	169,212
2015	170,326
2016	170,610
2017	171,178

<b>City of Laguna Hills <sup>3</sup></b>					
<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>	
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%	
2017	31,544	1,479,761	46,911	3.7%	

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

<sup>3</sup> 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.

<b>City of Mission Viejo <sup>4</sup></b>				
<b>Fiscal Year</b>	<b>Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
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%
2017	96,718	195,200,000	60,523	3.4%

<sup>4</sup> The City of Mission Viejo represents approximately 57% 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.

## Moulton Niguel Water District

### Demographic and Economic Statistics Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	165,272
2013	168,174
2014	169,212
2015	170,326
2016	170,610
2017	171,178

City of Dana Point <sup>5</sup>				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
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%
2017	34,902	1,811,000	58,218	3.8%

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

<sup>5</sup> The City of Dana Point represents approximately 20% 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.

**Moulton Niguel Water District**

**Principal Employers  
Current Fiscal Year and Nine Years Ago**

FY 2018<sup>1,2</sup>

<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	United States Government	City of Laguna Niguel	2,200	6.27%
3	Mission Hospital Regional Medical Center	City of Mission Viejo	2,200	4.27%
4	Saddleback Memorial Medical Center	City of Laguna Hills	1,707	10.04%
5	Saddleback Valley Unified School District	City of Mission Viejo	1,200	2.33%
6	United Parcel Service	City of Aliso Viejo	1,000	4.08%
7	Pacific Life Insurance	City of Aliso Viejo	811	3.31%
8	Capistrano Unified School District	City of Mission Viejo	691	1.34%
9	Capistrano Unified School District	City of Aliso Viejo	679	2.77%
10	Flour	City of Aliso Viejo	630	2.57%

FY 2009<sup>1,2</sup>

<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%

<sup>1</sup> Principal Employers represents blended most recent available data from the four cities the District serves: Laguna Niguel, Laguna Hills, Mission Viejo and Aliso Viejo.

<sup>2</sup> The District used data from the FYE 2009 - 2017 CAFRs for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo, Laguna Hills, Mission Viejo and Dana Point.

## Moulton Niguel Water District

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

<b>Function</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Office of the General Manager	3	3	3	2	3	6	6	7	6	6
Human Resources	1	1	1	2	2	2	2	2	2	2
Customer Service - Admin	2	2	2	2	3	2	1	1	1	1
Utility Billing	6	6	7	7	7	6	-	-	-	-
Customer Service - Field	17	19	17	18	19	16	16	16	16	16
Customer Accounts	5	6	6	7	5	6	12	12	13	13
Engineering	3	3	7	9	14	11	9	8	10	10
Inspection	10	11	9	8	9	12	11	12	13	13
Purchasing	1	2	2	2	2	3	3	3	3	4
Information Technology	3	3	3	3	3	3	3	4	6	6
Finance & Planning	2	2	3	2	2	2	3	3	3	3
Accounting	5	5	5	7	7	7	6	6	6	6
Operations - Admin	6	6	6	6	6	4	6	8	6	6
Operations - Facilities	18	14	9	10	11	17	18	19	16	16
Operations - Utilities	17	17	24	22	20	18	19	22	28	28
Water Efficiency	-	-	-	-	-	-	3	6	9	9
<b>Total</b>	<b>99</b>	<b>100</b>	<b>104</b>	<b>107</b>	<b>113</b>	<b>115</b>	<b>118</b>	<b>129</b>	<b>138</b>	<b>139</b>

Source: Moulton Niguel Water District Human Resources Department.

## Moulton Niguel Water District

### Operating Indicators Last Ten Fiscal Years

FISCAL YEAR	SERVICE CONNECTIONS	NET INCREASE PIPELINE (MILES)	MONTH OF PEAK CONSUMPTION	PEAK MONTHLY CONSUMPTION (M.G.D.)	AVERAGE DAILY CONSUMPTION (M.G.D.) <sup>2</sup>	AVG. DAILY SEWAGE (M.G.D.)	AVG. DAILY POTABLE IMPORT (M.G.D.)	TAKEOUTS
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	55,019	<1,400	August	39.94	29.10	11.2	24.03	13
2016	54,849	<1,400	June	31.66	24.75	11.2	20.72	13
2017	55,030	<1,400	September	37.32	24.28	10.9	22.47	9
2018	55,067	<1,400	September	35.44	26.28	10.8	22.94	9

FISCAL YEAR	PUMP STATIONS <sup>1</sup>			RESERVOIRS <sup>1</sup>		NO. OF FIRE HYDRANTS	TREATMENT PLANTS <sup>1</sup>	MILES OF WATER	MILES OF WASTEWATER	MILES OF RECYCLED
	RECYCLED	POTABLE	LIFT	RECYCLED	POTABLE					
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
2018	9	23	17	11	28	7,163	4	656	501	142

Note: MGD = Millions of Gallons per Day.

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

<sup>2</sup> Consumption includes Recycled Water

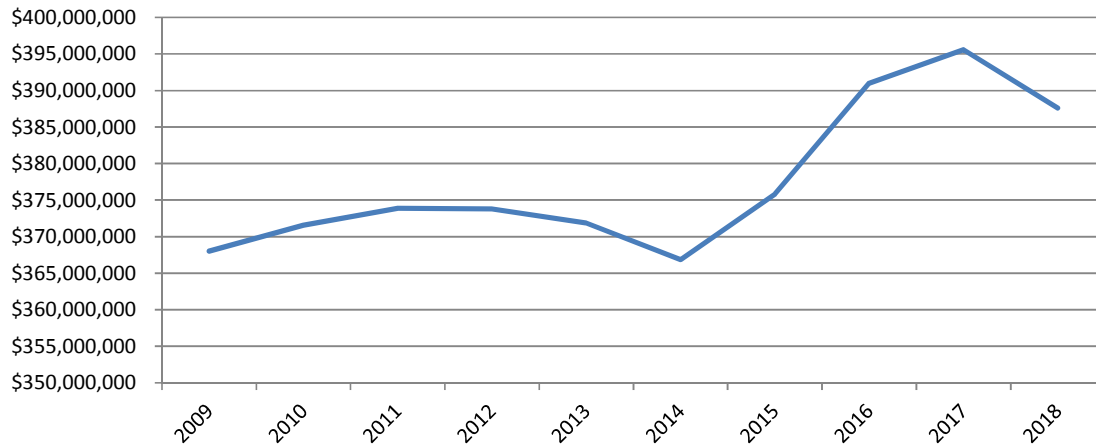
Source: Moulton Niguel Water District Operations and Billing Department.

## Moulton Niguel Water District

### 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
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
2018	261,018,260	106,002,867	1,845,743	10,174,076	1,091,910	7,454,600	387,587,456

### Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department