

MOULTON NIGUEL WATER DISTRICT



Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2009

Laguna Niguel, California



Moulton Niguel Water

MOULTON NIGUEL WATER DISTRICT
Laguna Niguel, California

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Fiscal Year Ended June 30, 2009

Nancy Desai
Controller

MOULTON NIGUEL WATER DISTRICT
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

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INTRODUCTORY SECTION

December 3, 2009

Members of the Board of Directors
Moulton Niguel Water District



Moulton Niguel Water
WATER QUALITY AND SERVICE ARE #1

It is the policy of Moulton Niguel Water District to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements for Moulton Niguel Water District ("District") for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Mayer Hoffman McCann P.C., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2009, 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 unqualified ("clean") opinion that the District's financial statements for the fiscal year ended June 30, 2009, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

This report is organized into three sections. The **Introductory Section** includes this letter of transmittal and other related items. The **Financial Section** includes the Independent Auditor's Report rendering an opinion on the financial statements of the District followed by the Management's Discussion and Analysis which provides an analysis of the District's financial condition over the year and lastly, the financial statements and notes to the to the financial statements. The **Statistical Section** includes a variety of current and historical data on District operations.

Profile of Moulton Niguel Water District

The District was formed on November 16, 1960 under the provisions of the California Water District Law, Division 13, of the Water Code of the State of California, commencing with Section 34000. The District was formed for the purposes of providing a water supply to the Moulton Niguel service area. In 1963 the California Water District Act was amended, allowing California water districts to provide wastewater and water 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's service area, located in south Orange County, California, consists of a population of 166,964 encompassing approximately 36.5 square miles and includes the City of Laguna Niguel, virtually all of Aliso Viejo, portions of the cities of Laguna Hills, Mission Viejo and Dana Point. The District has an estimated 53,952 water accounts and 51,303 sewer accounts. Elevation within the District ranges from 100 to 920 feet above sea level. Climate is typical of the coastal plains of southern California, with temperatures mild and relatively uniform.

a public agency at:

27500 La Paz Road, Laguna Niguel, CA 92677-3489
Mailing Address: P.O. Box 30203, Laguna Niguel, CA 92607-0203
949/831-2500

The District imports all of its domestic water from the Metropolitan Water District of Southern California (MET) through its member agency, the Municipal Water District of Orange County (MWDOC), a wholesale importer of water from MET. The District is a constituent agency of MWDOC and, as such, is entitled to receive water from available sources of MET. MET's sources of water primarily include a blend of water imported from the Colorado River and from the State Water Project. All District water is treated at the Diemer Filtration Plant in Yorba Linda, California and delivered through two major aqueduct facilities, the Joint Regional Water Supply System (JRWSS) and the Allen-McColloch Pipeline (AMP).

The District operates and maintains over 700 miles of distribution of domestic water pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a total storage capacity within the District of 70.6 million gallons. The District owns capacity in several adjoining water agencies' reservoirs and pipelines, such as El Toro Water District R-6 reservoir, the Joint Transmission Main (a joint powers agreement between the District and other water agencies), Eastern Transmission Main owned by Capistrano Valley Water District and the South County Pipeline which conveys water from the AMP to several south county water agencies. 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 maintains approximately 530 miles of sewer 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 owns 46% of the South Orange County Wastewater Authority, a joint powers agency that owns and operates four regional treatment plants and two ocean outfalls.

The District has constructed approximately 140 miles of recycled water distribution pipelines with five pre-stressed concrete and six steel storage reservoirs to service the recycled water system. In addition, it owns capacity in the Upper Oso recycled water reservoir owned by Santa Margarita Water District. The District operates 12 recycled-water pump stations. The District has 4 Advanced Wastewater Treatment (AWT) facilities providing recycled water to landscaped areas in the District. The projected annual demand of the recycled water system will be approximately 9,000 acre feet per year over the next few years.

The District is governed by a seven-member Board of Directors elected by registered voters in the District to serve staggered four-year terms. Each Director represents a geographical division based upon comparable populations which is determined by the District and approved by the Registrar of Voters. Policy-making and legislative authority are vested in the Board of Directors. The Board of Directors is responsible for, among other things, adopting resolutions, adopting the budget, appointing committees and hiring the General Manager. The General Manager is responsible for carrying out the policies of the Board of Directors, for overseeing the day-to-day operations of the District and for appointing the heads of the various departments.

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

Factors Affecting Financial Condition

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

Local Economy

The District currently enjoys a favorable economic environment and local indicators point to continued stability. 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 major golf course and numerous community parks. The District's is approaching a "built-out" status at 98%. Future growth will primarily occur on a redevelopment basis of existing property and land.

Long-term financial planning

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

The District publishes a Long Range Plan which provides a ten year forecast of the District's needs for water use and demand, capital improvement projects and replacement and refurbishment projects. The Long Range Plan is updated every two years. As a part of the Long Range Plan, the District includes planning for water supply reliability projects. The District established a water supply reliability fund to participate in projects to ensure continued water supply to residents in the District for planned water supply shutdowns and emergencies. The Metropolitan Water District of Southern California has established a policy that its member agencies should be capable of meeting average-day demand requirements during a seven-day shutdown of MET's treatment and/or imported water supply system. In addition, the District has adopted a resolution to develop adequate capacity to sustain at least a 31-day average potable water supply outage. The 31-day capacity protects against a major outage of MET's Diemer Water Filtration Plant and a major outage of the Allen-McColloch Pipeline. The District is currently involved in three major regional projects with neighboring water districts in which each of the projects provides a different type of reliability. The Upper Chiquita Reservoir provides emergency storage that will extend water importation supplies in the event of an outage or emergency. The District's estimated cost to participate in the Upper Chiquita Reservoir project is \$16,306,000. The Baker Water Treatment Plant project is a base-loaded supply project that will supply a continuous flow of imported water to the District and has the ability to utilize Irvine Lake as an emergency supply source. The District's estimated cost to participate in the Baker Water Treatment Plant project is \$18,554,000. The Irvine Ranch Water District Interconnection project is also a source of supply, as opposed to emergency storage, but this source utilizes the Orange County Groundwater Basin as a supply to south Orange County in the event of an outage or emergency. The District's estimated cost to participate in the Irvine Ranch Water District Interconnection project is \$10,422,000. The District will issue Certificates of Participation (COP) in the form of taxable Build America Bonds (BABs) in the amount of \$60,000,000 to provide funding for the costs of these projects. Due to the District's affluent service area, strong financial performance with good debt service coverage, very strong liquidity position, low rates and a very manageable capital improvements plan the District received a 'AA+ stable' rating in November 2009 from both Fitch Ratings and Standard & Poor's rating agencies for the COP issuances.

Faced with dramatically rising wholesale water costs and the need to maintain water and sewer reliability, the District implemented a 16.2% rate increase in each of the fiscal years 2009-2010 and 2010-2011. This is the District's second water and sewer rate increase in 20 years. Since our last rate change in 2005, a combination of drought conditions and court rulings has greatly reduced our region's water supplies, leading the MET, through our regional water wholesaler, MWDOC, to increase the amount it charges the District for water by 28 percent. MET has also informed us to expect additional water cost increases totaling between 21 and 36 percent by January 2010. In addition, sewer treatment costs have increased by 26 percent during this period mainly because of the need to meet stricter State and Federal regulations. In addition to offsetting the District's increased water costs, the rate increase is also designed to provide revenue for:

- Increased costs of operating our sewer system
- Ongoing repair, refurbishment and replacement of water and sewer infrastructure
- Improvements to the water system required because of new regulations
- New infrastructure to improve our overall system reliability and to increase our capacity to serve during times of emergency
- Payments on the bonds to be issued to raise funds for water supply reliability projects that meet regulatory requirements and emergency needs

Through the District's conservative fiscal policy it has managed rising costs for several years and we are committed to keeping the rates as low as possible. The District's increased usage of recycled water helps mitigate our reliance on imported water. In addition, the District subsidizes its cost of water to its customers through the receipt of property tax revenue and other revenue sources. This allows the District's rate structure to be one of the lowest in south Orange County. Conservation and conservative fiscal management are the key. To meet state-mandated requirements, the District adopted a Water Conservation Program that includes 12 mandatory conservation rules residents and businesses must follow to help ensure a sufficient water supply.

Cash management policies and practices

The District manages its funds in two ways. Funds needed for current operations and maintenances expenses, debt service obligations and capital requirements are known as the "liquid fund". The investment performance objectives for the liquid funds shall be to earn a return over a market cycle, which equals or exceeds the return on a 90-day Treasury Bill. Liquid funds are typically invested in the Local Agency Investment Fund (LAIF) maintained by the State Treasurer. Funds not currently needed are known as the "Operating Reserve Fund". The investment performance objective for the Operating Reserve Fund shall be to earn a rate of return over a market cycle, which exceeds the return on the One-to-Ten Year Government Index. The maturities of the investments range from within 1 year to within 10 years. Investment types include money market, corporate and discount notes, federal agencies and US treasuries as outlined in the District's investment policy. The District's annualized rate of return over a five year period was 5.22% as of June 30, 2009. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the District intends to hold to maturity.

Risk management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA) for the purpose of providing multiple lines of insurance coverage. The District maintains the following types of insurance coverage with ACWA-JPIA: liability insurance, general and auto, property insurance, and worker's compensation. The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year ended June 30, 2009. The total coverage limit was \$60,000,000. The District maintains a self insurance fund to provide for expenses incurred to the

District for the deductible amounts on insurance claims under \$50,000. The property insurance program provided for up to \$77,573,267 in coverage, which included boiler and machinery coverage and had a \$25,000 retrospective allocation point per claim.

In addition, various control techniques, including a comprehensive safety program which includes employee accident prevention training, were implemented during the year to minimize accident-related losses. Additional information on the District's risk management policies and activities can be found in the notes to the financial statements.

Pension and other postemployment benefits

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the District must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the District fully funds each year's annual required contribution to the pension plan as determined by this funding policy. The District also provides postretirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 28 retirees and their dependents receiving these health care benefits. In this fiscal year, the District implemented GASB Statement No. 45 related to other post-employment benefits (OPEB). The District performed an actuarial valuation and it was determined that the actuarial accrued past service liability is \$6.9 million (projected to July 1, 2008). The District intends on funding the annual required contribution (ARC) and has established an irrevocable trust with CalPERS through their California Employers' Retiree Benefit Trust (CERBT) program. The District has implemented a tiered benefit structure for OPEB benefits to manage its future OPEB obligations. Additional information regarding the District's pension plan and postemployment benefits can be found in the notes to the financial statements.

The District's is a community oriented agency dedicated to serving its customers and the environment with reliable, economical, high quality water and sewer service. It achieves its mission by providing a high level of customer value and satisfaction, attracting, developing and retaining a progressive and skillful workforce, promoting a safe work environment and utilizing its resources wisely. Additional information relating to the District's financial condition can be found in the Management's Discussion and Analysis.

Awards and Acknowledgements

This is the District's first year of assembling a Comprehensive Annual Financial Report and submitting it for an award. We would like to express our appreciation to all members of the Finance department who assisted and contributed to the preparation of this report. In addition, we would like to thank the Directors and their staff in Customer Service, Engineering and Operations for their contributions to this report. Credit also must be given to the Board of Directors for their unflinching support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Dr. Robert Gumerman
General Manager



David Cain
Director of Finance/Treasurer

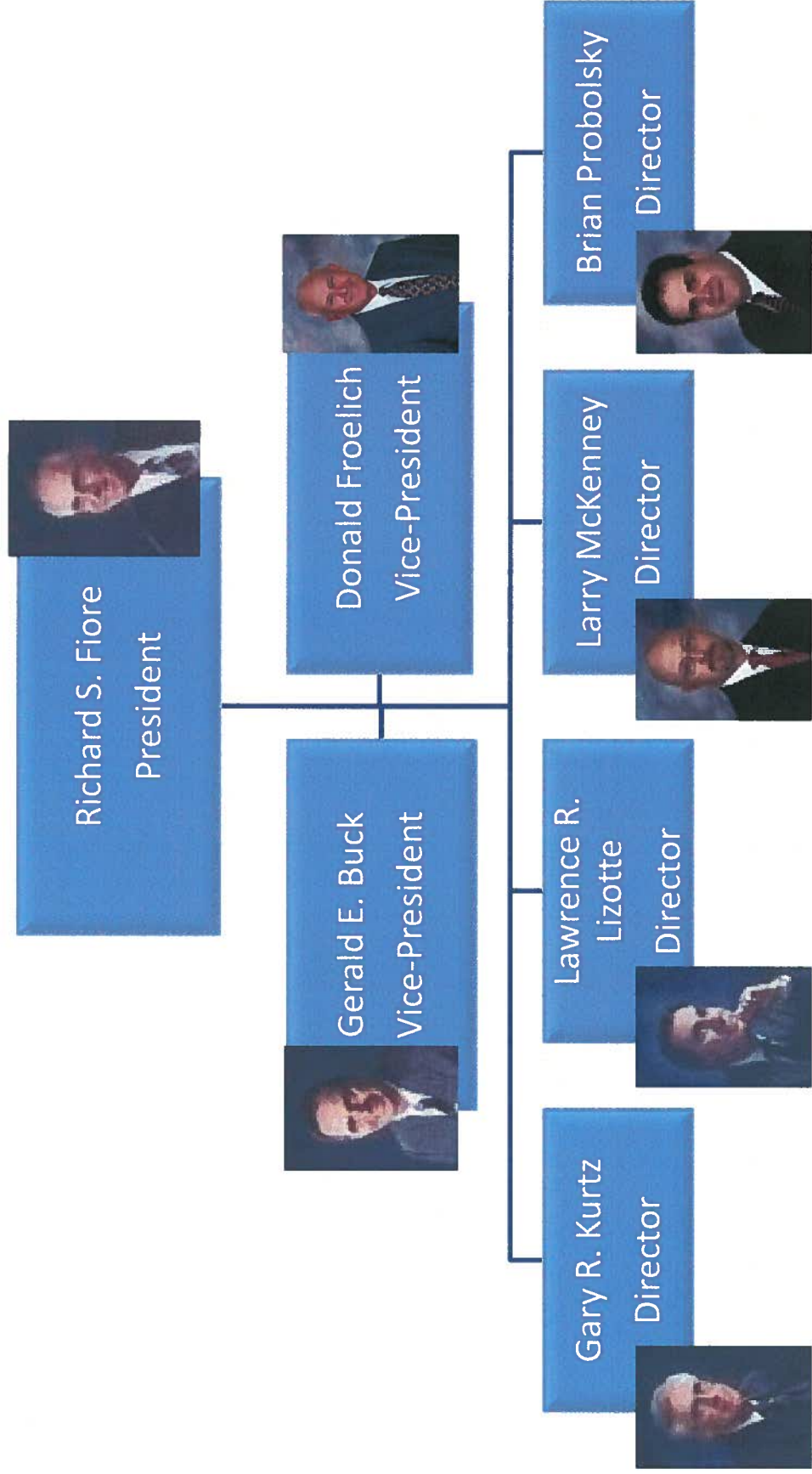


Nancy B. Desai
Controller

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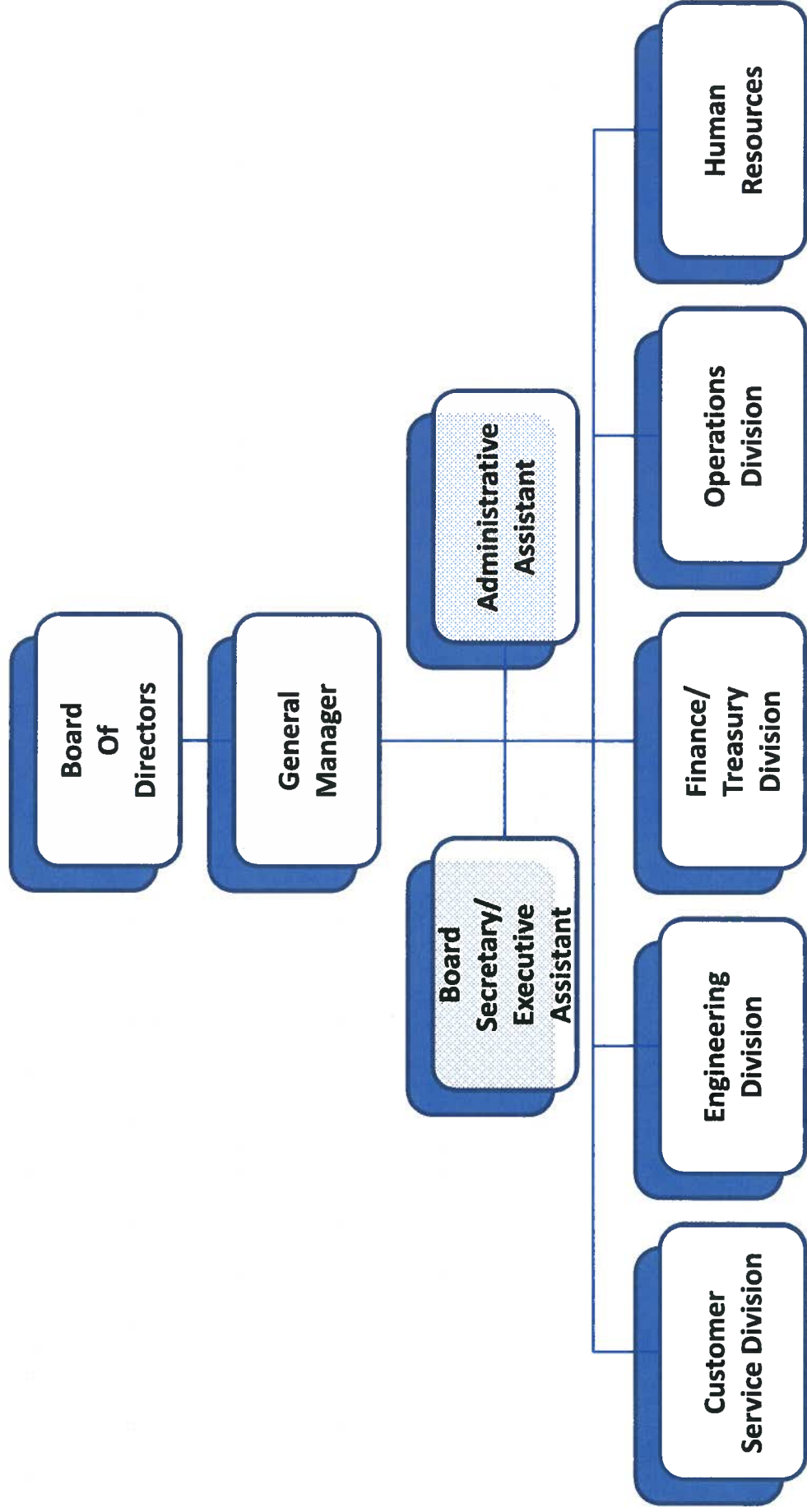
Moulton Niguel Water District

Board of Directors



Moulton Niguel Water District

Organization Chart



FINANCIAL SECTION



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Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Moulton Niguel Water District (District) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative data has been derived from the financial statements of the District for the year ended June 30, 2008 and, in our report dated October 10, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Moulton Niguel Water District as of June 30, 2009, and the changes in financial position and cash flows of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Moulton Niguel Water District's basic financial statements. The introductory section, statistical tables and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Schedules of Net Assets have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Board of Directors
Moulton Niguel Water District
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In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McLean P.C.

Irvine, California
December 3, 2009

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2009

FINANCIAL HIGHLIGHTS

Moulton Niguel Water District (MNWD or District) imports drinking water exclusively from northern California and the Colorado River. The State of California has endured drought conditions for the last five years and as a result, supplies are decreasing. Low supplies are depleting Metropolitan Water District of Southern California (MET) water reservoirs. MET is the primary water supplier for MNWD. Consequently, MET has implemented an allocation plan for water delivery distribution to MNWD and MET's other retail water agencies. This allocation plan calls for a 13% reduction in usage for fiscal year 2009-2010 and is based on average usage from years' 2004-2006. Replacing lost water and securing supplies for population growth is increasing the cost of water. The cost of wholesale water will increase 21% in fiscal year 2009-10 and 21% fiscal year 2010-11. Water purchases are MNWD's single highest expense and these dramatic changes will affect the retail rates MNWD charges its customers. The Board of Directors has implemented a 16.2% rate increase in each fiscal year 2009-2010 and 2010-2011. In addition to the water supply problem, MET requires that each of its agencies have a minimum of a seven day reserve supply on hand at all times. As a result of MET's policy and the District's mission to provide reliable economical water to its customers, it has become necessary to construct water supply reliability capital projects.

This year, the District has been able to subsidize its water costs through the receipt of Ad Valorem property taxes in the amount of \$22 million. This allows our customers to enjoy a lower water rate rather than charging for the actual cost of water. The District would have to increase water rates by approximately 60% to equate the cost of water. Also, under consideration was suspension of Proposition 1A (2004) by the State legislature which would allow the State to borrow local property tax money due to the State's financial difficulties. In the end, MNWD's property tax revenue was not at risk this year. This issue will continue to be a future concern as the State continues to struggle financially.

- Net assets increased \$7.2 million or 1.92% from prior year.
- During the year more than \$11 million was invested in water and sewer infrastructure.
- MNWD has total operating income of \$6 million.
- During the year the District's investment income decreased by 25% or \$2.3 million as a result of market conditions.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

MNWD's basic financial statements are in conformity with generally accepted accounting principles (GAAP) and include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. Readers should evaluate the basic financial statements with the accompanying Notes. The Notes to the Financial Statements are an integral part of the basic financial statements and provide useful explanations and detailed information on the basic financial statements. Management's Discussion and Analysis precedes the basic financial statements to provide required supplementary information to the basic financial statements.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2009

REQUIRED FINANCIAL STATEMENTS

The *Statement of Net Assets* states the financial position of the District at June 30, 2009. This statement includes District assets and liabilities, with the difference between the two reported as net assets. The list of assets and liabilities are in order of their liquidity. Therefore, assets readily convertible to cash, such as cash and investments, appear first.

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

Both the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Net Assets* are shown using the accrual basis of accounting. This means revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

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

In addition to the basic financial statements, the District presents Fiduciary Fund financial statements. The Fiduciary Fund financial statements report assets, liabilities and changes in net assets for certain investments that are in trust with the District for the Internal Revenue Code Section 457 deferred compensation program. Fiduciary funds are not reflected in the basic financial statements because the trust funds are not available to support District activities.

DISTRICT FINANCIAL ANALYSIS

An integral part of the analysis of the District is to ask the question, "Is the District, as a whole, better or worse off as a result of the year's activities?" The *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Net Assets* report information about the District's activities to help answer this question. Measuring the change in the District's net assets, the difference between assets and liabilities, is one way to measure financial health or financial position.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2009

Statement of Net Assets

Our analysis begins with the District's Statements of Net Assets as presented below:

Condensed Statement of Net Assets
(in thousands)

	Fiscal Year <u>2009</u>	Fiscal Year <u>2008</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Noncurrent Assets	\$ 126,087	\$ 141,180	\$ (15,093)	(10.7)%
Capital Assets	<u>368,000</u>	<u>361,582</u>	<u>6,418</u>	1.8 %
Total Assets	<u>\$ 494,087</u>	<u>\$ 502,762</u>	<u>\$ (8,675)</u>	(1.7)%
 Long-term Liabilities	 \$ 102,525	 \$ 119,759	 \$ (17,234)	 (14.4)%
Other Liabilities	<u>8,976</u>	<u>7,618</u>	<u>1,358</u>	17.8 %
Total Liabilities	<u>\$ 111,501</u>	<u>\$ 127,377</u>	<u>\$ (15,876)</u>	(12.5)%
 Invested in Capital Assets, Net of Related Debt	 \$ 270,850	 \$ 250,897	 \$ 19,953	 8.0 %
Restricted	99	4,143	(4,044)	(97.6)%
Unrestricted*	<u>111,637</u>	<u>120,345</u>	<u>(8,708)</u>	(7.2)%
Total Net Assets	<u>\$ 382,586</u>	<u>\$ 375,385</u>	<u>\$ 7,201</u>	1.9 %

* The MNWD Board of Directors has specific designations for \$62 million of the District's unrestricted net assets. Please refer to Note 14 of the Notes to the Basic Financial Statements for additional detail.

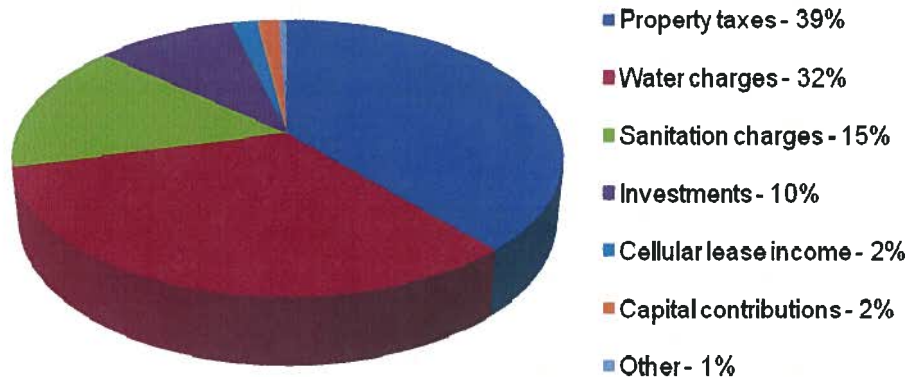
Net Assets increased \$7,201 thousands or 1.9% from the prior year. As can be seen from the table above, the majority of the change in total Net Assets occurred in the Invested in Capital Assets, Net of Related Debt, which increased \$19,953 thousand. This is primarily due to the repayment of the Wateruse loan which reduced the District's long-term liabilities and the addition of assets related to capital improvement, which totaled \$6.4 million. MNWD is increasing reserves to fund future capital projects that are necessary to replace aging infrastructure, improve water supply storage and water supply reliability. Overall, the District's financial health is improving year over year as shown by the increase in Net Assets.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2009

Revenues

Condensed Total Revenues (in thousands)				
	Fiscal Year <u>2009</u>	Fiscal Year <u>2008</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Operating Revenues:				
Water charges	\$ 23,829	\$ 24,844	\$ (1,015)	(4.1)%
Sanitation charges	11,262	11,425	(163)	(1.4)%
Other	<u>324</u>	<u>338</u>	<u>(14)</u>	(4.1)%
Total Operating Revenue	<u>35,414</u>	<u>36,607</u>	<u>(1,193)</u>	(3.3)%
Non-operating Revenues:				
Investments	7,119	9,478	(2,359)	(24.9)%
Property taxes	28,320	26,755	1,565	5.8 %
Cellular lease income	1,350	1,204	146	12.1 %
Other	<u>89</u>	<u>133</u>	<u>(44)</u>	(33.1)%
Total Non-operating Revenue	<u>36,878</u>	<u>37,570</u>	<u>(692)</u>	(1.8)%
Capital contributions	1,131	1,129	(2)	0 %
Total Revenues	<u>\$ 73,423</u>	<u>\$ 75,306</u>	<u>\$ (1,883)</u>	(2.5)%

MNWD finances operations through user charges, property tax receipts and other income. Total revenue for 2008-09 is \$73.4 million, down \$1.8 million from the prior year. Investment income decreased \$2.4 million or 24.9% due to market factors with the economy facing recessionary conditions. Property tax revenue increased by \$1.5 million due to the increased collection of delinquent property taxes, secured property taxes and GOB collections.



MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2009

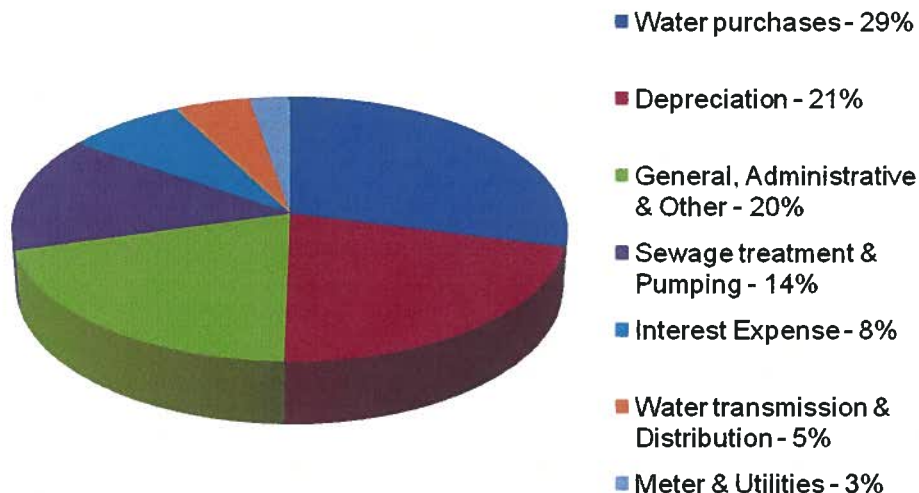
Expenses

	Condensed Total Expenses (in thousands)			
	Fiscal Year <u>2009</u>	Fiscal Year <u>2008</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Expenses:				
Water Purchases	\$ 19,192	\$ 17,106	\$ 2,086	12.2 %
Meter & Utilities	1,781	1,839	(58)	(3.2)%
Sewage treatment & Pumping	9,323	8,570	753	8.8 %
Water transmission & Distribution	3,277	2,958	319	10.8 %
General, Administrative & Other	13,421	11,743	1,678	14.3 %
Depreciation	<u>14,097</u>	<u>13,784</u>	<u>313</u>	2.3 %
Total Operating Expense	<u>61,091</u>	<u>56,000</u>	<u>5,091</u>	9.1%
Non-operating Expenses:				
Interest on Long-term Debt	5,097	5,340	(243)	(4.6)%
Other	<u>35</u>	<u>94</u>	<u>(59)</u>	(62.8)%
Total Non-operating Expense	<u>5,132</u>	<u>5,434</u>	<u>(302)</u>	(5.6)%
Total Expenses	<u>\$ 66,223</u>	<u>\$ 61,434</u>	<u>\$ 4,789</u>	7.8 %

Total operating expenses for 2009 amount to \$61 million increasing \$5,091 million or 9.1% from the prior year. The increase is primarily attributed to five factors:

- Increased cost of water
- Implementation of GASB 45 (OPEB benefits)
- Payoff of the CalPERS Side fund
- Reclassification of capital jobs into O&M.
- SOCWA O&M costs

Non-operating expense of interest on long-term debt declined by \$243 thousand or 4.6% due to maturing debt schedules and the repayment of principal rather than interest on outstanding debt service. Other non-operating expense was reduced as a result of repayment of the Watereuse loan.



MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2009

Changes in Net Assets

Condensed Changes in Net Assets (in thousands)				
	Fiscal Year <u>2009</u>	Fiscal Year <u>2008</u>	Dollar Change	Percent Change
Beginning net assets	\$ 375,385	\$ 361,534	\$ 13,851	3.8 %
Income (loss) before capital contributions	6,069	12,722	(6,653)	(52.3)%
Grant funding	930	145	785	541.4 %
Donated facilities	157	971	(814)	(83.8)%
Connection fees	44	13	31	238.5 %
Change in net assets	<u>7,200</u>	<u>13,851</u>	<u>(6,651)</u>	(48.0)%
Ending net assets	<u>\$ 382,586</u>	<u>\$ 375,385</u>	<u>\$ 7,201</u>	1.9 %

Income before capital contributions is \$6.0 million for year 2008-2009. The District uses income to self-fund capital projects and to repay capital project debt. The increase in Grant funding is attributed to a complete reimbursement of the ETM relocation project at Oso Parkway by Caltrans. A significant decrease in donated facilities is due to the declining construction of new water and sewer infrastructure donated to MNWD by developers of new projects in the District's service area. This signifies that the District is approaching a "built-out" status. Overall net assets increased 1.9%.

Capital Assets

Condensed Capital Assets (in thousands)				
	Fiscal Year <u>2009</u>	Fiscal Year <u>2008</u>	Dollar Change	Percent Change
Net Depreciable Assets:				
Water systems	\$ 343,943	\$ 341,989	\$ 1,954	-
Buildings	3,365	3,455	(90)	2.6%
Equipment and automobiles	4,146	3,623	523	1.4%
Non-Depreciable Assets:				
Land	1,092	1,092	-	-
Construction in progress	<u>15,464</u>	<u>11,423</u>	<u>4,041</u>	35.4%
Capital assets, net	<u>\$ 368,010</u>	<u>\$ 361,582</u>	<u>\$ 6,428</u>	1.8%

The District's investment in its capital assets is \$6.4 million for 2008-2009. These capital outlays were spent both by the District itself and also as part of two different joint power authorities. The most critical projects MNWD began work on are those referred to as the Water Supply Reliability Projects. The goal of those projects is to increase the number of days that MNWD can serve its customers during a planned or emergency water supply outage from MET. MNWD is partnering with neighboring water districts on several important projects. Projects underway include an emergency intertie with Irvine Ranch Water District and El Toro Water District, the Baker Pipeline Water Treatment Facility and the Upper Chiquita Reservoir. MNWD is also entering an agreement to pursue capacity in the future Dana Point Desalination Plant. Please see Note 5 of the Notes to the Basic Financial Statements for additional Capital Asset information.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
For the Year Ended June 30, 2009

Debt Administration

Condensed Disclosure of Long-term Liabilities
(in thousands)

	Fiscal Year <u>2009</u>	Fiscal Year <u>2008</u>	Dollar Change	Percent Change
Bonds Payable	\$ 45,765	\$ 45,459	\$ (306)	(0.01)%
Loans Payable	30,174	42,866	(12,692)	(29.60)%
Certificates of Participation	<u>30,465</u>	<u>31,434</u>	<u>(969)</u>	<u>(.03)%</u>
Total	<u>\$ 106,404</u>	<u>\$ 119,759</u>	<u>\$ (13,967)</u>	<u>(11.66)%</u>

The District's long-term liability at year-end is \$106 million in general obligation bonds (GOB), loans and certificates of participation. The GOBs are a voter approved assessment specifically for the residents that live within a certain service area of the District. The A significant decline in the loans payable is attributable to the repayment of the Watereuse loan. In addition, principal payments in all other debt service accounts reduce the outstanding balance during the year. The District anticipates on issuing an additional \$60 million of certificates of participation in 2009-2010 to finance its Water Supply Reliability Projects. See Note 6 of the Notes to the Basic Financial Statements for detail on long-term debt.

Contacting the District's Financial Management

This financial report is designed to provide the District's elected officials, customers, investors, employees and creditors with an assessment of the District's financial condition and an accounting of the public's money. If you have questions about this report or need additional financial information please contact the Director of Finance at Moulton Niguel Water District at (949) 831-2500 or 27500 La Paz Road, Laguna Niguel, California 92677.

MOULTON NIGUEL WATER DISTRICT

Statement of Net Assets

June 30, 2009

(With comparative totals for June 30, 2008)

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and investments (note 2)	\$ 14,061,554	\$ 10,059,825
Restricted cash and investments with fiscal agent (note 2)	3,783,288	\$ 8,184,096
Accounts receivables:		
Water and sanitation charges	3,149,633	3,689,206
Taxes and acreage assessments	624,500	581,378
Other accounts receivable	178,716	240,254
Interest receivable	1,085,946	1,589,069
Current portion of AMP receivable (note 3)	308,718	305,042
Inventory	1,339,346	1,556,509
Prepaid expenses	303,305	272,613
Other assets	<u>395,600</u>	<u>395,600</u>
TOTAL CURRENT ASSETS	<u>25,230,606</u>	<u>26,873,592</u>
NONCURRENT ASSETS		
Cash and investments (note 2)	94,626,722	109,993,742
Restricted cash and investments with fiscal agent	-	890,136
Retrofit contracts receivable	788,750	834,141
AMP receivable (note 3)	2,279,823	2,588,540
Net pension asset (CalPERS sidefund payoff) (note 8)	3,151,377	
Capital assets, net of accumulated depreciation (note 5)	351,453,820	349,067,887
Capital assets not being depreciated (note 5):		
Land	1,091,910	1,091,910
Construction in progress	<u>15,463,838</u>	<u>11,422,556</u>
TOTAL NONCURRENT ASSETS	<u>468,856,240</u>	<u>475,888,912</u>
TOTAL ASSETS	<u>494,086,846</u>	<u>502,762,504</u>

MOULTON NIGUEL WATER DISTRICT

Statement of Net Assets

(continued)

June 30, 2009

(With comparative totals for June 30, 2008)

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable	\$ 6,533,017	\$ 5,002,011
Interest payable	1,440,057	1,517,684
Compensated absences	1,003,129	1,097,921
Current portion of long-term liabilities (note 6):		
Bonds payable	4,025,000	3,800,000
Loans Payable	2,539,566	2,861,828
Certificates of participation	<u>1,625,000</u>	<u>1,570,000</u>
TOTAL CURRENT LIABILITIES	<u>17,165,769</u>	<u>15,849,444</u>
LONG-TERM LIABILITIES		
Long-term debt (note 6):		
Bonds payable	38,229,679	41,659,732
Loans payable	27,634,487	40,004,052
Certificates of participation	<u>28,471,239</u>	<u>29,863,831</u>
TOTAL LONG-TERM LIABILITIES	<u>94,335,405</u>	<u>111,527,615</u>
TOTAL LIABILITIES	<u>111,501,174</u>	<u>127,377,059</u>
NET ASSETS (notes 13 and 14)		
Invested in capital assets, net of related debt	270,849,808	253,165,739
Restricted for capital projects	98,855	4,143,149
Unrestricted, designated	62,271,194	59,479,871
Unrestricted, undesignated	49,365,815	58,596,686
TOTAL NET ASSETS	<u>382,585,672</u>	<u>375,385,445</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 494,086,846</u>	<u>\$ 502,762,504</u>

MOULTON NIGUEL WATER DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Fiscal Year Ended June 30, 2009

(With comparative totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Water charges	\$ 23,828,842	\$ 24,843,950
Sanitation charges	11,261,857	11,425,324
Other	<u>323,684</u>	<u>337,489</u>
TOTAL OPERATING REVENUES	<u>35,414,383</u>	<u>36,606,763</u>
OPERATING EXPENSES:		
Sources of supply:		
Water purchases	19,191,761	17,106,072
Meter purchases	56,511	43,889
Utilities	1,724,101	1,794,637
Pumping water	360,363	390,681
Sewage treatment	8,962,772	8,179,717
Water transmission and distribution	3,277,410	2,958,395
Customer service	351,151	335,049
General, administrative, and other	12,334,642	11,407,703
CalPERS sidefund amortization	251,990	-
Post retirement medical benefits (OPEB)	483,118	-
Depreciation	<u>14,097,033</u>	<u>13,783,963</u>
TOTAL OPERATING EXPENSES	<u>61,090,851</u>	<u>56,000,106</u>
OPERATING INCOME (LOSS)	<u>(25,676,468)</u>	<u>(19,393,343)</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	7,118,974	9,477,382
Property tax revenue and acreage assessments	28,320,274	26,755,228
Interest on long-term debt	(5,097,414)	(5,340,125)
Cellular lease income	1,349,901	1,203,720
Other non-operating revenues (expenses)	<u>54,270</u>	<u>19,410</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>31,746,006</u>	<u>32,115,615</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	6,069,538	12,722,272
CAPITAL CONTRIBUTIONS:		
Grant funding	930,379	144,899
Developer donated capital facilities	156,511	970,889
Connection fees	<u>43,800</u>	<u>13,169</u>
CHANGE IN NET ASSETS	7,200,227	13,851,241
NET ASSETS - BEGINNING OF YEAR	<u>375,385,445</u>	<u>361,534,204</u>
NET ASSETS - END OF YEAR	<u>\$ 382,585,672</u>	<u>\$ 375,385,445</u>

MOULTON NIGUEL WATER DISTRICT

Statement of Cash Flows

Fiscal Year Ended June 30, 2009

(with comparative data for the prior year)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 37,463,605	\$ 39,000,146
Cash paid to suppliers	(33,433,725)	(34,303,622)
Cash paid to employees	<u>(14,259,978)</u>	<u>(7,490,787)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(10,230,098)</u>	<u>(2,794,263)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from property taxes and acreage assessments	<u>28,277,152</u>	<u>26,686,961</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>28,277,152</u>	<u>26,686,961</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(20,367,738)	(13,898,822)
Repayment of notes receivable	305,041	301,744
Capital contributions	974,179	970,899
Principal payments on long-term debt	(18,061,828)	(7,846,069)
Interest payments on long-term debt	<u>(5,175,041)</u>	<u>(5,440,478)</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(42,325,387)</u>	<u>(25,912,726)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings received	4,189,627	6,006,397
Proceeds from sales and maturities of investments	48,967,691	71,258,353
Purchase of investments	<u>(20,100,006)</u>	<u>(83,670,455)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>33,057,312</u>	<u>(6,405,705)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,778,979	(8,425,733)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,624,371</u>	<u>16,153,271</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 16,403,350</u>	<u>\$ 7,727,538</u>

(Continued)

MOULTON NIGUEL WATER DISTRICT

Statement of Cash Flows

(Continued)

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE		
STATEMENT OF NET ASSETS:		
Cash and investments	\$ 108,688,276	\$ 120,053,567
Cash and investments with fiscal agent	<u>3,783,288</u>	<u>9,074,236</u>
Total cash and investments	112,471,564	129,127,803
Less non-cash equivalents	<u>(96,068,214)</u>	<u>(121,400,265)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 16,403,350</u>	<u>\$ 7,727,538</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET		
CASH PROVIDED BY / (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (25,676,468)	\$ (19,393,343)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	14,097,033	13,783,963
Amortization of bond costs, discounts and premiums	827,356	672,658
Other nonoperating revenue	1,404,171	1,223,130
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, water and sanitation	539,573	481,394
(Increase) decrease in accounts receivable, other	61,538	635,965
(Increase) decrease in inventory	217,163	25,358
(Increase) decrease in prepaid expenses	(30,692)	(1,467)
(Increase) decrease in contracts receivable	45,391	52,894
(Increase) decrease in Calpers prepaid	(3,151,377)	-
Increase (decrease) in accounts payable	1,531,006	(105,468)
Increase (decrease) in compensated absences	<u>(94,792)</u>	<u>(169,347)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ (10,230,098)</u>	 <u>\$ (2,794,263)</u>
SUPPLEMENTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ 3,432,471	\$ 3,689,003
Developer donated capital facilities	156,511	970,889

MOULTON NIGUEL WATER DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Fund

June 30, 2009

(With comparative data for June 30, 2008)

	Moulton Niguel <u>457 Retirement Plan</u>	
	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and investments (note 2)	\$ 3,379,609	\$ 3,516,672
TOTAL ASSETS	<u>\$ 3,379,609</u>	<u>\$ 3,516,672</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
TOTAL LIABILITIES	\$ -	\$ -
NET ASSETS		
Held in trust for pension benefits	<u>3,379,609</u>	3,516,672
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,379,609</u>	<u>\$ 3,516,672</u>

MOULTON NIGUEL WATER DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiscal Year Ended June 30, 2009

(With comparative data for June 30, 2008)

	Moulton Niguel <u>457 Retirement Plan</u>	
	<u>2009</u>	<u>2008</u>
ADDITIONS		
Contributions:		
Plan members	\$ 233,609	\$ 498,773
Investment income	<u>135,897</u>	<u>156,501</u>
TOTAL ADDITIONS	<u>369,506</u>	<u>655,274</u>
DEDUCTIONS		
Distribution to Participants	506,569	141,919
Plan to Plan Transfer	<u>-</u>	<u>219,303</u>
TOTAL DEDUCTIONS	<u>506,569</u>	<u>361,222</u>
CHANGES IN NET ASSETS	(137,063)	294,052
NET ASSETS - BEGINNING OF YEAR	<u>3,516,672</u>	<u>3,222,620</u>
NET ASSETS - END OF YEAR	<u>\$ 3,379,609</u>	<u>\$ 3,516,672</u>

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(1) Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Accounting

The District is accounted for as an enterprise fund (proprietary fund type). 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. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The District utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

The District applies all applicable Governmental Accounting Standard Board (GASB) pronouncements in accounting and reporting for proprietary operations. In addition, the District follows Financial Accounting Standard Board *Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research Bulletins* issued before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

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 and sanitation charges. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

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

Budget

Pursuant to the California Water Code the District adopts a biennial operations and maintenance budget and an annual capital improvements budget. The District publishes a Long Range Plan (LRP) which provides a ten year forecast of the District's needs for water use and demand, capital improvement projects and replacement and refurbishment projects. The LRP is updated every two years. The District's LRP is the foundation for the development of the District's budgets. On a monthly basis, the District prepares a budget versus actual comparison report for the Board of Directors as a tool to monitor District costs.

Fiduciary Trust Fund

The fiduciary trust fund accounts for the activities of the 457 deferred compensation plan. Fund assets are held in trust for plan participants and their beneficiaries and are therefore not reported in the financial statements of the District.

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 is levied to meet the District's debt service requirements on its general obligation bonds.

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

Inventory and Prepaid Expenses

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

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

Capital Assets

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

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

Water and sewer systems	10 to 30 years
Buildings	40 years
Automobiles and equipment	3 to 10 years

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

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

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits up to certain limits. Employees are eligible to be compensated in cash for accrued vacation to a maximum of 120 hours or may transfer up to 80 into their deferred compensation plan provided that they have used at least 40 hours of vacation during the fiscal year. Sick leave hours accrue at a rate of one day per month. Upon termination or retirement, the District pays 100% vacation leave and, based on a years of service schedule, up to 100% of sick leave.

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

Cash and Cash Equivalents

For the purposes of the Statements 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

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

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

Unamortized Bond Costs

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and included in interest expense as amortized over the term of the related debt.

Use of Estimates

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

Prior Year Data

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

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(2) Cash and Investments

Cash and Investments are classified in the accompanying Statements of Net Assets as follows at June 30, 2009:

Statement of Net Assets:	
Cash and investments	\$108,688,276
Cash and investments with fiscal agent	3,783,288
Statement of Fiduciary Net Assets:	
Cash and investments	<u>3,379,609</u>
Total cash and investments	<u>\$115,851,173</u>

Cash and investments held by the District at June 30, 2009 consisted of the following:

Cash:	
Cash on hand	\$ 800
Deposits with financial institution	<u>409,811</u>
Total cash	<u>410,611</u>
Investments:	
State treasurer's investment pool	12,958,593
US treasury notes	18,178,816
Federal agency securities	51,947,426
Medium term notes	25,538,293
Money market funds	<u>6,379,824</u>
Total investments	<u>115,440,652</u>
Total cash and investments	<u>\$115,851,173</u>

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

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

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(2) Cash and Investments, (Continued)

<u>Investment Types</u> <u>Authorized by State Law</u>	<u>Authorized</u> <u>By Investment</u> <u>Policy</u>	<u>*Maximum</u> <u>Maturity</u>	<u>*Maximum</u> <u>Percentage</u> <u>Of Portfolio</u>	<u>*Maximum</u> <u>Investment</u> <u>In One Issuer</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	10 years	None	None
U.S. Agency Securities	Yes	10 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	10%	None
Reverse Repurchase Agreements	Yes	92 days	10%	None
Medium-Term Notes	Yes	5 years	30%	5%
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$40 million
JPA Pools (other investment pools)	No	N/A	None	None

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

Investments Authorized by Debt Agreements

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

<u>Authorized</u> <u>Investment Type</u>	<u>Maximum</u> <u>Maturity</u>	<u>Maximum</u> <u>Percentage</u> <u>Allowed</u>	<u>Maximum</u> <u>Investment</u> <u>in One Issuer</u>
U.S. Government Obligations	None	None	None
Federal Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Municipal Obligations	None	None	None
Money Market Mutual Funds	120 days	None	None
Investment Agreements	None	None	None
Local Agency Investment Fund	None	None	None

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months Or Less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool	\$ 12,985,593	12,985,593		
US Treasury Notes	18,178,816	1,037,813	2,675,003	6,183,281
Federal Agency Securities	51,947,426		19,935,559	11,398,579
Medium Term Notes	25,538,293		18,699,037	6,839,256
Money Market Funds	3,007,146	3,007,146		
Held by Fiscal Agent:				
Money Market Funds	<u>3,783,288</u>	<u>3,783,288</u>		
Total	<u>\$115,440,562</u>	<u>20,813,840</u>	<u>41,309,599</u>	<u>24,421,116</u>
			<u>28,896,007</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 as of year end for each investment type.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(2) Cash and Investments, (Continued)

<u>Investment Type</u>		Minimum Legal <u>Rating</u>	Rating as of Year End			
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
State Investment Pool	\$12,985,593	N/A				12,985,593
US Treasury Notes*	18,178,816	N/A				18,178,816
Federal Agency Securities	51,947,426	N/A	51,947,426			
Medium Term Notes	25,538,293	A	14,656,903	6,503,562	4,377,828	
Money Market Funds	3,007,146	A	3,007,146			
Held by Fiscal Agent: Money Market Funds	3,783,288	A	3,783,288			
Total	\$115,440,562		70,387,617	6,503,562	4,377,828	34,171,555

* Exempt from disclosure

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FHLB	Federal agency securities	\$ 12,904,501
FNMA	Federal agency securities	10,847,814
FHLMC	Federal agency securities	13,707,939
FFCB	Federal agency securities	3,685,088
TVA	Federal agency securities	10,802,084

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy limits custodial credit risk by requiring that financial institutions secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. For investments, the District's portfolio is held in safekeeping in the District's name by a third party bank trust department, acting as agent for the District, under the terms of a custody agreement.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(2) Cash and Investments, (Continued)

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

Investment earnings consist of the following for the year ended June 30, 2009:

Interest Income	\$4,416,950
Realized and Unrealized Gains	2,702,024
Total	\$7,118,974

(3) Allen-McCulloch Pipeline (AMP)

Before fiscal year 1995, the District was a part owner and participant in the 27-mile AMP used by MET to deliver potable water to the participants. In fiscal year 1995, the participants sold AMP to MET. Under the sale agreement the District will receive \$16,294,804 over 37 years. This represents an approximate 13.6% ownership of AMP. Payments of \$305,041 were received during the year, leaving the year end AMP receivable of \$2,588,541. The sale agreement also provides for the District to continue to have AMP flow capacity rights, but MET has no obligation to deliver an actual quantity of water.

(4) Operating Leases

The District leases a portion of its facilities for antennas or cellular towers sites. Lessees purchase and install the wireless equipment. These leases are non-cancelable for a period of 10 years with inception dates ranging from 2000 to the present. Generally the leases are renewable for one 5 year period. At the lease termination, lessees must remove all equipment and restore the site to its original state. The total cellular lease revenue for the current year is \$1,349,901. Future minimum lease payments are as follows:

Fiscal Year Ended June 30:	
2010	\$ 1,423,000
2011	1,466,000
2012	1,509,980
2013	1,555,279
2014	1,601,937

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(5) Capital Assets

Capital asset activity for the year ended June 30, 2009 is as follows:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>
Water systems	\$535,717,555	15,166,874	(466,609)	550,417,820
Buildings	5,130,722	74,314	-	5,205,036
Automobiles and equipment	<u>8,762,059</u>	<u>1,241,778</u>	-	<u>10,003,838</u>
Total cost of depreciable assets	<u>549,610,336</u>	<u>16,482,966</u>	<u>(466,609)</u>	<u>565,626,694</u>
Less accumulated depreciation:				
Water systems	(193,727,787)	(13,213,578)	466,609	(206,474,756)
Buildings	(1,675,445)	(164,418)	-	(1,839,864)
Automobiles and equipment	<u>(5,139,218)</u>	<u>(719,036)</u>	-	<u>(5,858,254)</u>
Total accumulated depreciation	<u>(200,542,450)</u>	<u>(14,097,032)</u>	<u>466,609</u>	<u>(214,172,874)</u>
Net depreciable assets	349,067,886	2,385,934	-	351,453,820
Capital assets not depreciated:				
Land	1,091,910	-	-	1,091,910
Construction in progress	<u>11,422,556</u>	<u>20,367,738</u>	<u>(16,326,456)</u>	<u>15,463,838</u>
Capital assets, net	<u>\$361,582,352</u>	<u>22,753,672</u>	<u>(16,326,456)</u>	<u>\$368,009,568</u>

Depreciation expense for the year ended June 30, 2009 was \$14,186,721. Accumulated depreciation was adjusted July 1, 1991 effective for June 30, 1991 pursuant to changes in useful lives in various plant components amounting to \$2,242,216. This amount is being expensed over twenty-five years commencing July 1, 1991 and ending June 30, 2016. The unallocated depreciation balance of \$635,300 at June 30, 2009 is included as part of the capital assets, net of accumulated depreciation item on the balance sheet. The annual depreciation credit to income equals \$89,688. Net depreciation expense for the year is \$14,097,033.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(6) Long-Term Liabilities

Long-Term liabilities for the year ended June 30, 2009 are as follows:

	<u>Balance at June 30, 2008</u>	<u>Accretion/ Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>	<u>Due Within One Year</u>
Bonds payable:					
2003 Cons.Refunding Bonds	\$ 49,565,000	-	(3,800,000)	45,765,000	4,025,000
Less deferred charges	<u>(4,105,269)</u>	<u>-</u>	<u>594,948</u>	<u>(3,510,321)</u>	<u>-</u>
Total bonds payable	<u>45,459,731</u>	<u>-</u>	<u>(3,205,052)</u>	<u>42,254,679</u>	<u>4,025,000</u>
Certificates of Participation:					
1993 COP	12,625,000	-	-	12,625,000	1,625,000
1993 COP's Unaccreted Balance	(601,169)	232,408	-	(368,761)	-
2003 COP	<u>19,410,000</u>	<u>-</u>	<u>(1,570,000)</u>	<u>17,840,000</u>	<u>-</u>
Total certificates	<u>31,433,831</u>	<u>232,408</u>	<u>(1,570,000)</u>	<u>30,096,239</u>	<u>1,625,000</u>
Loans payable:					
CIEDB	2,212,686	-	(130,348)	2,082,338	134,131
Dept. of Water Resources	2,093,526	-	(257,214)	1,836,313	263,578
State Revolving Fund	23,180,140	-	(1,591,738)	21,588,402	1,619,858
State Water Resource CB	25,528	-	(25,528)	-	-
Water Reuse	10,205,000	-	(10,205,000)	-	-
Allen-McCulloch Pipeline	<u>5,149,000</u>	<u>-</u>	<u>(482,000)</u>	<u>4,667,000</u>	<u>522,000</u>
Total loans payable	<u>42,865,881</u>	<u>-</u>	<u>(12,691,828)</u>	<u>30,174,053</u>	<u>2,539,566</u>
Compensated absences:					
Vacation Pay	514,309	542,950	(599,969)	457,290	457,291
Sick Pay	<u>583,612</u>	<u>272,644</u>	<u>(310,417)</u>	<u>545,839</u>	<u>545,839</u>
Total Compensated absences	<u>1,097,921</u>	<u>815,594</u>	<u>(910,386)</u>	<u>1,003,129</u>	<u>1,003,129</u>
Total long-term liabilities	<u>\$120,857,364</u>	<u>1,048,002</u>	<u>(18,377,265)</u>	<u>103,528,100</u>	<u>9,192,696</u>

2003 Consolidated Refunding (General Obligation) Bonds

The 2003 Bonds consist of \$62,975,000 of serial general obligation bonds. This issuance refunded the 1993 Consolidated Refunding Bonds that were originally issued to fund capital projects. The serial bonds accrue interest at rates between 2% and 5% and mature between September 1, 2004 and September 1, 2019. Interest is payable on September 1 and March 1 of each year.

1993 Certificates of Participation

On November 1, 1993, the District issued Certificates of Participation in the amount of \$45,075,234 to provide funding for certain water, recycled water, and sewer facilities. Portions of the debt issuance are Capital Appreciation Certificates (CAC). The accretion of the interest for the CAC is expensed on an annual basis and increases the balance due. In August 2003, \$39,105,000 of the Certificates was advance refunded by the issuance of the 2003 Refunding Certificates of Participation. The remaining certificates mature between September 1, 2003 and September 1, 2017. The certificates accrue interest at rates between 3% and 4.8%.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(6) Long-Term Liabilities, (Continued)

2003 Refunding Certificates of Participation

The 2003 COP consist of \$25,145,000 of serial certificates due September 1, 2023. This issuance refunded a portion of the 1993 COP. The serial certificates accrue interest at rates between 3% and 5%, interest is payable on March 1 and September 1 of each year. Principal is repaid annually on September 1, from 2004 and 2008, and then in 2012 and 2013, and finally between 2018 and 2023.

The required and actual reserves for the COP are \$2,301,798 at June 30, 2009.

Loans Payable

California Infrastructure and Economic Development Bank (CIEDB)

The District obtained a loan for \$2,931,700 from the California Infrastructure and Economic Development Bank to finance certain capital projects. The loan due March 1, 2022, accrues interest at 2.73%. Principal is repaid annually on March 1 and interest payments are due semi-annually on March 1 and September 1.

Department of Water Resources Loan (DWR)

The District obtained a loan for \$4,821,611, due October 1, 2015, from the Department of Water Resources to fund water conservation projects pursuant to Chapter 4.7 of Part 6 of Division 6 of the California Water Code. The loan accrues interest at a rate of 2.5%. Principal and interest payments of \$153,927 are due semi-annually on April 1 and October 1.

State Revolving Fund Loans (SRF)

The District obtained three State Revolving Fund loans totaling \$36,053,400 with the State Water Resources Control Board to finance certain capital projects. The loans accrue interest at rates ranging from 1.727% to 1.811%. Principal and interest payments are due annually through October 16, 2017.

Allen-McCulloch Pipeline

The District participated in a debt issuance with other participants for the construction of the Allen-McCulloch Pipeline. The District's portion of the original outstanding debt was \$11,440,000. The debt accrues interest at a rate of 5.8%. Principal and interest on the debt is payable semi-annually through July, 2016.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(6) Long-Term Liabilities, (Continued)

The long-term obligations of the District excluding amortizations of deferred charges at June 30, 2009 are as follows:

<u>June 30</u>	<u>Bonds Payable</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,025,000	1,997,175	1,625,000	1,230,800
2011	4,340,000	1,819,813	1,625,000	1,230,800
2012	4,645,000	1,634,306	1,625,000	1,230,800
2013	4,980,000	1,436,000	1,630,000	1,198,200
2014	5,235,000	1,231,700	1,690,000	1,131,800
2015-2019	20,930,000	2,380,000	9,885,000	4,342,225
2020-2024	<u>1,610,000</u>	<u>40,250</u>	<u>12,385,000</u>	<u>1,608,625</u>
Total	<u>\$45,765,000</u>	<u>10,539,244</u>	<u>30,465,000</u>	<u>11,973,250</u>

<u>June 30</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,539,566	770,734
2011	2,623,716	702,478
2012	2,708,573	641,031
2013	2,799,410	556,002
2014	2,890,908	477,557
2015-2019	11,523,562	1,218,816
2020-2024	<u>5,088,318</u>	<u>233,935</u>
Total	<u>\$30,174,053</u>	<u>4,600,553</u>

(7) Deferred Compensation Plan

The District has a 457 Deferred Compensation Plan. The Plan is available to all full-time employees and Board members. Participants may defer receipt of a portion of their salary until future years. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. Participants can choose to invest their funds either with a third party administrator, Nationwide Retirement Solutions, Inc., or in the MNWD investment pool. At June 30, 2009, assets in trust with Nationwide Retirement Solutions total \$2,413,891 and asset with MNWD total \$3,379,609. Assets held in the MNWD investment pool are reported in separate fiduciary fund financial statements.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(8) Retirement Plans

Defined Benefit Pension Plan

The District contracts with California Public Employees Retirement System (CalPERS) to provide employees with a specified package of benefits upon retirement. CalPERS is a cost sharing multiple-employer defined benefit pension plan. CalPERS provides retirement, disability benefits and death benefits to plan members and beneficiaries. CalPERS act as a common investment and administrative agent for participating public entities within the State of California. State statute establishes CalPERS members and employer contribution rates, benefit provisions, minimum funding and all other requirements. The District's Board of Directors has authority over MNWD participation in CalPERS, plan amendments and the choice of plan options within CalPERS. The District's current plan is referred to as the 2% @ 55 defined benefit plan, where a qualified employee may receive an annual retirement benefit equal to 2% of their final year compensation times the number of years of service at age 55. Copies of CalPERS annual financial report may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

The District funds these benefits according to actuarially determined contribution rates for both the employee and employer. Each year employees are required to contribute 7% of their annual covered salary, the District funds the employees' contributions on their behalf. Contributions on behalf of employees were \$445,483 for the year ended June 30, 2009. The required employer contribution rate for the year ended June 30, 2009 was 10.042% of employees' covered payroll. The most recent actuarial valuation is dated June 30, 2007 and is available upon request.

In fiscal year 2003, California legislation mandated that all agencies with less than 100 active members be enrolled in a risk-sharing pool with all other agencies in the State with similar benefit packages. At the time of joining the risk pool, a "side fund" was created to account for the difference between the funded status of the District's Plan and the funded status of the risk pool. CalPERS established the risk-sharing pools in 2003 to reduce large fluctuations in employer retirement contributions caused by demographic events. Each agency has a unique contribution rate determined by the risk pools normal cost adjusted for the agencies level of benefit enhancements, funding status prior to joining the pool and normal cost prior to joining the pool. As a result, the District's obligation for the side fund pool was \$3,403,367 as of December 31, 2008. This obligation was paid in full on December 31, 2008 and as a result, reduced the District's employer contribution rate from 13.252% to 10.042%.

Required Contributions

<u>June 30</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Funded</u>	<u>Net Pension Obligation</u>
2008	792,698	100%	-
2007	727,972	100%	-
2006	580,026	100%	-

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(8) Retirement Plans, (continued)

Defined Contribution Pension Plan

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

The District matches up to 2% of an employees' salary to the Money Purchase Plan if the employee elects to participate in the Deferred Compensation Plan. In addition, participating executive management may contribute 5% of their compensation to the Money Purchase Plan. Employer and employee contributions to the Money Purchase Plan were \$110,918 for the year ended June 30, 2009. All contributions are fully vested.

The trustee maintains individual accounts for each participant. Each participant provides direction for investment of their account balance. Contributions plus investment returns are distributed to participants upon termination of employment and age 55, at disability or at age 65.

(9) Other Post Employment Benefits (OPEB)

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

Under the authority of the District's Board of Directors, post-retirement medical benefits are provided to eligible employees. These benefits may be amended at the discretion of the Board of Directors. The District participates in the CalPERS California Employers' Benefit Trust (CERBT) an agent multiple employer defined benefit plan which administers medical insurance benefits to eligible retirees and their dependents. As a participant in CERBT the District established an irrevocable trust under Internal Revenue Code Section 115 for the purpose of holding assets accumulated for plan benefits. The trust is administered by CERBT.

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

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

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

Membership of the plan consisted of the following at June 30, 2009:

Retirees and dependents receiving benefits	28
Active plan members	<u>103</u>
Total	<u>131</u>

District's Funding Policy. The contribution requirements of the District, OPEB Participants employees, and Board Members are established and may be amended by the District Board of Directors. On October 16, 2008, the Board of Directors' amended its policy to fund the Annual Required Contribution (ARC) for these benefits, rather than its previous practice of funding on a pay-as-you-go basis. This change serves to decrease the District's Unfunded Actuarial Accrued Liability over time. For fiscal year 2008-09, the District contributed a total of \$483,118 to the plan including \$162,827 for current premiums and \$320,291 in voluntary contributions to CERBT. The District pays the full cost for OPEB Participants using the Health Maintenance Organization (HMO). OPEB Participants electing coverage through the Preferred Provider Organization (PPO) contribute \$1,150 toward the cost of the coverage (approximately 1% of total premiums). CalPERS publishes separate audited financial statements for CERBT. The report is available from CalPERS, 400 "Q" Street, Sacramento, California 95811.

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

Annual Required Contribution (ARC)	\$ 483,118
Contributions made (including premium paid)	<u>(483,118)</u>
Increase in net OPEB obligation	<u>-</u>
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ -</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for Fiscal Year 2009 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
06/30/07	N/A	N/A	N/A
06/30/08	N/A	N/A	N/A
06/30/09	\$ 483,118	100%	\$ 0

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

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

No information is available for Fiscal Years 2007 and 2008. The District's first actuarial report was prepared as of January 1, 2008 and projected liabilities as of July 1, 2008. The OPEB Cost was calculated beginning with Fiscal Year 2009.

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2009, is as follows:

Actuarial accrued liability (AAL)	\$ 4,943,442
Actuarial value of plan assets	<u>(319,728)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,623,714</u>
Funded ratio (actuarial value of plan assets/AAL)	7%
Covered payroll (active plan members)	\$ 7,880,443
UAAL as a percentage of covered payroll	56%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented on the following table as required supplementary information, presenting multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and OPEB Participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and OPEB Participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal Cost Method actuarial cost method is used for determining the benefit obligations. The actuarial assumptions included a 7.75 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate between 5% and 12%. The UAAL is being amortized as a level percentage of projected payrolls over 30 years. It is assumed the District's payroll will increase 3.25% per year. Eighty-five percent of future retirees are assumed to have a spouse. The valuation as of January 1, 2008 was done using the eligibility criteria at that time. As discussed earlier, the District amended the eligibility criteria as of July 1, 2008. In the future, this will serve to decrease the Actuarial Accrued Liability of the Plan. Future actuarial studies will incorporate this change. As of June 30, 2009 management has deemed the impact to be de minimus since the January 1, 2008 actuarial valuation was a closed group valuation.

Plan assets are as reported by CERBT using the market value of trust investments.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered
06/30/07	\$0	N/A	N/A	N/A	N/A	N/A
06/30/08	\$0	\$4,930,491	\$4,930,491	0%	\$7,575,225	80%
06/30/09	\$319,728	\$4,943,442	\$4,623,714	7%	\$7,880,443	56%

(10) Insurance

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. To protect the District from these risks, it is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA) as discussed in Note 12. The program covers workers' compensation, property and liability insurance. For each of the most recent years, settlements did not exceed insurance coverage. The District maintains \$60,000,000 in primary comprehensive general liability insurance. Property damage insurance is also carried, with coverage of \$77,573,267 on structures and contents. A \$3,000,000 commercial blanket bond is maintained on employees. The District retains pollution insurance of \$2,000,000 and underground storage tank coverage of \$500,000.

(11) Commitments and Contingencies

Construction Projects

The following material construction commitments existed at June 30, 2009:

<u>Project Name</u>	<u>Cumulative Expenditures as of June 30, 2009</u>	<u>Remaining Commitments</u>
Upper Chiquita Reservoir	\$ 2,369,142	13,936,858
Baker Pipeline Regional Treatment Facility	136,175	18,417,825
Irvine Ranch Water District Emergency Interconnection to Joint Transmission Main	8,943,176	1,478,824
Replacement of Digital Lines with Wireless Network	758,723	1,741,277
Upper Oso Reservoir Intertie Extension From Los Alisos	21,531	1,240,469
Stonehill Recycled Water Force Main	18,740	1,581,260

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(12) Joint Powers Authorities and Joint Ventures

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

The District is a member of South Orange County Wastewater Authority (SOCWA). SOCWA collects, treats, beneficially reuses and disposes of wastewater in South Orange County. SOCWA operates four wastewater treatment plants (WWTP) in the region. SOCWA has ten member agencies, including three cities and seven water districts. A Board of Directors consisting of representatives from member agencies governs SOCWA. The Board of Directors controls the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has Project Committees that member agencies participate in financially at various levels, depending on their capacity rights. Each WWTP is a project, as well as various other physical facilities such as outfall pipelines. MNWD's overall participation level is the highest of the member agencies, approximating 46% of SOCWA. The District deposits money with SOCWA to cover its share of operation and capital in the respective projects. At fiscal year-end SOCWA analyzes its actual costs and refunds or collects additional money from its members as appropriate. Construction deposits made to SOCWA for capital projects are recorded as capital assets (see note 5).

To obtain complete financial information from SOCWA please contact SOCWA's Director of Finance at 34156 Del Obispo Street, Dana Point, CA 92629.

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 MNWD. The pipelines deliver drinking water to the nine member agencies. MNWD has 48.64% ownership rights to the Joint Transmission Main. SCWD serves as Trustee of JRWSS. As Trustee SCWD maintains the infrastructure, collects money to cover expenses from the members and keeps records for JRWSS.

The District deposits money with JRWSS to cover its share of operation and capital. At fiscal year-end JRWSS analyzes its actual costs and refunds or collects additional money from its members as appropriate.

To obtain complete financial information from JRWSS contact South Coast Water District, P.O. Box 30205, Laguna Niguel, CA 92607.

Association of California Water Agencies Joint Powers Insurance Authority (a California Joint Powers Authority)

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), for the operation of a common risk management and insurance program. The program covers workers' compensation, property and liability insurance. The membership includes 291 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the JPIA, including selection of management and approval of the operating budget. 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. Due to conservative JPIA policies, more often the District receives retrospective refunds.

Complete financial information for the JPIA is available at 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

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

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the San Juan Basin Authority (SJBA) a joint power authority formed to secure and develop water rights for its member agencies. It currently has permits for using the San Juan Groundwater Basin as an underground storage reservoir. A capacity of 60,000 acre-feet is classified as usable storage, where water can be routinely put into it by groundwater recharge basins and withdrawn by a number of high production wells to be drilled in the future. The state has also given SJBA water rights to divert water from the Basin for beneficial purposes. The objective of MNWD membership is to diversify and increase its water sources in the future. SJBA's membership includes MNWD along with Santa Margarita Water District, Capistrano Valley Water District and South Coast Water District (SCWD). 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. SJBA's goal is to complete tasks for its member and not to accumulate fund for any other purpose.

The District deposits money with SJBA to cover its share of operations in the respective projects. Surplus balances at fiscal year-end are refunded to member agencies or added to their reserves as determined by the Board of Directors. To obtain complete financial information from SJBA contact Santa Margarita Water District at 26111 Antonio Parkway, Las Flores, CA 92688.

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. MNWD has no capacity rights in the Baker Pipeline and is not responsible for costs to operate and maintain the Baker Pipeline. SAC also operated and maintained the Allen McColloch Pipeline (AMP) prior to its sale to MET. By agreement, MNWD funds a small portion of the annual administrative costs of SAC. Irvine Ranch Water District maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC.

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

(13) Restricted Net Assets

At year end the District held \$98,855 in unspent connection fee revenue. By State law these amounts must be spent on capital projects. All interest earned in this fund is added to the total restricted fund balance.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(14) Unrestricted Net Assets

A portion of the District's unrestricted net assets have been designated by the Board of Directors for specific purposes. The details of unrestricted net assets at year end are as follows:

Unrestricted net assets:	
Designated for rate stabilization	\$ 8,110,240
Designated for replacement and refurbishment	11,161,183
Designated for self insurance reserves	605,201
Designated for water supply reliability	34,666,715
Designated for planning and construction	7,727,855
Unrestricted, undesignated	<u>49,365,815</u>
 Total unrestricted net assets	 <u>\$111,637,009</u>

Rate Stabilization

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

Replacement & Refurbishment

The Replacement & Refurbishment reserves were established to replace existing assets, refurbish or materially extend the useful life of existing assets and upgrade assets provided certain conditions are met. The asset value must be \$5,000 or more and have a useful life of at least 3 years. The reserves are replenished annually with a \$4.5 million dollar transfer from the General Fund.

Self Insurance

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

Water Supply Reliability Fund

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

Planning and Construction Reserves

Planning and Construction reserves were established to conform to requirements for Federal and State grant programs to provide for the establishment of the Capital Replacement Fund. The reserves are increased by revenue from tax revenues equal to the appropriation limit, Federal and State P.L. 660 funds and clean water grants if and when received. Designated (budgeted) and emergency construction and planning expenditures decrease the reserves.

MOULTON NIGUEL WATER DISTRICT
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009

(15) Subsequent Events

Rate Increase

In an effort to offset increased water costs, provide for the replacement and refurbishment of water and sewer infrastructure and adhere to regulatory requirements, the District implemented a rate increase. The Board of Directors' met on May 21, 2009 and approved a 16.2% rate increase for fiscal years' 2009-10 and 2010-11 commencing on June 1 of each year.

Suspension of Prop 1A (2004)

The State legislature voted to suspend Proposition 1A (2004) and borrow property tax funds from local governments to help solve the 2009-10 State budget crisis. The State will collect 8% in property tax dollars from cities, counties and special districts beginning December 1, 2009. The 8% borrowing will be based on tax receipts from fiscal year 2008-09. This amounts to approximately \$1.76 million for the District. The State is required to repay local governments for the 8% borrowed plus interest no later than June 30, 2013. If an agency in the county is granted "hardship" and allowed to keep their property tax revenues, the dollars lost from that agency will be reallocated within the county. The Department of Finance has capped the amount of "hardship" exemptions granted to 10% of the total 8% within each county. The District has enrolled in a Proposition 1A Securitization program to sell its receivables to California Communities, in which they will issue bonds, and forgo its interest income from the State of California. The District will receive the cash proceeds from the bond sales equal to the property tax take away of \$1.76 million in two equal installments in January 2010 and May 2010. In the end, the District is made-whole.

2009 Water Supply Reliability Financing

As previously discussed in the Letter of Transmittal, Management Discussion and Analysis and in the Notes, the District has established a Water Supply Reliability fund to construct projects to provide greater 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's deliveries. The District intends on offering \$60 million of Certificates of Participation in December 2009 to secure financing for these projects. The three primary projects are the Irvine Ranch Water District Interconnection, Baker Water Treatment Plant, and the Upper Chiquita Emergency Storage Reservoir.

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STATISTICAL SECTION

MOULTON NIGUEL WATER DISTRICT

Statistical Section Overview

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

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

- Net Assets by Component – Last Nine Years 46
- Changes in Net Assets – Last Nine Years 48

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

- Sewer and Water Sold by Type of Customer 50
- Water and Sewer Rates 52
- Principal Water Customers – Current and Six Years Ago 54
- Principal Sewer Customers – Current and Six Years Ago 55
- Property Tax Levies and Collections 56
- Assessed Valuations & Largest Local Secured Taxpayers 57

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

- Ratio of Outstanding Debt – Last Ten Years 58
- Direct and Overlapping Debt – Current Year 59
- Pledged Revenue Coverage 60

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

- District Boundaries Map 61
- Demographic and Economic Statistics 62
- Principal Employers 64

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

- Full Time Employees by Function 65
- Operating Indicators 66
- Capital Asset Statistics 67

**Moulton Niguel Water District
Net Assets by Component
Last Nine Fiscal Years**

	2001	2002	2003	2004
Net assets				
Invested in capital assets, net of related debt	\$ 208,312,479	\$ 209,203,885	\$ 209,752,006	\$ 212,135,262
Restricted	13,406,892	12,578,587	9,241,133	9,924,017
Unrestricted	120,177,154	135,727,627	149,848,925	149,069,329
¹ Total net assets	<u>\$ 341,896,525</u>	<u>\$ 357,510,099</u>	<u>\$ 368,842,064</u>	<u>\$ 371,128,608</u>

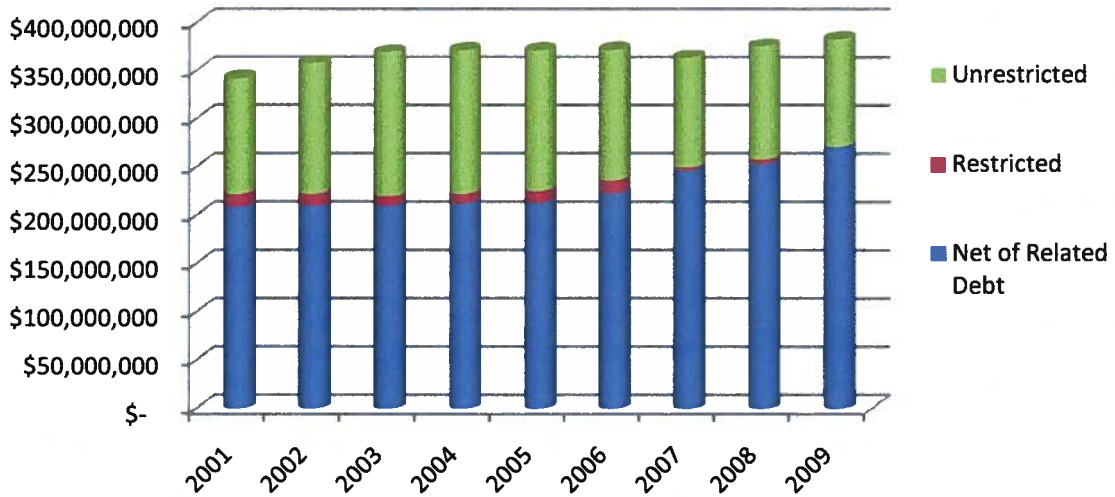
Note: MNWD implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available in comparable formats.

(1) Beginning Net Assets were restated for FY 2006 and 2007.

Source: Moulton Niguel Water District Audited Financial Statements.

**Moulton Niguel Water District
Net Assets by Component
Last Nine Fiscal Years**

2005	2006	2007	2008	2009
\$ 212,969,450	\$ 222,891,731	\$ 245,841,042	\$ 253,165,739	\$ 270,849,808
11,619,898	12,816,747	3,928,653	4,143,149	98,855
146,532,083	136,018,263	113,812,691	118,076,557	111,637,011
\$ 371,121,431	\$ 371,726,741	\$ 363,582,386	\$ 375,385,445	\$ 382,585,674



**Moulton Niguel Water District
Changes in Net Assets
Last Nine Fiscal Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenue				
Water charges	\$ 20,047,348	\$ 20,730,831	\$ 19,569,482	\$ 20,495,732
Sanitation charges	8,094,991	8,354,824	8,228,151	8,480,618
Other	1,157,582	1,509,853	1,281,410	1,513,930
Total Operating Revenue	<u>29,299,921</u>	<u>30,595,508</u>	<u>29,079,043</u>	<u>30,490,280</u>
Operating Expenses				
Source of supply ²	17,445,669	17,379,014	16,689,362	18,060,766
Pumping water	1,615,688	499,250	412,253	600,876
Water and sewage treatment	4,455,525	5,712,424	5,487,213	6,244,920
Water transmission and distribution	2,939,553	2,240,828	2,334,510	2,378,017
Customer accounts	135,388	239,076	240,121	237,522
General, administrative and other	9,325,257	9,849,962	9,329,248	8,974,219
Depreciation	10,400,952	10,475,460	11,347,956	11,931,829
Total Operating Expenses	<u>46,318,032</u>	<u>46,396,014</u>	<u>45,840,663</u>	<u>48,428,149</u>
Operating Income (Loss)	<u>(17,018,111)</u>	<u>(15,800,506)</u>	<u>(16,761,620)</u>	<u>(17,937,869)</u>
Non-operating Revenues (Expenses)				
Interest income ¹	9,276,684	6,596,674	7,397,721	(596,510)
Property tax revenue & acreage assessments	20,322,510	20,340,941	20,989,890	22,872,907
Interest on long-term debt	(6,357,421)	(6,531,228)	(9,367,601)	(5,492,833)
Cellular lease income	630,950	782,043	915,908	1,091,275
Other non-operating revenues(expenses) ⁴	1,662,391	2,462,782	7,395,963	1,368,758
Total Non-operating Revenues(Expenses)	<u>25,535,114</u>	<u>23,651,212</u>	<u>27,331,881</u>	<u>19,243,597</u>
Income(Loss) before Capital Contributions	8,517,003	7,850,706	10,570,261	1,305,728
Capital Contributions				
Grant funding				
Developer donated capital facilities	2,657,565	7,321,085	504,350	809,720
Connection fees	770,483	441,783	257,354	171,096
Change in Net Assets	\$ 11,945,051	\$ 15,613,574	\$ 11,331,965	\$ 2,286,544
Net Assets - Beginning of Year ³	<u>329,951,474</u>	<u>341,896,525</u>	<u>357,510,099</u>	<u>368,842,064</u>
Net Assets - End of Year	<u>\$ 341,896,525</u>	<u>\$ 357,510,099</u>	<u>\$ 368,842,064</u>	<u>\$ 371,128,608</u>

¹ Investment Income is combined with unrealized gain/loss on investments.
For FY 2004, the unrealized loss on investments exceeded investment income.
For FY 2006, there was a substantial unrealized loss on investments.

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

³ Beginning Net Assets were restated for FY 2006 and 2007.

⁴ For FY 2003 a portion of the 1993 General Obligation Bonds were refunded.

Note: MNWD implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available in comparable formats.

Source: Moulton Niguel Water District Audited Financial Statements.

Moulton Niguel Water District
Changes in Net Assets
Last Nine Fiscal Years

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 19,209,164	\$ 21,815,831	\$ 25,831,145	\$ 24,843,950	\$ 23,828,842
8,259,528	10,281,592	11,515,601	11,425,324	11,261,857
170,617	283,062	604,746	337,489	323,684
<u>27,639,309</u>	<u>32,380,485</u>	<u>37,951,492</u>	<u>36,606,763</u>	<u>35,414,383</u>
16,469,876	17,583,352	20,230,917	18,944,598	20,972,373
618,098	357,650	393,556	390,681	360,363
7,159,561	7,506,433	7,367,708	8,179,717	8,962,772
2,429,357	2,547,423	2,707,991	2,958,395	3,277,410
202,777	225,071	285,213	335,049	351,151
9,370,829	9,267,301	10,838,062	11,407,703	13,069,750
12,265,654	12,585,747	13,602,765	13,783,963	14,097,033
<u>48,516,152</u>	<u>50,072,977</u>	<u>55,426,212</u>	<u>56,000,106</u>	<u>61,090,852</u>
<u>(20,876,843)</u>	<u>(17,692,492)</u>	<u>(17,474,720)</u>	<u>(19,393,343)</u>	<u>(25,676,469)</u>
4,345,893	480,324	6,589,646	9,477,382	7,118,974
19,039,914	19,293,391	26,370,628	26,755,228	28,320,274
(5,226,235)	(5,232,106)	(5,474,668)	(5,340,125)	(5,097,414)
961,066	1,040,136	1,115,941	1,203,720	1,349,901
459,756	(26,539)	(80,023)	19,410	54,270
<u>19,580,394</u>	<u>15,555,206</u>	<u>28,521,524</u>	<u>32,115,615</u>	<u>31,746,005</u>
(1,296,449)	(2,137,286)	11,046,804	12,722,272	6,069,536
			144,899	930,379
939,300	2,099,826	876,334	970,889	156,511
<u>349,972</u>	<u>642,770</u>	<u>932,325</u>	<u>13,169</u>	<u>43,800</u>
\$ (7,177)	\$ 605,310	\$ 12,855,463	\$ 13,851,241	\$ 7,200,226
<u>371,128,608</u>	<u>371,121,431</u>	<u>350,726,923</u>	<u>361,534,204</u>	<u>375,385,445</u>
<u>\$ 371,121,431</u>	<u>\$ 371,726,741</u>	<u>\$ 363,582,386</u>	<u>\$ 375,385,445</u>	<u>\$ 382,585,671</u>

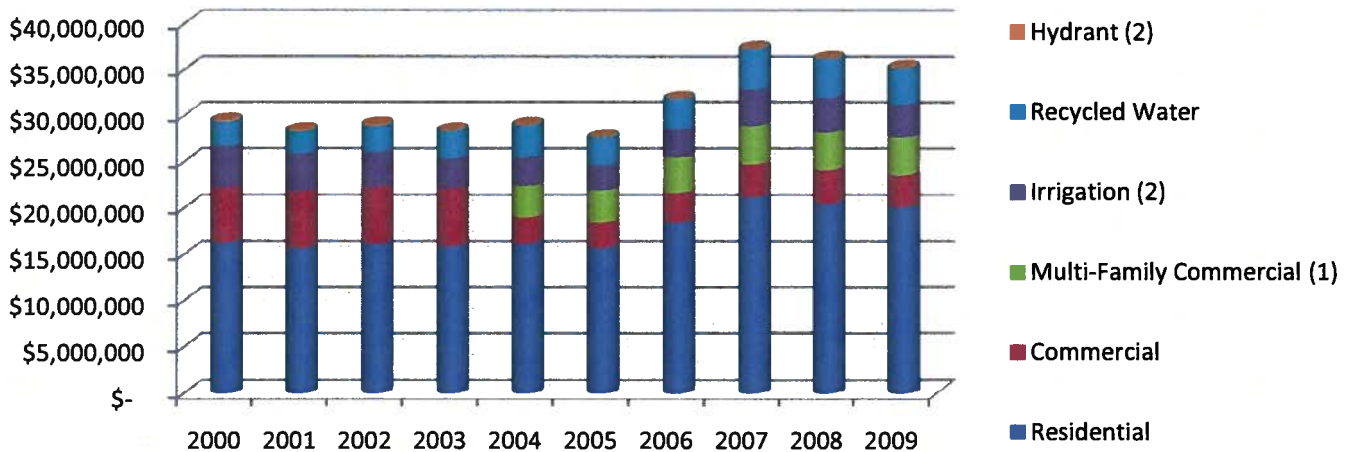
**Moulton Niguel Water District
Water and Sewer Sold by Type of Customer
Last Ten Fiscal Years**

Water & Sewer Sales

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential	\$ 16,256,273	\$ 15,634,324	\$ 16,083,976	\$ 15,847,894	\$ 16,147,534
Commercial	5,904,795	6,144,501	6,132,944	6,226,861	2,766,006
Multi-Family Commercial ⁽¹⁾					3,462,450
Irrigation ⁽²⁾	4,523,789	4,120,166	3,823,319	3,266,839	3,099,871
Recycled Water	2,661,064	2,426,507	2,870,618	3,020,284	3,496,512
Hydrant ⁽²⁾	154,033	96,773	114,405	57,225	27,159
Total Water & Sewer Sales	\$ 29,499,955	\$ 28,422,270	\$ 29,025,263	\$ 28,419,103	\$ 28,999,532

Metered Accounts (cf)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential	44,490	45,290	45,714	46,197	45,875
Commercial	4,283	4,380	4,490	4,611	4,641
Irrigation ⁽²⁾	1,804	1,690	1,504	1,448	1,392
Recycled Water	631	760	944	1,075	1,138
Hydrant ⁽²⁾	123	81	64	39	33
Total Metered Accounts	51,331	52,201	52,716	53,370	53,079



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

(2) Irrigation and Hydrant do not have sewer sales.

Source: Moulton Niguel Water District Billing Department.

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 15,636,656	\$ 18,430,302	\$ 21,167,622	\$ 20,467,028	\$ 20,081,622
2,793,134	3,173,988	3,559,177	3,598,135	3,484,263
3,468,057	3,887,382	4,193,311	4,157,669	4,082,323
2,770,325	2,982,385	3,870,441	3,725,795	3,551,458
2,977,915	3,327,785	4,440,325	4,202,091	3,969,721
22,991	40,926	57,177	49,548	44,251
\$ 27,669,078	\$ 31,842,768	\$ 37,288,053	\$ 36,200,266	\$ 35,213,638

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
45,998	46,069	46,170	46,367	46,479
4,670	4,674	4,732	4,793	4,824
1,365	1,368	1,376	1,380	1,394
1,166	1,183	1,196	1,206	1,218
26	44	40	42	37
53,225	53,338	53,514	53,788	53,952

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

	<u>Residential Potable Water Rates</u> ¹		<u>Commercial & Multi-Family Water Rates</u> ²	
	<u>2000-2005</u>	<u>2006-2009</u>	<u>2000-2005</u>	<u>2006-2009</u>
Water Service Base Charge	\$ 5.00	\$ 6.60	By Meter Size	
Consumption Tiers				
1-10 B.U.	\$ 0.70	\$ 0.86	\$ 0.70	\$ 0.86
11-20 B.U.	0.80	0.96	0.80	0.96
21-30 B.U.	1.00	1.16	1.00	1.16
31-50 B.U.	1.20	1.36	1.20	1.36
51+ B.U.	1.30	1.46	1.30	1.46

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

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

Water Service Base Charge

<u>Meter Size</u>	<u>2000-2005</u>	<u>2006-2009</u>
5/8"	\$ 5.00	\$ 6.60
3/4"	5.00	6.60
1"	5.00	6.60
1.5"	10.00	11.60
2"	18.00	19.60
3"	25.00	26.60
4"	35.00	36.60
6"	55.00	56.60
8"	75.00	76.60
10"	95.00	96.60

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

Source: Moulton Niguel Water District Billing Department.

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

Residential Sewer Rates

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Basic Service Charges	\$ 5.50	5.50	5.50	5.50	5.50	5.50	7.10	7.10	7.10	7.10
Volumetric Charge										
1-25 B.U.	0.40	0.40	0.40	0.40	0.40	0.40	0.56	0.56	0.56	0.56
26+ B.U.	-	-	-	-	-	-	-	-	-	-
Maximum per month	15.50	15.50	15.50	15.50	15.50	15.50	21.10	21.10	21.10	21.10

Commercial and Multi-Family Sewer Rates

Basic Service Charge per Sewer	\$ 14.20									
Volumetric Charge	All B.U.'s									
Class 1	0.40	0.40	0.40	0.40	0.40	0.40	0.56	0.56	0.56	0.56
Class 2	0.60	0.60	0.60	0.60	0.60	0.60	0.76	0.76	0.76	0.76
Class 3	0.80	0.80	0.80	0.80	0.80	0.80	0.96	0.96	0.96	0.96
Class 4	1.00	1.00	1.00	1.00	1.00	1.00	1.16	1.16	1.16	1.16

Sewer Classes:

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

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

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

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

Source: Moulton Niguel Water District Billing Department.

**Moulton Niguel Water District
Principal Water Customers ¹
Current Fiscal Year and Six Years Ago**

Fiscal Year 2009

<u>Customer</u>	<u>Type of Property</u>	<u>Total Water Sales</u>	<u>Percentage of Total Water Sales</u>
Aliso Viejo Community Association	Landscape & Parks	\$ 595,562	2.49%
City of Laguna Hills	Landscape, Parks and City Hall	265,174	1.11%
City of Mission Viejo	Landscape, Parks and City Hall	260,785	1.09%
City of Laguna Niguel	Landscape, Parks and City Hall	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>
		\$ 2,220,454	9.29%

Total Water Sales for FY 2008-09 \$ 23,906,211

Fiscal Year 2003 ²

<u>Customer</u>	<u>Type of Property</u>	<u>Total Water Sales</u>	<u>Percentage of Total Water Sales</u>
Aliso Viejo Golf Club	Golf Course	\$ 300,357	1.50%
Mission Viejo Country Club	Golf Course	200,238	1.00%
El Niguel Country Club	Golf Course	200,238	1.00%
Saddleback Community College	Junior College	120,143	0.60%
SOKA University of America	Private University	120,143	0.60%
Laguna Niguel Regional Park	Regional Park	60,071	0.30%
The Shops at Mission Viejo	Shopping Mall	59,070	0.30%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	58,870	0.29%
Laguna Hills High School	School	44,052	0.22%
Capistrano Valley High School	School	<u>38,045</u>	<u>0.19%</u>
		\$ 1,201,228	6.00%

Total Water Sales for FY 2002-03 \$ 20,023,811

(1) Principal Water Customers include recycled water customers

(2) Data prior to fiscal year 2003 is unavailable.

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

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

Fiscal Year 2009

<u>Customer</u>	<u>Type of Property</u>	<u>Total Sewer Sales</u>	<u>Percentage of Total Sewer Sales</u>
Soka University of America	Private University	\$ 51,375	0.45%
The Shops at Mission Viejo	Shopping Mall	33,909	0.30%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	32,724	0.29%
Saddleback Business Park	Commercial Offices	20,481	0.18%
Shea Properties/City Lights	Multi-family Residential	14,283	0.13%
Saddleback Community College	Public College	13,764	0.12%
Expressions Rancho Niguel HOA	Multi-family Residential	12,052	0.11%
K&M Royal Group LLC	Retail Center	11,856	0.10%
Shapell Industries, Inc.	Retail Center	10,989	0.10%
Urdang/Cadence-MV, LLC	Retail Center	7,924	0.07%
		\$ 209,357	1.85%
Total Sewer Sales for FY 2008-09 \$		11,307,427	

Fiscal Year 2003¹

<u>Customer</u>	<u>Type of Property</u>	<u>Total Sewer Sales</u>	<u>Percentage of Total Sewer Sales</u>
Soka University of America	Private University	\$ 33,900	0.40%
The Shops at Mission Viejo	Shopping Mall	27,276	0.32%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	26,925	0.32%
Saddleback Community College	Public College	9,374	0.11%
Mission Viejo Country Club	Golf Course	8,403	0.10%
Niguel Vista Condo Association	Multi-Family Residential	8,066	0.10%
Unisys Corporation	Commercial	5,994	0.07%
General Services Administration	Government Bldg.	5,004	0.06%
El Niguel Country Club	Golf Course	3,097	0.04%
Laguna Hills High School	School	2,630	0.03%
		\$ 130,669	1.56%
Total Water Sales for FY 2008-09 \$		8,395,292	

(1) Data prior to 2003 is unavailable.

Source: Moulton Niguel Water District Billing Department.

2003 Refunding Certificates of Participation Official Statement.

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections from Prior Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 11,970,241	-	-	-	-	-
2001	13,135,749	12,853,820	97.85%	230,358	13,084,178	99.61%
2002	14,212,189	13,861,071	97.53%	241,471	14,102,541	99.23%
2003	15,084,991	14,758,379	97.83%	282,089	15,040,468	99.70%
2004	16,267,199	16,096,282	98.95%	270,006	16,366,289	100.61%
2005	12,146,835	11,953,584	98.41%	228,963	12,182,547	100.29%
2006	13,805,452	13,435,730	97.32%	271,293	13,707,024	99.29%
2007	21,254,653	20,560,187	96.73%	425,393	20,985,580	98.73%
2008	22,283,832	21,583,776	96.86%	587,508	22,171,284	99.49%
2009	22,245,697	21,555,627	96.90%	958,773	22,514,399	101.21%

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

(2) Does not include General Obligation Bonds revenue. Information for fiscal year 2000 was unavailable.

Source: Moulton Niguel Water District Accounting Department.

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

**Assessed Values by Land Use
Fiscal Year 2009**

<u>Land Use</u>	<u>Secured Assessed Value</u>
Residential	\$ 13,921,802,602
Commercial	1,360,352,721
Industrial	317,357,606
Vacant/Other	161,001,884
Total	\$ 15,760,514,813

**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
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%
			<u>\$ 596,109,901</u>	<u>3.78%</u>

(1) Fiscal Year 2008-09 Total Local Secured Valuation: \$ 15,760,514,813

**Principal Local Secured Taxpayers
For Fiscal Year 2005²**

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

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

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

(4) Property Tax revenue is the District second largest source of revenue.

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

Fiscal Year	Certificates of Participation	Loans Payable	Operating Lease	Total Debt	Total		Est. District Population ¹	Debt per Capita
					Customer Accounts	Debt per Customer Accounts		
2000	\$ 39,600,233	\$ 17,559,668	\$ 7,860,000	\$ 65,019,901	\$ 51,331	\$ 1,267	161,792	\$ 402
2001	38,525,234	18,521,789	7,613,000	64,660,023	52,188	1,239	159,596	405
2002	37,405,234	37,453,729	7,346,000	82,204,963	52,666	1,561	162,653	505
2003	36,235,234	47,731,441	7,054,000	91,020,675	52,890	1,721	164,044	555
2004	34,900,234	46,204,775	6,732,000	87,837,009	53,101	1,654	165,317	531
2005	33,555,234	44,705,460	6,385,000	84,645,694	53,256	1,589	165,636	511
2006	32,135,234	42,425,260	6,008,000	80,568,494	53,351	1,510	165,918	486
2007	30,670,234	40,095,949	5,596,000	76,362,183	53,533	1,426	166,168	460
2008	32,035,000	37,716,904	5,149,000	74,900,904	53,810	1,392	166,677	449
2009	30,465,000	25,507,053	4,667,000	60,639,053	53,979	1,123	166,964	363

(1) Estimated District population is based on 2000 Census information of 2.61 people per household.

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

(3) 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. General Obligation Bond debt is not included in this calculation.

Source: Moulton Niguel Water District Accounting Department.

**Moulton Niguel Water District
Direct and Overlapping Debt
For Fiscal Year 2009**

<u>2008-2009 Assessed Valuations:</u> \$15,785,744,739 (Land Only)	Total Debt 06/30/2009	% Applicable (1)	District's Share of Debt 06/30/2009
Metropolitan Water District	\$ 293,425,000	1.528%	\$ 4,483,534
Capistrano Unified School District School Facilities Improvement District No. 1	53,689,930	32.167%	17,270,440
Laguna Beach Unified School District	34,315,000	2.345%	804,687
Saddleback Valley Unified School District	140,200,000	22.603%	31,689,406
City of San Juan Capistrano	6,645,000	2.100%	139,545
Moulton Niguel Water District, ID No. 6	32,830,000	100%	32,830,000
Moulton Niguel Water District, ID No. 7	12,645,000	100%	12,645,000
Moulton Niguel Water District, ID No. 8	290,000	100%	290,000
Orange County Community Facilities Dist.	115,845,620	2.095-100%	88,320,413
South Coast Water District	4,510,000	6.796%	306,500
City of Aliso Viejo Community Facilities District No. 2005-01	34,070,000	100%	34,070,000
City of Mission Viejo Community Facilities District No. 92-1	3,030,000	100%	3,030,000
Capistrano Unified School District Community Facilities District No. 87-1	59,285,000	75.051%	44,493,985
<i>Total Direct & Overlapping Tax and Assessment Debt</i>			<u>\$ 270,373,509</u>
 <u>Direct & Overlapping General Fund Debt:</u>			
Orange County General Fund Obligations	\$ 462,152,000	7.429%	\$ 34,333,272
Orange County Pension Obligations	69,713,001	7.429%	5,178,979
Orange County Board of Education COP	19,430,000	7.429%	1,443,455
South OC Community College District COP	32,875,000	17.251%	5,671,266
Capistrano Unified School District COP	34,505,000	31.828%	10,982,251
City of Aliso Viejo COP	7,910,000	97.881%	7,742,387
City of Laguna Hills COP	18,470,000	69.339%	12,806,913
City of Mission Viejo COP	42,831,210	31.485%	13,485,406
Municipal Water District of Orange County Water Facilities Corp.	17,685,000	8.823%	1,560,348
Moulton Niguel Water District COP (2)	27,595,234	100%	27,595,234
South Coast Water District General Fund Obligations	2,960,000	4.280%	126,688
Orange County Fire Authority	7,040,000	14.448%	1,017,139
<i>Total Gross Direct & Overlapping General Fund Debt</i>			<u>\$ 121,943,339</u>
Less: Self Supporting Debt			
City of Mission Viejo			(7,975,531)
MWDOC Facilities Corp			(1,560,348)
South Coast Water District			(126,688)
<i>Total Net Direct & Overlapping General Fund Debt</i>			<u>\$ 112,280,772</u>
Gross Combined Total Debt (3)			\$ 392,316,848
Net Combined Total Debt			\$ 382,654,281
 <u>Ratios to FY 2008-09 Assessed Valuation:</u>			
Combined Direct Debt (\$73,360,234)		0.26%	
Direct Debt (land only) (\$45,765,000) (4)		0.29%	
Total Direct & Overlapping Tax and Assessment Debt		1.71%	
Gross Combined Total Debt		1.39%	
Net Combined Total Debt		1.36%	

(1) Percentage of overlapping District's assessed valuation located within boundaries of the District.

(2) Excludes accreted value.

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

(4) Moulton Niguel Improvement District.

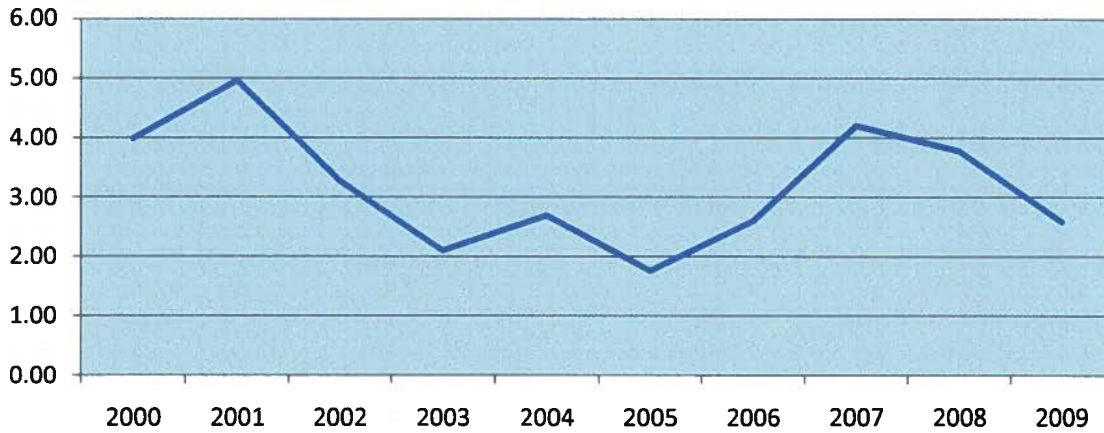
Source: California Municipal Statistics, Inc.

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

Fiscal Year	Total Revenues ¹	Operating Expenses ²	Net Available Revenues	Annual Debt Service			Coverage Ratio
				Principal	Interest	Total	
2000	\$ 50,507,565	\$ 33,892,019	\$ 16,615,546	\$ 2,802,825	\$ 1,370,747	\$ 4,173,572	3.98
2001	49,622,431	35,917,080	13,705,351	2,331,232	428,831	2,760,063	4.97
2002	50,936,449	35,920,554	15,015,895	2,067,246	2,523,278	4,590,524	3.27
2003	50,562,582	34,492,707	16,069,875	3,556,003	4,122,138	7,678,141	2.09
2004	53,102,198	36,496,320	16,605,878	3,671,059	2,505,084	6,176,143	2.69
2005	46,192,399	36,250,498	9,941,901	3,374,410	2,289,596	5,664,006	1.76
2006	52,424,799	37,487,230	14,937,569	3,394,369	2,358,551	5,752,920	2.60
2007	65,783,315	42,216,143	23,567,172	2,937,595	2,667,114	5,604,709	4.20
2008	65,783,315	42,216,143	23,567,172	3,564,168	2,675,483	6,239,651	3.78
2009	63,008,926	46,993,818	16,015,108	3,816,290	2,395,594	6,211,884	2.58

(1) Gross Revenues include all operating revenues, interest income and other non-operating revenues excluding property tax revenues restricted for the repayment of general obligation bonds, unrealized gains and connection fees.

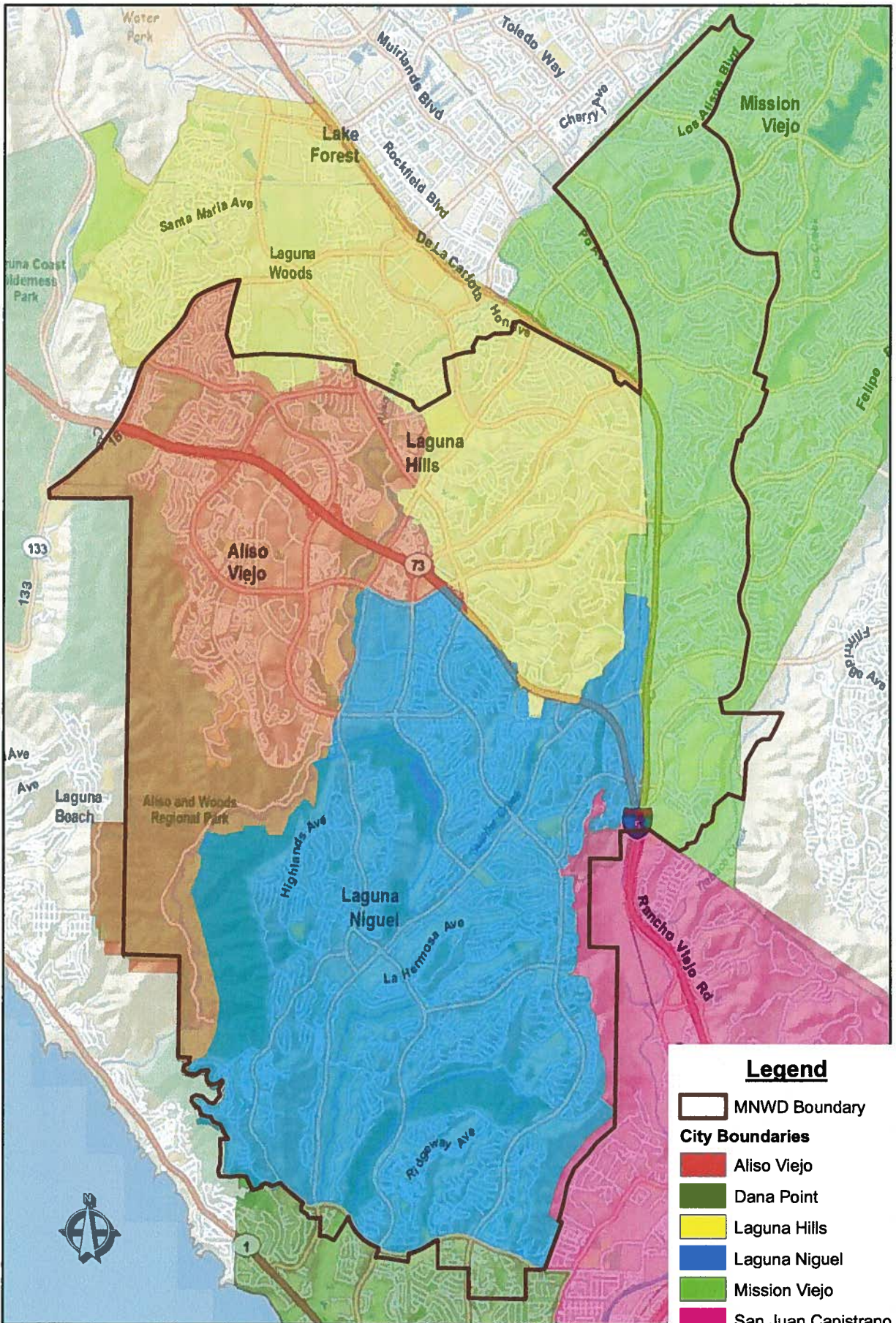
(2) Operating expenses excludes depreciation, amortization and unrealized loss.



Source: Moulton Niguel Water District Accounting Department.



MNWD Boundary Map w/ Cities Served



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

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2000	161,792
2001	159,596
2002	162,653
2003	164,044
2004	165,317
2005	165,636
2006	165,918
2007	166,168
2008	166,677
2009	166,964

City of Laguna Niguel ¹				
Fiscal Year	Population	Per Capita Income	Unemployment Rate	
2000	61,891	\$ 39,167	2.70%	
2001	62,843	-	3.10%	
2002	63,629	-	3.90%	
2003	65,185	-	3.70%	
2004	65,801	-	3.30%	
2005	66,015	-	2.90%	
2006	66,291	-	2.60%	
2007	66,608	45,566	3.00%	
2008	66,877	47,887	4.10%	
2009	67,201	48,771	7.10%	

Source: Moulton Niguel Water District Billing Department.

(1) The City of Laguna Niguel represents 41% of total District population. The District serves 100% of the City of Laguna Niguel. Source: City of Laguna Niguel Comprehensive Annual Financial Report for FYE 2009.

City of Aliso Viejo ²				
Fiscal Year	Population	Total Personal Income	Per Capita Income	Unemployment Rate
2001	42,591	\$ 1,500,479,339	\$ 35,230	2.00%
2002	43,955	1,595,698,365	36,303	2.60%
2003	44,846	1,668,540,276	37,206	2.50%
2004	44,854	1,710,327,874	38,131	2.20%
2005	44,924	1,755,584,996	39,079	1.90%
2006	45,037	1,791,256,601	39,773	1.80%
2007	45,249	1,857,154,707	41,043	2.70%
2008	45,683	2,052,308,775	44,925	6.80%

(2) The City of Aliso Viejo represents 26% of total District population. The District serves 98% of the City of Aliso Viejo.

Source: City of Aliso Viejo Comprehensive Annual Financial Report for FYE 2009. The City incorporated on July 1, 2001. Prior data is unavailable.

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

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

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2000	161,792
2001	159,596
2002	162,653
2003	164,044
2004	165,317
2005	165,636
2006	165,918
2007	166,168
2008	166,677
2009	166,964

Source: Moulton Niguel Water District Billing Department.

City of Laguna Hills ³					
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate	
2000	29,891	106,003,904	37,097	1.60%	
2001	32,381	109,010,278	36,866	1.30%	
2002	32,634	111,750,294	36,862	2.10%	
2003	32,847	117,722,484	37,717	2.40%	
2004	33,010	125,798,433	38,988	1.90%	
2005	33,113	135,587,858	40,744	3.10%	
2006	33,159	143,949,044	42,040	2.90%	
2007	33,237	-	-	2.90%	
2008	33,421	-	-	4.00%	
2009	33,434	-	-	-	

(3) The City of Laguna Hills represents 13% of total District population.
Source: City of Laguna Hills Comprehensive Annual Financial Report for FYE 2009.

City of Mission Viejo ⁴					
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate	
2000	98,464	\$ 106,003,904	\$ 37,103	1.60%	
2001	96,568	109,010,276	37,651	1.40%	
2002	98,268	111,750,294	38,169	2.30%	
2003	98,943	116,997,802	39,536	2.50%	
2004	97,752	124,853,736	41,868	2.10%	
2005	98,197	135,600,000	45,307	2.70%	
2006	97,997	143,900,000	48,101	2.60%	
2007	98,483	153,800,000	50,587	2.80%	
2008	98,572	157,600,000	51,339	3.80%	
2009	100,242	155,800,000	50,939	6.80%	

(4) The City of Mission Viejo represents 19% of total District population.
Source: City of Mission Viejo Comprehensive Annual Financial Report FYE 2009.

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

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

FY 2009²

<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%

FY 2006²

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

(1) Principal Employers represents blended data from the five cities the District serves: Aliso Viejo, Dana Point, Laguna Hills, Laguna Niguel and Mission Viejo. The District does adhere to City boundaries.

(2) The District used data from the Cities' FYE 2006 & 2009 CAFR for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo and Laguna Hills comprising 99% of total District population. Data prior to 2006 was not available in comparable formats. Ranked according to the number of employees.

Source: All data is derived from the Cities' Comprehensive Annual Financial Report for FYE 2009.

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

<u>Function</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Office of the General Manager	3	3	3	3	3	3	3	3	3	3
Human Resources	-	-	-	-	-	-	-	-	-	1
Administration	2	2	2	2	2	2	2	2	2	-
Customer Service	-	-	-	-	-	-	-	-	-	2
Customer Service - Field	20	20	19	19	19	19	19	19	19	17
Customer Service - Office	7	7	8	8	8	8	6	6	6	5
Engineering - Field	10	10	10	10	10	10	10	10	10	10
Engineering - Office	3	3	3	3	3	3	3	3	3	3
Financial Services	2	2	2	2	2	2	2	2	2	2
Accounting	5	5	6	6	6	6	5	5	5	5
Utility Billing	5	5	5	5	5	5	5	5	5	6
Purchasing	1	1	1	1	1	1	1	1	1	1
Operations Administration	7	6	6	6	6	6	6	6	6	6
Information Technology	2	2	2	2	2	2	3	3	3	3
Operations - Plant	18	18	18	18	18	18	18	18	18	18
Operations - Field	15	16	16	17	17	17	17	17	17	17
Total	100	100	101	102	102	102	100	100	100	99

Source: Moulton Niguel Water District Long Range Plan.

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

FISCAL YEAR	SERVICE CONNECTIONS	NET INCREASE PIPELINE (MILES)	MONTH OF PEAK CONSUMPTION	PEAK MONTHLY CONSUMPTION (M.G.D.)	AVERAGE DAILY CONSUMPTION (M.G.D.)	DAILY SEWAGE (M.G.D.)	POTABLE IMPORT	TAKEOUTS
2000	51,331	< 1,400	July	45.00	33.26	13.6	33.26	14
2001	52,188	< 1,400	July	45.93	31.24	13.6	31.24	14
2002	52,666	< 1,400	July	43.17	31.67	13.4	31.67	14
2003	58,838	< 1,400	July	41.58	30.28	13.3	30.28	14
2004	53,101	< 1,400	August	39.83	31.27	13.4	31.27	14
2005	53,255	< 1,400	August	40.33	28.84	13.4	28.84	14
2006	53,343	< 1,400	August	39.42	29.71	13.6	29.71	14
2007	53,520	< 1,400	July	41.56	32.20	13.6	32.20	14
2008	53,804	< 1,400	July	41.21	30.69	14.6	30.69	14
2009	53,938	< 1,400	August	39.30	29.24	14.6	29.24	14

FISCAL YEAR	PUMP STATIONS			RESERVOIRS		NO. OF FIRE HYDRANTS	TREATMENT PLANTS	MILES OF WATER	MILES OF SEWER	MILES OF RECYCLED
	RECYCLED	POTABLE	LIFT	RECYCLED	POTABLE					
2000	9	30	18	10	30	6,600	4	700	530	120
2001	11	30	18	10	30	6,600	4	700	530	140
2002	11	28	18	12	29	6,700	4	700	530	140
2003	11	28	19	12	29	6,900	4	700	530	140
2004	12	28	19	12	29	7,000	4	700	530	140
2005	12	28	19	12	28	7,000	4	700	530	140
2006	12	30	19	12	28	7,150	4	700	530	140
2007	12	30	19	12	28	7,150	4	700	530	140
2008	12	30	19	12	28	7,170	4	700	530	140
2009	12	30	19	12	28	7,200	4	700	530	140

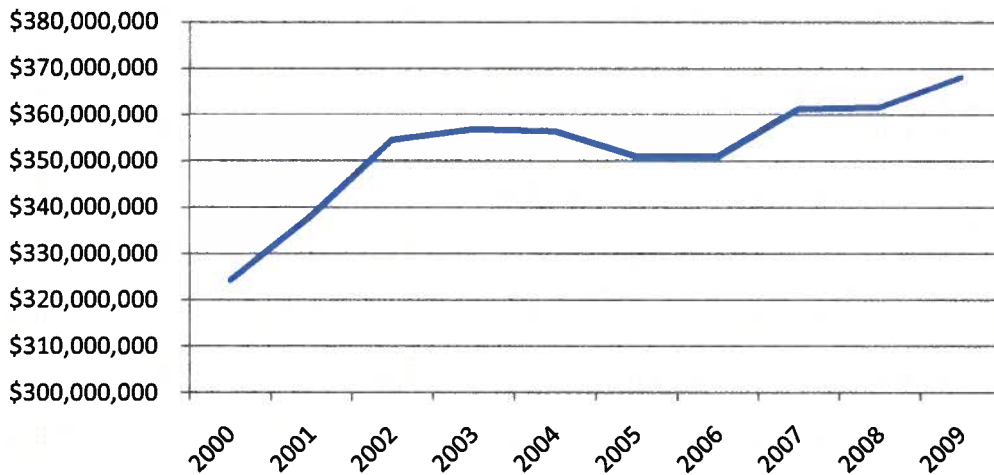
Note: MGD = Millions of Gallons per Day.

Source: Moulton Niguel Water District Operations Department.

**Moulton Niguel Water District
Capital Assets Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Water Systems</u>	<u>Buildings</u>	<u>Automobiles & Equipment</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Capital Assets, Net of Depreciation</u>
2000	\$ 305,763,497	\$ 3,329,743	\$ 2,190,809	\$ 1,352,945	\$ 11,546,937	\$ 324,183,931
2001	309,425,441	3,212,315	2,174,716	1,091,910	22,256,379	338,160,761
2002	316,872,941	3,137,045	3,391,401	1,091,910	29,879,551	354,372,848
2003	337,193,436	3,875,001	3,270,268	1,091,910	11,263,067	356,693,681
2004	341,057,377	3,754,147	3,653,139	1,091,910	6,724,621	356,281,194
2005	335,874,248	3,898,176	4,091,970	1,091,910	5,890,330	350,846,634
2006	331,989,023	3,744,139	3,981,016	1,091,910	10,071,400	350,877,488
2007	343,948,637	3,617,740	3,878,408	1,091,910	8,669,543	361,206,238
2008	341,989,768	3,455,277	3,622,842	1,091,910	11,422,556	361,582,353
2009	343,943,064	3,365,172	4,145,584	1,091,910	15,463,838	368,009,568

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department