



MOULTON NIGUEL WATER DISTRICT

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

Our Vision

“Leading the way, working together, and providing excellence in service”

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

**Prepared by:
Nancy Desai, Controller**

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MOULTON NIGUEL WATER DISTRICT

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

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INTRODUCTORY SECTION

December 02, 2011

**Members of the Board of Directors
Moulton Niguel Water District**



Moulton Niguel Water
WATER QUALITY AND SERVICE ARE #1

We are pleased to present the Moulton Niguel Water District's (District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This report was prepared by the Controller in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

The CAFR provides an assessment of the District's financial condition, informs readers about District services, provides information about capital improvement projects, discusses current issues and provides financial and demographic trend information. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the information and data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of operations of the District. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the District.

The District's financial statements have been audited by Mayer Hoffman McCann P.C., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2011, 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, 2011, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Management Discussion & Analysis (MD&A) includes a narrative introduction, overview, and analysis to provide a better understanding of the accompanying financial statements. The MD&A immediately follows this section.

Profile of Moulton Niguel Water District

Authority, Services and Customers

The District was formed on November 16, 1960 under the provisions of the California Water District Law, Division 13, of the Water Code of the State of California, commencing with Section 34000. The District was formed for the purposes of providing a water supply to the Moulton Niguel service area. In 1963 the California Water District Act was amended, allowing California water districts to provide 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 is authorized to acquire, control, store, treat, reclaim, recapture and salvage any water (including sewage) for the beneficial use of the District and its inhabitants. The District's water and wastewater customers include retail customers (e.g. residential and commercial) located in incorporated areas within the District's service area.

The District is also authorized to levy and collect taxes; to fix, revise, and collect rates or other charges for the delivery of water and collection of sewer, use of facilities or property, or provisions for service. The District may also issue bonds, borrow money, and incur indebtedness.

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

Members of the Board of Directors for Moulton Niguel Water District December 02, 2011

Governance

The District is a quasi-governmental agency of the State of California. It is not regulated by the Public Utilities Commission, but instead governed by a seven-member Board of Directors who are publicly elected by registered voters within the District's service area for staggered four-year terms. Each Director represents a geographical division based upon comparable populations which is determined by the District and approved by the Registrar of Voters.

Policy-making and legislative authority are vested with the Board of Directors. The Board of Directors has the sole authority to set rates and charges for water, recycled water, and sewer services. The Board of Directors is responsible for, among other things, adopting resolutions, adopting the budget, appointing committees and hiring the General Manager. The General Manager is responsible for carrying out the policies of the Board of Directors, for overseeing the day-to-day operations of the District, and for appointing the heads of the various divisions (e.g. Customer Service, Finance, and Engineering & Operations).

The District's vision is to "lead the way, work together, and provide excellence in service". The District is a community oriented agency dedicated to serving its customers and the environment with reliable, economical, high quality water and sewer service. It achieves its mission by providing a high level of customer value and satisfaction, attracting, developing, and retaining a progressive and skillful workforce, promoting a safe work environment, and utilizing its resources wisely. The Board of Directors has adopted strategic goals and encourages a set of values and behaviors that promotes and supports the District's vision and mission.

Service Area

The District's service area, located in south Orange County, California, encompasses approximately 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 combined population of the cities' is approximately 247,000. The District serves approximately 67% or 164,450 of this population. The District has 54,362 water accounts and 50,362 sewer accounts. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of southern California, with temperatures mild and relatively uniform. The assessed valuation of the District has grown to \$14.6 billion as of June 30, 2011.

Water Supply and Services

The District imports all of its domestic water from the Metropolitan Water District of Southern California (MET) through its member agency, the Municipal Water District of Orange County (MWDOC), a wholesale importer of water from MET. The District is a constituent agency of MWDOC and, as such, is entitled to receive water from available sources of MET. MET's sources of water primarily include water imported from the Colorado River and from the State Water Project. All District water is treated at the Diemer Filtration Plant in Yorba Linda, California and delivered through three major transmission facilities, the South County Pipeline (SCP), East Orange County Feeder #2 (EOCF#2), and the Allen-McColloch Pipeline (AMP).

California has experienced drier than normal seasons for many years for both rainfall and snow pack. In addition, court rulings to protect fish in the Delta region of northern California have decreased water supplies from the State Water Project system. As a result of these factors, reservoir levels throughout the State were extremely low and therefore forced the State to declare a state-wide drought emergency on February 27, 2009. In November 2009 the District implemented Level 2 of the Water Alert plan from the Water Conservation Program which requires customers to eliminate all water waste by adhering to efficiency measures and imposes penalties for excessive water run-off. Level 2 of the Water Alert plan was suspended in April 2011.

The District operates and maintains over 700 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a total potable water

**Members of the Board of Directors for Moulton Niguel Water District
December 02, 2011**

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 Santa Margarita Water District Upper Chiquita Reservoir, the Joint Transmission Main (a joint powers agreement between the District and other water agencies), Eastern Transmission Main jointly owned by the District and the City of San Juan Capistrano, the South County Pipeline which conveys water from the AMP to several south county water agencies, and the Irvine Ranch Interconnection jointly owned with Irvine Ranch Water District. The District also operates 30 pump stations to pump water from lower pressure zones to the higher pressure zones and 20 pressure reducing stations and flow control facilities to convey water from high to low zones.

Sewer Services

The District maintains approximately 537 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 jointly owns the South Orange County Wastewater Authority (SOCWA) a joint powers agency, comprising of ten governmental agencies, which owns and operates four regional treatment plants and two ocean outfalls. The District's cost to maintain SOCWA is approximately 46% of the O&M costs and a pro-rata share of the capital costs based on the type of project.

Recycled Water Supply and Services

It is the policy of the District to promote the use of recycled water to provide for the conservation and reuse of all water resources and to utilize this resource for any approved purpose to the maximum extent possible under the laws of the State of California. The District has constructed approximately 148 miles of recycled water distribution pipelines with five pre-stressed concrete and six steel storage reservoirs to service the recycled water system. In addition, it owns capacity rights in the Upper Oso recycled water reservoir owned by Santa Margarita Water District. The District operates 13 recycled-water pump stations. The District has 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.

Factors Affecting Financial Conditions

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

Local Economy

The District 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 is approaching a "built-out" status at 98%. Future growth will primarily occur on a redevelopment basis of existing property and land.

**Members of the Board of Directors for Moulton Niguel Water District
December 02, 2011**

Budget Process

The Board of Directors biennially adopts an operating budget prior to the new fiscal year commencing on July 1st. On the alternate year, the Board reviews the adopted two-year budget and amends it as necessary. On an annual basis, the Board adopts a capital budget. The development of the biennial operating budget and the annual capital budget are guided by the 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 against the adopted budget.

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 (LRP) which provides a ten year forecast of the District's needs for water use and demand, capital improvement projects, water supply reliability projects, and replacement and refurbishment projects. The LRP is updated every two years. As a part of the LRP, 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 demand requirements during a seven-day shutdown of MET's treatment and/or imported water supply system at any time of the year. In addition, the District has adopted a resolution to develop adequate capacity and supply sources to sustain average potable water demands for at least a 31-day supply outage assuming a reasonable factor for demand curtailment. The 31-day capacity protects against a major outage of MET's Diemer Water Filtration Plant and a major outage of the Allen-McColloch Pipeline.

Debt Issuances and Credit Rating

The District refunded the remaining portion of the 93 Certificates of Participation (COP) to take advantage of lower interest rates. Due to the District's affluent service area, strong financial performance with good debt service coverage, very strong liquidity position, low rates, and a very manageable capital improvements plan the District received a 'AAA Stable' rating in May 2010 from both Fitch Ratings and Standard & Poor's rating agencies for all of its COP issuances.

Cash management policies and practices

The District manages its funds in two ways. Funds needed for current operations and maintenance 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 6.25% as of June 30, 2011. Investment income

**Members of the Board of Directors for Moulton Niguel Water District
December 02, 2011**

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. In addition, various control techniques, including a comprehensive safety program which includes employee accident prevention training, were used 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 27 retirees and their dependents receiving these health care benefits. In fiscal year, 2009-2010, the District implemented GASB Statement No. 45 related to other post-employment benefits (OPEB). During the fiscal year, the Board of Directors decided to change the funding methodology from using a discount rate of 7.75% to 5% and amortization this liability over a period of 20 years not 28 years. The District performed an actuarial valuation on July 31, 2010 and it was determined that the unfunded actuarial accrued liability was \$6.4 million (projected to January 1, 2010). The District's funding policy is to fund 100% of 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.

Internal Controls

Management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The most recent audits have not uncovered any weaknesses in internal controls that would cause concern. However, recommendations for improvement are always welcome and are implemented when feasible.

Major Initiatives

Water, Sewer and Recycled Water Operations

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

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 2008-2009, 2009-2010, and 2010-2011 effective June 1st of each fiscal year. 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. The District experienced a 6% increase in the wholesale cost of water for fiscal year 2010-2011 and is anticipating a 6% increase in fiscal year 2011-2012.

In addition to offsetting the District's increased water purchase costs, the rate increase is also designed to provide revenue for:

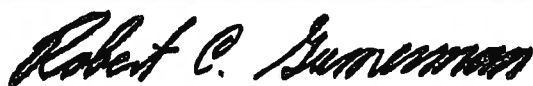
- Ongoing repair, refurbishment, and replacement of water and sewer infrastructure
- New infrastructure to improve our overall system reliability and to increase our capacity to serve during times of emergency
- Debt obligations arising from the need to raise funds for water supply reliability projects and capital improvement projects that are needed to construct infrastructure, provide water reliability, and prepare for emergencies.

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 is 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.

Awards and Acknowledgements

This is the District's third year of assembling a Comprehensive Annual Financial Report and submitting it for an award. The Government Finance Officers Association awarded the District a *Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year ending June 30, 2010*. 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 unfailing support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Dr. Robert Gumerman
General Manager



David D. Cain
Director of Finance/Treasurer



Nancy B. Desai
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Moulton Niguel Water District
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danson

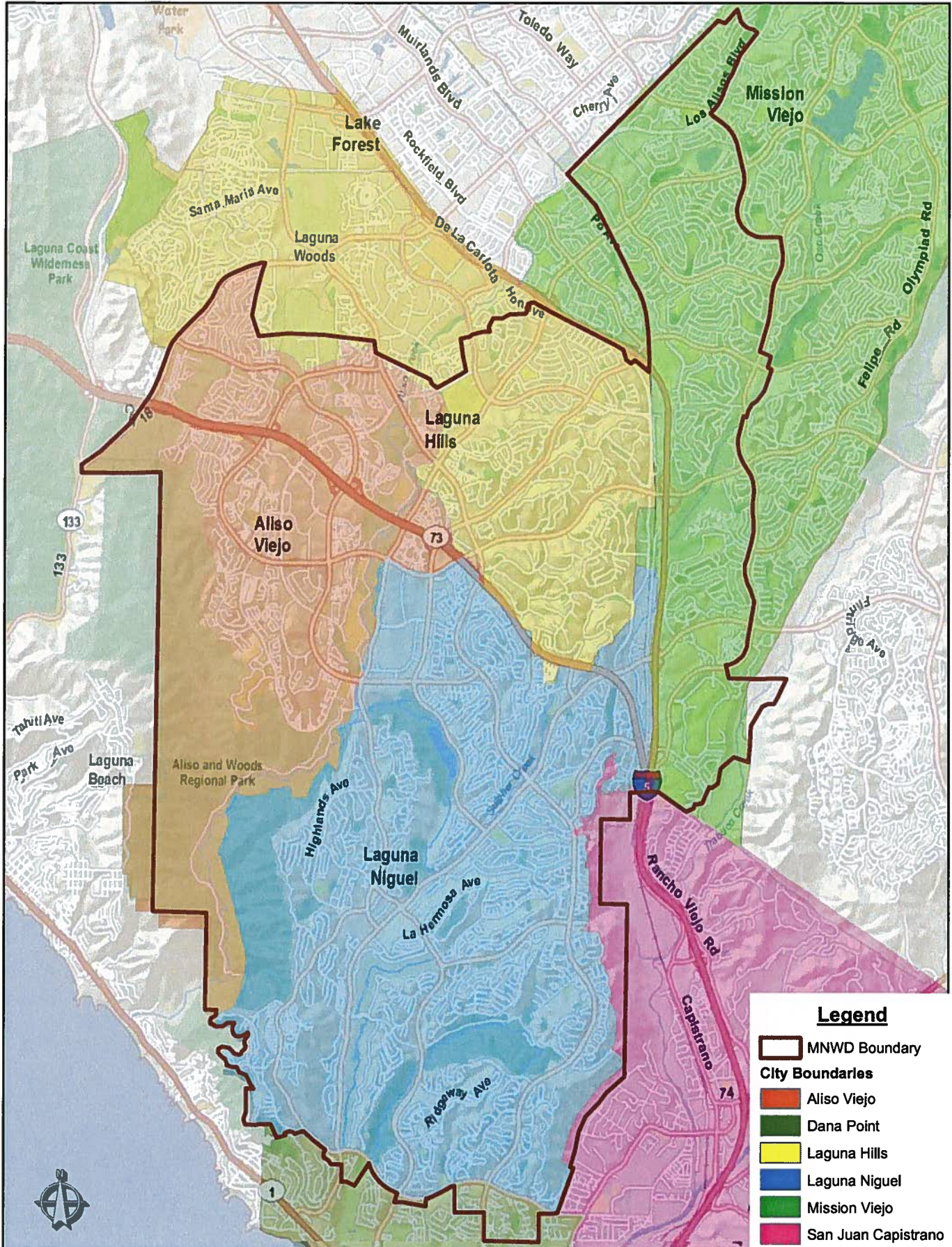
President

Jeffrey R. Emer

Executive Director



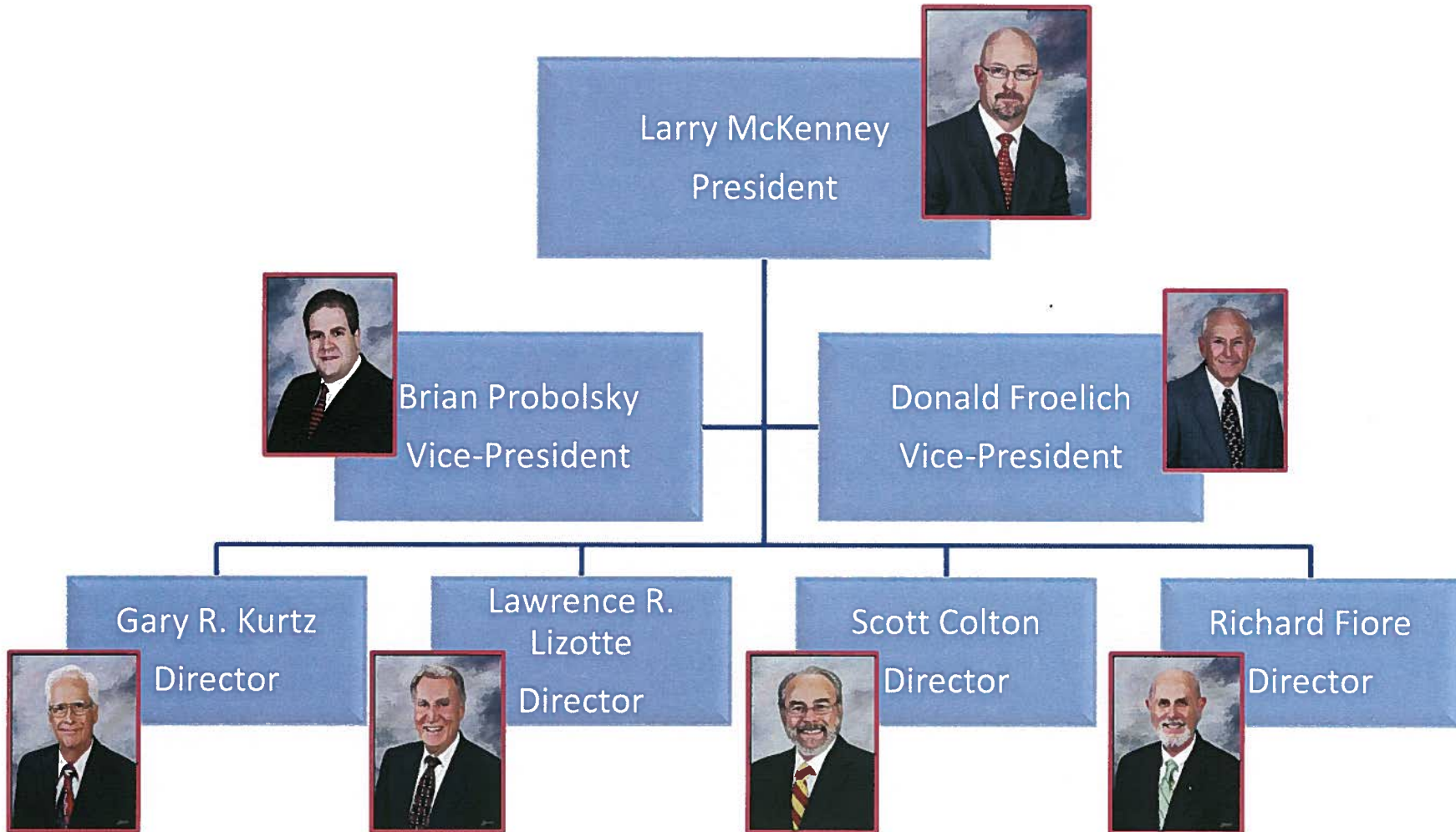
MNWD Boundary Map w/ Cities Served



Legend

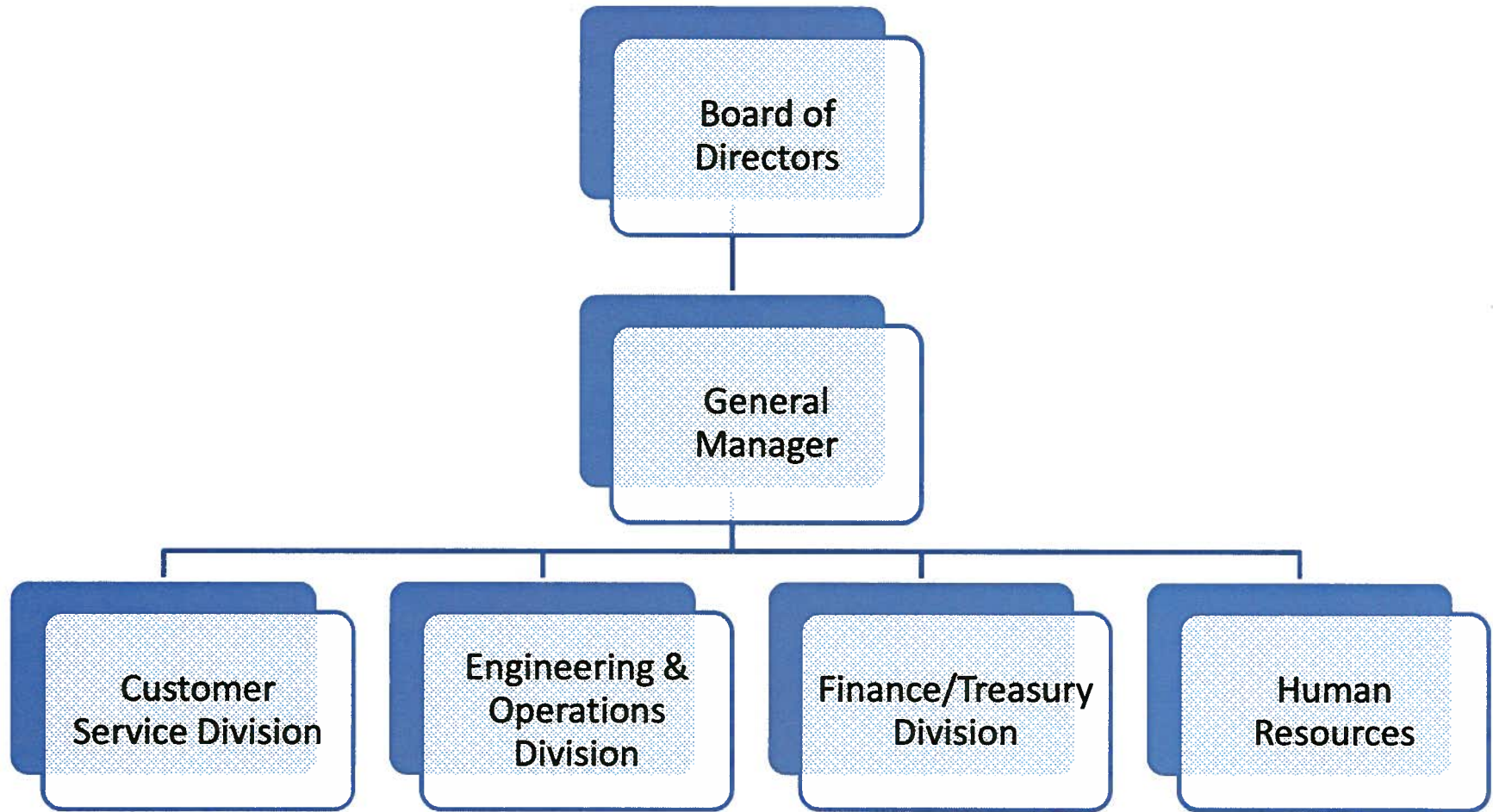
- MNWD Boundary
- City Boundaries**
- Aliso Viejo
- Dana Point
- Laguna Hills
- Laguna Niguel
- Mission Viejo
- San Juan Capistrano

Moulton Niguel Water District Board of Directors



Moulton Niguel Water District

Organizational Chart



FINANCIAL SECTION



Mayer Hoffman McCann P.C.

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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, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these basic 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, 2010 and, in our report dated November 24, 2010, 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, 2011, 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 supplementary information has 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

Board of Directors
Moulton Niguel Water District
Page Two

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2011 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 McCann P.C.

Irvine, California
December 2, 2011

MOULTON NIGUEL WATER DISTRICT

Management's Discussion & Analysis Fiscal Year Ended June 30, 2011

FINANCIAL HIGHLIGHTS

Moulton Niguel Water District (MNWD or District) receives its drinking water from the Municipal Water District of Orange County (MWDOC) who serves as a wholesaler for the Metropolitan Water District of Southern California (MET). MET imports its water from Northern California and the Colorado River. The State of California has endured drought conditions for several years and as a result, supplies are depleting in MET's water reservoirs. Replacing lost water and securing supplies for the District's residents has increased the cost of water. 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 implemented a 16.2% rate increase on June 1 in each of the fiscal years 2010-2011 and 2011-2012. In addition, MNWD put into operation, on June 1, 2011, a change from the current water rate model to a Water-Budget-Based Rate Structure to help District customers become part of the solution as we work together to conserve our region's limited water resources.

The major financial highlights for the fiscal year are provided below:

- Net assets increased \$4.9 million or 1.27% from prior year.
- During the year more than \$9 million was invested in water and sewer infrastructure.
- MNWD has total income before capital contributions of \$4.6 million.
- The District implemented a 16.2% rate increase, but water sales only increased 9% signaling the effectiveness of the District's water conservation program and higher than anticipated rainfall during the year.
- The District recognized a \$1.1 million unrealized loss in investments due to the difference between the carrying value of an investment and its fair value prior to sale.
- The District spent approximately \$8 million in bond proceeds from the 2009 COP issuance.

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 Fiscal Year Ended June 30, 2011

REQUIRED FINANCIAL STATEMENTS

The *Statement of Net Assets* states the financial position of the District at June 30, 2011. 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 Fiscal Year Ended June 30, 2011

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>2011</u>	Fiscal Year <u>2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Noncurrent Assets	\$ 174,874	\$ 182,991	\$ (8,117)	(4.44) %
Capital Assets	<u>373,882</u>	<u>371,544</u>	<u>2,338</u>	0.63
Total Assets	<u>548,756</u>	<u>554,535</u>	<u>(5,779)</u>	(1.04)
Current Liabilities	17,443	20,039	(2,596)	(12.95)
Long-term Liabilities	<u>137,000</u>	<u>145,123</u>	<u>(8,123)</u>	(5.60)
Total Liabilities	<u>154,443</u>	<u>165,161</u>	<u>(10,719)</u>	(6.49)
Invested in Capital Assets, Net of Related Debt	267,962	268,090	(128)	(0.05)
Restricted for capital projects ⁽¹⁾	313	119	194	161.92
Unrestricted net assets ⁽²⁾	<u>126,038</u>	<u>121,164</u>	<u>4,874</u>	4.02
Total Net Assets	<u>\$ 394,313</u>	<u>\$ 389,373</u>	<u>4,940</u>	1.27

1 These are connection fee revenues enabled by legislation to be used for infrastructure development and cannot be used as a resource for general fund use.

2 The MNWD Board of Directors has specific designations for \$57.6 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 \$4.9 million or 1.27% from the prior year. The table above shows that the majority of the change in Total Net Assets occurred as an increase in current and noncurrent assets and long-term liabilities. In fiscal year 2009-2010, the District received bond proceeds for the issuance of \$60 million in Certificates of Participation to increase water supply storage and improve water supply reliability through the construction of regional projects. The District began to use the bond proceeds in this fiscal year, for the construction of the water supply reliability projects, which decreased the balance in current and noncurrent assets. A reduction in long-term liabilities was attributed to the repayment of the principal portion on outstanding debt. A significant change also occurred in the unrestricted funds. In the prior year, the District had begun to fund these capital projects from the District's General fund. A reimbursement resolution was placed into effect to repay the General fund for costs relating to the construction of these capital projects upon receipt of bond proceeds. Overall, the District's financial health is improving year over year as shown by the increase in Net Assets.

MOULTON NIGUEL WATER DISTRICT

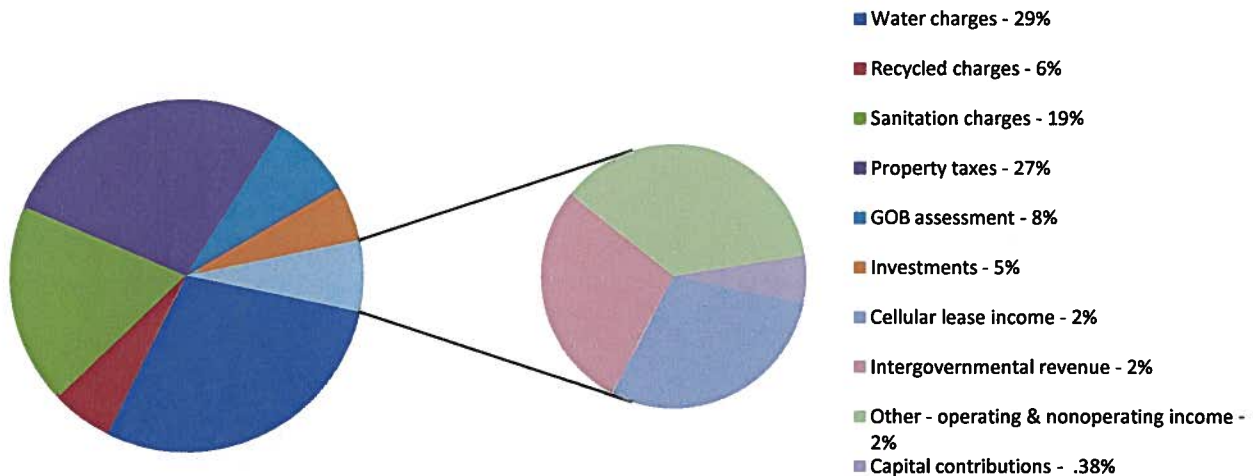
Management's Discussion & Analysis Fiscal Year Ended June 30, 2011

Revenues

Condensed Total Revenues
(in thousands)

	Fiscal Year <u>2011</u>	Fiscal Year <u>2010</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Operating Revenues:				
Water charges	\$ 22,520	\$ 20,579	\$ 1,941	9.43 %
Sanitation charges	14,449	12,542	1,907	15.20
Recycled charges	4,340	4,446	(106)	(2.38)
Other	444	573	(129)	(22.51)
Total Operating Revenues	<u>41,753</u>	<u>38,140</u>	<u>3,613</u>	9.47
Non-operating Revenues:				
Property taxes	21,347	21,625	(278)	(1.29)
GOB assessment	5,904	5,783	121	2.09
Investment Interest Income	4,010	6,847	(2,837)	(41.43)
Intergovernmental revenue	1,435	275	1,160	421.82
Cellular lease income	1,498	1,492	6	0.40
Other	76	1,169	(1,093)	(93.50)
Total Non-operating Revenues	<u>34,270</u>	<u>37,191</u>	<u>(2,921)</u>	(7.85)
Capital contributions	297	2,140	(1,843)	86.12
Total Revenues	<u>\$ 76,320</u>	<u>\$ 77,471</u>	<u>\$ (1,151)</u>	(1.49) %

MNWD finances operations through user charges, property tax receipts, and other income. Total revenue for 2010-2011 is \$76.3 million, down \$1.2 million from the prior year. With the District's 16.2% rate increase effective June 1, 2010, operating revenues increased from the prior year but conservation efforts reduced consumption for the year resulting in a smaller increase than expected. The District experienced a \$1.1 million unrealized loss in investments due to the difference between the carrying value of an investment and its fair value prior to sale. Investment income was up \$592 thousand or 13%. Other operating revenue includes tag fees, reconnect fees, plan check & inspection, and other miscellaneous operating revenue. Other non-operating revenue includes board room rental charges, sale of scrap and assets, returned check fees, and other miscellaneous income. A decrease in capital contributions is attributed to a decline in donated facilities contributed by developers in the District's service area.



MOULTON NIGUEL WATER DISTRICT

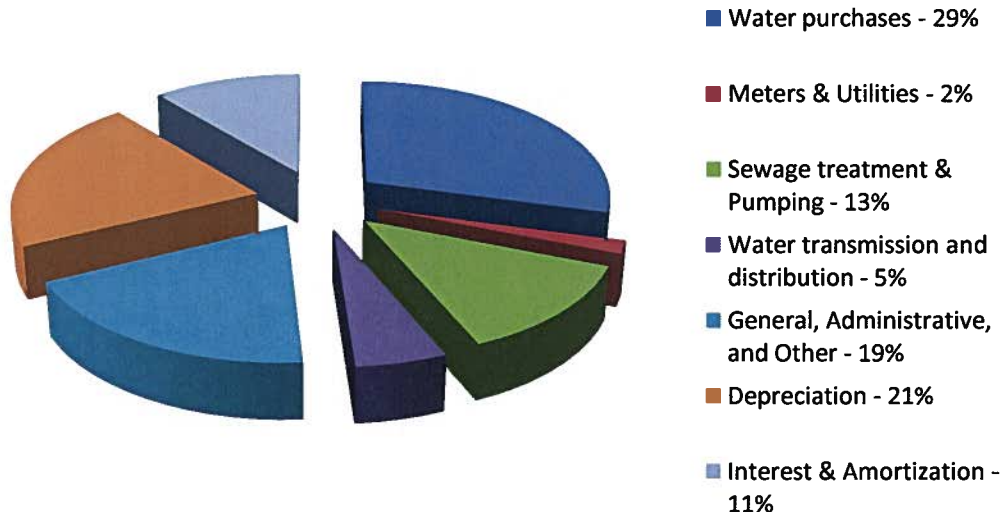
Management's Discussion & Analysis Fiscal Year Ended June 30, 2011

Expenses

Condensed Total Expenses (in thousands)

	Fiscal Year <u>2011</u>	Fiscal Year <u>2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Expenses:				
Water purchases	\$ 20,854	\$ 20,615	\$ 239	1.16 %
Meter & Utilities	1,234	1,891	(656)	(34.74)
Sewage treatment & Pumping	9,008	9,442	(435)	(4.60)
Water transmission & Distribution	3,752	4,268	(516)	(12.09)
General, Administrative & Other	13,442	13,121	320	2.45
Depreciation	<u>15,163</u>	<u>14,573</u>	<u>590</u>	4.05
Total Operating Expense	<u>63,453</u>	<u>63,910</u>	<u>(457)</u>	(0.72)
Non-operating Expenses:				
Interest on Long-term Debt	7,898	6,767	1,131	16.71
Other	<u>30</u>	<u>6</u>	<u>24</u>	400.00
Total Non-operating Expense	<u>7,928</u>	<u>6,773</u>	<u>1,155</u>	17.05
Total Expenses	<u>\$ 71,381</u>	<u>\$ 70,683</u>	<u>\$ 698</u>	0.99 %

Total operating expense for 2010-2011 amounts to \$63 million decreasing slightly by \$457 thousand or 0.72 % from the prior year. The decrease is attributed to the cost of providing water. In the prior year, the District reclassified several costs, which were previously capitalized, into O&M. The District also received a substantial use audit refund from SOCWA related to sewage treatment & pumping. During the year, it was discovered that the accrual calculation for the District's utilities was accruing in excess resulting in an overstatement of utility expense. This was corrected and resulted in a lower utility expense for the District. An increase in depreciation is due to the addition of new capital assets. An increase in interest expense is due to recognizing a full year of interest expense for the 2009 COPs debt. Other non-operating expense includes payment for claims made against the District that are below the District's deductible amount, and for administrative fees associated with long-term debt.



MOULTON NIGUEL WATER DISTRICT

Management's Discussion & Analysis Fiscal Year Ended June 30, 2011

Changes in Net Assets

Condensed Changes in Net Assets (in thousands)

	Fiscal Year <u>2011</u>	Fiscal Year <u>2010</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Beginning net assets	\$ 389,373	\$ 382,586	\$ 6,787	1.77 %
Income (loss) before capital contributions	4,642	4,648	(6)	(0.13)
Grant funding	21	54	(33)	(61.11)
Donated facilities	94	2,070	(1,976)	(95.46)
Connection fees	<u>183</u>	<u>15</u>	<u>168</u>	1120.00
Change in net assets	<u>4,940</u>	<u>6,787</u>	<u>(1,847)</u>	(27.21)
Ending net assets	<u>\$ 394,313</u>	<u>\$ 389,373</u>	<u>\$ 4,940</u>	1.27 %

Income before capital contributions is \$4.6 million for 2010-2011. The District uses income to self-fund capital projects and to repay capital project debt. The decrease in grant funding is attributed to the completion the Eastern Transmission Main relocation project at Oso Parkway, funded entirely by Caltrans. Although the District is approaching "built out" status, small parcels of land may be available for development and therefore the District receives minimal amounts of connection fee revenue. Overall net assets increased 1.3%.

Capital Assets

Condensed Capital Assets (in thousands)

	Fiscal Year <u>2011</u>	Fiscal Year <u>2010</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Net Depreciable Assets:				
Water systems	\$ 335,561	\$ 341,294	\$ (5,733)	(1.68) %
Capacity rights – limited	7,995	8,552	(557)	(6.51)
Buildings	3,402	3,539	(137)	(3.87)
Equipment and automobiles	3,449	3,484	(36)	(1.00)
Non-Depreciable Assets:				
Land	1,092	1,092	-	-
Construction in progress	<u>22,383</u>	<u>13,583</u>	<u>8,800</u>	64.79
Capital assets, net	<u>\$ 373,882</u>	<u>\$ 371,544</u>	<u>\$ 2,338</u>	.63 %

The District's investment in its capital assets increased \$2.2 million for 2010-2011. These capital outlays were spent both by the District itself and also as part of two different joint power authorities. The District added approximately \$9.1 million in new assets during the year and removed \$5.6 million in fully depreciated assets off the books. Depreciation expense for 2010-2011 was \$15,162,538. The District added \$8.8 million in ongoing or new capital projects costs during the fiscal year to be expensed in the planning and construction fund, replacement and refurbishment fund, and the water supply reliability fund. Please see Note 5 in the Notes to the Financial Statements for additional capital asset information.

MOULTON NIGUEL WATER DISTRICT

Management's Discussion & Analysis Fiscal Year Ended June 30, 2011

Debt Administration

Condensed Disclosure of Long-term Liabilities (in thousands)

	Fiscal Year <u>2011</u>	Fiscal Year <u>2010</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Certificates of Participation (COP)	\$ 85,355	\$ 87,048	\$ (1,693)	(1.94) %
General Obligation Bonds (GOB)	31,330	35,699	(4,369)	(12.24)
Loans	<u>19,336</u>	<u>21,433</u>	<u>(2,097)</u>	(9.78)
Total	<u>\$ 136,021</u>	<u>\$ 144,180</u>	<u>\$ (8,159)</u>	(5.65) %

The District's long-term liability at year-end is \$136 million in COPs, GOBs, and loans. In 2010-2011, the District refunded the remaining portion of 1993 COPs to take advantage of favorable interest rates. The District maintains its AAA rating. The GOBs are a voter approved assessment specifically for the residents that live within certain service areas of the District. Principal payments in all debt service accounts during the year reduce the outstanding balance. The current portion of the total debt amounts to \$8.3 million at fiscal yearend. See Note 6 in the Notes to the Financial Statements for detail on long-term debt.

CONTACTING THE DISTRICT

This financial report is designed to provide the District's elected officials, customers, investors, employees, and creditors with an assessment of the District's financial condition and an accounting of the public's money. An electronic copy of the CAFR can be found on the District's website, www.mnwd.com. If you have questions about this report or need additional financial information please contact the Director of Finance at Moulton Niguel Water District at (949) 831-2500 or via email at dcain@mnwd.com.

MOULTON NIGUEL WATER DISTRICT

Statement of Net Assets

June 30, 2011

(With comparative totals for June 30, 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and investments (note 2)	\$ 16,068,029	\$ 11,877,444
Accounts receivables:		
Water and sanitation charges	4,423,855	3,845,892
Taxes and acreage assessments	271,963	389,052
Other accounts receivable	155,945	570,019
Interest receivable	896,987	979,934
Current portion of AMP receivable (note 3)	206,846	203,841
Inventory	1,601,499	1,460,790
Prepaid expenses	306,426	322,591
Other assets	<u>395,600</u>	<u>395,600</u>
TOTAL CURRENT ASSETS	<u>24,327,150</u>	<u>20,045,163</u>
NONCURRENT ASSETS		
Cash and Investments (note 2)	105,825,753	109,216,713
Restricted cash and investments with fiscal agent (note 2)	38,433,233	46,716,509
Bond Issuance Costs	1,423,323	1,863,535
Retrofit loans receivable (note 3)	715,664	752,424
AMP receivable (note 3)	1,075,910	1,282,756
Net pension asset (CalPERS sidefund payoff) (note 9)	3,073,359	3,113,823
Capital assets, net of accumulated depreciation (note 5)	350,406,227	356,868,399
Capital assets not being depreciated (note 5):		
Land	1,091,910	1,091,910
Construction in progress	<u>22,383,367</u>	<u>13,583,539</u>
TOTAL NONCURRENT ASSETS	<u>524,428,746</u>	<u>534,489,608</u>
TOTAL ASSETS	<u>548,755,896</u>	<u>554,534,771</u>

MOULTON NIGUEL WATER DISTRICT

Statement of Net Assets

(continued)

June 30, 2011

(With comparative totals for June 30, 2010)

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts payable	\$ 6,490,149	\$ 9,296,453
Interest payable	2,621,406	2,720,742
Compensated absences	723,270	820,727
Current portion of long-term liabilities (note 6):		
Bonds payable	4,645,000	4,340,000
Loans Payable	2,096,573	2,056,716
Certificates of participation	<u>1,590,000</u>	<u>1,625,000</u>
TOTAL CURRENT LIABILITIES	<u>18,166,398</u>	<u>20,859,638</u>
LONG-TERM LIABILITIES		
Compensated absences	255,467	122,401
Long-term debt (note 6):		
Bonds payable	31,329,655	35,698,782
Loans payable	19,336,207	21,432,769
Certificates of participation	<u>85,355,046</u>	<u>87,047,820</u>
TOTAL LONG-TERM LIABILITIES	<u>136,276,375</u>	<u>144,301,772</u>
TOTAL LIABILITIES	<u>154,442,773</u>	<u>165,161,410</u>
NET ASSETS		
Invested in capital assets, net of related debt	267,962,257	268,089,986
Restricted for capital projects (note 14)	312,742	119,402
Unrestricted net assets (note 15)	126,038,124	121,163,972
TOTAL NET ASSETS	<u>394,313,123</u>	<u>389,373,360</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 548,755,896</u>	<u>\$ 554,534,770</u>

MOULTON NIGUEL WATER DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Fiscal Year ended June 30, 2011

(With comparative totals for June 30, 2010)

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES:		
Water charges	\$ 22,520,065	\$ 20,578,666
Recycled charges	4,340,197	4,446,515
Sanitation charges	14,448,835	12,542,595
Other	<u>444,346</u>	<u>572,611</u>
TOTAL OPERATING REVENUES	<u>41,753,443</u>	<u>38,140,387</u>
OPERATING EXPENSES:		
Sources of supply:		
Water purchases	20,854,048	20,615,023
Meter purchases	56,334	70,786
Utilities	1,178,156	1,820,029
Pumping water	419,633	349,221
Sewage treatment	8,588,172	9,093,471
Water transmission and distribution	3,752,224	4,267,727
Customer service	311,483	332,685
General, administrative, and other	12,463,681	12,244,355
CalPERS Sidefund Amortization	40,464	37,554
Post Retirement Medical Benefits (OPEB)	626,022	506,730
Depreciation	<u>15,162,538</u>	<u>14,572,711</u>
TOTAL OPERATING EXPENSES	<u>63,452,755</u>	<u>63,910,292</u>
OPERATING INCOME (LOSS)	<u>(21,699,312)</u>	<u>(25,769,905)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	3,414,584	6,379,496
Investment income - restricted	595,315	467,497
Property tax revenue and acreage assessments	21,346,797	21,624,579
General obligation bond assessments	5,903,962	5,782,901
Interest on long-term debt	(7,897,888)	(6,766,600)
Intergovernmental revenue	1,434,642	274,973
Cellular Lease income	1,498,290	1,491,862
Other nonoperating revenues (expenses)	<u>46,018</u>	<u>1,163,164</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>26,341,720</u>	<u>30,417,872</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	4,642,408	4,647,967
CAPITAL CONTRIBUTIONS:		
Grant funding	20,530	54,212
Developer donated capital facilities	94,332	2,069,786
Connection fees	<u>182,491</u>	<u>15,723</u>
CHANGE IN NET ASSETS	4,939,761	6,787,688
NET ASSETS - BEGINNING OF YEAR	<u>389,373,362</u>	<u>382,585,674</u>
NET ASSETS - END OF YEAR	<u>\$ 394,313,123</u>	<u>\$ 389,373,362</u>

See Notes to the Financial Statements.

MOULTON NIGUEL WATER DISTRICT

Statement of Cash Flows

Fiscal Year ended June 30, 2011

(With comparative totals for June 30, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 43,133,862	\$ 40,019,149
Cash paid to suppliers	(40,305,555)	(35,642,821)
Cash paid to employees	<u>(10,839,436)</u>	<u>(11,094,502)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(8,011,129)</u>	<u>(6,718,174)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	<u>21,441,463</u>	<u>21,860,028</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>21,441,463</u>	<u>21,860,028</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(17,405,863)	(16,037,205)
Cash received from general obligation bonds assessments	5,926,384	5,782,901
Repayment of notes receivable	240,601	1,101,944
Capital contributions	203,021	69,935
Principal payments on long-term debt	(16,953,653)	(12,334,566)
Issuance of long-term debt	9,105,046	60,000,000
Interest payments on long-term debt	<u>(6,122,370)</u>	<u>(5,338,766)</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(25,006,834)</u>	<u>33,244,243</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings received	4,092,846	4,651,781
Proceeds from sales and maturities of investments	67,476,154	47,071,923
Purchase of investments	<u>(55,801,915)</u>	<u>(104,635,706)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>15,767,085</u>	<u>(52,912,002)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,190,585	(4,525,906)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,877,444</u>	<u>16,403,350</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 16,068,029</u>	<u>\$ 11,877,444</u>

See Notes to Financial Statements.

MOULTON NIGUEL WATER DISTRICT

Statement of Cash Flows

(Continued)

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:		
Cash and investments	\$ 121,893,781	\$ 121,094,157
Cash and investments with fiscal agent	<u>38,433,233</u>	<u>46,716,508</u>
Total cash and investments	160,327,014	167,810,665
Less non-cash equivalents	<u>(144,258,985)</u>	<u>(155,933,221)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 16,068,029</u>	<u>\$ 11,877,444</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY / (USED FOR) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (21,699,311)	\$ (25,769,905)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	15,162,538	14,572,710
Other nonoperating revenue	1,544,308	2,929,998
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, water and sanitation	(577,963)	(696,259)
(Increase) decrease in accounts receivable, other	414,074	(391,302)
(Increase) decrease in inventory	(140,709)	(121,444)
(Increase) decrease in prepaid expenses	16,165	(19,286)
(Increase) decrease in contracts receivable		36,325
(Increase) decrease in Calpers prepaid	40,464	37,554
Increase (decrease) in accounts payable	(2,806,304)	2,763,436
Increase (decrease) in compensated absences	<u>35,609</u>	<u>(60,001)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ (8,011,129)</u>	 <u>\$ (6,718,174)</u>
 SUPPLEMENTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	\$ (1,127,538)	\$ 2,301,224
Developer donated capital facilities	94,332	2,069,786

MOULTON NIGUEL WATER DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Fund

June 30, 2011

(With comparative totals for June 30, 2010)

	Moulton Niguel <u>457 Retirement Plan</u>	
	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and investments (note 2)	\$ <u>4,099,460</u>	\$ <u>3,921,255</u>
TOTAL ASSETS	\$ <u>4,099,460</u>	\$ <u>3,921,255</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
TOTAL LIABILITIES	\$ -	\$ -
NET ASSETS		
Held in trust for pension benefits	<u>4,099,460</u>	<u>3,921,255</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,099,460</u>	\$ <u>3,921,255</u>

MOULTON NIGUEL WATER DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiscal Year ended June 30, 2011

(With comparative totals for June 30, 2010)

	Moulton Niguel	
	<u>457 Retirement Plan</u>	
	<u>2011</u>	<u>2010</u>
ADDITIONS		
Contributions:		
Plan members	\$ 222,734	\$ 240,674
Plan-to-Plan transfer (in)	29,936	371,480
Investment income	<u>140,560</u>	<u>153,480</u>
TOTAL ADDITIONS	<u>393,230</u>	<u>765,634</u>
DEDUCTIONS		
Distribution to Participants	171,705	185,618
Plan-to-Plan Transfer	<u>43,320</u>	<u>38,370</u>
TOTAL DEDUCTIONS	<u>215,025</u>	<u>223,988</u>
CHANGES IN NET ASSETS	178,205	541,646
NET ASSETS - BEGINNING OF YEAR	<u>3,921,255</u>	<u>3,379,609</u>
NET ASSETS - END OF YEAR	<u>\$ 4,099,460</u>	<u>\$ 3,921,255</u>

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(I) Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Accounting

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

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

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

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

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

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. Separate financial statements are prepared for the Fiduciary Fund and are included in the District's financial statements.

MNWD Public Facilities Corporation

The MNWD Public Facilities Corporation ("Corporation") was incorporated as a California Non-profit Public Facilities Corporation on October 12, 1993, and has received tax exempt status from the Internal Revenue Service and California Franchise Tax Board. The Corporation was formed for the purpose of providing financing through the issuance of certificates of participation to construct District infrastructure necessary to provide water, wastewater, and recycled water services to existing and future customers with the District. Members of the Board of Directors of the District act as the Corporation's governing board and exert significant influence over its operations. Separate financial statements are prepared for the Corporation.

Property Taxes

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

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

Inventory and Prepaid Expenses

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

Certain payments to vendors, primarily related to services, reflect costs applicable to future accounting periods and are initially recorded as prepaid expenses and expensed through the lifetime of the agreement providing that the total cost of the agreement exceeds \$12,000.

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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

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

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

Water and sewer systems	10 to 75 years
Capacity rights – limited	10 to 99 years
Buildings	5 to 40 years
Automobiles and equipment	3 to 10 years

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits up to certain limits. Employees are eligible to be compensated in cash for accrued vacation to a maximum of 120 hours or may transfer up to 80 hours into their deferred compensation plan provided that they have used at least 40 hours of vacation hours during the fiscal year. 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 twelve months or less. Investments held by fiscal agent are classified as long term assets regardless of the maturity date. These investments are typically held as a covenant for long term debt service and, therefore, continually re-invested and held until the maturity of the debt service obligation.

Investments

Investments are reported in the accompanying 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 as part of the interest expense and 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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

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

Prior Year Data

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

(2) Cash and Investments

Cash and Investments are classified in the accompanying Statements of Net Assets as follows at June 30, 2011:

Statement of Net Assets:	
Cash and investments – current	\$ 16,068,029
Cash and investments – noncurrent	105,825,753
Cash and investments with fiscal agent	38,433,233
Statement of Fiduciary Net Assets:	
Cash and investments	<u>4,099,460</u>
Total cash and investments	\$ <u>164,426,475</u>

Cash and investments held by the District at June 30, 2011 consisted of the following:

Cash:	
Cash on hand	\$ 800
Deposits with financial institution	<u>252,450</u>
Total cash	<u>253,250</u>
Investments:	
State treasurer's investment pool	12,957,186
US treasury notes	21,905,847
Federal agency securities	62,943,692
Medium term notes	35,561,898
Certificates of Deposit	12,556,613
Money market funds	<u>18,247,988</u>
Total investments	<u>164,173,224</u>
Total cash and investments	\$ <u>164,426,474</u>

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(2) Cash and Investments, (continued)

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.

Investment Types <u>Authorized by State Law</u>	Authorized By Investment <u>Policy</u>	*Maximum <u>Maturity</u>	*Maximum Percentage <u>Of Portfolio</u>	*Maximum Investment <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	2 years	30%	None
Repurchase Agreements	Yes	1 year	10%	None
Reverse Repurchase Agreements	Yes	90 days	10%	None
Medium-Term Notes	Yes	5 years	30%	5%
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$50 million
JPA Pools (other investment pools)	No	N/A	None	None

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

Investments Authorized by Debt Agreements

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

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(2) Cash and Investments, (continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Government Obligations	None	None	None
Federal Agency Securities	None	None	None
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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 36 Months</u>	<u>37 to 60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool	\$ 12,957,186	\$ 12,957,186	\$ -	\$ -	\$ -
US Treasury Notes	19,680,718	-	6,676,531	4,240,493	8,763,694
Federal Agency Securities	56,809,745	914,685	14,272,651	14,099,378	27,523,031
Medium Term Notes	35,561,898	5,311,927	15,581,310	14,668,661	-
Money Market Funds	730,444	730,444	-	-	-
Held by Fiscal Agent:					
US Treasury Notes	2,225,129	-	2,225,129	-	-
Federal Agency Securities	6,133,947	262,409	4,392,072	1,479,466	-
Certificate of Deposits	12,556,613	12,556,613	-	-	-
Money Market Funds	<u>17,517,544</u>	<u>17,517,544</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 164,173,224</u>	<u>\$ 50,250,808</u>	<u>\$ 43,147,693</u>	<u>\$ 34,487,998</u>	<u>\$ 36,286,725</u>

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(2) Cash and Investments, (continued)

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.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>			
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
State Investment Pool	\$12,957,186	N/A	\$ -	\$ -	\$ -	\$ 12,957,186
US Treasury Notes*	19,680,718	N/A	-	-	-	19,680,718
Federal Agency Securities	56,809,745	A	56,809,745	-	-	-
Medium Term Notes	35,561,898	A	5,394,455	11,432,093	18,735,350	-
Money Market Funds	730,444	N/A	-	-	-	730,444
Held by Fiscal Agent:						
US Treasury Notes	2,225,129	A	2,225,129	-	-	-
Federal Agency Securities	6,133,947	A	6,133,947	-	-	-
Certificate of Deposits	12,556,613	A	-	12,556,613	-	-
Money Market Funds	17,517,544	N/A	-	-	-	17,517,544
Total	\$164,173,224		\$ 70,563,276	\$ 23,988,706	\$ 18,735,350	\$ 50,885,892

* 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>
Federal Home Loan Bank	Federal agency securities	\$ 12,183,631
Federal National Mortgage Assoc.	Federal agency securities	12,795,515
Federal Home Loan Mortgage Corp.	Federal agency securities	12,536,991
Tennessee Valley Authority	Federal agency securities	12,274,447

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy limits custodial credit risk by requiring that financial institutions secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(2) Cash and Investments, (continued)

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. For investments, the District's portfolio is held in safekeeping in the District's name by a third party bank trust department, acting as agent for the District, under the terms of a custody agreement.

State Treasurer's Investment Pool

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

Investment Earnings

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments and as a result, realized gains and losses of the current period include unrealized amounts from prior periods.

Investment earnings consist of the following for the year ended June 30, 2011:

Interest Income	\$3,408,625
Realized and Unrealized Gains	601,274
Total	<u>\$ 4,009,899</u>

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(3) Other Receivables

Allen-McCulloch Pipeline (AMP)

Before fiscal year 1995, the District was a part owner and participant in the 27-mile AMP used by MET to deliver potable water to the participants. In fiscal year 1995, the participants sold the AMP to MET. Under the sale agreement the District will receive \$16,158,563 over 37 years. This represents an approximate 13.6% ownership of AMP. During the year, the District received \$203,841 leaving the year end AMP receivable of \$1,282,756. 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.

Retrofit Loans

In November 1996, the Board adopted Resolution 96-26 which allowed for qualifying non-profit entities and public agency applicants to obtain a loan through the District to finance the cost for on-site recycled water retrofits of the applicant's irrigation system. The program offers incentive to customers who would otherwise have difficulties financing the cost of the recycled water retrofits. The District has approximately 45 loans outstanding totaling \$715,664 which includes both principal and interest. The re-payment of the loan agreement is structured based on a volumetric consumption amount of recycled water at \$0.25 a billing unit per month. Since re-payment is based on usage, it is difficult to provide a structured repayment schedule. On average, the District receives approximately \$35,000 a year towards the principal and interest portion of the loan. The majority of the loans (32) are re-paid within 11 years with the balance of the loans to be repaid within 20+ years from the date of the agreement.

(4) Operating Leases

The District leases a portion of its facilities for cellular tower antennas sites. Lessees purchase and install the wireless equipment. These leases are non-cancelable for a period of 10 years with inception dates ranging from 2000 to the present. Generally the leases are renewable for one 5 year period. The lease agreement allows for a 3% annual CPI increase to the lease payments. At the lease termination, lessees must remove all equipment and restore the site to its original state. The total cellular lease revenue for the fiscal year was \$1,498,290. Future minimum lease payments are as follows:

Fiscal Year Ended June 30:

2012	\$ 1,480,660
2013	1,525,080
2014	1,570,832
2015	1,617,957

MOULTON NIGUEL WATER DISTRICT

**Notes to the Financial Statements
Fiscal Year Ended June 30, 2011**

(5) Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Capital Assets				
Water systems	\$ 561,187,004	\$ 8,158,331	\$ (4,501,918)	\$ 564,843,417
Capacity rights - limited	8,551,999	-	(272,596)	8,279,403
Buildings	5,639,121	49,680	(6,900)	5,681,901
Automobiles and equipment	<u>10,092,670</u>	<u>764,952</u>	<u>(814,644)</u>	<u>10,042,978</u>
Total cost of depreciable assets	<u>585,470,794</u>	<u>8,972,963</u>	<u>(5,596,058)</u>	<u>588,847,699</u>
Less accumulated depreciation:				
Water systems	(219,893,344)	(13,891,243)	4,501,918	(229,282,669)
Capacity rights – limited	-	(284,283)	-	(284,283)
Buildings	(2,100,462)	(186,533)	6,900	(2,280,096)
Automobiles and equipment	<u>(6,608,588)</u>	<u>(800,479)</u>	<u>814,644</u>	<u>(6,594,423)</u>
Total accumulated depreciation	<u>(228,602,394)</u>	<u>(15,162,538)</u>	<u>5,323,462</u>	<u>(238,441,470)</u>
Net depreciable assets	356,868,399	(6,189,576)	(272,596)	350,406,229
Capital assets not depreciated:				
Land	1,091,910	-	-	1,091,910
Construction in progress	<u>13,583,539</u>	<u>17,405,861</u>	<u>(8,606,033)</u>	<u>22,383,367</u>
Capital assets, net	\$ <u>371,543,848</u>	\$ <u>11,216,285</u>	\$ <u>(8,878,629)</u>	\$ <u>373,881,506</u>

Depreciation expense for the year ended June 30, 2011 was \$15,162,538.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(6) Long-Term Liabilities

Long-Term liabilities for the year ended June 30, 2011 are as follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>	<u>Due Within One Year</u>
Bonds Payable:					
2003 GOB Refunding Bonds	\$ 41,740,000	-	(4,340,000)	37,400,000	4,645,000
Less: Gain (Loss) on Refunding	<u>(1,701,218)</u>	<u>-</u>	<u>275,873</u>	<u>(1,425,345)</u>	<u>-</u>
Total Bonds Payable	<u>40,038,782</u>	<u>-</u>	<u>(4,064,127)</u>	<u>35,974,655</u>	<u>4,645,000</u>
Certificates of Participation:					
1993 COPs	11,000,000	-	(11,000,000)	-	-
1993 COPs Unaccreted Balance	(167,180)	-	167,180	-	-
2003 COPs	17,840,000	-	-	17,840,000	-
2009 COPs	60,000,000	-	-	60,000,000	-
2010 COPs (93 COPs Refunding)	-	8,965,000	-	8,965,000	1,590,000
Add: Premium on 2010 COPs	-	859,999	(74,320)	785,679	-
Less: Gain (Loss) on Refunding	<u>-</u>	<u>(706,704)</u>	<u>61,071</u>	<u>(645,633)</u>	<u>-</u>
Total Certificates	<u>88,672,820</u>	<u>9,118,295</u>	<u>(10,846,069)</u>	<u>86,945,046</u>	<u>1,590,000</u>
Loans Payable:					
CIEDB	1,948,207	-	(138,024)	1,810,183	142,030
Dept. of Water Resources	1,572,735	-	(270,208)	1,302,527	276,946
State Revolving Fund	<u>19,968,545</u>	<u>-</u>	<u>(1,648,475)</u>	<u>18,320,070</u>	<u>1,677,597</u>
Total Loans Payable	<u>23,489,487</u>	<u>-</u>	<u>(2,056,707)</u>	<u>21,432,780</u>	<u>2,096,573</u>
Compensated Absences:					
Vacation Pay	414,376	496,567	(500,509)	410,434	500,509
Sick Pay	<u>528,752</u>	<u>262,313</u>	<u>(222,761)</u>	<u>568,304</u>	<u>222,761</u>
Total Compensated Absences	<u>943,128</u>	<u>758,880</u>	<u>(723,271)</u>	<u>978,737</u>	<u>723,270</u>
Total Long-Term Liabilities	<u>\$ 153,144,217</u>	<u>9,877,175</u>	<u>(17,690,173)</u>	<u>145,331,219</u>	<u>9,054,843</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 in the service areas of the District. A voter approved tax assessment is levied each year to pay the debt service on these bonds. The serial bonds accrue interest at rates between 2% and 5% and mature between September 1, 2004 and September 1, 2019. Interest is payable on September 1 and March 1 of each year.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(6) Long-Term Liabilities, (continued)

2003 Refunding Certificates of Participation (COP)

On August 1, 2003, the Corporation sold \$25,145,000 of 2003 Refunding Certificates of Participation (2003 Refunding COP) to refund a portion of its 1993 Certificates of Participation (1993 COPs), to fund a debt service reserve fund and pay for delivery costs related to the COPs. They will remain under the 1993 Indenture \$12,625,000 aggregate principal amount of Moulton Niguel Water District 1993 Certificates of Participation (the "Remaining 1993 Certificates"). The serial certificates accrue interest at rates between 3% and 5%, interest is payable on March 1 and September 1 of each year. Principal is repaid annually on September 1, from 2004 and 2008, and then in 2012 and 2013, and finally between 2018 and 2023.

The District covenants and agrees that it shall comply with and carry out all of its obligations under the Continuing Disclosure Agreement (CDA). Notwithstanding any other provision of the Trust Indenture, failure of the District to comply with its obligation under the CDA shall not be considered an event of Default under the Trust Indenture, and the sole remedy, in the event of any failure of the District to comply with the CDA, shall be an action to compel performance thereof.

The Moulton Niguel Water District Public Facilities Corporation is in compliance with covenants of the COPs as of June 30, 2011.

As of June 30, 2011, the Reserve Requirement for the 2003 Refunding COPs is \$2,449,043. At June 30, 2011, the District has \$2,335,823 in the reserve account.

2009 Certificates of Participation (COP)

In December 2009, the District issued \$60,000,000 of Certificates of Participation federally taxable "Build America Bonds" to construct projects that provide greater water supply reliability for the distribution of potable and recycled water. The District has adopted a resolution which states the intention to develop adequate capacity to sustain at least a 31-day average potable water supply outage and be able to sustain a 7-day interruption in Metropolitan Water District deliveries. The COPs received an AA+ stable rating from Fitch rating agency and Standard & Poor's rating agency. Fitch later upgraded its rating to an AAA stable. The serial certificates accrue interest at rates between 5.9% and 6.3%, interest is payable on March 1 and September 1 of each year. The true interest cost (TIC) is 4.49%. This rate reflects the interest cost net of the subsidy. Under Section 54AA(g)(2) of the Tax Code, the District is eligible for a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Certificates. The subsidy, when received, is recorded as intergovernmental revenue. Principal is repaid annually on September 1 from 2024 through 2039. The COPs were issued as a level debt service with the District's other outstanding debt. Level debt service reduces large fluctuations in annual debt obligations by delaying the payment of the principal portion until other debt service principal portions are paid.

As of June 30, 2011, the Reserve Requirement for the 2009 COPs is \$6,000,000. At June 30, 2011, the District has \$6,180,551 in the reserve account.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(6) Long-Term Liabilities, (continued)

2010 Refunding Certificates of Participation (COP)

On November 1, 2010, the Corporation sold \$8,965,000 of the 2010 Refunding Certificates of Participation (2010 Refunding COPs) to refund the remaining portion of the 1993 COPs, to refinance the 1993 Installment Payments and 1993 Certificates; to fund a debt service reserve fund for the Certificates; and pay certain costs of executing and delivering the Certificates. The interest for the 2010 Refunding COP will be calculated from November 1, 2010 at rates from 2%-4% payable semi-annually on March 1 and September 1 of each year commencing March 1, 2011 and end on the date of maturity or prepayment, whichever is earlier.

The District refunded the 1993 COPs and issued the 2003 COPs and 2010 COPs. The reacquisition price of the 2003 COPs exceeded the net carrying amount of the old debt by \$647,932. This amount is being netted against the new debt and amortized over the new debt's life, which equal to the refunded debt. The reacquisition price of the 2010 COPs exceeded the net carrying amount of the old debt by \$785,679. This amount is being netted against the new debt and amortized over the new debt's life, which equal to the refunded debt.

As of June 30, 2011, the Reserve Requirement for the 2010 Refunding COPs is \$896,500. At June 30, 2011, the District has \$897,301 in the reserve account.

Loans Payable

California Infrastructure and Economic Development Bank (CIEDB)

The District obtained two loans from the California Infrastructure and Economic Development Bank to finance the construction of certain capital projects related to water and sewer infrastructure. The loan obtained for the construction of water infrastructure in the amount of \$1,700,000 accrues interest at 2.73%. The loan was obtained for the on-site sodium hypochlorite generation-reservoir management system, phase II - installation of ClorTec chlorination tank recirculation systems, which include on-site sodium hypochlorite generation and ammonia injection units on 16 reservoirs at 14 sties in the District service area. The loan obtained for the construction of sewer infrastructure in the amount of \$1,111,340 accrues interest at 3.17%. Both loans are due March 1, 2022. Principal is repaid annually on March 1 and interest payments are due semi-annually on March 1 and September 1.

Department of Water Resources Loan (DWR)

The District obtained a loan for \$4,821,611, due October 1, 2015, from the Department of Water Resources to fund projects for a multi-zone reclaimed water distribution system for non-potable uses (i.e. irrigation of parks, golf course greenbelts, etc.) pursuant to Chapter 4.7 of Part 6 of Division 6 of the California Water Code. The project will replace existing potable water with reclaimed water that meets Title 22, Division 4, Article 4, California Code of Regulation requirements for water quality. The loan accrues interest at a rate of 2.5%. Principal and interest payments of \$153,927 are due semi-annually on April 1 and October 1.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(6) Long-Term Liabilities, (continued)

State Revolving Fund Loans (SRF)

The District obtained three State Revolving Fund loans totaling \$36,053,400 with the State Water Resources Control Board was used to finance the Phase III Revised Expansion Project, consisting of expanding MNWD's reclamation system to serve an additional 500 irrigated landscape sites with 4,502 acre-feet per year of reclaimed water and Phase 4 Expansion of the Reclaimed Water Distribution System. The loans accrue interest at rates ranging from 1.727% to 1.811%. Principal and interest payments are due annually through October 16, 2017.

Compensated Absences

It is the policy of the District to permit employees to accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave are reported as noncurrent liabilities on the statement of net assets.

Vacation accrual schedules vary depending on length of employment and begin on date of employment. Maximum vacation accruals may not exceed more than 200% of an employee's annual vacation accrual. In June of each year, employees are eligible to receive compensation for unused vacation leave, not to exceed compensation equivalent to 120 hours, upon meeting certain criteria. All regular full-time employees are eligible to accrue 96 hours of sick leave a year from the date of employment. In December of each year, employees who have accumulated more than 176 hours of sick leave are eligible to receive compensation equal to 75% of the hours over 176 hours.

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2011 are as follows:

Long Term Debt Schedule

<u>June 30</u>	Bonds Payable		Certificates of Participation		Loans Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 4,645,000	1,634,306	1,590,000	5,266,676	2,096,573	407,064
2013	4,980,000	1,437,600	1,680,000	5,217,676	2,137,410	366,226
2014	5,235,000	1,231,700	1,740,000	5,150,276	2,178,909	324,727
2015	5,585,000	987,375	1,715,000	5,081,676	2,221,293	282,343
2016	6,000,000	697,750	1,780,000	5,011,776	2,110,605	239,104
2017-2021	10,955,000	735,125	10,510,000	23,783,729	8,190,867	657,576
2022-2026	-	-	13,185,000	20,769,541	2,497,146	66,668
2027-2031	-	-	15,690,000	16,340,467	-	-
2032-2036	-	-	19,650,000	10,262,280	-	-
2037-2040	-	-	19,265,000	2,761,688	-	-
Total	\$ 37,400,000	6,723,856	86,805,000	99,645,783	21,432,804	2,343,708

(7) Rate Covenants

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2011:

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(7) Rate Covenants, (continued)

Debt Service Coverage

Operating Revenues:		
Water sales and service charges	\$ 26,860,262	
Sewer service charges	14,448,835	
Meter sales & other	<u>444,346</u>	
Total Operating Revenues	<u>41,753,443</u>	
Non-Operating Revenues:		
Connection fees	182,491	
Cellular lease income	1,498,290	
Investment income	5,137,437	
Intergovernmental revenue	1,434,642	
AMP lease revenue	203,841	
Other income (expense)	<u>46,018</u>	
Total Non-Operating Revenues	<u>8,502,719</u>	
Total Revenues	<u>50,256,162</u>	(A)
Operations & Maintenance Expenses:		
Source of supply	22,088,538	
Pumping water	419,633	
Sewage treatment	8,588,172	
Water transmission & distribution	3,752,244	
Customer service	311,483	
General, administrative, & other	<u>13,130,167</u>	
Total Operations & Maintenance Expenses	<u>48,290,237</u>	(B)
Net Revenues	1,965,945	(A-B)
Property Tax Revenues	<u>21,346,797</u>	
Sum of Net & Tax Revenues	<u>23,312,742</u>	(C)
Debt Service On Parity Obligations		
1993 COP	1,811,000	
2003 COP	858,800	
2009 COP	4,098,976	
2010 Refunding COP	88,418	
Governmental loans	<u>2,503,636</u>	
Total Existing Parity Obligations	<u>9,360,830</u>	(D)
Calculated Debt Service Coverage Percentage	249 %	(C/D)

(8) 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, 2011, assets in trust with Nationwide Retirement Solutions total \$3,413,161 and assets with the MNWD investment pool total \$4,099,460. Assets held in the MNWD investment pool are reported in separate fiduciary fund financial statements.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(9) Retirement Plans

Defined Benefit Pension Plan

The District contracts with California Public Employees Retirement System (CalPERS) to provide employees with a specified package of benefits upon retirement. CalPERS is a cost sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statute establishes CalPERS member and employer contribution rates, benefit provisions, minimum funding and all other requirements. The District's Board of Directors has authority over 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. The CalPERS annual financial report may be obtained from their website at www.calpers.ca.gov.

The District funds these benefits according to actuarially determined contribution rates for both the employee and employer. To mitigate the costs of rising employer contribution rates the District implemented a two-tier system for employees based on hiring dates. Employees hired after June 28, 2009 were considered to be Tier 2 employees. Tier 1 employees were asked to contribute a percentage of the CalPERS member contributions and Tier 2 employees were required to contribute the entire percentage of the member contribution rate. For this fiscal year, Tier 1 employees contributed .7% of their annual covered salary and the District contributed 6.3% of the annual covered salary on the employees' behalf. Tier 2 employees contributed the entire 7% of the CalPERS member contribution rate. The District did not contribute any funds on their behalf. Contributions on behalf of Tier 1 employees were \$364,467 for the year ended June 30, 2011. The required employer contribution rate for Tier 1 employees for the year ended June 30, 2011 was 10.7% of employees' covered payroll. The required employer contribution rate for Tier 2 employees for the year ended June 30, 2011 was 10.145% of employees' covered payroll. The District's contributions to the plan for the years ending June 30, 2009, 2010, and 2011 were \$1,175,883, \$1,071,047, and \$1,129,261 respectively and equaled the required contributions for the years. The most recent actuarial valuation is dated June 30, 2009 and is available upon request.

In fiscal year 2003, California legislation mandated that all agencies with less than 100 active members be enrolled in a risk-sharing pool with all other agencies in the State with similar benefit packages. At the time of joining the risk pool, a "side fund" was created to account for the difference between the funded status of the District's Plan and the funded status of the risk pool. CalPERS established the risk-sharing pools in 2003 to reduce large fluctuations in employer retirement contributions caused by demographic events. Each agency has a unique contribution rate determined by the risk pools normal cost adjusted for the agencies level of benefit enhancements, funding status prior to joining the pool, and normal cost prior to joining the pool. The District's obligation for the side fund pool was \$3,403,367 as of December 31, 2008. This obligation was paid in full on December 31, 2008 and as a result reduced the District's future years' employer contribution rates. The payment of the CalPERS side fund created a prepaid asset which is being amortized over 30 years. The amount amortized for the year ending June 30, 2011 was \$40,464.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(9) Retirement Plans, (continued)

Defined Contribution Pension Plan

The District sponsors the Moulton Niguel Water District Money Purchase Pension Trust (Money Purchase Plan), a defined contribution pension plan. 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 Lincoln Financial.

The District matches up to 2% of an employees' salary to the Money Purchase Plan, if the employee elects to participate in the Deferred Compensation Plan. In addition, participating executive management may contribute 5% of their compensation to the Money Purchase Plan. Employer contributions to the Money Purchase Plan were \$111,788 for the year ended June 30, 2011. 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.

(10) Other Post Employment Benefits (OPEB)

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

Under the authority of the District's Board of Directors, post-retirement medical benefits are provided to eligible employees. These benefits may be amended at the discretion of the Board of Directors. The District participates in the CalPERS California Employers' Retiree Benefit Trust (CERBT) fund – an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit (OPEB) costs. The CERBT fund is a Section 115 Trust – set up for the purpose of receiving employer contributions that will prefund health and OPEB costs for retirees and their beneficiaries.

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

Membership of the plan consisted of the following at June 30, 2011:

Retirees and dependents receiving benefits	34
Active plan members	<u>108</u>
Total	<u>142</u>

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

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

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 2010-2011, the District contributed a total of \$626,022 to the plan including \$263,727 for current premiums and \$362,295 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) contributed \$9,328 toward the cost of the coverage (approximately 1% of total premiums). CalPERS publish separate audited financial statements for CERBT. The report is available online at www.calpers.ca.gov or by contacting CalPERS at 1-888-CalPERS.

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

Annual Required Contribution (ARC)	\$ 626,022
Contributions made (including premium paid)	<u>(626,022)</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 2011 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
06/30/09	\$ 483,118	100%	\$ 0
06/30/10	506,730	100%	\$ 0
06/30/11	626,022	100%	\$ 0

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

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

Funded Status and Funding Progress. The funded status of the plan as of January 1, 2010, is as follows:

Actuarial Accrued Liability (AAL)	\$ 4,988,183
Actuarial value of plan assets	<u>(388,139)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 4,600,044</u>
Funded ratio (actuarial value of plan assets/AAL)	8%
Covered payroll (active plan members)	\$ 6,387,000
UAAL as a percentage of covered payroll	72%

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

Actuarial methods and assumptions as of the last actuarial valuation date. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and OPEB Participants) and include the 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 5.00 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 20 years. It is assumed the District's payroll will increase 3.25% per year. Eighty-five percent of future retirees are assumed to have a spouse. The valuation as of January 1, 2010 was done using the eligibility criteria at that time. 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, 2011, management has deemed the impact to be minimal since the January 1, 2010 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 Financial Statements Fiscal Year Ended June 30, 2011

(10) 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 Payroll
07/01/08	\$ 0	\$ 4,930,491	\$ 4,930,491	0%	\$ 6,365,000	77%
01/01/10	388,139	4,988,183	4,600,044	8%	6,387,000	72%

(11) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), which offers a common risk management and insurance program. The program provides workers' compensation and property and liability insurance for the District. For each of the most recent years, settlements did not exceed insurance coverage. The membership includes 291 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the JPIA, including selection of management and approval of the operating budget.

The District maintains \$60,000,000 in primary comprehensive general liability insurance. The property damage insurance program provided for up to \$77,573,267 in coverage on structures and contents with a \$25,000 retrospective allocation point per claim. A \$3,000,000 commercial blanket bond is maintained on employees. The District retains pollution insurance of \$2,000,000 and underground storage tank coverage of \$500,000. The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. The District's workman's compensation level of coverage is \$2,000,000 for bodily injury by each accident and \$2,000,000 for bodily injury by disease for each employee. If the District's deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place. The District promotes safety in the workplace through an extensive safety program. As a result of the program, the District has received retrospective refunds on its workman's compensation insurance premiums. The District also maintains a self insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000, please refer to Note 14 on the District's reserve funds for additional information on the self insurance reserves. Settlements have not exceeded insured limits in the past three fiscal years.

To obtain complete financial information contact ACWA/JPIA at 5620 Birdcage Street, Suite 200, Citrus Heights, CA 95610 or via telephone at (800) 231-5742. Information may be available at www.acwajpia.com.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(12) Commitments and Contingencies

Capital Improvement Projects

The following material commitments existed at June 30, 2011:

<u>Project Name</u>	<u>Cumulative Expenditures as of June 30, 2011</u>	<u>Remaining Commitments</u>
New District Enterprise Software	\$ -	\$ 3,000,000
Baker Pipeline Regional Treatment	1,398,791	4,411,200
Upper Chiquita Reservoir	15,034,471	1,856,530
Rolling Hills HOA RW Pipeline	34,457	550,000

(13) Joint Powers Authorities and Joint Ventures

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

The District is a member of the South Orange County Wastewater Authority (SOCWA). SOCWA collects, treats, beneficially reuses and disposes of wastewater in South Orange County. SOCWA operates four wastewater treatment plants (WWTP) in the region. SOCWA has ten member agencies, including three cities and seven water districts. A Board of Directors consisting of representatives from member agencies governs SOCWA. The Board of Directors controls the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has Project Committees that member agencies participate in financially at various levels, depending on their capacity rights. Each WWTP is a project, as well as various other physical facilities such as outfall pipelines. 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 project committees the District participates. At fiscal year-end SOCWA analyzes its actual costs and refunds or collects additional money from its members as appropriate. Construction deposits made to SOCWA for capital projects are recorded as capital assets (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 or via telephone at (949) 234-5421.

Joint Regional Water Supply System (Formed Using a Trust Agreement)

The District is one of nine members who participate in the Joint Regional Water Supply System (JRWSS). JRWSS owns and operates several pipelines including the Joint Transmission Main that serves MNWD. The pipelines deliver drinking water to the nine member agencies. MNWD has 48.64% ownership rights to the Joint Transmission Main. South Coast Water District (SCWD) serves as Trustee of JRWSS. As Trustee SCWD maintains the infrastructure, collects money to cover expenses from the member agencies and keeps records for JRWSS. The District deposits money with JRWSS to cover its share of operation and capital costs. At fiscal year-end JRWSS analyzes its actual costs and refunds or collects additional money from its members as appropriate.

To obtain complete financial information from JRWSS contact South Coast Water District, P.O. Box 30205, Laguna Niguel, CA 92607 or via telephone at (949) 499-4555.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(13) 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 powers authority formed to secure and develop water rights for its member agencies. It currently has permits for using the San Juan Groundwater Basin as an underground storage reservoir. A capacity of 60,000 acre-feet is classified as usable storage, where water can be routinely put into it by groundwater recharge basins and withdrawn by a number of high production wells to be drilled in the future. The state has also given SJBA water rights to divert water from the Basin for beneficial purposes. The objective of 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. A Board of Directors consisting of representatives from member agencies governs SJBA. The Board of Directors oversees contracts and approves the annual budget. SJBA has Project Committees that member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects. Surplus balances at fiscal year-end are refunded to member agencies or added to their reserves as determined by the Board of Directors.

To obtain complete financial information from SJBA contact Santa Margarita Water District at 26111 Antonio Parkway, Las Flores, CA 92688 or via telephone at (949) 459-6400

Santiago Aqueduct Commission (a California Joint Powers Authority)

The District is a member of the Santiago Aqueduct Commission (SAC) with five other member agencies. SAC operates and maintains the Baker Pipeline. 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.

To obtain complete financial information on the SAC contact Irvine Ranch Water District at 15600 Sand Canyon Avenue, Irvine, CA 92618-3102 or via telephone at (949) 453-5300.

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

(14) Restricted Net Assets

At year end the District held \$312,742 in unspent connection fee revenue. By State law these amounts must be spent on capital projects. All interest earned in this fund is added to the total restricted fund balance.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(15) 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	\$ 8,901,179
Designated for replacement and refurbishment	13,709,742
Designated for self insurance reserves	1,206,410
Designated for water supply reliability	3,677,265
Designated for planning and construction	30,190,912
Unrestricted, undesignated	<u>68,352,616</u>
Total unrestricted net assets	<u>\$ 126,038,124</u>

Rate Stabilization

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

Replacement & Refurbishment

The Replacement & Refurbishment fund was established to replace existing assets, refurbish existing assets by materially extending the useful life of the asset. Any repairing of an asset that does not extend the useful life of at the asset will be classified as an O&M expense. The asset value must be \$5,000 or more and have a useful life of at least 3 years. The District anticipates an increase in these projects as it approaches a "built out" status. The reserves are increased by revenue from tax revenues equal to the appropriation limit, and replenished annually with a \$4.5 million dollar transfer from the General Fund.

Self Insurance

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

Water Supply Reliability Fund

The Water Supply Reliability reserves were created to provide funding for certain projects that will enhance the District's ability to provide water to its customers during 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.

MOULTON NIGUEL WATER DISTRICT

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

(15) Unrestricted Net Assets, (continued)

Planning and Construction Reserves

Planning and Construction reserves were established to provide funding for new construction projects. The reserves are increased by Federal and State P.L. 660 funds and clean water grants if and when received. Designated (budgeted) and emergency construction and planning expenditures decrease the reserves. These reserves can be increased by tax revenues equal to the appropriation limit. An annual review of fund balance and budgeted projects will determine the need for any fund transfers from the General fund.

**SUPPLEMENTARY
SECTION**

MOULTON NIGUEL WATER DISTRICT
Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds
For the Fiscal Year Ended June 30, 2011

The schedule below is the District's adopted Budget Summary in the areas of revenues, expenses, debt service, capital improvement projects, and other sources and uses of District funds. It compares the District's projected figures to the actual amounts and is designed to monitor performance during the year and assist in future budget preparations.

	<u>2010-2011 Amended Budget</u>	<u>2010-2011 Actuals</u>	<u>Variance with Budget Over(Under)</u>	<u>% Variance with Budget Over(Under)</u>
Revenues				
Potable Water Sales	\$ 23,908,150	\$ 22,520,065	\$ (1,388,085)	(5.81) %
Sewer Sales	14,797,000	14,448,835	(348,165)	(2.35)
1 Recycled Water Sales	5,888,000	4,340,197	(1,547,803)	(26.29)
2 Ad Valorem Property Tax (District's share of 1% Property Tax)	19,265,050	21,346,797	2,081,747	10.81
3 General Obligation Bond Assessment	6,160,200	5,903,962	(256,238)	(4.16)
Investment Income	2,654,000	4,009,899	1,355,899	51.09
Other Income	2,008,760	2,017,982	9,222	.46
4 RPOI Receivable for AMP Pipeline Lease	203,841	203,841	-	-
5 Intergovernmental Revenue	<u>1,434,642</u>	<u>1,434,642</u>	-	-
Total Revenues	<u>76,319,643</u>	<u>76,226,220</u>	<u>(93,423)</u>	(0.12)
Expenses, Debt Obligations, and Capital Improvement Projects				
6 Operations and Maintenance	54,465,509	48,452,783	(6,012,726)	(11.04)
General Obligation Bonds Debt Service	6,159,813	6,159,813	-	-
Current Year Debt Obligations	9,458,412	9,024,198	(434,214)	(4.59)
7 Replacement & Refurbishment Projects	4,704,400	2,516,834	(2,187,566)	(46.50)
8 SOCWA & JRWSS Capital Projects	5,938,880	3,493,460	(2,445,420)	(41.18)
9 Water Supply Reliability Projects	18,300,000	10,496,357	(7,803,643)	(42.64)
10 Planning & Construction Projects	<u>1,545,000</u>	<u>871,111</u>	<u>(674,289)</u>	<u>(43.63)</u>
Total Expenses, Debt Obligations, and Capital Improvement Projects	<u>100,572,414</u>	<u>81,014,556</u>	<u>(19,557,858)</u>	(19.45)
Net Income (Deficit)	(24,252,771)	(4,788,336)	(19,651,281)	
Other Sources(Uses) of Funds				
11 Grant Funding	-	20,530	20,530	-
12 Connection Fees	<u>320,000</u>	<u>182,491</u>	<u>(137,509)</u>	<u>(42.97)</u>
Total Other Sources(Uses) of Funds	<u>320,000</u>	<u>203,021</u>	<u>(116,979)</u>	(36.56)
Net Increase (Decrease) to Available Reserves	\$ <u>(23,932,771)</u>	\$ <u>(4,585,315)</u>	\$ <u>(19,768,260)</u>	

MOULTON NIGUEL WATER DISTRICT
Notes to the Schedule of Revenues, Expenses, and Sources (Uses) of Funds
For the Fiscal Year Ended June 30, 2011

Revenues

Total revenues were under budget by \$93.4 thousand or .12%. Major budget to actual revenue variations are clarified below:

- 1) **Recycled Water Sales** – The two largest factors for the variance in recycled water sales are weather and customer efficiency. The last fiscal year provided more rain than prior years and with new technologies and improved efficiency of the recycled water irrigators, frequent rain events tend to reduce, sometimes dramatically, the amount of recycled water sold as compared to other sales (i.e. potable water irrigation, residential use, etc).
- 2) **Ad Valorem Property Tax** – The District received approximately \$2.1 million dollars or 10.81% more than anticipated. During the biennial budgeting process assessed valuations were expected to decline, therefore reducing the amount of property tax revenue the District would receive.
- 3) **Investment Income** – The District budgeted extremely conservatively due to the economic downturn. With the markets stabilizing during the fiscal year and prudent investing the District earned an additional 51% in interest income than expected.
- 4) **RPOI Receivable for AMP Pipeline Lease** – The District receives lease revenue from the MWDOC for the AMP pipeline.
- 5) **Intergovernmental Revenue** – The 2009 COP issuance is a federally taxable “Build America Bonds” issuance. The District is eligible to receive a 35% interest subsidy from the Federal government for the interest expense associated with these bonds.

Expenses

Overall costs for FYE 2011 were under budget by \$19.6 million or 19.5%. The major budget to actual expense variations are described below:

- 6) **Operations & Maintenance (O&M)** – The District spent approximately 89% of its O&M budget for the year. During the fiscal year, the Board approved additional appropriations of \$225,955 to the original adopted O&M budget. Detailed information on the O&M can be found on the Budget Comparison Report in this section.
- 7) **Replacement & Refurbishment (R&R) Projects** – The District had approximately 148 R&R projects scheduled for the year. The District completed approximately 84% or 124 of these projects. Of the remaining 16% or 24 projects not completed, some were multi-year projects not intended to be completed in one fiscal year. During the fiscal year, the R&R project budget was amended to reduce the original adopted budget by \$2.6 million. The \$2.2 million of unspent funds primarily represents a cost savings on completed projects and unspent funds for projects not yet completed.

MOULTON NIGUEL WATER DISTRICT
Notes to the Schedule of Revenues, Expenses, and Sources (Uses) of Funds
For the Fiscal Year Ended June 30, 2011

Expenses, (continued)

- 8) SOCWA & JRWSS Capital Projects** – The District is involved in joint powers agreements with the South Orange County Wastewater Authority (SOCWA) and South Coast Water District's Joint Regional Water Supply System (JRWSS). These projects are entirely managed by these agencies and the District has limited control over completion of these projects.
- 9) Water Supply Reliability Projects (WSR)** – The District has 16 active multi-year projects. Of those projects 4 projects or 25% were completed during the fiscal year. The remaining projects are expected to be completed in future years. During the fiscal year, the WSR project budget was amended to reduce the original adopted budget by \$3.48 million.
- 10) Planning & Construction (P&C) Capital Projects** – The District scheduled approximately 27 P&C projects for the fiscal year. Of these projects, 19 projects or 70% were completed during the year. Almost all of the remaining projects were scheduled to be completed over two fiscal years. Unspent funds represent a combination of savings on completed projects and unspent funds for projects not yet completed.

Other Sources (Uses) of Funds

Items in this category occur infrequently and therefore cannot be classified as an expected source of revenue or expense.

- 11) Grant Funding** – The District received funds from CalTrans for the relocation of the eastern transmission main at Oso Parkway. This project was entirely funded by CalTrans and completed at the start of FY 2010-2011.
- 12) Connection Fees** – Fees collected are based on new development. The District received connections fees for 144 homes to be constructed at Los Alisos/Jeronimo.

MOULTON NIGUEL WATER DISTRICT
Operations & Maintenance (O&M) Budget Comparison Report
For the Fiscal Year Ended June 30, 2011

The Operations and Maintenance (O&M) Budget Comparison Report was designed to compare the expenses of the District to the budget and/or the adjusted budget figures used by the District to monitor performance during the year. For FY 2011, the District adopted an O&M budget of \$54,239,553 and subsequently adjusted the budget for additional appropriations of \$225,955 for a total adopted appropriation amount of \$54,465,509. During the year, the District spent \$48,452,783 or 89% of the adjusted budget. The Notes to the O&M Budget Comparison Report provides explanations for major variances in this report.

<u>Description</u>	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual Expense for FYE 2011</u>	<u>Remaining Budget</u>
Accounting Services	\$ 206,100	\$ 203,650	\$ 162,413	\$ 41,237
Annual Audit	43,500	43,500	41,627	1,873
1 Member Agencies O&M – District’s Portion	1,112,392	1,244,392	1,052,202	192,190
Director’s Fees	168,000	168,000	121,890	46,110
Dues and Memberships	73,041	74,234	65,862	8,372
Election Expense/Registrar of Voters’	45,000	45,000	34,042	10,958
Consulting Services	295,000	256,635	119,150	137,485
Equipment Rental	132,730	131,130	102,691	28,439
Gasoline and Oil	239,525	239,375	248,078	(8,703)
Insurance – General	435,763	435,763	408,356	27,407
2 Insurance – Workers’ Comp/Unemp.	392,320	390,820	209,927	180,893
Insurance – Life, Dental, Health & Disability	1,589,800	1,589,800	1,463,035	126,765
3 Legal Services – General Counsel	150,000	150,000	257,462	(107,462)
4 Legal Services – Outside Counsel	100,000	100,000	129,747	(29,747)
Management Information Systems	409,500	430,305	262,383	167,922
Operating Supplies – Main Office	387,510	385,461	352,627	32,834
Community Relations/Conservation Supplies	374,000	372,679	191,548	181,131
Operating Supplies – Field Office	344,021	411,846	399,887	11,959
Other	71,250	79,400	80,532	(1,132)
Contracts & Agreements – Equipment Repairs	1,208,645	951,920	873,648	78,272
Contracts & Agreements – Facilities Repairs	2,123,300	2,220,007	1,995,507	224,500
5 Retirement Program	1,854,305	1,948,260	1,824,443	123,817
Safety Equipment and Supplies	66,180	78,741	67,645	11,097
4 Salaries	7,504,995	7,544,995	7,393,645	151,350
Non-Capitalized Equipment				
(Small Tools)	32,252	43,135	35,717	7,418
SOCWA O&M	8,353,340	8,443,340	7,854,408	588,932
6 Special Assessments	202,775	196,775	238,738	(41,963)
Tax Collection Charges	60,000	60,000	54,803	5,197
Training and Education	91,830	78,976	30,891	48,084
Travel and Meetings	64,250	74,480	73,920	560
Utilities	2,101,920	2,106,430	1,395,575	710,855
Water Purchases	23,766,459	23,766,459	20,854,048	2,912,412
7 Meter Purchases	40,000	40,000	56,334	(16,334)
8 Contingency	200,000	160,000	-	160,000
	<u>\$ 54,239,553</u>	<u>\$ 54,465,509</u>	<u>\$ 48,452,783</u>	<u>\$ 6,012,726</u>

MOULTON NIGUEL WATER DISTRICT
Notes to the Operations & Maintenance (O&M) Budget Comparison Report
For the Fiscal Year Ended June 30, 2011

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

- 1) **Member Agencies O&M – District's Portion** – This expense represents the District's share of costs for participation in joint powers agreements with regional water districts. During the fiscal year, the District requested an appropriation \$132,000 to provide for the additional costs related to the East Orange County Feeder #2. For additional information regarding the District's joint ventures agreements please refer to Note 12 Joint Powers Authorities and Joint Ventures in the Notes to the Financial Statements in the financial section of this document.
- 2) **Insurance – Workers Comp/Unemployment** – The District has an extensive safety program in place and as a result has been able to benefit through refunds from ACWA/JPIA for prior years' premiums. Premiums are determined on a MOD factor, which determines the risk level of the District, and past claims. The District has an extremely low MOD factor and as a result received a refund of \$51,222 from ACWA/JPIA. Additional information on ACWA/JPIA can be found on Note 12 Joint Powers Authorities and Joint Ventures in the Notes to the Basic Financial Statements in the financial section of this document.
- 3) **Legal Services – General Counsel** – The additional expenditure in this line item relates to the legal costs associated with the 3A ETM relocation project.
- 4) **Legal Services – Outside Counsel** – Related to Personnel/Employee Association matters.
- 5) **Retirement Program** – During the fiscal year, the District requested an appropriation of \$93,955 to provide for funds needed for the Annual Required Contribution (ARC) for the District's OPEB liability. During the fiscal year, the Board of Directors changed the funding methodology from a 30 year amortization period to a 20 year amortization period and from an expected 7.75% rate of return to 5.00% rate of return on funds invested in the trust. For additional information on the District OPEB liability please refer to Note 9 Other Post Employment Benefits (OPEB) in the Notes to the Financial Statements in the financial section of this document.
- 6) **Special Assessments** – Property Tax Administrative Costs also known as Senate Bill (SB) 2557 became law in 1989-90 to provide a formula for counties to be reimbursed for their costs for assessing, billing, collecting, and distributing property taxes. Revenue and Taxation Code Sections 95.2 and 95.3 authorize the counties to recover these costs from all taxing agencies except schools and ERAF. The cost collected in FYE 2011 for the 2009-2010 property tax distribution was \$156,610. This equates to approximately .0096 of the amount collected for property tax revenue in FY 2009-2010. The cost is based on the District's pro-rata share of the total property tax collected by the County for the District's service area and therefore varies year to year.
- 7) **Meter Purchases** – Meter purchases corresponds with meter sales. The District purchases meters based on the amount of new meters that are sold to customers and/or replaced by the District. Meter sales amounted to \$50,441 for FYE 2011.

MOULTON NIGUEL WATER DISTRICT
Notes to the Operations & Maintenance (O&M) Budget Comparison Report
For the Fiscal Year Ended June 30, 2011

- 8) Contingency** – The contingency account was established to provide for unanticipated costs that will materially affect the budget. The Board of Directors authorized the General Manager and/or Director of Finance to reallocate the funds from contingency to various other expenses in this report. For FY 2011 the transfer of funds from the contingency amount are as follows:
- a. In order to complete the GIS program, additional District labor was required. A transfer of \$40,000 was approved from Contingency to provide for these costs.
- 9) Additional Appropriations** – During the fiscal year, the Board of Directors approved two appropriations that would increase the original adopted budget by \$225,955:
- a. Member Agencies O&M – District’s Portion – An additional \$132,000 was appropriated to provide for the additional costs related to the East Orange County Feeder #2.
 - b. Retirement Program – An additional \$93,955 was appropriated to provide for additional funding of the Annual Required Contribution (ARC) for the District’s OPEB liability.

**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 Ten Years 59
- Changes in Net Assets – Last Ten Years 61

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.

- Water and Sewer Sold by Type of Customer – Last Ten Years 63
- Annual Domestic Consumption in Acre Feet – Last Ten Years 65
- Water Rates – Last Ten Years 66
- Principal Water Customers – Current and Eight Years Ago 67
- Sewer Rates – Last Ten Years 68
- Principal Sewer Customers – Current and Eight Years Ago 69
- Recycled Water Rates – Last Ten Years 70
- Principal Recycled Water Customers – Current and Ten Years Ago 71
- Property Tax Levies and Collections – Last Ten Years 72
- Assessed Valuations & Largest Local Secured Taxpayers – Current and Six Years Ago 73

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.

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

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

- Demographic and Economic Statistics – Last Ten Years 78
- Principal Employers – Current and Five Years Ago 80

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

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

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

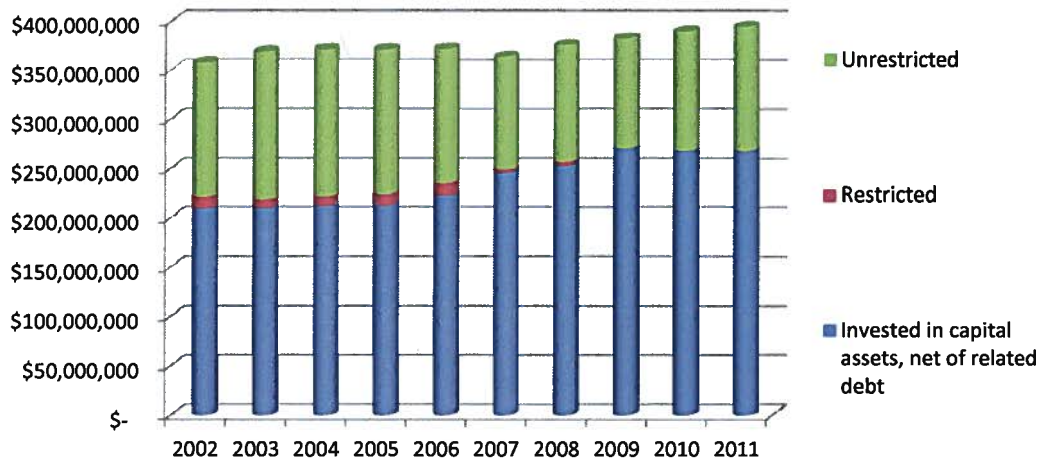
	2002	2003	2004	2005
Invested in capital assets, net of related debt	\$ 209,203,885	\$ 209,752,006	\$ 212,135,262	\$ 212,969,450
Restricted	12,578,587	9,241,133	9,924,017	11,619,898
Unrestricted	135,727,627	149,848,925	149,069,329	146,532,083
¹ Total net assets	<u>\$ 357,510,099</u>	<u>\$ 368,842,064</u>	<u>\$ 371,128,608</u>	<u>\$ 371,121,431</u>

(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 Ten Fiscal Years**

2006	2007	2008	2009	2010	2011
\$ 222,891,731	\$ 245,841,042	\$ 253,165,739	\$ 270,849,808	\$ 268,089,986	\$ 267,962,257
12,816,747	3,928,653	4,143,149	98,855	119,402	312,742
136,018,263	113,812,691	118,076,557	111,637,011	121,163,974	126,038,124
\$ 371,726,741	\$ 363,582,386	\$ 375,385,445	\$ 382,585,674	\$ 389,373,361	\$ 394,313,122



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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenue				
Water charges	\$ 17,860,213	\$ 16,483,084	\$ 17,053,559	\$ 16,233,296
Sanitation charges	8,354,824	8,228,151	8,480,618	8,259,528
Recycled water charges	2,870,618	3,086,398	3,442,173	2,975,868
Other	1,509,853	1,281,410	1,513,930	170,617
Total Operating Revenue	<u>30,595,508</u>	<u>29,079,043</u>	<u>30,490,280</u>	<u>27,639,309</u>
Operating Expenses				
Source of supply ²	17,379,014	16,689,362	18,060,766	16,469,876
Pumping water	499,250	412,253	600,876	618,098
Water and sewage treatment	5,712,424	5,487,213	6,244,920	7,159,561
Water transmission and distribution	2,240,828	2,334,510	2,378,017	2,429,357
Customer accounts	239,076	240,121	237,522	202,777
General, administrative and other	9,849,962	9,329,248	8,974,219	9,370,829
Depreciation	10,475,460	11,347,956	11,931,829	12,265,654
Total Operating Expenses	<u>46,396,014</u>	<u>45,840,663</u>	<u>48,428,149</u>	<u>48,516,152</u>
Operating Income (Loss)	<u>(15,800,506)</u>	<u>(16,761,620)</u>	<u>(17,937,869)</u>	<u>(20,876,843)</u>
Non-operating Revenues (Expenses)				
Interest income ¹	6,596,674	7,397,721	(596,510)	4,345,893
Property tax revenue & GOB assessments	20,340,941	20,989,890	22,872,907	19,039,914
Interest on long-term debt	(6,531,228)	(9,367,601)	(5,492,833)	(5,226,235)
Cellular lease income	782,043	915,908	1,091,275	961,066
Other non-operating revenues(expenses) ⁴	2,462,782	7,395,963	1,368,758	459,756
Total Non-operating Revenues(Expenses)	<u>23,651,212</u>	<u>27,331,881</u>	<u>19,243,597</u>	<u>19,580,394</u>
Income(Loss) before Capital Contributions	7,850,706	10,570,261	1,305,728	(1,296,449)
Capital Contributions				
Grant funding				
Developer donated capital facilities	7,321,085	504,350	809,720	939,300
Connection fees	441,783	257,354	171,096	349,972
Change in Net Assets	<u>\$ 15,613,574</u>	<u>\$ 11,331,965</u>	<u>\$ 2,286,544</u>	<u>\$ (7,177)</u>
Net Assets - Beginning of Year ³	<u>341,896,525</u>	<u>357,510,099</u>	<u>368,842,064</u>	<u>371,128,608</u>
Net Assets - End of Year	<u>\$ 357,510,099</u>	<u>\$ 368,842,064</u>	<u>\$ 371,128,608</u>	<u>\$ 371,121,431</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.

Source: Moulton Niguel Water District Audited Financial Statements.

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 18,472,894	\$ 21,366,541	\$ 20,642,013	\$ 19,860,752	\$ 20,578,666	\$ 22,520,064
10,281,592	11,515,601	11,425,324	11,261,857	12,542,595	14,448,835
3,342,937	4,464,604	4,201,937	3,968,090	4,446,515	4,340,197
283,062	604,746	337,489	323,684	572,611	444,346
<u>32,380,485</u>	<u>37,951,492</u>	<u>36,606,763</u>	<u>35,414,383</u>	<u>38,140,387</u>	<u>41,753,442</u>
17,583,352	20,230,917	18,944,598	20,972,373	22,505,838	22,088,538
357,650	393,556	390,681	360,363	349,221	419,633
7,506,433	7,367,708	8,179,717	8,962,772	9,093,471	8,588,172
2,547,423	2,707,991	2,958,395	3,277,410	4,267,727	3,752,224
225,071	285,213	335,049	351,151	332,685	311,483
9,267,301	10,838,062	11,407,703	13,069,750	12,788,639	13,130,167
12,585,747	13,602,765	13,783,963	14,097,033	14,572,711	15,162,538
<u>50,072,977</u>	<u>55,426,212</u>	<u>56,000,106</u>	<u>61,090,852</u>	<u>63,910,292</u>	<u>63,452,755</u>
<u>(17,692,492)</u>	<u>(17,474,720)</u>	<u>(19,393,343)</u>	<u>(25,676,469)</u>	<u>(25,769,905)</u>	<u>(21,699,313)</u>
480,324	6,589,646	9,477,382	7,118,974	6,846,993	4,009,899
19,293,391	26,370,628	26,755,228	28,320,274	27,407,480	27,250,759
(5,232,106)	(5,474,668)	(5,340,125)	(5,097,414)	(6,766,600)	(7,897,888)
1,040,136	1,115,941	1,203,720	1,349,901	1,491,862	1,498,290
(26,539)	(80,023)	19,410	54,270	1,438,137	1,480,660
<u>15,555,206</u>	<u>28,521,524</u>	<u>32,115,615</u>	<u>31,746,005</u>	<u>30,417,872</u>	<u>26,341,720</u>
(2,137,286)	11,046,804	12,722,272	6,069,536	4,647,967	4,642,407
2,099,826	876,334	144,899	930,379	54,212	20,530
642,770	932,325	970,889	156,511	2,069,786	94,332
		13,169	43,800	15,723	182,491
<u>\$ 605,310</u>	<u>\$ 12,855,463</u>	<u>\$ 13,851,241</u>	<u>\$ 7,200,226</u>	<u>\$ 6,787,688</u>	<u>\$ 4,939,760</u>
<u>371,121,431</u>	<u>350,726,923</u>	<u>361,534,204</u>	<u>375,385,445</u>	<u>382,585,672</u>	<u>389,373,360</u>
<u>\$ 371,726,741</u>	<u>\$ 363,582,386</u>	<u>\$ 375,385,445</u>	<u>\$ 382,585,671</u>	<u>\$ 389,373,360</u>	<u>\$ 394,313,120</u>

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

Water & Sewer Sales

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential	\$ 16,144,368	\$ 15,160,310	\$ 16,178,691	\$ 15,438,317
Commercial	6,132,944	6,226,861	2,766,006	2,793,134
Multi-Family Commercial ⁽¹⁾			3,462,450	3,468,057
Irrigation ⁽²⁾	3,823,319	3,266,839	3,099,871	2,770,325
Recycled Water	2,870,618	3,086,398	3,442,173	2,975,868
Hydrant ⁽²⁾	114,405	57,225	27,159	22,991
Total Water & Sewer Sales	\$ 29,085,655	\$ 27,797,633	\$ 28,976,350	\$ 27,468,692

Metered Accounts (ccf)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential	45,714	46,197	45,875	45,998
Commercial	4,490	4,611	4,641	4,670
Irrigation ⁽²⁾	1,504	1,448	1,392	1,365
Recycled Water	944	1,075	1,138	1,166
Hydrant ⁽²⁾	64	39	33	26
Total Metered Accounts	52,716	53,370	53,079	53,225

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

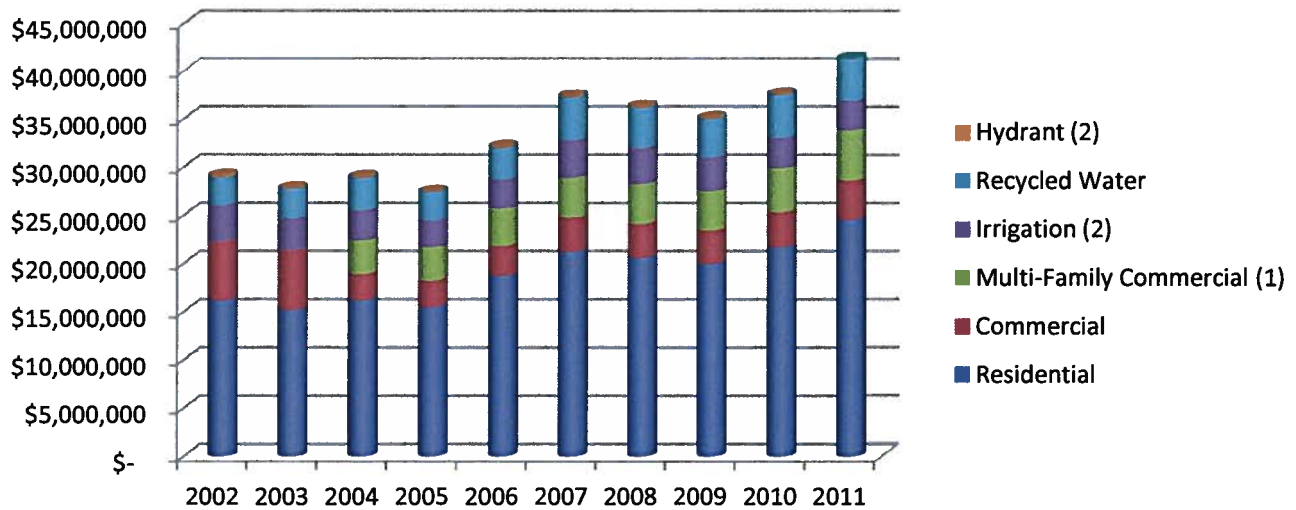
(2) Irrigation, Hydrant, and Recycled Water sales do not have sewer sales.

Source: Moulton Niguel Water District Billing Department.

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 18,669,805	\$ 21,202,036	\$ 20,536,190	\$ 19,960,314	\$ 21,661,402	\$ 24,489,399
3,173,988	3,559,177	3,598,135	3,484,263	3,691,101	4,131,299
3,887,382	4,193,311	4,157,669	4,082,323	4,615,167	5,293,520
2,982,385	3,870,441	3,725,795	3,551,458	3,118,258	3,013,689
3,342,937	4,464,604	4,201,937	3,968,090	4,446,515	4,340,197
40,926	57,177	49,548	44,251	35,333	40,992
\$ 32,097,423	\$ 37,346,746	\$ 36,269,274	\$ 35,090,699	\$ 37,567,776	\$ 41,309,096

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
46,069	46,170	46,367	46,479	46,649	46,840
4,674	4,732	4,793	4,804	4,824	4,839
1,368	1,376	1,380	1,414	1,395	1,387
1,183	1,196	1,206	1,218	1,244	1,262
44	40	42	37	32	34
53,338	53,514	53,788	53,952	54,144	54,362



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

<u>Fiscal Year</u>	<u>Usage (AF)</u>	<u>Purchase Price¹</u>	<u>Average cost per AF</u>	<u>Metered Accounts</u>	<u>Average AF per Metered Account</u>	<u>Average Cost per Metered Account</u>
2002	40,410	\$ 16,359,633	\$ 405	52,716	0.77	\$ 310
2003	41,763	15,498,195	371	53,370	0.78	290
2004	38,957	16,359,733	420	53,079	0.73	308
2005	32,086	14,811,603	462	53,225	0.60	278
2006	33,438	15,929,186	476	53,338	0.63	299
2007	36,679	15,949,424	435	53,514	0.69	298
2008	35,083	16,975,357	484	53,788	0.65	316
2009	33,744	18,933,932	561	53,952	0.63	351
2010	29,635	20,131,901	679	54,144	0.55	372
2011	27,360	19,908,518	728	54,362	0.50	366

¹ Purchase price does not include any charges for services.

Source: Moulton Niguel Water District Accounting Department.

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

Residential, Commercial, & Multi-Family Potable Water Rate by Fiscal Year							
Consumption Tiers	2002-2005		2006-2009		2010		2011
1-10 B.U.	\$ 0.70		\$ 0.86		\$ 1.00		\$ 1.16
11-20 B.U.	0.80		0.96		1.12		1.30
21-30 B.U.	1.00		1.16		1.35		1.57
31-50 B.U.	1.20		1.36		1.58		1.84
51+ B.U.	1.30		1.46		1.70		1.97

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

Hydrant Water Rates by Fiscal Year							
Consumption Tiers	2002-2005		2006-2009		2010		2011
All B.U.'s	\$ 1.30		\$ 1.46		\$ 1.70		\$ 1.97

(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.

Basic Service Charge for Potable Water										
Meter Size										
Fiscal Year	5/8"	3/4"	1"	1.5"	2"	3"	4"	6"	8"	10"
2002	\$ 5.00	\$ 5.00	\$ 5.00	\$ 10.00	\$ 18.00	\$ 25.00	\$ 35.00	\$ 55.00	\$ 75.00	\$ 95.00
2003	5.00	5.00	5.00	10.00	18.00	25.00	35.00	55.00	75.00	95.00
2004	5.00	5.00	5.00	10.00	18.00	25.00	35.00	55.00	75.00	95.00
2005	5.00	5.00	5.00	10.00	18.00	25.00	35.00	55.00	75.00	95.00
2006	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60	96.60
2007	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60	96.60
2008	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60	96.60
2009	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60	96.60
2010	7.67	7.67	7.67	13.48	22.78	30.91	42.53	65.77	89.01	112.25
2011	8.91	8.91	8.91	15.66	26.46	35.92	49.42	76.42	103.43	130.43

(3) The the most common meter sizes for residential customers are 5/8", 3/4" and 1".

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

Source: Moulton Niguel Water District Billing Department.

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

Fiscal Year 2011

<u>Customer</u>	<u>Type of Property</u>	<u>Total Water Sales</u>	<u>Percentage of Total Water Sales</u>
Mission Hospital Regional Medical Center	Medical Facility	\$ 96,653	0.43%
Soka University of America	Private University	64,439	0.29%
The Shops at Mission Viejo	Retail Center	57,679	0.26%
Saddleback Community College	Public College	42,106	0.19%
Renaissance Hotel Operating Co.	Retail Business	35,960	0.16%
Shea Properties/City Lights	Multi-family Residential	31,555	0.14%
K&M Royal Group LLC	Retail Center	21,412	0.10%
Mission Imports	Retail Center	19,723	0.09%
Saddleback Church	Religious Facility	19,306	0.09%
Capistrano Valley High School	School	18,590	0.08%
Heritage Point	Multi-family Residential	<u>17,588</u>	<u>0.08%</u>
		\$ 425,009	1.89%

Total Water Sales for FY 2010-11 \$ 22,520,064

Fiscal Year 2003 ¹

<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	\$ 247,168	1.50%
Mission Viejo Country Club	Golf Course	164,779	1.00%
El Niguel Country Club	Golf Course	164,779	1.00%
Saddleback Community College	Public College	98,867	0.60%
SOKA University of America	Private University	98,867	0.60%
Laguna Niguel Regional Park	Regional Park	49,434	0.30%
The Shops at Mission Viejo	Shopping Mall	48,610	0.30%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	48,445	0.29%
Laguna Hills High School	School	36,251	0.22%
Capistrano Valley High School	School	<u>31,308</u>	<u>0.19%</u>
		\$ 988,507	6.00%

Total Water Sales for FY 2002-03 \$ 16,477,867

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

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

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

RESIDENTIAL SEWER RATES										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Basic Service Charges	\$ 5.50	5.50	5.50	5.50	7.10	7.10	7.10	7.10	8.25	9.59
Volumetric Charge										
1-25 B.U.	\$ 0.40	0.40	0.40	0.40	0.56	0.56	0.56	0.56	0.65	0.76
26+ B.U.	-	-	-	-	-	-	-	-	-	-
Maximum per month	\$ 15.50	15.50	15.50	15.50	21.10	21.10	21.10	21.10	24.50	28.59

COMMERCIAL AND MULTI-FAMILY SEWER RATES										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Basic Service Charge per Sewer	14.20	14.20	14.20	14.20	14.20	14.20	14.20	14.20	16.50	19.18
Volumetric Charge - All B.U.'s										
Class 1	0.40	0.40	0.40	0.40	0.56	0.56	0.56	0.56	0.65	0.76
Class 2	0.60	0.60	0.60	0.60	0.76	0.76	0.76	0.76	0.88	1.03
Class 3	0.80	0.80	0.80	0.80	0.96	0.96	0.96	0.96	1.12	1.30
Class 4	1.00	1.00	1.00	1.00	1.16	1.16	1.16	1.16	1.35	1.57

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 Sewer Customers
Current Fiscal Year and Eight Years Ago**

Fiscal Year 2011

<u>Customer</u>	<u>Type of Property</u>	Total Sewer <u>Sales</u>	Percentage of Total <u>Sewer Sales</u>
Soka University of America	Private University	\$ 56,889	0.39%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	49,426	0.34%
The Shops at Mission Viejo	Shopping Mall	44,776	0.31%
Renaissance Hotel Operating Co.	Retail Business	23,650	0.16%
Shea Properties/City Lights	Multi-family Residential	19,238	0.13%
K&M Royal Group LLC	Retail Center	16,279	0.11%
Saddleback Community College	Public College	15,792	0.11%
Shapell Industries, Inc.	Retail Center	11,825	0.08%
Crown Valley Holding LLC	Retail Center	9,169	0.06%
Heritage Pointe	Multi-family Residential	8,200	0.06%
Mission Imports	Retail Center	7,932	<u>0.05%</u>
		<u>\$ 263,176</u>	<u>1.82%</u>
Total Sewer Sales for FY 2010-11 \$		14,448,835	

Fiscal Year 2003 ¹

<u>Customer</u>	<u>Type of Property</u>	Total Sewer <u>Sales</u>	Percentage of Total <u>Sewer Sales</u>
Soka University of America	Private University	\$ 33,900	0.40%
The Shops at Mission Viejo	Shopping Mall	27,276	0.32%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	26,925	0.32%
Saddleback Community College	Public College	9,374	0.11%
Mission Viejo Country Club	Golf Course	8,403	0.10%
Niguel Vista Condo Association	Multi-Family Residential	8,066	0.10%
Unisys Corporation	Commercial	5,994	0.07%
General Services Administration	Government Bldg.	5,004	0.06%
El Niguel Country Club	Golf Course	3,097	0.04%
Laguna Hills High School	School	2,630	<u>0.03%</u>
		<u>\$ 130,669</u>	<u>1.56%</u>
Total Sewer Sales for FY 2002-03 \$		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
Recycled Water Rates
Last Ten Fiscal Years**

Recycled Water Rates by Fiscal Year							
Consumption Tiers	2001-2005		2006-2009		2010		2011
All B.U.'s	-		\$ 1.17		\$ 1.36		1.58
1 - 50 B.U.	\$ 0.96						
51+ B.U.	1.04						

Recycled Water Basic Service Charge							
Meter Size	2001-2005		2006-2009		2010		2011
5/8"	\$ 5.00		\$ 6.60		\$ 7.67		\$ 8.91
3/4"	5.00		6.60		7.67		8.91
1"	5.00		6.60		7.67		8.91
1.5"	10.00		11.60		13.48		15.66
2"	18.00		19.60		22.78		26.47
3"	25.00		26.60		30.91		35.92
4"	35.00		36.60		42.53		49.42
6"	55.00		56.60		65.77		76.42
8"	75.00		76.60		89.01		103.43
10"	95.00		96.60		112.25		130.43

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

Source: Moulton Niguel Water District Billing Department.

**Moulton Niguel Water District
Principal Recycled Water Customers
Current Fiscal Year and Ten Years Ago**

Fiscal Year 2011

<u>Customer</u>	<u>Type of Property</u>	<u>Total Consumption</u> ¹	<u>Percentage of Total Consumption</u> ¹
Aliso Viejo Community Association	Parks, Slopes, Medians	286,805	11.03%
Mission Viejo Country Club	Golf Course	138,688	5.33%
Aliso Viejo Country Club	Golf Course	121,630	4.68%
El Niguel Country Club	Golf Course	110,845	4.26%
Marina Hills PCA	Golf Course	75,355	2.90%
SOKA University of America	Private University	63,082	2.43%
City of Mission Viejo	Parks, Slopes, Medians	52,849	2.03%
City of Laguna Niguel	Parks, Slopes, Medians	42,457	1.63%
Beacon Hill Planned Community	Landscape	37,521	1.44%
City of Laguna Hills	Parks, Slopes, Medians	36,023	1.39%
Top Ten Total		965,255	37.12%
Total Consumption for Fiscal Year 2010-11		2,600,592	100%

Fiscal Year 2002

<u>Customer</u>	<u>Type of Property</u>	<u>Total Consumption</u> ¹	<u>Percentage of Total Consumption</u> ¹
Aliso Viejo Community Association	Parks, Slopes, Medians	461,249	14.68%
Aliso Viejo Country Club	Golf Course	186,260	5.93%
El Niguel Country Club	Golf Course	122,420	3.90%
Marina Hills PCA	Golf Course	97,177	3.09%
City of Mission Viejo	Parks, Slopes, Medians	74,935	2.38%
SOKA University of America	Private University	61,145	1.95%
City of Laguna Niguel	Parks, Slopes, Medians	54,605	1.74%
County of Orange - EMA	Park	45,320	1.44%
Pacific Park II	Landscape	41,866	1.33%
El Niguel Heights Community Assn.	Landscape	41,383	1.32%
City of Laguna Hills	Parks, Slopes, Medians	40,784	1.30%
Crest De Ville HOA	Landscape	40,472	1.29%
Top Ten Total		1,267,616	40.34%
Total Consumption for Fiscal Year 2001-02		3,142,422	100%

(1) Consumption is calculated in Billing Units (B.U.).
1 Billing Unit (B.U.) is = 100 Cubic Feet = 748 gallons

Source: Moulton Niguel Water District Billing Department.

**Moulton Niguel Water District
Property Tax Levies and Collections¹
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections from Prior Years ²	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy ³
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%	197,152	16,293,434	100.16%
2005	12,146,835	11,953,584	98.41%	188,635	12,142,220	99.96%
2006	13,805,452	13,435,730	97.32%	271,293	13,707,024	99.29%
2007	21,254,653	20,560,187	96.73%	425,393	20,985,580	98.73%
2008	22,283,832	21,583,776	96.86%	587,508	22,171,284	99.49%
2009	22,245,697	21,285,866	95.69%	721,593	22,007,458	98.93%
2010	21,679,649	20,656,502	95.28%	968,078	21,624,579	99.75%
2011	21,638,200	20,702,831	95.68%	511,337	21,214,168	98.04%

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

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

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

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

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

**Assessed Values by Land Use
FY 2011 FY 2005**

<u>Land Use</u>	<u>Secured Assessed Value</u>	
Residential	\$ 12,454,621,156	\$ 10,583,018,637
Commercial	1,515,507,895	1,390,568,672
Industrial	324,316,239	254,501,705
Vacant/Other	251,099,325	503,361,979
Total	\$ 14,545,544,615	\$ 12,731,450,993

**Principal Local Secured Taxpayers
For Fiscal Year 2011**

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Shea Homes LP & Shea Homes Vantis Inc.	Residential	\$ 109,983,724	0.76%
2	OC/SD Holdings LLC	Apartments	45,444,053	0.31%
3	BRE - FMCA LLC	Apartments	43,088,043	0.30%
4	Moritz Associates LLC	Apartments	42,364,675	0.29%
5	Laguna Cabot Road Business Park LP	Commercial	40,404,015	0.28%
6	Target Corporation	Commercial	37,967,921	0.26%
7	Barcelona, LLC	Apartments	36,607,525	0.25%
8	Sequoia Equities - Alicante	Apartments	33,587,300	0.23%
9	Mission Viejo Associates	Commercial	31,525,889	0.22%
10	Stonebridge Investors Ltd.	Apartments	30,433,236	0.21%
			\$ 451,406,381	3.10%

Fiscal Year 2010-11 Total Local Secured Valuation: \$ 14,545,544,615

**Principal Local Secured Taxpayers
For Fiscal Year 2005 ¹**

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

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

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

(2) Property Tax revenue is the District's second largest source of revenue.

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

Fiscal Year	Certificates of Participation	Loans Payable	Operating Lease	Total Debt	Total		Est. District Population ¹	Debt per Capita
					Customer Accounts	Debt per Customer Accounts		
2002	\$ 37,405,234	\$ 37,453,729	\$ 7,346,000	\$ 82,204,963	52,716	\$ 1,559	162,653	\$ 505
2003	36,235,234	47,731,441	7,054,000	91,020,675	53,370	1,705	164,044	555
2004	34,900,234	46,204,775	6,732,000	87,837,009	53,079	1,655	165,317	531
2005	33,555,234	44,705,460	6,385,000	84,645,694	53,225	1,590	165,636	511
2006	32,135,234	42,425,260	6,008,000	80,568,494	53,338	1,511	165,918	486
2007	30,670,234	40,095,949	5,596,000	76,362,183	53,514	1,427	166,168	460
2008	32,035,000	37,716,904	5,149,000	74,900,904	53,788	1,393	166,677	449
2009	30,465,000	25,507,053	4,667,000	60,639,053	53,952	1,124	166,964	363
2010	88,840,000	23,489,510	-	112,329,510	54,144	2,075	167,408	671
2011	86,805,000	21,432,780	-	108,237,780	54,362	1,991	164,450	658

(1) Estimated District population is based on 2010 Census information.

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

Source: Moulton Niguel Water District Finance Department.

MOULTON NIGUEL WATER DISTRICT
Ratio of Net Direct General Obligation Debt ¹
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total General Obligation Bonds Outstanding</u>	<u>Net Direct General Obligation Debt</u>	<u>Assessed Value ²</u>	<u>Percent of General Obligation Debt to Assessed Value</u>	<u>Population ³</u>	<u>Net General Obligation Debt per Capita</u>
2002	\$ 70,620,000	\$ 6,997,525	3,310,957,705	0.21%	66,801	\$ 105
2003	62,975,000	6,715,715	3,645,951,494	0.18%	68,490	98
2004 ⁴	62,975,000	1,882,953	4,071,102,047	0.05%	52,659	36
2005	59,560,000	5,953,813	4,635,100,705	0.13%	52,738	113
2006	56,410,000	5,620,513	5,357,123,304	0.10%	52,813	106
2007	53,080,000	5,737,513	6,256,186,514	0.09%	52,936	108
2008	49,565,000	5,855,913	6,746,635,752	0.09%	53,223	110
2009	45,765,000	5,982,738	6,734,350,793	0.09%	53,437	112
2010	41,740,000	6,022,175	6,193,574,675	0.10%	56,919	106
2011	37,400,000	6,159,813	6,062,288,925	0.10%	58,503	105

(1) The repayment of the General Obligation Bonds debt is a voter approved property tax assessment to the property owners residing in the service areas in which the debt applies.

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

(3) Estimated District population is based on 2010 census information.

(4) In 2003-04, the District refunded a portion of its GOB obligation from various service areas. The population figure has been adjusted to reflect the updated service area of the GOBs.

Source: Orange County Auditor-Controller, 2000 Census Bureau and Moulton Niguel Water District Accounting Department.

**Moulton Niguel Water District
Direct and Overlapping Debt
For Fiscal Year 2011**

<u>2010-2011 Assessed Valuations:</u> \$14,577,961,918 (Land only before redevelopment adjustment)	Total Debt 06/30/2011	% Applicable (1)	District's Share of Debt 06/30/2011
Metropolitan Water District	\$ 227,670,000	1.536%	\$ 3,497,011
Capistrano Unified School District School Facilities Improvement District No. 1	48,449,930	32.108%	15,556,304
Laguna Beach Unified School District	31,365,000	2.029%	636,396
Saddleback Valley Unified School District	134,935,000	22.832%	30,808,359
City of San Juan Capistrano	33,715,000	0.216%	72,824
Moulton Niguel Water District, ID No. 6	26,215,000	100.000%	26,215,000
Moulton Niguel Water District, ID No. 7	11,030,000	100.000%	11,030,000
Moulton Niguel Water District, ID No. 8	155,000	100.000%	155,000
Orange County Community Facilities Dist.	83,239,315	2.224-100%	62,676,515
South Coast Water District	2,965,000	6.644%	196,995
City of Aliso Viejo Community Facilities District No. 2005-01	34,070,000	100.000%	34,070,000
City of Mission Viejo Community Facilities District No. 92-1	2,470,000	100.000%	2,470,000
Capistrano Unified School District Community Facilities District No. 87-1	50,575,000	74.658%	37,758,284
<i>Total Direct & Overlapping Tax and Assessment Debt</i>			<u>\$ 225,142,687</u>
 <u>Direct & Overlapping General Fund Debt:</u>			
Orange County General Fund Obligations	\$ 316,898,000	7.334%	\$ 23,241,299
Orange County Pension Obligations	54,682,497	7.334%	4,010,414
Orange County Board of Education COP	19,000,000	7.334%	1,393,460
South OC Community College District COP	17,375,000	17.070%	2,965,913
Capistrano Unified School District COP	22,980,000	32.060%	7,367,388
City of Aliso Viejo COP	7,640,000	98.134%	7,497,438
City of Laguna Hills COP	16,100,000	70.259%	11,311,699
City of Mission Viejo COP	40,702,010	31.733%	12,915,969
Municipal Water District of Orange County Water Facilities Corp.	14,120,000	8.670%	1,224,204
Moulton Niguel Water District COP (2)	86,805,000	100.000%	86,805,000
<i>Total Gross Direct & Overlapping General Fund Debt</i>			<u>\$ 158,732,784</u>
Less: Self Supporting Debt			
City of Mission Viejo CDFA			(7,613,385)
MWDOC Facilities Corp			(1,224,204)
<i>Total Net Direct & Overlapping General Fund Debt</i>			<u>\$ 149,895,195</u>
Total Direct Debt			\$ 124,205,000
Total Gross Overlapping Debt			259,670,402
Total Net Overlapping Debt			250,832,813
Gross Combined Total Debt (3)			\$ 383,875,471 (2)
Net Combined Total Debt			\$ 375,037,882
 <u>Ratios to Land Only Assessed Valuation:</u>			
Direct Debt (\$37,400,000) (3)	0.26%		
Total Direct and Overlapping Tax and Assessment Debt	1.54%		
 <u>Ratios to Adjusted All Property Assessed Valuation:</u>			
Total Direct Debt (\$124,205,000)	0.45%		
Gross Combined Total Debt	1.40%		
Net Combined Total Debt	1.37%		

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

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

(3) 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 ³			Coverage Ratio
				Principal	Interest	Total	
2002	\$ 50,936,449	\$ 35,920,554	\$ 15,015,895	\$ 2,468,688	\$ 2,541,425	\$ 5,010,113	3.00
2003	50,562,582	34,492,707	16,069,875	2,377,245	3,580,951	5,958,196	2.70
2004	53,102,198	36,496,320	16,605,878	3,671,059	2,332,737	6,003,796	2.77
2005	46,192,399	36,250,498	9,941,901	3,577,144	2,330,239	5,907,383	1.68
2006	52,424,799	37,487,230	14,937,569	3,700,199	2,404,399	6,104,598	2.45
2007	65,783,315	42,216,143	23,567,172	7,491,753	2,667,114	10,158,867	2.32
2008	65,783,315	42,216,143	23,567,172	4,331,069	2,675,483	7,006,552	3.36
2009	63,008,926	46,993,818	16,015,108	14,261,828	2,163,186	16,425,014	0.98
2010	67,240,733	55,611,741	11,628,992	8,309,566	3,787,050	12,096,616	0.96
2011	71,267,139	55,783,588	15,483,551	3,681,716	5,701,425	9,383,141	1.65

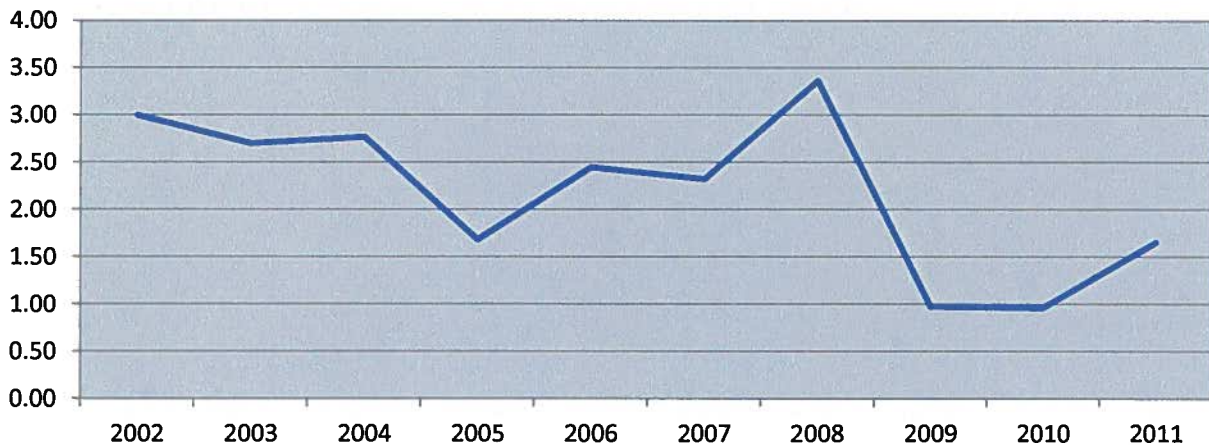
(1) Total Revenues include all operating revenues, interest income and other non-operating revenues excluding general obligation bond assessment revenues used to repay the general obligation bond debt, unrealized gains and connection fees.

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

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

(4) The District repaid its obligations for the WasteReuse loan and AMP loan in its entirety during FY 2009 and 2010 respectively.

(5) The District issued \$60,000,000 in COPs in FY 2010 and refunded the 93 COPs in FY 2011.



Source: Moulton Niguel Water District Finance Department.

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

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2002	162,653
2003	164,044
2004	165,317
2005	165,636
2006	165,918
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450

Source: Moulton Niguel Water District Billing Department.

City of Laguna Niguel ¹				
Fiscal Year	Population	Per Capita Income	Unemployment Rate	
2002	63,579	40,259	3.90%	
2003	65,089	41,442	3.70%	
2004	65,620	43,907	3.30%	
2005	65,800	46,283	2.90%	
2006	65,959	49,815	2.60%	
2007	66,058	52,162	3.00%	
2008	66,522	52,705	4.10%	
2009	67,117	51,005	7.00%	
2010	67,666	47,820	7.50%	
2011	63,228	55,196	7.20%	

(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 2011.

City of Aliso Viejo ²				
Calendar Year	Population	Total Personal Income	Per Capita Income	Unemployment Rate
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	2.00%
2008	45,683	2,052,308,775	44,925	2.70%
2009	45,634	1,977,868,828	43,342	4.80%
2010	47,823	2,059,354,026	43,062	4.90%

(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 2011.

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
2002	162,653
2003	164,044
2004	165,317
2005	165,636
2006	165,918
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450

City of Laguna Hills ³					
Calendar Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate	
2002	32,626	1,198,698	36,741	2.10%	
2003	32,833	1,226,811	37,369	2.40%	
2004	32,994	1,275,828	38,677	1.90%	
2005	33,101	1,321,554	39,938	3.10%	
2006	33,129	1,384,623	41,813	2.90%	
2007	33,143	1,425,961	43,058	2.90%	
2008	33,421	1,441,089	43,346	4.00%	
2009	33,280	1,417,282	42,444	7.00%	
2010	33,593	1,500,666	44,672	8.00%	
2011	33,712	-	-		

Source: Moulton Niguel Water District Billing Department.

(3) The City of Laguna Hills represents 13% of total District population.
Source: City of Laguna Hills Comprehensive Annual Financial Report for FYE 2011.

City of Mission Viejo ⁴					
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate	
2002	98,006	111,750,294	38,169	2.3%	
2003	97,276	116,997,802	39,536	2.5%	
2004	97,845	130,200,000	52,871	2.1%	
2005	97,848	139,300,000	54,127	2.7%	
2006	98,165	150,500,000	56,114	2.6%	
2007	98,030	153,300,000	55,172	2.8%	
2008	99,781	155,000,000	53,552	3.8%	
2009	100,122	148,300,000	51,374	6.8%	
2010	93,297	153,300,000	52,124	6.9%	
2011	93,483	163,300,000	53,733	6.7%	

(4) The City of Mission Viejo represents 19% of total District population.
Source: City of Mission Viejo Comprehensive Annual Financial Report FYE 2011.

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 Five Years Ago**

FY 2011²

<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	4.40%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	1,349	2.70%
3	UPS	City of Aliso Viejo	1,000	5.67%
4	Pacific Life Insurance	City of Aliso Viejo	811	4.59%
5	Capistrano Unified School District	City of Aliso Viejo	679	3.85%
6	Flour Corporation	City of Aliso Viejo	630	3.57%
7	Quest Software Inc.	City of Aliso Viejo	600	3.40%
8	Quest Diagnostics Inc	City of Mission Viejo	500	1.00%
9	Costco Wholesale Corporation	City of Laguna Niguel	500	3.44%
10	Qlogic	City of Aliso Viejo	490	2.78%

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 FYE 2006 & 2011 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 for all cities. Ranked according to the number of employees.

Source: All data is derived from the Cities' Comprehensive Annual Financial Report for FYE 2011.

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

<u>Function</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>	<u>2010</u>	<u>2011</u>
Office of the General Manager	3	3	3	3	3	3	3	3	3	2.5
Human Resources	-	-	-	-	-	-	-	1	1	1
Administration	2	2	2	2	2	2	2	-	-	-
Customer Service	-	-	-	-	-	-	-	2	2	2
Customer Service - Field	19	19	19	19	19	19	19	17	19	17
Customer Service - Office	8	8	8	8	6	6	6	5	6	6
Engineering - Field	10	10	10	10	10	10	10	10	11	9
Engineering - Office	3	3	3	3	3	3	3	3	3	6.5
Financial Services	2	2	2	2	2	2	2	2	2	2.5
Accounting	6	6	6	6	5	5	5	5	5	5
Utility Billing	5	5	5	5	5	5	5	6	6	7
Purchasing	1	1	1	1	1	1	1	1	2	2
Information Technology	2	2	2	2	3	3	3	3	3	3
Operations Administration	6	6	6	6	6	6	6	6	6	5.5
Operations - Plant	18	18	18	18	18	18	18	18	14	9
Operations - Field	16	17	17	17	17	17	17	17	17	24
<i>Total</i>	<u>101</u>	<u>102</u>	<u>102</u>	<u>102</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>99</u>	<u>100</u>	<u>102</u>

Source: Moulton Niguel Water District Accounting Department.

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

FISCAL YEAR	SERVICE CONNECTIONS	NET INCREASE PIPELINE (MILES)	MONTH OF PEAK CONSUMPTION	PEAK MONTHLY CONSUMPTION (M.G.D.)	AVERAGE DAILY CONSUMPTION (M.G.D.)	DAILY SEWAGE (M.G.D.)	POTABLE IMPORT	TAKEOUTS
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
2010	54,174	< 1,400	August	34.20	26.15	14.6	26.15	14
2011	54,374	< 1,400	August	31.30	24.16	12.5	24.16	13

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					
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
2010	12	30	19	12	28	7,250	4	700	530	144
2011	12	30	19	13	28	7,256	4	700	537	148

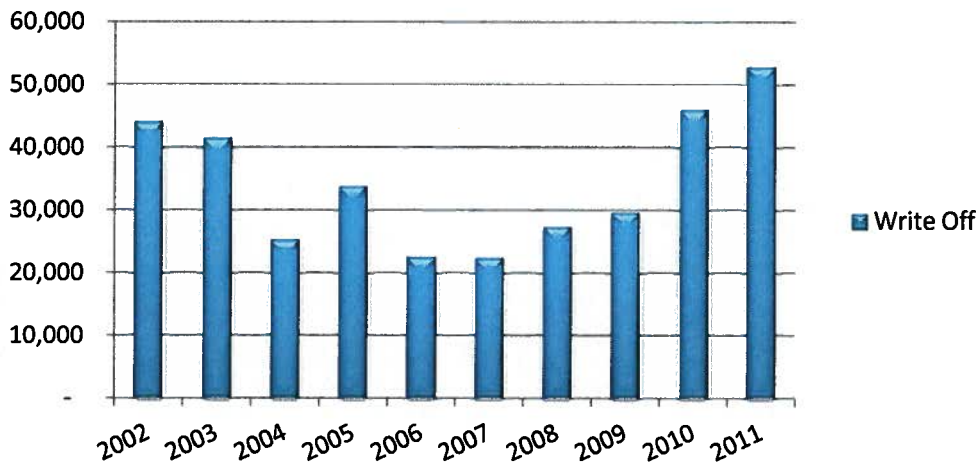
Note: MGD = Millions of Gallons per Day.

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

Source: Moulton Niguel Water District Operations Department.

**Moulton Niguel Water District
Historical Billings, Collections, and Delinquencies
Last Ten Fiscal Years**

Fiscal Year	Balance Beginning FY	Billings	Payments	Balance Ending FY	Write Off	% of Billing
2002	3,589,185	29,025,263	28,745,958	3,868,489	43,860	0.15%
2003	3,868,490	28,419,103	29,601,472	2,686,121	41,313	0.15%
2004	2,686,121	28,999,532	28,812,106	2,873,547	25,112	0.09%
2005	2,873,547	27,669,078	27,691,955	2,850,670	33,721	0.12%
2006	2,850,670	31,842,768	31,285,539	3,407,899	22,364	0.07%
2007	3,407,899	37,288,053	36,585,907	4,110,045	22,209	0.06%
2008	4,110,045	36,200,266	36,697,046	3,613,265	27,189	0.08%
2009	3,613,265	35,213,638	35,775,830	3,051,073	29,480	0.08%
2010	3,051,073	37,584,780	37,232,581	3,403,272	45,825	0.12%
2011	3,051,073	41,104,192	39,862,841	4,292,424	52,657	0.13%

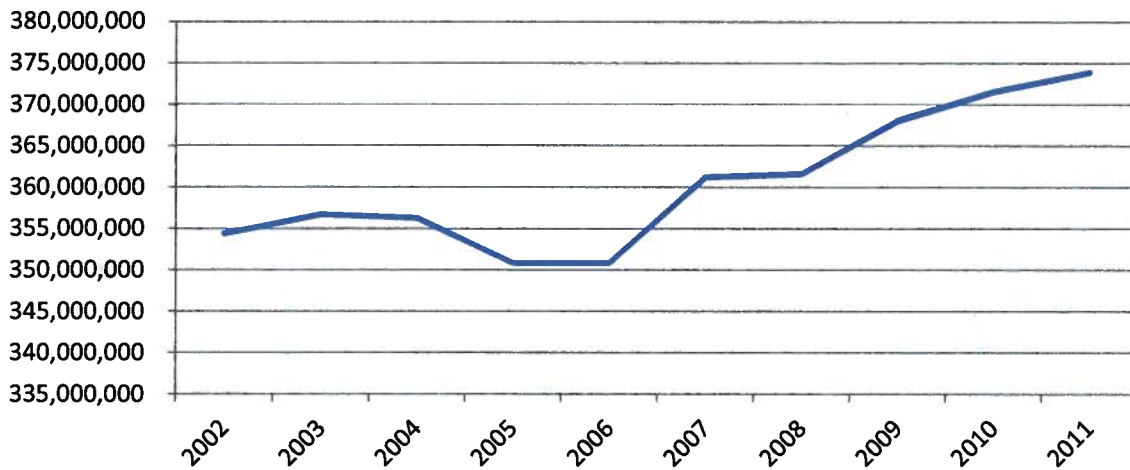


Source: Moulton Niguel Water District Finance Department.

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

Fiscal Year	Water Systems	Capacity Rights	Buildings	Automobiles & Equipment	Land	Construction in Progress	Capital Assets, Net of Depreciation
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
2010	341,293,660	8,551,999	3,538,659	3,484,082	1,091,910	13,583,539	371,543,849
2011	335,560,748	7,995,119	3,401,805	3,448,555	1,091,910	22,383,367	373,881,504

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department