

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For Fiscal Year Ended
June 30, 2014



Moulton Niguel Water
Leading the Way in Service



**MOULTON NIGUEL WATER DISTRICT
LAGUNA NIGUEL, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

**Prepared By:
The Finance department**

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Laguna Niguel, CA 92677

www.mnwd.com

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MOULTON NIGUEL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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November 19, 2014

Members of the Board of Directors
Moulton Niguel Water District

We are pleased to present the Moulton Niguel Water District's ("District") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ending June 30, 2014. This report was prepared by District staff in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

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

The District's financial statements have been audited by Lance, Soll & Lunghard, LLP., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the District's financial statements for the fiscal year ending June 30, 2014, 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 the Independent Auditor's Report.

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

A public agency

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Members of the Board of Directors for Moulton Niguel Water District November 19, 2014

and its inhabitants. The District's water and sewer customers include retail customers (e.g. residential and commercial) located in incorporated areas within the District's service area.

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

Governance

The District is a Special Water District established in November 1960, under provisions of the California Water District Law. It is governed by a seven-member Board of Directors who are publicly elected by registered voters within the District's service area for staggered four-year terms. Each Director represents a geographical division based upon comparable populations, which is determined by the District and approved by the Registrar of Voters.

Policy-making and legislative authority are vested with the Board of Directors. The Board of Directors has the authority to set rates and charges for water, recycled water, and sewer services. The Board of Directors is responsible for, among other things, adopting resolutions, adopting the budget, appointing committees, and hiring the General Manager. The General Manager is responsible for carrying out the policies of the Board of Directors, for overseeing the day-to-day operations of the District, and for appointing the heads of the various divisions (e.g. Finance, Human Resources, 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 service and satisfaction, attracting, developing, and retaining a progressive and skillful workforce, promoting a safe work environment, and utilizing its resources wisely. The Board of Directors has adopted strategic goals and encourages a set of values and behaviors that promotes and supports the District's vision and mission.

Service Area

The District's service area, located in South Orange County, California, encompasses approximately 37 square miles and includes the cities of Laguna Niguel, Aliso Viejo, Laguna Hills, Mission Viejo, and Dana Point. The combined population of the cities' is approximately 240,000. The District serves approximately 70% or 170,000 of this population. The District has 54,899 water accounts and 50,833 sewer accounts. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of Southern California, with temperatures mild and relatively uniform. The assessed net taxable valuation of the District has grown to \$29.2 billion as of June 30, 2014.

Water Supply and Services

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

**Members of the Board of Directors for Moulton Niguel Water District
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(“SCP”), East Orange County Feeder #2 (“EOCF#2”), and the Allen-McColloch Pipeline (“AMP”).

California has experienced drier than normal seasons for many years for both rainfall and snow pack. In addition, court rulings to protect fish in the Delta region of northern California have decreased water supplies from the State Water Project system. As a result of these factors, reservoir levels throughout the southwest continue to be low, and the State Water Resources Control Board (“SWRCB”) announced emergency drought regulations for urban water providers. Over the years, the District has undertaken significant efforts to reduce dependence on imported water supplies. Approximately 23% of the District’s total water demand is met by recycled water. The District has implemented several water-use efficiency programs, most notably the Water Budget-Based Rate Structure and extensive rebate programs for its customers. The District continues to review various alternative local water supplies to identify additional opportunities to reduce dependence on imported water as well as implement programs and outreach to reduce water demand.

The District operates and maintains over 700 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a total potable water storage capacity within the District of approximately 70 million gallons. The District owns capacity rights in several adjoining water agencies’ reservoirs and pipelines, such as El Toro Water District R-6 reservoir, the Santa Margarita Water District Upper Chiquita Reservoir, the Joint Transmission Main (a joint powers agreement between the District and other water agencies), Eastern Transmission Main jointly owned by the District and the City of San Juan Capistrano, the South County Pipeline which conveys water from the AMP to several south county water agencies, and the Irvine Ranch Interconnection jointly owned with Irvine Ranch Water District. The District also operates 30 pump stations to pump water from lower pressure zones to the higher pressure zones and 20 pressure reducing stations and flow control facilities to convey water from high to low zones.

Sewer Services

The District maintains approximately 540 miles of sewer pipelines. The District’s sewer system has 19 lift stations that pump sewer over the ridge lines to the various treatment plants for disposal or recycling. The District participates in the South Orange County Wastewater Authority (“SOCWA”), a joint powers agency comprised of ten governmental agencies, which owns and operates four regional treatment plants and two ocean outfalls. The District’s cost to maintain SOCWA is slightly less than 50% of the total operations and maintenance (“O&M”) costs for SOCWA and a pro-rata share of the capital costs based on the type and location of each project.

Recycled Water Supply and Services

It is the policy of the District to promote the use of recycled water to provide for the conservation and reuse of all water resources and to utilize this resource for any approved purpose to the maximum extent possible under the laws of the State of California. The District has constructed approximately 150 miles of recycled water distribution pipelines with five pre-stressed concrete and six steel storage reservoirs to service the recycled water system. In addition, it owns 1,000 acre-feet of capacity rights in the Upper Oso recycled water reservoir owned by Santa Margarita Water District. The District operates 13 recycled-water pump stations. The District has 2 Advanced Wastewater Treatment (“AWT”) facilities providing recycled water to landscaped areas in the District. The projected annual demand of the recycled water system will be approximately 7,000 acre feet per year over the next few years.

**Members of the Board of Directors for Moulton Niguel Water District
November 19, 2014**

Factors Affecting Financial Conditions

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

Local Economy

The District is located in South Orange County, where the current economic environment and local indicators point to slightly more stability. Many other areas of California are more negatively impacted by the current recessionary environment. There are four major land uses in the District: (1) residential (single-family and multiple-family); (2) commercial (retail and light industrial); (3) schools; and (4) recreation areas (parks, golf courses, etc.). Residential development is the predominant land use throughout the District. The highest concentration of commercial use is in the City of Mission Viejo, which includes the Shops at Mission Viejo, an affluent shopping mall and in the City of Aliso Viejo, which includes the Pacific Park Business Center. The highest concentration of schools (students) is in the cities of Mission Viejo and Aliso Viejo, which includes Mission Viejo High School, Capistrano Valley High School, Saddleback Community College, Aliso-Niguel High School, and Soka University. The highest concentration of recreation areas is in Laguna Niguel and Aliso Viejo, where each has a golf course and numerous community parks. Future growth will primarily occur on a redevelopment basis of existing property and land.

Budget Process

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

Ten-Year Cash Flow

The District's financial plan includes a ten-year cash flow model, which was recently updated and presented to the Board. This financial model allows the District to run various scenarios to help plan for Capital Improvement Project funding options, Debt Service coverage requirements, and determining future rate adjustments or debt issuance to help insure that the District is covering the full cost of operations and maintenance and meeting its capital improvement needs.

Long-term financial planning

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

Members of the Board of Directors for Moulton Niguel Water District November 19, 2014

The District uses various planning documents, i.e. Urban Water Management Plan, the Long Range Financial Plan, and the Ten-Year Cash Flow, to forecast the District's needs for water use and demand, capital improvement projects, water supply reliability projects, and replacement and refurbishment projects. The District is currently finalizing a Long Range Water Reliability Plan that will provide an adaptive management strategy to develop water reliability projects as necessary to meet future supplies during short-term and long-term water outages. Potential outages could include drought conditions or allocations from MET, interruptions in service from the Diemer Water Filtration Plant, natural disasters impacting supplies from the Bay Delta, State Water Project, or the Colorado River Aqueduct. Additionally, MET has established a policy that its member agencies should be capable of meeting demand requirements during a seven-day shutdown of MET's treatment and/or imported water supply system at any time of the year. The Long Range Water Reliability Plan will serve as a tool to guide future decisions and planning associated with various water reliability projects the District is currently investigating, including recycled water expansion, indirect potable reuse, groundwater banking, and desalination.

Debt Issuances and Credit Rating

During the fiscal year, the District refunded the remaining portion of the 2003 General Obligation Bonds to take advantage of lower interest rates. Due to the District's affluent service area, strong financial performance with good debt service coverage, very strong liquidity position, and a very manageable capital improvements plan, the District received a 'AA+' rating from Standard & Poor's rating agencies for the new General Obligation Bond issuance. On October 20, 2014, Fitch Ratings reaffirmed the District's 'AAA' rating on the outstanding Certificates of Participation.

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

In January 2014, the Governor requested everyone in the State to reduce water usage by 20 percent. As a response, the District has increased efforts related to water-use efficiency and conservation programs. Initially, the Board of Directors adopted a resolution asking for voluntary conservation from the District's customers. The District currently utilizes a water budget based rate structure, which was implemented in July 2011, to encourage efficient use of water by the District's customers by defining a monthly water usage allocation based on individual needs and assessing increasing water rates to customers that exceed the defined allocations. As a result, the District has seen a reduction in water demands by more than 20% in the past five years with additional reduction since the request for voluntary conservation. The District's rate structure was recognized by the State Water Resources Control Board (SWRCB) as an effective tool to encourage efficient use of water when the SWRCB approved the District's Alternative Plan to managing drought

**Members of the Board of Directors for Moulton Niguel Water District
November 19, 2014**

response. Additionally, the Board of Directors doubled funding for various rebate, conservation, and outreach programs to further advance water use efficiency.

Concurrently, the District has been developing a Cost of Service and Rate Design Study to review the current rate structure, the allocation factors within the structure, and the allocation of costs between the various customer classes. The Water Shortage Contingency Plan is also being updated in conjunction with the rate review to allow the District to implement different response stages should the drought or other factors require a further reduction of water consumption. The volumetric rates and monthly service charges, along with Water Shortage Contingency Plan, are also being developed to ensure fiscal stability should water sales continue to decrease. The Board of Directors will consider any revisions to the proposed rates, service charges and the Water Shortage Contingency Plan beginning 2015 through a public hearing process.

The District has initiated several internal efforts to review and reduce imported water from MET which would reduce dependence on the State Water Project and Colorado River Basin. The Long Range Water Reliability Plan will serve as a guide in developing future water resource policies and support the District's involvement in various local water supply projects to provide supply and system reliability during droughts, natural disasters, or other supply reductions. These projects and objectives include increased water use efficiency, expanded recycled water deliveries, indirect potable reuse, regional resource management strategies, and desalination. The District continues to investigate the viability of these alternatives as a source of supply for the District, both economically and technically. The District has also initiated a Water Loss Control Program that will review current District data sources and water tracking tools to evaluate how the District accounts for water imported into the system to minimize the potential for water loss. Finally, the District continues to implement and develop a Capital Improvement Program which is primarily driven by the replacement and/or refurbishment of existing infrastructure. The District uses various asset management tools, i.e. Geographic Information System (GIS) and Computerized Maintenance Management System (CMMS), to develop a 10-Year Capital Improvement Program.

Of the many assets and infrastructure the District maintains, the operational facilities are among the most critical. In addition to housing the District's staff they contain the information technology infrastructure necessary to conduct business, the Supervisory Control and Data Acquisition (SCADA) center to operate all of the District's facilities, materials and equipment storage, maintenance shops, and customer service/reception to support the District's customers. The District has engaged several consultants, including architects, real estate brokers, and land planners, to support a thorough review and evaluation of the District's options for addressing the present and future needs of its operational headquarters. Currently, the District operates from two facilities, an administration building, where most of the customer service, billing, financial, and executive level work is accomplished, and the operations headquarters, which houses most of the District's staff and where the engineering, operations, and maintenance activities are staged. Many of these facilities are in excess of 30-40 years old and in need of significant upgrade, redevelopment, and/or expansion. The District is evaluating options that optimize operational efficiencies for the short and long-term based on current and future needs.

The District continually utilizes its long range financial planning tools. The Long Range Financial Plan is a pro-active financial management approach to ensure the District has resources available to meet its current and future needs. The Long Range Financial Plan utilizes the Ten-Year Cash Flow Model which incorporates the District's reserve policies, debt policies and coverage ratios, water demand needs, water rates, capital improvement program, and operating budget. The Long Range Financial Plan allows the District to project when resources are needed and to also identify potential options for responding to resource needs.

**Members of the Board of Directors for Moulton Niguel Water District
November 19, 2014**

The District is completing the final phase of an Enterprise Resources Planning (“ERP”) project. This project is a software replacement of the District’s core business applications. The financial, human resources/payroll, and utility billing software are being replaced with a new Oracle – JD Edwards software. Through this replacement, the District will gain a more reliable software that will be able to meet the District’s current and future needs. The financial and Human Resources/Payroll applications have been installed. The Utility Billing application is scheduled to be installed early 2015.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Moulton Niguel Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



Joone Lopez
General Manager



Government Finance Officers Association

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

Presented to

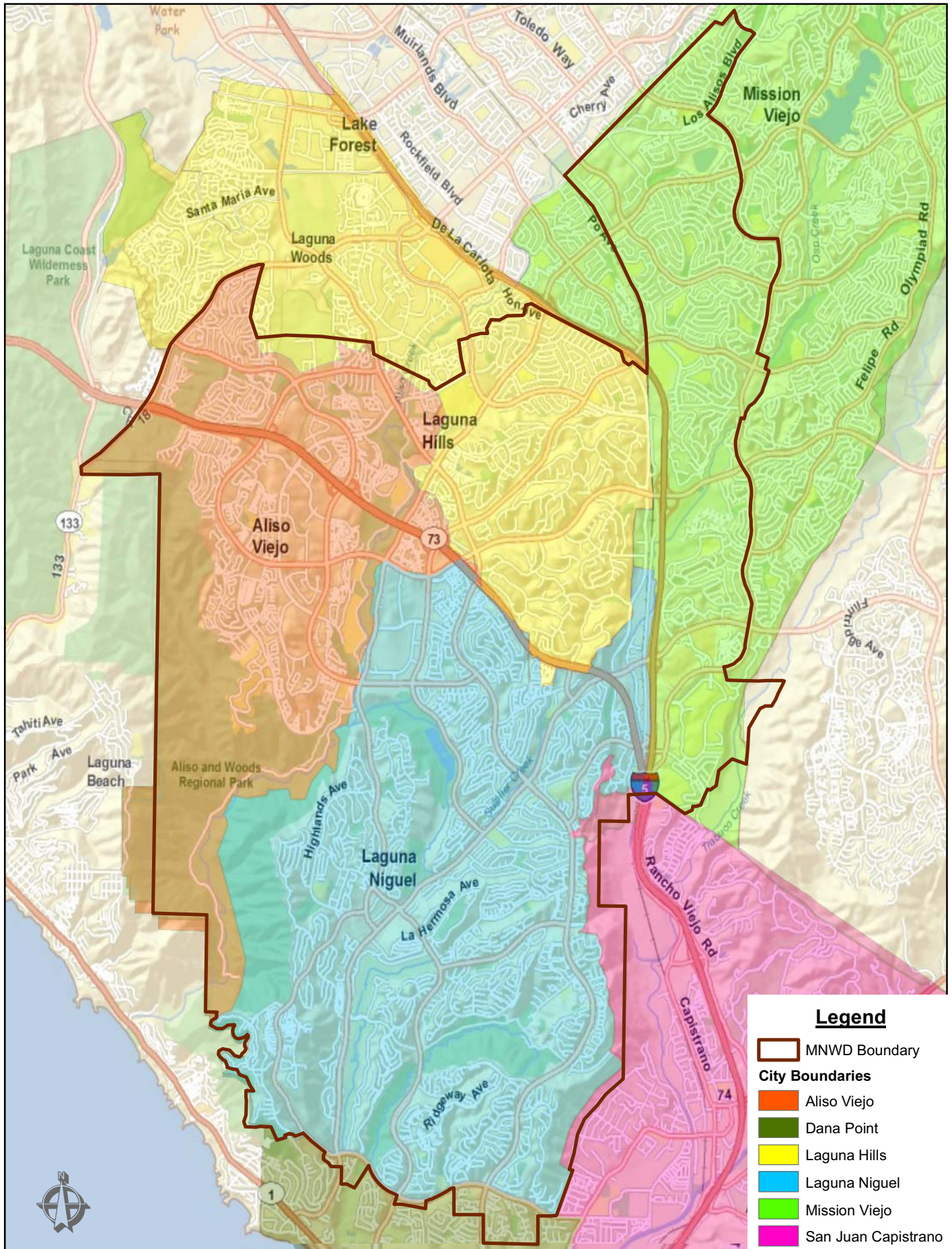
**Moulton Niguel Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

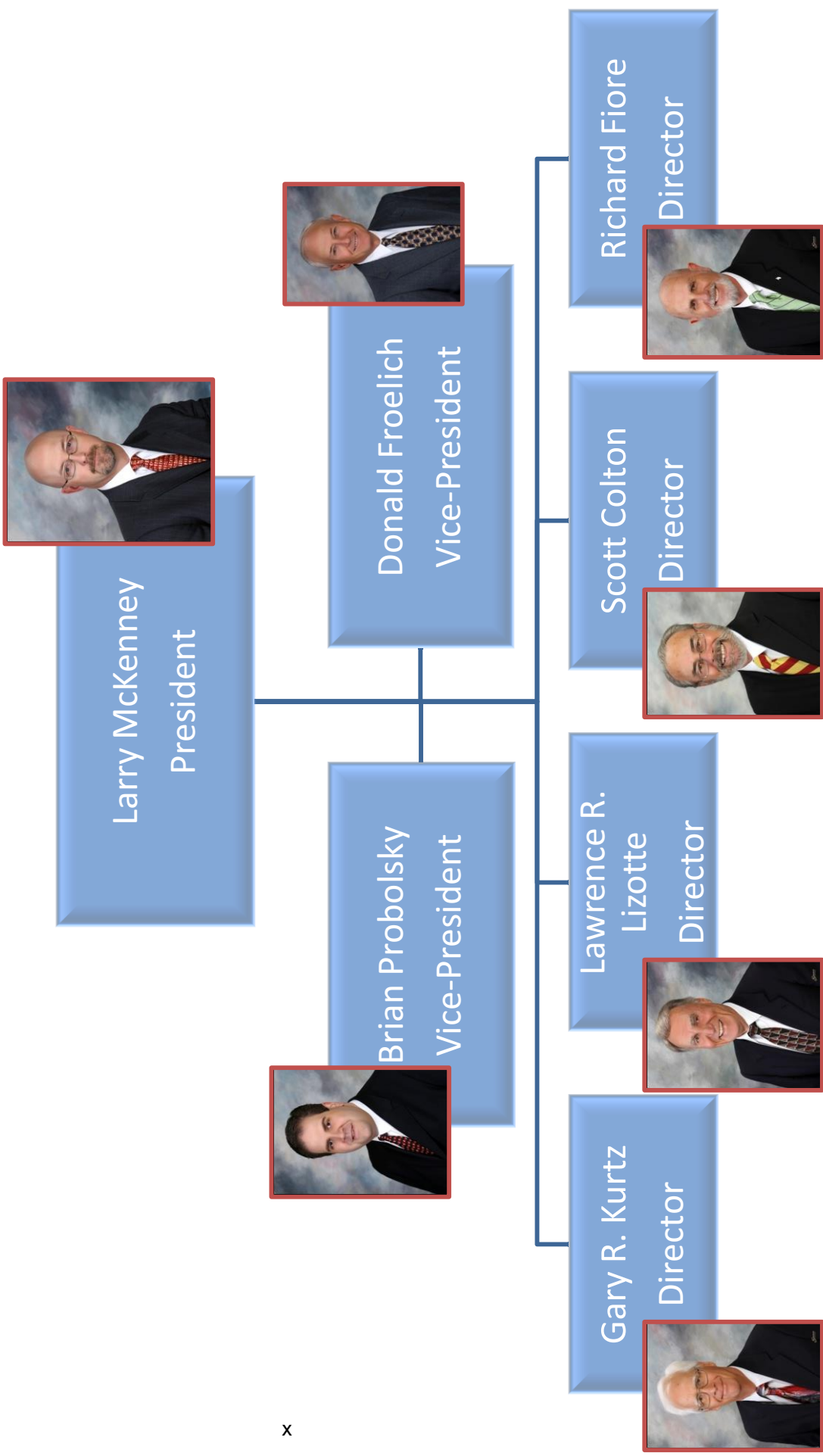
Executive Director/CEO

MNWD Boundary Map w/ Cities Served



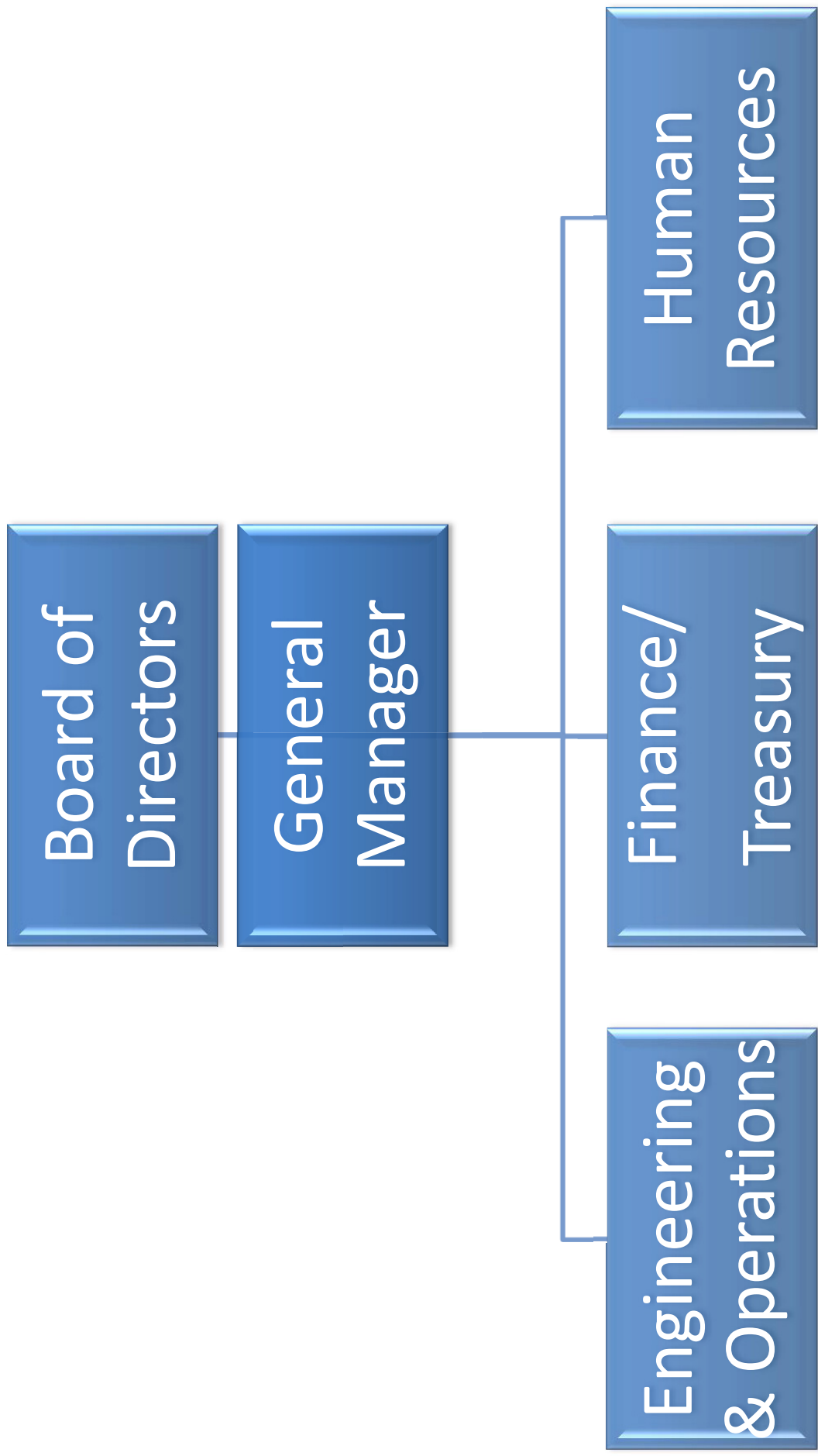
Moulton Niguel Water District

Board of Directors



Moulton Niguel Water District

Organization Chart



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Report on Financial Statements

We have audited the accompanying financial statements of the Moulton Niguel Water District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Board of Directors
Moulton Niguel Water District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Moulton Niguel Water District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2013, from which such partial information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section Supplementary Information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Board of Directors
Moulton Niguel Water District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Luyhard, LLP". The signature is written in a cursive, flowing style.

Brea, California
November 13, 2014

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MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

FINANCIAL HIGHLIGHTS

Moulton Niguel Water District ("District") receives its drinking water from the Municipal Water District of Orange County ("MWDOC"), which serves as a wholesaler for the Metropolitan Water District of Southern California ("MET"). MET imports its water from northern California and the Colorado River. The State of California has endured drought conditions for several years and as a result, supplies are depleting in MET's water reservoirs. Meeting demands and securing supplies for the District's residents has increased the cost of water.

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

- Net position increased \$6.3 million or 2% from prior year.
- During the year, approximately \$11.1 million was invested in water and sewer infrastructure.
- Total net income including capital contributions was \$6.3 million, which included all operating and non-operating revenues and expenditures.
- Operating expenses were \$23.0 million greater than operating revenues, resulting in an operating loss.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are in conformity with Generally Accepted Accounting Principles ("GAAP") and include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Readers should evaluate the financial statements with the accompanying Notes. The Notes to the Financial Statements are an integral part of the financial statements and provide useful explanations and detailed information on the financial statements. Management's Discussion and Analysis precedes the financial statements to provide required supplementary information to the financial statements.

REQUIRED FINANCIAL STATEMENTS

The *Statement of Net Position* states the financial position of the District at June 30, 2014. This statement includes the District's assets, plus deferred outflow of resources and less liabilities, and with the difference reported as net position. The list of assets and liabilities are in order of their liquidity. Therefore, assets readily convertible to cash, such as cash and investments, appear first.

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

Both the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* are shown using the accrual basis of accounting. This means revenues are recorded

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

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

DISTRICT FINANCIAL ANALYSIS

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's balance sheet activities. Measuring the change in the District's net position, the difference between assets, deferred outflow of resources and liabilities, is one way to measure financial health or financial position.

Statement of Net Position

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

Condensed Statement of Net Position (in thousands)				
	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Current and noncurrent assets	\$179,892	\$180,038	\$ (184)	(0.10) %
Capital assets, net	366,860	371,840	(4,980)	(1.34) %
Deferred outflow of resources	<u>1,136</u>	<u>1,319</u>	<u>(183)</u>	(13.87) %
Total Assets and Deferred Outflows of Resources	<u>547,889</u>	<u>553,197</u>	<u>(5,346)</u>	(0.97) %
Current liabilities	19,460	21,174	(1,697)	(8.01) %
Long-term liabilities	<u>110,150</u>	<u>120,022</u>	<u>(9,907)</u>	(8.25) %
Total Liabilities	<u>129,610</u>	<u>141,197</u>	<u>(11,604)</u>	(8.22) %
Net investment in capital assets	269,994	272,287	(2,293)	(0.84) %
Restricted for capital projects	932	424	508	119.81 %
Unrestricted net position	<u>147,353</u>	<u>139,289</u>	<u>8,064</u>	5.79 %
Total Net Position	<u>\$418,279</u>	<u>\$412,000</u>	<u>\$ 6,279</u>	1.52 %

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

Overall, the District's financial health is continuing to improve which is shown by an increase in unrestricted net position as compared to prior year.

Revenues

	Condensed Total Revenues (in thousands)			
	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Dollar Change	Percent Change
Operating Revenues:				
Water charges	\$ 30,504	\$ 30,633	\$ (129)	(0.42) %
Sanitation charges	17,135	16,941	194	1.13 %
Recycled charges	5,005	4,613	392	8.50 %
Other	<u>563</u>	<u>1,036</u>	<u>(473)</u>	(45.66) %
Total Operating Revenues	<u>53,207</u>	<u>53,223</u>	<u>(16)</u>	(0.03) %
Non-operating Revenues:				
Property taxes	22,523	21,860	663	3.03 %
GOB Assessment	6,561	6,669	(108)	(1.63) %
Investments	2,932	(533)	3,465	650.09 %
Cellular lease income	1,695	1,642	53	3.23 %
Intergovernmental revenue	1,321	1,435	(114)	(7.94) %
Other	<u>41</u>	<u>87</u>	<u>(46)</u>	(52.87) %
Total Non-operating Revenues	<u>35,071</u>	<u>31,160</u>	<u>3,911</u>	12.55 %
Capital contributions	<u>1,019</u>	<u>143</u>	<u>876</u>	612.59 %
Total Revenues	<u>\$ 89,299</u>	<u>\$ 84,526</u>	<u>\$ 4,773</u>	5.47 %

The District finances operations through user charges, property tax receipts, and other income. Total revenue increased by \$4.8 million as compared to prior year. This increase was primarily the result of an overall higher investment income combined with an increase in developer contributions.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

Expenses

	Condensed Total Expenses (in thousands)			Percent Change
	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	<u>Dollar Change</u>	
Operating Expenses:				
Water purchases	\$ 27,089	\$ 25,678	\$ 1,411	5.21 %
Meters	795	713	82	10.31 %
Utilities	1,887	1,658	229	13.81 %
Sewage treatment & pumping	11,747	11,977	(230)	(1.92)%
Water transmission & distribution	2,139	2,299	(160)	(6.96) %
General, administrative & other	16,027	14,811	1,216	8.21 %
Depreciation	<u>16,554</u>	<u>13,473</u>	<u>3,081</u>	22.87 %
				7.97 %
Total Operating Expense	<u>76,238</u>	<u>70,609</u>	<u>5,629</u>	%
Non-operating Expenses:				
Interest on long-term debt	<u>6,782</u>	<u>5,850</u>	<u>932</u>	15.93 %
Total Non-operating Expense	<u>6,782</u>	<u>5,850</u>	<u>932</u>	15.93 %
 Total Expenses	 <u>\$ 83,020</u>	 <u>\$ 76,459</u>	 <u>\$ 6,561</u>	 8.58 %

Total operating expenses increased due to higher costs for water purchases from MET, filled staffing vacancies, and depreciation adjustments. Interest on long-term debt increased due to increasing debt service obligations.

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

Changes in Net Position

Condensed Changes in Net Position (in thousands)				
	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Beginning net position	\$ 412,000	\$ 403,934	\$ 8,066	2.00 %
Income (loss) before capital contributions	5,260	7,923	(2,663)	(33.61) %
Donated facilities	495	60	435	725.00 %
Connection fees	489	83	406	489.16 %
Other contributions	<u>35</u>	<u>-</u>	<u>35</u>	0.00 %
Change in net position	<u>6,279</u>	<u>8,066</u>	<u>(1,787)</u>	(22.15)%
Ending net position	<u>\$ 418,279</u>	<u>\$ 412,000</u>	<u>\$ 6,279</u>	1.52 %

Income before capital contributions was \$5.3 million for the current fiscal year. The District uses the income it receives to pay for its operating and maintenance costs along with self-funding most of its capital projects and repaying capital project debt related to the water supply reliability projects.

Capital Assets

Condensed Capital Assets (in thousands)				
	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Net Depreciable Assets:				
Water systems	\$ 318,903	\$ 330,700	\$(11,797)	(3.57) %
Capacity rights – Infinite	19,440	19,707	(267)	(1.35) %
Capacity rights – Limited	7,167	7,444	(277)	(3.72) %
Buildings	2,656	3,119	(463)	(14.84) %
Equipment and automobiles	2,816	2,723	93	3.42 %
Non-Depreciable Assets:				
Land	1,092	1,092	-	0.00 %
Construction in progress	<u>14,786</u>	<u>7,057</u>	<u>7,729</u>	109.52 %
Capital Assets, Net	<u>\$ 366,860</u>	<u>\$ 371,841</u>	<u>\$ (4,982)</u>	(1.34) %

The District's net capital assets decreased during the current fiscal year mainly due to depreciation adjustments. The District has capital outlays made by the District itself and also as part of two different joint power authorities. The most significant capital asset additions are the

MOULTON NIGUEL WATER DISTRICT
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014

completion of capital facilities managed by South Orange County Wastewater Authority, the District's wastewater system operator. The District also has Water Supply Reliability Projects in which the goal of these projects is to increase the number of days that the District can serve its customers during a planned or emergency water supply outage from MET. The District is partnering with neighboring water districts on several of these projects. The remaining project to be completed is the Baker Pipeline Water Treatment Facility, which is currently in construction and a significant factor for the increase in Construction in Progress. The District has issued Certificates of Participation (COPs) to finance this reliability project. Please see Note 5 in the Notes to the Financial Statements for additional capital asset information.

Debt Administration

Condensed Disclosure of Long-term Liabilities
(in thousands)

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Certificates of Participation (COP)	\$ 80,356	\$ 82,326	\$ (1,970)	(2.39) %
General Obligation Bonds (GOB)	16,867	22,540	(5,673)	(25.17) %
Loans	<u>12,794</u>	<u>15,020</u>	<u>(2,226)</u>	(14.82) %
Total	<u>\$ 110,017</u>	<u>\$ 119,886</u>	<u>\$ (9,869)</u>	(8.23) %

The District's total long-term liability at this fiscal year-end was \$110 million in COPs, GOBs, and loans. During fiscal year ending 2014, the District issued \$21,315,000 of General Obligation Bonds to refund the outstanding \$22,540,000 of 2003 General Obligation Bonds, realizing a savings of \$1.7 million for the District's tax payers. The General Obligation Bonds are a voter approved assessment specifically for the residents that live within certain service areas of the District. The District received "AA+" rating by Standard & Poor's rating agency for the General obligation Bonds and Fitch rating agency has confirmed the District's "AAA" rating for the Certificates of Participation. Annual principal payments in all debt service accounts during the year reduce the outstanding balance. See Note 6 in the Notes to the Financial Statements for detail on long-term debt.

CONTACTING THE DISTRICT

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

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MOULTON NIGUEL WATER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	<u>2014</u>	<u>2013</u>
Assets:		
Current:		
Cash and investments (Note 2)	\$ 33,152,442	\$ 42,016,642
Restricted cash and investments with fiscal agent (Note 2)	22,445,383	28,171,531
Accounts receivables:		
Water and sanitation charges	5,555,769	6,183,688
Taxes and acreage assessments	355,126	343,115
Other accounts receivable	232,218	433,264
Interest receivable	704,810	763,584
Current portion of AMP receivable (Note 3)	23,663	211,940
Inventory	1,511,749	1,566,239
Prepaid expenses	302,644	222,937
	<u>64,283,804</u>	<u>79,912,940</u>
Total Current Assets		
Noncurrent:		
Investments (Note 2)	111,989,559	94,347,786
Restricted cash and investments with fiscal agent (Note 2)	-	1,403,346
Retrofit loans receivable (Note 3)	629,243	660,023
AMP receivable (Note 3)	43,830	654,913
Net pension asset (CalPERS sidefund payoff) (Note 8)	2,945,897	3,058,960
Capital assets - net of accumulated depreciation (Note 5)	350,982,233	363,691,271
Capital assets not being depreciated (Note 5):		
Land	1,091,910	1,091,910
Construction in progress	14,785,817	7,057,346
	<u>482,468,489</u>	<u>471,965,555</u>
Total Noncurrent Assets		
	<u>546,752,293</u>	<u>551,878,495</u>
Total Assets		
Deferred Outflows of Resources:		
Deferred charges on refunding	1,136,314	1,318,562
	<u>1,136,314</u>	<u>1,318,562</u>
Total Deferred Outflows of Resources		
	<u>\$ 547,888,607</u>	<u>\$ 553,197,057</u>
Total Assets and Deferred Outflows of Resources		

MOULTON NIGUEL WATER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	<u>2014</u>	<u>2013</u>
Liabilities, Deferred Inflows of Resources, and Net Position:		
Liabilities:		
Current:		
Accounts payable	\$ 6,932,494	\$ 9,089,433
Interest payable	2,133,231	2,406,689
Compensated absences (Note 6)	397,440	524,376
Current portion of long-term debt (Note 6):		
Bonds payable	5,949,716	5,235,000
Loans payable	2,204,403	2,178,909
Certificates of participation	1,842,407	1,740,000
Total Current Liabilities	<u>19,459,691</u>	<u>21,174,407</u>
Long-Term Liabilities		
Compensated absences (Note 6)	132,479	174,791
Long-term debt (Note 6):		
Bonds payable	16,867,130	22,540,000
Loans payable	12,794,395	14,981,907
Certificates of participation	80,356,050	82,325,864
Total Long-Term Liabilities	<u>110,150,054</u>	<u>120,022,562</u>
Total Liabilities	<u>129,609,745</u>	<u>141,196,969</u>
Net Position:		
Net investment in capital assets	269,994,246	272,287,164
Restricted for capital projects (Note 13)	931,603	424,363
Unrestricted (Note 14)	147,353,013	139,288,561
Total Net Position	<u>418,278,862</u>	<u>412,000,088</u>
Total Liabilities and Net Position	<u>\$ 547,888,607</u>	<u>\$ 553,197,057</u>

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MOULTON NIGUEL WATER DISTRICT

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Water charges	\$ 30,503,803	\$ 30,633,036
Recycled charges	5,005,391	4,612,874
Sanitation charges	17,135,446	16,941,327
Other	562,871	1,035,873
	<u>53,207,511</u>	<u>53,223,110</u>
Operating Expenses:		
Source of supply:		
Water purchases	27,088,570	25,678,244
Meter purchases	795,198	713,042
Utilities	1,886,558	1,657,973
Pumping water	2,100,550	2,135,266
Sewage treatment	9,647,000	9,841,299
Water transmission and distribution	2,138,767	2,299,355
Customer service	2,750,999	2,711,672
Water efficiency	1,448,498	1,446,173
General, administrative, and other	11,186,256	10,046,607
CalPERS sidefund amortization	50,620	46,979
Post retirement medical benefits (OPEB)	591,372	559,698
Depreciation	16,554,024	13,472,995
	<u>76,238,412</u>	<u>70,609,303</u>
Operating Income (Loss)	<u>(23,030,901)</u>	<u>(17,386,193)</u>
Nonoperating Revenues (Expenses):		
Investment income (loss)	2,749,964	(799,897)
Investment income - restricted	181,867	266,766
Property tax revenue and acreage assessments	22,523,268	21,859,630
General obligation bond assessments	6,560,479	6,668,545
Interest on long-term debt	(6,781,711)	(5,850,174)
Intergovernmental revenue	1,320,588	1,434,642
Cellular lease income	1,694,478	1,642,410
Other non-operating revenues (expenses)	41,396	87,718
	<u>28,290,329</u>	<u>25,309,640</u>
Income (Loss) Before Capital Contributions	5,259,428	7,923,447
Capital Contributions		
Developer donated capital facilities	495,000	60,000
Connection fees	489,346	83,038
Other contributions	35,000	-
	<u>6,278,774</u>	<u>8,066,485</u>
Net Position:		
Beginning of Fiscal Year	412,000,088	403,933,603
End of Fiscal Year	<u>\$ 418,278,862</u>	<u>\$ 412,000,088</u>

MOULTON NIGUEL WATER DISTRICT

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 55,772,350	\$ 54,140,616
Cash paid to suppliers	(50,038,296)	(44,564,885)
Cash paid to employees	(11,884,433)	(10,703,896)
Net Cash Provided (Used) by Operating Activities	<u>(6,150,379)</u>	<u>(1,128,165)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash received from property taxes	22,511,257	21,872,783
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>22,511,257</u>	<u>21,872,783</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(11,078,457)	(10,071,829)
Proceeds from capital debt	22,938,025	-
Cash received from general obligation bonds assessments	6,560,479	6,668,545
Repayment of notes receivable	830,140	238,918
Capital contributions	489,346	83,038
Other contributions	35,000	-
Principal payments on long-term debt	(31,925,604)	(8,590,976)
Intergovernmental revenue	1,320,588	1,434,642
Interest payments on long-term debt	(6,872,921)	(7,226,836)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(17,703,404)</u>	<u>(17,464,498)</u>
Cash Flows from Investing Activities:		
Investment earnings received	2,990,605	(429,280)
Proceeds from sales and maturities of investments	40,159,039	81,978,806
Purchase of investments	(57,800,812)	(70,109,702)
Net Cash Provided (Used) by Investing Activities	<u>(14,651,168)</u>	<u>11,439,824</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(15,993,694)</u>	<u>14,719,944</u>
Cash and Cash Equivalents at Beginning of Year	71,591,519	56,871,575
Cash and Cash Equivalents at End of Year	<u>\$ 55,597,825</u>	<u>\$ 71,591,519</u>

MOULTON NIGUEL WATER DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$(23,030,901)	\$(17,386,193)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	16,554,024	13,472,995
Other non-operating revenue	1,735,874	1,730,128
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, water and sanitation	627,919	(557,837)
(Increase) decrease in accounts receivable, other	201,046	(254,785)
(Increase) decrease in inventory	54,490	250,925
(Increase) decrease in prepaid expense	(79,707)	42,989
Increase (decrease) in CalPERS prepaid	113,063	277,206
Increase (decrease) in other asset	-	395,600
Increase (decrease) in accounts payable	(2,156,939)	1,228,625
Increase (decrease) in compensated absences	(169,248)	(327,818)
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,150,379)</u>	<u>\$ (1,128,165)</u>
Non-Cash Investing, Capital, and Financing Activities:		
Unrealized gain (loss) on investments	\$ 57,880	\$ (4,800,629)
Developer donated capital facilities	495,000	60,000

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

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

a. Description of the Reporting Entity

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

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's Board of Directors. Management has determined that the District is a single enterprise fund reporting unit for financial reporting purposes by applying the criteria set forth in the 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.

b. Basis of Accounting

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of the District consist of water, recycled water, and sanitation charges. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation 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.

c. MNWD Public Facilities Corporation

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

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

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.

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

- a. The component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit. Management of a primary government has operational responsibility for a component unit if it manages the activities of the component unit in essentially the same manner in which it manages its own programs, departments, or agencies.
- b. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. The essence of this type of arrangement is much the same as an internal service fund—the goods or services are provided to the government itself rather than to the citizenry. Usually the services provided by a blended component unit are financing services provided solely to the primary government.
- c. The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. Repayment generally occurs through a continuing pledge and appropriation by the primary government to the component unit that, in turn, pledges those appropriation payments as the primary source of repayment for its debt.

Based upon the application of the criteria listed above, the Corporation has been reported as a blended component unit.

d. Property Taxes

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

Property taxes are levied annually 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.

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

e. Inventory and Prepaid Expenses

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

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

f. Capital Assets

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

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

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

g. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits up to certain limits. Employees are eligible to be compensated in cash for accrued vacation to a maximum of 120 hours or may transfer up to 80 hours into their deferred compensation plan provided that they have used at least 40 hours of vacation hours during the fiscal year and that the employee maintains 40 hours of accrued vacation after the transfer. Employees cannot accrue more than 200% of their annual vacation accrual. Sick leave hours accrue at a rate of one day per month.

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.

h. Cash and Cash Equivalents

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

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

i. Investments

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

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

j. Deferred outflows/inflows of resources

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

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

k. Net Position

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

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

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

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

l. Use of Estimates

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

m. Prior Year Data

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

II. DETAILED NOTES ON ALL ACTIVITIES

Note 2: Cash and Investments

Cash and Investments are classified in the accompanying Statement of Net Position as follows at June 30, 2014:

Statement of Net Position:	
Cash and Investments-Current	\$ 33,152,442
Investments-Noncurrent	111,989,559
Cash and Investments with fiscal agent	<u>22,445,383</u>
Total Cash and Investments	<u>\$ 167,587,384</u>

Cash and Investments held by the District at June 30, 2014, consisted of the following:

Cash:	
Cash on hand	\$ 800
Deposits with financial institutions	<u>307,732</u>
Total Cash	<u>\$ 308,532</u>
Investments:	
State treasurer's investment pool	\$ 20,257,504
US treasury notes	25,987,973
Federal agency securities	54,885,138
Medium term notes	30,683,948
Asset backed securities	10,022,900
Commerical paper	4,276,915
Money market funds	<u>21,164,474</u>
Total Investments	<u>167,278,852</u>
Total Cash and Investments	<u>\$ 167,587,384</u>

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

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

Investment Types Authorized by State Law	Authorized by Investment Policy	*Maximum Maturity	Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	10 years	None	None
U.S. Agency Securities	Yes	10 years	None	None
Bankers Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	Yes	1 year	10%	None
Reverse Repurchase Agreements	Yes	90 days	10%	None
Medium-Term Notes	Yes	5 years	30%	5%
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	\$50 million
JPA Pools (other investment pools)	No	N/A	None	None

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

Investment Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Government Obligations	None	None	None
Federal Agency Securities	None	None	None
Bankers Acceptances	360 days	None	None
Municipal Obligations	None	None	None
Money Market Mutual Funds	120 days	None	None
Investment Agreements	None	None	None

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.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

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

Investment Type	Total	Remaining Maturity (In Months)			
		12 Months or Less	13 to 36 Months	37 to 60 Months	More Than 60 Months
State Investment Pool	\$ 20,257,504	\$ 20,257,504	\$ -	\$ -	\$ -
US Treasury Notes	25,987,973	-	-	7,656,032	18,331,941
Federal Agency Securities	53,540,047	-	13,207,083	18,052,901	22,280,063
Medium Term Notes	30,683,948	8,245,309	8,116,340	14,322,299	-
Commercial Paper	4,276,915	4,276,915	-	-	-
Asset Backed Securities	10,022,900	-	3,012,879	7,010,021	-
Money Market Funds	64,182	64,182	-	-	-
Held by Fiscal Agent:					
Federal Agency Securities	1,345,091	1,345,091	-	-	-
Money Market Funds	21,100,292	21,100,292	-	-	-
Total	\$ 167,278,852	\$ 55,289,293	\$ 24,336,302	\$ 47,041,253	\$ 40,612,004

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A	Not Rated
State Investment Pool	\$ 20,257,504	N/A	\$ -	\$ -	\$ -	\$ 20,257,504
US Treasury Notes	25,987,973	N/A	25,987,973	-	-	-
Federal Agency Securities	53,540,047	A	51,332,754	2,207,293	-	-
Medium Term Notes	30,683,948	A	-	9,918,521	20,765,427	-
Commercial Paper	4,276,915	A	4,276,915	-	-	-
Asset Backed Securities	10,022,900	AAA	7,141,215	2,881,685	-	-
Money Market Funds	64,182	AAA	64,182	-	-	-
Held by Fiscal Agent						
Federal Agency Securities	1,345,091	A	1,345,091	-	-	-
Money Market Funds	21,100,292	AAA	21,100,292	-	-	-
Total	\$ 167,278,852		\$ 111,248,422	\$ 15,007,499	\$ 20,765,427	\$ 20,257,504

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corp	Federal Agency Securities / Asset-backed Securities	\$ 16,687,369
Federal National Mortgage Assoc.	Federal Agency Securities	11,798,527
Federal Home Loan Bank	Federal Agency Securities	10,197,896
Tennessee Valley Authority	Federal Agency Securities	10,100,691

Custodial Credit Risk

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

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

State Treasurer's Investment Pool

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

Investment Earnings

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

Investment earnings consist of the following for the year ended June 30, 2014:

Interest income	\$ 3,232,692
Realized gain (loss)	(358,741)
Unrealized gain (loss)	57,880
Total	<u>\$ 2,931,831</u>

Note 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 MWD to deliver potable water to the participants. In fiscal year 1995, the participants sold the AMP to MWD. 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 \$799,360 leaving the year end AMP receivable of \$67,493. The sale agreement also provides for the District to continue to have AMP flow capacity rights, but MWD 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 33 loans outstanding totaling \$629,243 which includes both principal and interest. The re-payment of the loan agreement is structured based on a volumetric consumption amount of recycled water at \$0.25 a billing unit per month. Since re-payment is based on usage, it is difficult to provide a structured repayment schedule. On average, the District receives approximately \$30,000 a year towards the principal and interest portion of the loan. The majority of the loans are re-paid within 11 years with the balance of the loans to be repaid within 20+ years from the date of the agreement.

Note 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 \$1,694,478. Future minimum lease payments are as follows:

	Fiscal Year Ended June 30
2015	\$ 1,742,433
2016	1,720,000
2017	1,631,340
2018	1,609,630
2019	1,541,185
Total	<u>\$ 8,244,588</u>

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

Capital Assets	Balance at June 30, 2013	Transfers	Additions	Deletions	Balance at June 30, 2014
Water systems	\$ 586,102,034	\$ 2,993,351	\$ 495,000	\$ (90,347)	\$ 589,500,038
Capacity rights - Infinite	19,972,448	-	-	-	19,972,448
Capacity rights - Limited	8,279,403	-	-	-	8,279,403
Building	5,731,947	23,427	-	-	5,755,374
Automobiles and equipment	10,852,513	20,025	378,985	(72,313)	11,179,210
Total cost of depreciable assets	<u>630,938,345</u>	<u>3,036,803</u>	<u>873,985</u>	<u>(162,660)</u>	<u>634,686,473</u>
Less accumulated depreciation					
Water systems	(255,402,296)	-	(15,037,885)	24,545	(270,415,636)
Capacity rights - Infinite	(266,300)	-	(266,300)	-	(532,600)
Capacity rights - Limited	(835,930)	-	(275,980)	-	(1,111,910)
Buildings	(2,612,549)	-	(278,393)	-	(2,890,942)
Automobiles and equipment	(8,129,999)	-	(695,466)	72,313	(8,753,152)
Total accumulated depreciation	<u>(267,247,074)</u>	<u>-</u>	<u>(16,554,024)</u>	<u>96,858</u>	<u>(283,704,240)</u>
Net depreciable assets	363,691,271	3,036,803	(15,680,039)	(65,802)	350,982,233
Capital assets not depreciated					
Land	1,091,910	-	-	-	1,091,910
Construction in progress	7,057,346	(3,036,803)	10,765,274	-	14,785,817
Capital assets net	<u>\$ 371,840,527</u>	<u>\$ -</u>	<u>\$ (4,914,765)</u>	<u>\$ (65,802)</u>	<u>\$ 366,859,960</u>

Depreciation expense for the year ended June 30, 2014, was \$16,554,024.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities

Long-Term liabilities for the year ended June 30, 2014, are as follows:

	Balance at June 30, 2013	Defeased	Addition	Deletion	Ending June 30, 2014	Due Within One Year
Bonds payable:						
2003 GOB	\$ 27,775,000	\$22,540,000	\$ -	\$ 5,235,000	\$ -	\$ -
Refunding Bonds						
2014 GOB	-	-	21,315,000	-	21,315,000	5,465,000
Refunding Bonds						
Add: Premiums						
2014 GOB	-	-	1,623,025	121,179	1,501,846	484,716
Total Bonds	<u>27,775,000</u>	<u>22,540,000</u>	<u>22,938,025</u>	<u>5,356,179</u>	<u>22,816,846</u>	<u>5,949,716</u>
Certificates of Participation:						
2003 COPs	16,210,000	-	-	1,690,000	14,520,000	-
2009 COPs	60,000,000	-	-	-	60,000,000	-
2010 COPs	7,325,000	-	-	50,000	7,275,000	1,715,000
Add: Premiums						
2010 COPs	530,864	-	-	127,407	403,457	127,407
Total COPs	<u>84,065,864</u>	<u>-</u>	<u>-</u>	<u>1,867,407</u>	<u>82,198,457</u>	<u>1,842,407</u>
Loans Payable:						
CIEDB	1,522,001	-	-	150,397	1,371,604	154,764
Dept. of Water Resources	741,579	-	-	291,118	450,461	298,441
State Revolving Fund	14,935,240	-	-	1,737,394	13,197,846	1,768,088
Less: Discounts						
Dept. of Water Resources	(38,004)	-	-	(16,891)	(21,113)	(16,890)
Total Loans	<u>17,160,816</u>	<u>-</u>	<u>-</u>	<u>2,162,018</u>	<u>14,998,798</u>	<u>2,204,403</u>
Compensated Absences:						
Vacation pay	399,808	-	327,742	464,513	263,037	197,278
Sick Pay	299,360	-	219,708	252,186	266,882	200,162
Total Compensated Absences	<u>699,168</u>	<u>-</u>	<u>547,450</u>	<u>716,699</u>	<u>529,919</u>	<u>397,440</u>
Total:	<u>\$129,700,848</u>	<u>\$22,540,000</u>	<u>\$23,485,475</u>	<u>\$10,102,303</u>	<u>\$120,544,020</u>	<u>\$ 10,393,966</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. These Bonds were redeemed in full with the issuance of the 2014 Consolidated Refunding General Obligation Bonds.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

2014 Consolidated Refunding (General Obligation) Bonds

The 2014 Bonds consist of \$21,315,000 of general obligation bonds. This issuance refunded the 2003 Consolidated Refunding Bonds that were originally issued to refund the 1993 Consolidated Refunding Bonds that were originally issued to fund capital projects in the service areas of the District. The Bonds constitute the consolidated obligations of Improvement District Number 6 and Improvement District Number 7. A voter approved tax assessment is levied each year to pay the debt service on these bonds. The serial bonds accrue interest at rates between 3% and 5% and mature between September 1, 2014 and September 1, 2019. Interest is payable on September 1 and March 1 of each year. The advance refunding resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,340,878 and a reduction of cash flow payments of approximately \$1,367,358.

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, 2014.

As of June 30, 2014, the Reserve Requirement for the 2003 Refunding COPs is \$2,463,156. At June 30, 2014, the District has \$2,545,330 in the reserve account.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

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 5.982% and 6.332%, 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.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government pursued certain automatic reductions that took place starting March 1, 2013 through September 30, 2013. This sequester reduction effected the Build America Bonds refundable credit payments under Internal Revenue Code section 6531. As determined by the Office of Management and Budget, payments to issuers of Build America Bonds are subject to a reduction of 8.7%, resulting in a refundable credit equal to 31.96% through September 30, 2013. The sequester reduction was adjusted to 7.2% as of October 1, 2013 through September 30, 2014, resulting in a refundable credit equal to 32.48%

As of June 30, 2014, the Reserve Requirement for the 2009 COPs is \$6,000,000. At June 30, 2014, the District has \$6,121,284 in the reserve account.

2010 Refunding Certificates of Participation (COP)

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

As of June 30, 2014, the Reserve Requirement for the 2010 Refunding COPs is \$727,500. At June 30, 2014, the District has \$896,088 in the reserve account.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

Loans Payable

California Infrastructure and Economic Development Bank (CIEDB)

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

Department of Water Resources Loan (DWR)

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

State Revolving Fund Loans (SRF)

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

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 and current liabilities for the portion expected to be paid within one year on the statement of net position.

Vacation accrual schedules vary depending on length of employment and begin on date of employment. Maximum vacation accruals may not exceed more than 200% of an employee's annual vacation accrual. In June of each year, employees are eligible to receive compensation for unused vacation leave, not to exceed compensation equivalent to 120 hours, upon meeting certain criteria. All regular full-time employees are eligible to accrue 96 hours of sick leave a year from the date of employment. On January 1 of each year, employees who have accumulated more than 176 hours of sick leave are eligible to receive compensation equal to 75% of the hours over 176 hours.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Long-Term Liabilities (Continued)

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2014, are as follows:

June 30	Bonds Payable	
	Principal	Interest
2015	\$ 5,465,000	\$ 762,747
2016	5,685,000	555,500
2017	6,060,000	305,900
2018	1,275,000	144,500
2019	1,365,000	84,875
2020-2024	1,465,000	25,375
Total	<u>\$ 21,315,000</u>	<u>\$ 1,878,897</u>

June 30	Certificates Participation	
	Principal	Interest
2015	\$ 1,715,000	\$ 5,081,676
2016	1,780,000	5,011,776
2017	1,855,000	4,939,076
2018	1,925,000	4,863,476
2019	2,135,000	4,771,601
2020-2024	12,385,000	22,103,504
2025-2029	14,390,000	18,322,229
2030-2034	17,945,000	12,878,488
2035-2039	22,515,000	5,859,853
2040-2044	5,150,000	179,478
Total	<u>\$ 81,795,000</u>	<u>\$ 84,011,157</u>

June 30	Loans Payable	
	Principal	Interest
2015	\$ 2,221,293	\$ 282,343
2016	2,110,605	239,104
2017	1,994,998	200,784
2018	2,032,109	163,673
2019	1,572,589	125,851
2020-2024	5,088,317	233,935
Total	<u>\$ 15,019,911</u>	<u>\$ 1,245,690</u>

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7: Rate Covenants

The District is required by certain debt documents to collect revenues which will be at least sufficient to yield net revenues equal to 125% of debt service payable during the fiscal year. The following demonstrates the District's compliance with the rate covenants for the year ended June 30, 2014:

Debt Service Coverage

Operating Revenues:	
Water sales and service charges	\$ 35,509,194
Sewer service charges	17,135,446
Meter sales & other	562,871
Total Operating Revenues	<u>53,207,511</u>
Non-Operating Revenues:	
Connection fees	489,346
Cellular lease income	1,694,478
Investment income	2,931,831
Intergovernmental revenue	1,320,588
Other income (expense)	41,396
Total Non-Operating Revenues	<u>6,477,639</u>
Total Revenues	<u>59,685,150</u> (A)
Operations & Maintenance Expenses:	
Source of supply	29,770,326
Pumping water	2,100,550
Sewage treatment	9,647,000
Water transmission & distribution	2,138,767
Customer service	2,750,999
Water efficiency	1,448,498
General, administrative & other	11,186,256
Total operations & Maintenance Expenses	<u>59,042,396</u> (B)
Net Revenues	642,754 (A-B)
Property Tax Revenues	22,523,268
Sum of Net & Tax Revenues	<u>23,166,022</u> (C)
Debt Service On Parity Obligations	
2003 COP	2,449,800
2009 COP	4,098,976
2010 Refunding COP	341,500
Governmental loans	2,503,722
Total Existing Parity Obligations	<u>\$ 9,393,998</u> (D)
Calculated Debt Service Coverage Percentage	247% (C/D)

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

Note 8: Retirement Plans

Defined Benefit Pension Plan

The District contracts with California Public Employees Retirement System ("CalPERS") to provide employees with a specified package of benefits upon retirement. CalPERS is a cost sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statute establishes CalPERS member and employer contribution rates, benefit provisions, minimum funding and all other requirements. The District's Board of Directors has authority over the District's participation in CalPERS, plan amendments and the choice of plan options within CalPERS. The District's current plans are referred to as the 2% @ 55 and 2% @ 62 defined benefit plans, where a qualified employee may receive an annual retirement benefit equal to 2% of his/her final year compensation times the number of years of service at age 55 or 62, depending on which tier the employee participates. 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 three-tier system for employees based on hiring dates. Employees hired after June 28, 2009, but before January 1, 2013 are considered to be Tier 2 employees, while employees hired on or after January 1, 2013 are considered to be Tier 3 employees. Tier 1 employees contribute a portion of the CalPERS member contributions while Tier 2 and Tier 3 employees contribute the entire portion of the member contribution rate. In fiscal year 13/14, Tier 1 employees contributed 3% of their annual covered salary and the District contributed 4% of the annual covered salary on the employees' behalf. Tier 2 employees contributed the entire 7% of the CalPERS member contribution rate, and Tier 3 employees contributed the entire 6.5% of the CalPERS member contribution rate. The District did not contribute any funds on their behalf. Contributions on behalf of Tier 1 employees were \$201,398 for the year ended June 30, 2014. The required employer contribution rate for Tier 1 employees for the year ended June 30, 2014 was 12.667% of employees' covered payroll. However the actual rate was 11.446%, which includes a one-time rate adjustment due to overpayment. The required employer contribution rate for Tier 2 and Tier 3 employees for the year ended June 30, 2014, was 11.709% and 6.700% respectively, of employees' covered payroll. The District's contributions to the plan for the years ending June 30, 2012, 2013 and 2014, were \$1,076,083, \$1,084,571, and \$1,091,727 respectively and equaled the required contributions for each year. The above information was determined by an actuarial valuation of the plan, as of June 30, 2011.

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, 2014, was \$50,620.

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Retirement Plans (Continued)

Defined Contribution Pension Plan

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

The District matches up to 2% of an employees’ salary to the Money Purchase Plan if the employee elects to participate in the plan. Employer contributions were \$125,710 for the year ended June 30, 2014. 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.

Note 9: Other Post-Employment Benefits (OPEB)

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

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

Eligibility and Benefits: Generally the District provides retiree medical coverage to former full-time employees and Board Members (“OPEB Participants”) and their dependents when retirement is from the District in good standing. OPEB Participants receive this benefit on or after age 55 with 10 years of service if hired before July 1, 2008, or elected before January 1, 1995. OPEB Participants receive this benefit on or after age 60 with 15 years of service if hired after 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, 2014:

Retirees and dependents receiving benefits	30
Active plan members	96
Total	<u>126</u>

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9: 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 the fiscal year ending 2014, the District contributed a total of \$213,882 for current premiums. The District pays the full cost for OPEB Participants using the Health Maintenance Organization ("HMO"). OPEB Participants electing coverage through the Preferred Provider Organization ("PPO") contributed \$4,257 toward the cost of the coverage (approximately 15% of total premiums). CalPERS publishes separate audited financial statements for CERBT. The report is available online at www.calpers.ca.gov or by contacting CalPERS at 1-888-CalPERS.

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

Annual Required Contribution (ARC)	\$	621,148
Contribution made (including premium paid)		<u>(621,148)</u>
Change in net OPEB obligation		-
Net OPEB obligation beginning of year		<u>-</u>
Net OPEB obligation end of year	\$	<u><u>-</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014, 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>
6/30/2012	\$ 650,639	100%	\$ -
6/30/2013	601,596	100%	-
6/30/2014	621,148	100%	-

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

understood by the District and OPEB Participants) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and OPEB Participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal Cost Method actuarial cost method is used for determining the benefit obligations. The actuarial assumptions included a 5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate between 5% and 12%, as well as an inflation rate of 3%. The UAAL is being amortized as a level percentage of projected payrolls over 20 years. It is assumed the District's payroll will increase 3.25% per year. Eighty-five percent of future retirees are assumed to have a spouse. The valuation as of June 30, 2011, was done using the eligibility criteria at that time. In the future, this will serve to decrease the Actuarial Accrued Liability of the plan. Plan assets are as reported by CERBT using the market value of trust investments.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entity Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
07/01/08	\$ -	\$ 4,930,491	\$ 4,930,491	0%	\$ 6,365,000	77%
01/01/10	388,139	4,988,183	4,600,044	8%	6,387,000	72%
06/30/11	1,131,224	6,857,673	5,726,449	16%	6,819,000	84%

Note 10: Risk Management

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

The District maintains \$60,000,000 in primary comprehensive general liability insurance. The property damage insurance program provided for up to \$91,145,564 in coverage on structures and contents with a \$25,000 retrospective allocation point per claim. A \$3,000,000 commercial blanket bond is maintained on employees. The Notary Public Errors and Omissions Policy provides \$30,000 of coverage for two notaries. The District retains pollution insurance of \$2,000,000 and underground storage tank coverage of \$500,000. The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. The District's workers' compensation level of coverage is \$2,000,000 for bodily injury by each accident and \$2,000,000 for bodily injury per occurrence

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10: Risk Management (Continued)

from the JPA Pool and \$3,000,000 annual aggregate 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 from its workers' compensation insurance premiums. The District also maintains a self-insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000. See Note 14 on the District's reserve funds for additional information. Settlements have not exceeded insured limits in the past three fiscal years.

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

Note 11: Commitments and Contingencies

Capital Improvement Projects

The following material commitments existed at June 30, 2014:

<u>Project Name</u>	<u>Cumulative Expenditures as of June 30, 2014</u>	<u>Remaining Commitments</u>
Rehab of Southridge and Wood Canyon Reservoir	\$ -	\$ 969,175
Rehab of 10 MG East Aliso Creek Reservoir	-	2,202,718

Note 12: Joint Powers Authorities and Joint Ventures

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

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

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014

Note 12: Joint Powers Authorities and Joint Ventures (Continued)

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

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

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

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the San Juan Basin Authority ("SJBA") a joint powers authority formed to secure and develop water rights for its member agencies. It currently has permits for using the San Juan Groundwater Basin as an underground storage reservoir. A capacity of 60,000 acre-feet is classified as usable storage, where water can be routinely put into it by groundwater recharge basins and withdrawn by a number of high production wells to be drilled in the future. The state has also given SJBA water rights to divert water from the Basin for beneficial purposes. The objective of the District's membership is to diversify and increase its water sources in the future.

SJBA's membership includes the District along with Santa Margarita Water District, Capistrano Valley Water District and South Coast Water District. A Board of Directors consisting of representatives from member agencies governs SJBA. The Board of Directors oversees contracts and approves the annual budget. SJBA has Project Committees that member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects. Surplus balances at fiscal year-end are refunded to member agencies or added to their reserves as determined by the Board of Directors.

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

Santiago Aqueduct Commission (a California Joint Powers Authority)

The District is a member of the Santiago Aqueduct Commission ("SAC") with five other member agencies. SAC operates and maintains the Baker Pipeline. The District has no capacity rights in the Baker Pipeline and is not responsible for costs to operate and maintain the Baker Pipeline. SAC also operated and maintained the Allen McColloch Pipeline (AMP) prior to its sale to MWD. By agreement, the District funds a small portion of the annual administrative costs of SAC. Irvine Ranch Water District maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC.

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12: Joint Powers Authorities and Joint Ventures (Continued)

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

Note 13: Restricted Net Position

At year end the District held \$931,603 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.

Note 14: Unrestricted Net Position

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

Unrestricted net position:	
Designated for rate stabilization	\$ 9,815,536
Designated for replacement and refurbishment	30,801,298
Designated for self insurance reserves	1,293,509
Designated for planning and construction	32,158,949
Designated for WBBRS	6,691,089
Designated for water supply reliability	4,886,211
Unrestricted, undesignated	<u>61,706,421</u>
Total unrestricted net position	<u>\$ 147,353,013</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 MWD 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 the asset will be classified as an O&M expense. The asset value must be \$5,000 or more and have a useful life of at least 3 years. The District anticipates an increase in these projects as it approaches a "built out" status. The reserves are increased by revenue from tax revenues equal to the appropriation limit, and replenished annually with a \$4.5 million dollar transfer from the General Fund.

Self-Insurance

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

MOULTON NIGUEL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 14: Unrestricted Net Position (Continued)

Planning and Construction Reserves

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

Conservation Fund (WBBRS)

The Conservation Fund was established for certain Water-Base-Budget Rate Structure ("WBBRS") revenues. The District's intent is to use the revenues for purposes generally related to water efficiency or conservation goals and policies, as specifically directed by the Board under budgetary and other approvals from time to time.

Water Supply Reliability

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

MOULTON NIGUEL WATER DISTRICT

**SCHEDULE OF REVENUES, EXPENSES, AND OTHER SOURCES (USES) OF FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

	2013-2014 Amended Budget*	2013-2014 Actual*	Variance with Budget Over(Under)	% Variance with Budget Over(Under)
Revenues				
Potable Water Sales	\$ 26,950,000	\$ 26,876,498	\$ (73,502)	-0.27%
Sewer Sales	16,920,000	17,135,446	215,446	1.27%
Recycled Water Sales	4,547,715	5,005,391	457,676	10.06%
WBBRS Efficiency Funds	3,750,000	3,627,305	(122,695)	-3.27%
1 Ad Valorem Property Tax	21,327,990	22,523,268	1,195,278	5.60%
General Obligation Bond Assessment	6,236,041	6,560,479	324,438	5.20%
2 Investment Income	1,465,467	2,931,831	1,466,364	100.06%
Other Income	491,650	604,267	112,617	22.91%
Cellular Lease Income	1,650,085	1,694,478	44,393	2.69%
Intergovernmental Revenue	1,320,588	1,320,588	-	0.00%
Total Revenues	\$ 84,659,536	\$ 88,279,551	\$ 3,620,015	4.10%
Expenses, Debt Obligations, and Capital Improvement Projects				
Operations and Maintenance	\$ 63,740,394	\$ 59,684,388	\$ (4,056,006)	-6.36%
General Obligation Bonds Debt Service	15,723,795	15,864,818	141,023	0.90%
3 Replacement & Refurbishment Projects	10,041,740	1,535,145	(8,506,595)	-84.71%
3 SOCWA & JRWSS Capital Projects	7,306,852	2,590,513	(4,716,339)	-64.55%
Water Supply Reliability Projects	5,624,123	6,328,947	704,824	12.53%
3 Planning & Construction Projects	881,578	338,601	(542,977)	-61.59%
Total Expenses, Debt Obligations, and Capital Improvement Projects	\$ 103,318,482	\$ 86,342,412	\$ (16,976,070)	-203.78%
Net Income (Deficit)	\$ (18,658,946)	\$ 1,937,139	\$ 20,596,085	

*The variance between budgetary basis net income and financial statement net income is due to the inclusion of General Obligation Bonds Debt Service as an expenditure on the budgetary basis.

- 1 Current year results included collections from prior year assessments and associated penalties.
- 2 Realized investment income returns were higher than expected.
- 3 The budget contained over 80 projects. AT the end of the fiscal year over 25 projects were colsed out and over 50 projects will be carried forward to FY 2014-2015.

MOULTON NIGUEL WATER DISTRICT

**OPERATIONS & MAINTENANCE (O&M) BUDGET COMPARISON REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The Operations and Maintenance (O&M) Budget Comparison Report was designed to compare the expenses of the District to the budget and/or the adjusted budget figures used by the District to monitor performance during the year. The Notes to the O&M Budget Comparison Report provides explanations for major variances in this report.

Description	Adopted Budget	Adjusted Budget	Actual Expense for FY 2014	Remaining Budget
General Fund				
Salaries	\$ 8,536,016	\$ 8,536,016	\$ 8,075,655	\$ 460,361
Retirement Program	1,291,234	1,291,234	1,225,797	65,437
Educational Courses	47,380	47,380	27,971	19,409
Travels & Meetings	245,623	245,623	177,639	67,984
Employee Relations	13,000	13,000	15,354	(2,354)
General Services	512,475	512,475	434,308	78,167
Annual Audit	45,000	45,000	31,820	13,180
Member Agencies O&M	1,140,100	1,140,100	1,027,298	112,802
Dues & Memberships	84,214	84,214	90,145	(5,931)
Consulting Services	1,129,974	1,085,974	778,998	306,976
Equipment Rental	89,300	89,300	57,039	32,261
District Fuel	346,000	346,000	285,198	60,802
Insurance - District	585,246	585,246	494,731	90,515
Insurance - Personnel	320,250	320,250	378,715	(58,465)
Insurance - Benefits	2,493,531	2,493,531	2,321,631	171,900
Legal Services	175,000	219,000	145,401	73,599
District Office Supplies	563,300	563,300	458,864	104,436
District Operating Supplies	244,095	244,095	233,747	10,348
1 Repairs & Maintenance - Equipment	1,858,101	1,858,101	428,993	1,429,108
Repairs & Maintenance - Facilities	3,314,624	3,314,624	3,433,554	(118,930)
Safety Program & Compliance Requirements	134,985	134,985	113,121	21,864
2 SOCWA	8,702,195	8,702,195	7,835,573	866,622
Special Outside Assessments	173,500	173,500	218,281	(44,781)
Utilities	1,839,205	1,839,205	2,092,459	(253,254)
Water Purchases	26,790,439	26,790,439	27,088,570	(298,131)
Meter / Vault Purchases	807,000	807,000	795,198	11,802
Misc. Operating Expenses	-	-	(32,032)	32,032
WBRS Fund				
Salaries	411,903	411,903	327,430	84,473
Retirement Program	55,471	55,471	42,260	13,211
Educational Courses	500	500	165	335
Travels & Meetings	3,800	3,800	282	3,518
Dues & Memberships	500	500	-	500
Consulting Services	20,000	20,000	-	20,000
Insurance - Personnel	4,064	4,064	6,913	(2,849)
Insurance - Benefits	100,369	100,369	62,048	38,321
District Office Supplies	76,500	76,500	250	76,250
District Operating Supplies	500	500	-	500
Repairs & Maintenance - Equipment	2,000	2,000	1,867	133
3 Water Efficiency	1,583,000	1,583,000	1,009,150	573,850
Total	<u>\$ 63,740,394</u>	<u>\$ 63,740,394</u>	<u>\$ 59,684,393</u>	<u>\$ 4,056,001</u>

1 Capital outlay was budgeted in Repairs & Maintenance - Equipment but was actually charged to capital.

2 Current year results include a use audit refund of \$866,622.

3 Executed rebate were less than expected and some large anticipate rebate projects were deferred to FY 2014-2015.

MOULTON NIGUEL WATER DISTRICT

STATISTICAL SECTION OVERVIEW

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

	2005	2006	2007	2008
Assets				
Current & other assets	\$ 172,106,692	\$ 167,460,342	\$ 135,253,605	\$ 141,180,151
Capital assets	350,846,634	350,877,488	361,206,238	361,582,353
Total assets	522,953,326	518,337,830	496,459,843	502,762,504
Deferred Outflow of Resources (2)				
Total assets and deferred outflows of resources	-	-	-	-
Liabilities				
Current and other liabilities	15,623,986	18,436,627	15,838,853	15,849,444
Long-term debt	136,207,909	128,174,462	117,038,604	111,527,615
Total liabilities	151,831,895	146,611,089	132,877,457	127,377,059
Net position				
Net investment in capital assets	212,969,450	222,891,731	245,841,042	253,165,739
Restricted for capital projects	11,619,898	12,816,747	3,928,653	4,143,149
Unrestricted	146,532,083	136,018,263	113,812,691	118,076,557
¹ Total net position	\$ 371,121,431	\$ 371,726,741	\$ 363,582,386	\$ 375,385,445

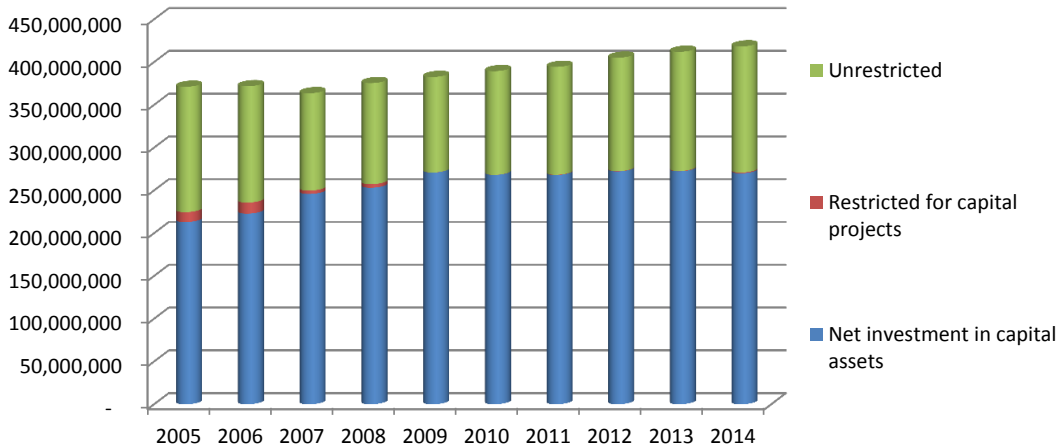
(1) Beginning net position was restated for FY 2007, FY 2008 and FY 2013.

(2) Beginning 2013 GASB 63 and 65 implementation revised the format of the balance sheet.

Source: Moulton Niguel Water District Audited Financial Statements.

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

	2009	2010	2011	2012	2013	2014
\$	126,077,279	\$ 182,990,924	\$ 174,874,392	\$ 178,970,721	\$ 180,037,968	\$ 179,892,333
	368,009,569	371,543,848	373,881,504	373,802,210	371,840,527	366,859,960
	494,086,848	554,534,772	548,755,896	552,772,931	551,878,495	546,752,293
	-	-	-	-	1,318,562	1,136,314
	494,086,848	554,534,772	548,755,896	552,772,931	553,197,057	547,888,607
	17,165,769	20,038,911	18,166,398	20,048,452	21,174,405	19,459,691
	94,335,405	145,122,499	136,276,375	127,632,200	120,022,562	110,150,054
	111,501,174	165,161,410	154,442,773	147,680,652	141,196,967	129,609,745
	270,849,808	268,089,986	267,962,257	272,169,901	272,287,164	269,994,246
	98,855	119,402	312,742	326,175	424,363	931,603
	111,637,011	121,163,974	126,038,124	132,596,203	139,288,563	147,353,013
\$	382,585,674	\$ 389,373,362	\$ 394,313,123	\$ 405,092,279	\$ 412,000,090	\$ 418,278,862



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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating Revenue				
Water charges	\$ 16,233,296	\$ 18,472,894	\$ 21,366,541	\$ 20,642,013
Sanitation charges	8,259,528	10,281,592	11,515,601	11,425,324
Recycled water charges	2,975,868	3,342,937	4,464,604	4,201,937
Other	170,617	283,062	604,746	337,489
Total Operating Revenue	<u>27,639,309</u>	<u>32,380,485</u>	<u>37,951,492</u>	<u>36,606,763</u>
Operating Expenses				
Source of supply ²	16,469,876	17,583,352	20,230,917	18,944,598
Pumping water	618,098	357,650	393,556	390,681
Water and sewage treatment	7,159,561	7,506,433	7,367,708	8,179,717
Water transmission and distribution	2,429,357	2,547,423	2,707,991	2,958,395
Customer accounts	202,777	225,071	285,213	335,049
Water efficiency	-	-	-	-
General, administrative and other	9,370,829	9,267,301	10,838,062	11,407,703
Depreciation	12,265,654	12,585,747	13,602,765	13,783,963
Total Operating Expenses	<u>48,516,152</u>	<u>50,072,977</u>	<u>55,426,212</u>	<u>56,000,106</u>
Operating Income (Loss)	<u>(20,876,843)</u>	<u>(17,692,492)</u>	<u>(17,474,720)</u>	<u>(19,393,343)</u>
Non-operating Revenues (Expenses)				
Interest income ¹	4,345,893	480,324	6,589,646	9,477,382
Property tax revenue & GOB assessments	19,039,914	19,293,391	26,370,628	26,755,228
Interest on long-term debt	(5,226,235)	(5,232,106)	(5,474,668)	(5,340,125)
Cellular lease income	961,066	1,040,136	1,115,941	1,203,720
Other non-operating revenues (expenses) ⁴	459,756	(26,539)	(80,023)	19,422
Total Non-operating Revenues (Expenses)	<u>19,580,394</u>	<u>15,555,206</u>	<u>28,521,524</u>	<u>32,115,627</u>
Income (Loss) before Capital Contributions	(1,296,449)	(2,137,286)	11,046,804	12,722,284
Capital Contributions				
Grant funding				144,899
Developer donated capital facilities	939,300	2,099,826	876,334	970,889
Connection fees	349,972	642,770	932,325	13,169
Other contributions				
Change in Net Position	(7,177)	605,310	12,855,463	13,851,241
Net Position - Beginning of Year ³	<u>371,128,608</u>	<u>371,121,431</u>	<u>350,726,923</u>	<u>361,534,204</u>
Net Position - End of Year	<u>\$ 371,121,431</u>	<u>\$ 371,726,741</u>	<u>\$ 363,582,386</u>	<u>\$ 375,385,445</u>

(1) Investment Income is combined with unrealized gain/loss on investments.

For FY 2004 and FY 2013, the unrealized loss on investments exceeded investment income.

For FY 2006, there was a substantial unrealized loss on investments.

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

(3) Beginning Net Position was restated for FY 2007, FY 2008 and FY 2013.

(4) For FY 2003 a portion of the 1993 General Obligation Bonds was refunded.

(5) Operating expenses and non-operating revenue (expenses) for FY 2012 were restated to show comparison to current year due to account line item changes from ERP system upgrade.

Source: Moulton Niguel Water District Audited Financial Statements.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u> ⁵	<u>2013</u>	<u>2014</u>
\$	19,860,752	\$ 20,578,666	\$ 22,520,064	\$ 28,866,153	\$ 30,633,036	\$ 30,503,803
	11,261,857	12,542,595	14,448,835	16,826,066	16,941,327	5,005,391
	3,968,090	4,446,515	4,340,197	4,530,175	4,612,874	17,135,446
	323,684	572,611	444,346	429,064	1,035,873	562,871
	<u>35,414,383</u>	<u>38,140,387</u>	<u>41,753,442</u>	<u>50,651,458</u>	<u>53,223,110</u>	<u>53,207,511</u>
	20,972,373	22,505,838	22,088,538	24,415,284	28,049,259	29,770,326
	360,363	349,221	419,633	1,593,316	2,135,266	2,100,550
	8,962,772	9,093,471	8,588,172	8,665,958	9,841,299	9,647,000
	3,277,410	4,267,727	3,752,224	1,020,852	2,299,355	2,138,767
	351,151	332,685	311,483	1,202,302	2,711,672	2,750,999
	-	-	-	-	1,446,759	1,448,498
	13,069,750	12,788,639	13,130,167	16,481,929	10,652,698	11,828,248
	14,097,033	14,572,711	15,162,538	15,566,287	13,472,995	16,554,024
	<u>61,090,852</u>	<u>63,910,292</u>	<u>63,452,755</u>	<u>68,945,928</u>	<u>70,609,303</u>	<u>76,238,412</u>
	<u>(25,676,469)</u>	<u>(25,769,905)</u>	<u>(21,699,313)</u>	<u>(18,294,470)</u>	<u>(17,386,193)</u>	<u>(23,030,901)</u>
	7,118,974	6,846,993	4,009,899	6,271,001	(533,131)	2,931,831
	28,320,274	27,407,480	27,250,759	27,221,147	28,528,175	29,083,747
	(5,097,414)	(6,766,600)	(7,897,888)	(7,608,336)	(5,850,174)	(6,781,711)
	1,349,901	1,491,862	1,498,290	1,562,383	1,642,410	1,694,478
	54,270	1,438,137	1,480,660	1,557,431	1,522,360	1,361,984
	<u>31,746,005</u>	<u>30,417,872</u>	<u>26,341,720</u>	<u>29,003,626</u>	<u>25,309,640</u>	<u>28,290,329</u>
	6,069,536	4,647,967	4,642,407	10,709,156	7,923,447	5,259,428
	930,379	54,212	20,530	-	-	-
	156,511	2,069,786	94,332	70,000	60,000	495,000
	43,800	15,723	182,491	-	83,038	489,346
						35,000
	7,200,226	6,787,688	4,939,760	10,779,156	8,066,485	6,278,774
	<u>375,385,445</u>	<u>382,585,671</u>	<u>389,373,359</u>	<u>394,313,119</u>	<u>403,933,603</u>	<u>412,000,088</u>
\$	<u>382,585,671</u>	<u>\$ 389,373,359</u>	<u>\$ 394,313,119</u>	<u>\$ 405,092,275</u>	<u>\$ 412,000,088</u>	<u>\$ 418,278,862</u>

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

Water & Sewer Sales

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

Metered Accounts

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

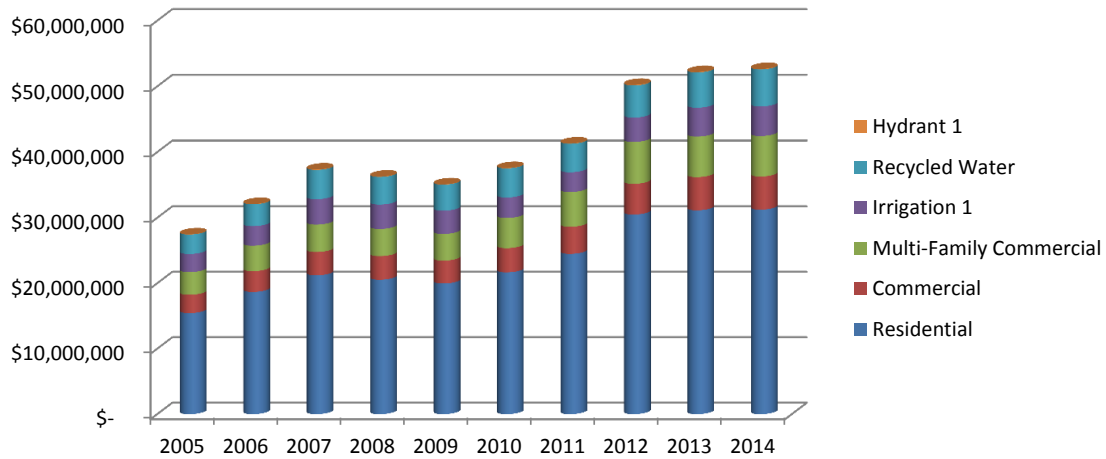
(1) Irrigation, Hydrant, and Recycled Water sales do not include sewer sales.

Source: Moulton Niguel Water District Billing Department.

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 19,960,314	\$ 21,661,402	\$ 24,489,400	\$ 30,493,294	\$ 31,138,646	\$ 31,233,677
3,484,263	3,691,101	4,131,299	4,672,173	5,049,139	5,043,859
4,082,323	4,615,167	5,293,520	6,373,846	6,171,180	6,165,998
3,551,458	3,118,258	3,013,689	3,705,286	4,392,099	4,499,879
3,968,090	4,446,515	4,340,197	4,894,136	5,369,133	5,633,000
44,251	35,333	40,992	83,659	65,027	68,229
\$ 35,090,699	\$ 37,567,776	\$ 41,309,097	\$ 50,222,394	\$ 52,185,224	\$ 52,644,642

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
46,479	46,649	46,840	46,996	47,197	47,305
4,804	4,824	4,839	4,841	4,901	4,898
1,414	1,395	1,387	1,395	1,369	1,367
1,218	1,244	1,262	1,265	1,292	1,299
37	32	34	36	33	30
53,952	54,144	54,362	54,533	54,792	54,899



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>
2005	32,086	\$ 14,811,603	\$ 462	53,225	0.60	\$ 278
2006	33,438	\$ 15,929,186	\$ 476	53,338	0.63	\$ 299
2007	36,679	\$ 15,949,424	\$ 435	53,514	0.69	\$ 298
2008	35,083	\$ 16,975,357	\$ 484	53,788	0.65	\$ 316
2009	33,744	\$ 18,933,932	\$ 561	53,952	0.63	\$ 351
2010	29,635	\$ 20,131,901	\$ 679	54,144	0.55	\$ 372
2011	27,360	\$ 19,908,518	\$ 728	54,362	0.50	\$ 366
2012	27,610	\$ 21,625,497	\$ 783	54,533	0.51	\$ 397
2013	29,704	\$ 24,434,327	\$ 823	54,792	0.54	\$ 446
2014	31,010	\$ 25,689,087	\$ 909	54,899	0.56	\$ 513

(1) Purchase price does not include any charges for services.

Source: Moulton Niguel Water District Accounting Department.

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

Residential, Commercial, & Multi-Family Potable Water Rate by Fiscal Year ^{1 & 2}									
Consumption Tiers	2004-2005		2006-2009		2010		2011		2012-2014 ³
1-10 B.U.	\$ 0.70		\$ 0.86		\$ 1.00		\$ 1.16		
11-20 B.U.	\$ 0.80		\$ 0.96		\$ 1.12		\$ 1.30		
21-30 B.U.	\$ 1.00		\$ 1.16		\$ 1.35		\$ 1.57		
31-50 B.U.	\$ 1.20		\$ 1.36		\$ 1.58		\$ 1.84		
51+ B.U.	\$ 1.30		\$ 1.46		\$ 1.70		\$ 1.97		
Tier 1									\$ 1.38
Tier 2									\$ 1.54
Tier 3									\$ 2.75
Tier 4									\$ 5.51
Tier 5									\$ 11.02

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

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

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

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

(3) A Water Budget Based Rate Structure was implemented July 2011. Tiers 1 and 2 of budgets are based on the number of persons in the household; amount of irrigated acreage; evapotranspiration rate; and the number of days in the billing cycle. Tiers 3, 4 and 5 apply to usage that exceeds budget.

Basic Service Charge for Potable Water									
Meter Size ⁴									
Fiscal Year	5/8"	3/4"	1"	1.5"	2"	3"	4"	6"	8"
2005	5.00	5.00	5.00	10.00	18.00	25.00	35.00	55.00	75.00
2006	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60
2007	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60
2008	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60
2009	6.60	6.60	6.60	11.60	19.60	26.60	36.60	56.60	76.60
2010	7.67	7.67	7.67	13.48	22.78	30.91	42.53	65.77	89.01
2011	8.91	8.91	8.91	15.66	26.46	35.92	49.42	76.42	103.43
2012	10.36	10.36	10.36	34.53	55.25	120.87	207.20	431.67	621.60
2013	10.36	10.36	10.36	34.53	55.25	120.87	207.20	431.67	621.60
2014	10.36	10.36	10.36	34.53	55.25	120.87	207.20	431.67	621.60

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

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

Source: Moulton Niguel Water District Billing Department.

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

Fiscal Year 2014

<u>Customer</u>	<u>Type of Property</u>	Total Water <u>Sales</u> ¹	Percentage of Total Water <u>Sales</u>
Moritz Associates LLC	Multi Family Residential	\$ 180,237	0.67%
Barcelona LLC	Multi Family Residential	158,405	0.59%
Bre Properties	Multi Family Residential	136,740	0.51%
City of Mission Viejo	Parks, Slopes, Medians	131,899	0.49%
Mission Hospital Regional Medical Center	Medical Facility	120,382	0.45%
City of Laguna Niguel	Parks, Slopes, Medians	117,813	0.44%
Hidden Hills Apartments	Multi Family Residential	116,916	0.44%
Aliso Meadows Condo Association	Multi Family Residential	113,900	0.42%
Soka University of America	School	113,194	0.42%
Shea Properties/City Lights	Multi Family Residential	<u>92,043</u>	<u>0.34%</u>
		\$ 1,281,529	4.77%
Total Water Sales for FY 2013-14 \$		26,876,498	

Fiscal Year 2007²

<u>Customer</u>	<u>Type of Property</u>	Total Water <u>Sales</u> ¹	Percentage of Total Water <u>Sales</u>
Moritz Associates LLC	Multi Family Residential	\$ 48,069	0.19%
City of Mission Viejo	Parks, Slopes, Medians	47,413	0.18%
Aliso Meadows Condo Association	Multi Family Residential	44,586	0.17%
Barcelona LLC	Multi Family Residential	42,437	0.16%
Shea Properties	Multi Family Residential	37,600	0.15%
Mission Hospital Regional Medical Center	Medical Facility	37,260	0.14%
City of Laguna Niguel	Parks, Slopes, Medians	35,566	0.14%
Hidden Hills Apartments	Multi Family Residential	34,653	0.13%
Aliso Creek Sares	Multi Family Residential	34,309	0.13%
The Promenade Apartments	Multi Family Residential	<u>33,088</u>	<u>0.13%</u>
		\$ 394,981	1.52%
Total Water Sales for FY 2006-07 \$		25,831,145	

(1) Total water sales includes only potable water sales.

(2) Data prior to fiscal year 2007 is unavailable.

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

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

RESIDENTIAL SEWER RATES										
	2005	2006	2007	2008	2009	2010	2011	2011	2013	2014
Basic Service Charges	\$ 5.50	\$ 7.10	\$ 7.10	\$ 7.10	\$ 7.10	\$ 8.25	\$ 9.59	\$11.14	\$11.14	\$ 11.14
Volumetric Charge										
1-25 B.U.	\$ 0.40	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.65	\$ 0.76	\$ 0.88	\$ 0.88	\$ 0.88
26+ B.U.										
Maximum per month	\$15.50	\$21.10	\$21.10	\$ 21.10	\$21.10	\$24.50	\$28.59	\$33.14	\$33.14	\$ 33.14

COMMERCIAL AND MULTI-FAMILY SEWER RATES										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Basic Service Charge per Sewer	\$ 14.20	\$14.20	\$14.20	\$ 14.20	\$14.20	\$ 16.50	\$19.18	\$22.28	\$22.28	\$ 22.28
Volumetric Charge - All B.U.'s										
Class 1	\$ 0.40	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.56	\$ 0.65	\$ 0.76	\$ 0.88	\$ 0.88	\$ 0.88
Class 2	\$ 0.60	\$ 0.76	\$ 0.76	\$ 0.76	\$ 0.76	\$ 0.88	\$ 1.03	\$ 1.19	\$ 1.19	\$ 1.19
Class 3	\$ 0.80	\$ 0.96	\$ 0.96	\$ 0.96	\$ 0.96	\$ 1.12	\$ 1.30	\$ 1.51	\$ 1.51	\$ 1.51
Class 4	\$ 1.00	\$ 1.16	\$ 1.16	\$ 1.16	\$ 1.16	\$ 1.35	\$ 1.57	\$ 1.82	\$ 1.82	\$ 1.82

Sewer Classes:

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

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

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

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

Source: Moulton Niguel Water District Billing Department.

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

Fiscal Year 2014

<u>Customer</u>	<u>Type of Property</u>	<u>Total Sewer Sales</u>	<u>Percentage of Total Sewer Sales</u>
Shea Properties/City Lights	Multi-family Residential	146,068	0.85%
Moritz Associates LLC	Multi-family Residential	127,260	0.74%
Barcelona LLC	Multi-family Residential	158,405	0.92%
Aliso Creek Sares	Multi-family Residential	94,364	0.55%
Bre Properties	Multi-family Residential	86,182	0.50%
Quail Creek La Paz HOA	Multi Family Residential	75,093	0.44%
Laguna Serano Apts	Multi Family Residential	68,150	0.40%
Aliso Meadows Condo Association	Multi Family Residential	65,874	0.38%
Hidden Hills Apts	Multi Family Residential	65,045	0.38%
Mission Hospital Regional Medical Center	Hospital and Medical Offices	<u>59,621</u>	<u>0.35%</u>
		\$ 946,062	5.51%

Total Sewer Sales for FY 2013-14 \$ 17,135,446

Fiscal Year 2007 ¹

<u>Customer</u>	<u>Type of Property</u>	<u>Total Sewer Sales</u>	<u>Percentage of Total Sewer Sales</u>
Shea Properties	Multi Family Residential	\$ 47,061	0.41%
Moritz Associates LLC	Multi Family Residential	41,352	0.36%
Barcelona LLC	Multi Family Residential	36,653	0.32%
Aliso Creek Sares	Multi Family Residential	33,053	0.29%
The Promenade Apartments	Multi Family Residential	26,947	0.23%
ERP Operating LP LN	Multi-Family Residential	23,909	0.21%
Quail Creek - LA Paz HOA	Multi-Family Residential	23,882	0.21%
Pointe Niguel 505	Multi-Family Residential	22,679	0.20%
Aliso Meadows Condo Association	Multi Family Residential	22,628	0.20%
Hidden Hills Apartments	Multi Family Residential	<u>22,097</u>	<u>0.19%</u>
		\$ 300,261	2.62%

Total Sewer Sales for FY 2006-07 \$ 11,515,601

(1) Data prior to 2007 is unavailable.

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

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

Recycled Water Rates by Fiscal Year							
Consumption Tiers	2004-2005	2006-2009	2010	2011	2012 ¹	2013 ¹	2014 ¹
All B.U.'s		\$ 1.17	\$ 1.36	\$ 1.58			
1 - 50 B.U.	\$ 0.96						
51+ B.U.	\$ 1.04						
Tier 1					\$ 1.23	\$ 1.23	\$ 1.23
Tier 2					\$ 1.23	\$ 1.23	\$ 1.23
Tier 3					\$ 2.20	\$ 2.20	\$ 2.20
Tier 4					\$ 4.41	\$ 4.41	\$ 4.41
Tier 5					\$ 8.81	\$ 8.81	\$ 8.81

(1) A Water Budget Based Rate Structure was implemented July 2011. Tiers 1 and 2 apply to usage within budget, while Tiers 3, 4 and 5 apply to usage in excess of budget.

Recycled Water Basic Service Charge							
Meter Size	2004-2005	2006-2009	2010	2011	2012	2013	2014
5/8"	\$ 5.00	\$ 6.60	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36
3/4"	\$ 5.00	\$ 6.60	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36
1"	\$ 5.00	\$ 6.60	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36
1.5"	\$ 10.00	\$ 11.60	\$ 13.48	\$ 15.66	\$ 34.53	\$ 34.53	\$ 34.53
2"	\$ 18.00	\$ 19.60	\$ 22.78	\$ 26.47	\$ 55.25	\$ 55.25	\$ 55.25
3"	\$ 25.00	\$ 26.60	\$ 30.91	\$ 35.92	\$ 120.87	\$ 120.87	\$ 120.87
4"	\$ 35.00	\$ 36.60	\$ 42.53	\$ 49.42	\$ 207.20	\$ 207.20	\$ 207.20
6"	\$ 55.00	\$ 56.60	\$ 65.77	\$ 76.42	\$ 431.37	\$ 431.37	\$ 431.37
8"	\$ 75.00	\$ 76.60	\$ 89.01	\$ 103.43	\$ 621.60	\$ 621.60	\$ 621.60
10"	\$ 95.00	\$ 96.60	\$ 112.25	\$ 130.43	\$ 1,001.47	\$ 1,001.47	\$ 1,001.47

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

Source: Moulton Niguel Water District Billing Department.

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

Fiscal Year 2014

<u>Customer</u>	<u>Type of Property</u>	Total <u>Consumption</u> ²	Percentage of Total <u>Consumption</u> ²
Aliso Viejo Community Association	Parks, Slopes, Medians	376,506	11.10%
Aliso Viejo Country Club	Golf Course	152,255	4.49%
Mission Viejo Country Club	Golf Course	147,997	4.36%
El Niguel Country Club	Golf Course	144,525	4.26%
Arroyo Trabuco Golf Club	Golf Course	98,965	2.92%
Marina Hills PCA	Golf Course	90,586	2.67%
City of Mission Viejo	Parks, Slopes, Medians	67,433	1.99%
Soka University of America	Private University	63,535	1.87%
County of Orange	Parks, Slopes, Medians	50,690	1.49%
Caltrans District 12	Slopes, Medians	<u>49,363</u>	<u>1.46%</u>
		1,241,855	36.61%

Total Consumption for Fiscal Year 2013-14 3,392,640

Fiscal Year 2007¹

<u>Customer</u>	<u>Type of Property</u>	Total <u>Consumption</u> ²	Percentage of Total <u>Consumption</u> ²
Aliso Viejo Community Association	Parks, Slopes, Medians	416,002	14.69%
El Niguel Country Club	Golf Course	148,745	5.25%
Marina Hills PCA	Golf Course	114,199	4.03%
City of Mission Viejo	Parks, Slopes, Medians	105,429	3.72%
Soka University of America	Private University	103,173	3.64%
Caltrans District 12	Slopes, Medians	65,678	2.32%
El Niguel Heights Community Assn.	Landscape	56,660	2.00%
City of Laguna Niguel	Parks, Slopes, Medians	54,941	1.94%
City of Laguna Hills	Parks, Slopes, Medians	53,224	1.88%
Beacon Hill Planned Community	Parks, Slopes, Medians	<u>52,411</u>	<u>1.85%</u>
		1,170,462	41.32%

Total Consumption for Fiscal Year 2006-07 2,831,495

(1) Data prior to 2007 is unavailable.

(2) Consumption is calculated in Billing Units (B.U.).

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

Source: Moulton Niguel Water District Billing Department.

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

Levy Year	Total Tax Levy	Collected within the Levy Year		Collections from Prior Years	²	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
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	\$ 20,835,460	96.29%	\$ 511,337	\$	\$ 21,346,797	98.65%
2012	\$ 22,143,993	\$ 20,666,470	93.33%	\$ 475,230	\$	\$ 21,141,700	95.47%
2013	\$ 22,511,515	\$ 21,304,598	94.64%	\$ 555,032	\$	\$ 21,859,630	97.10%
2014	\$ 22,890,247	\$ 22,311,794	97.47%	\$ 211,474	\$	\$ 22,523,268	98.40%

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

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

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

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

**Assessed Values by Land Use
FY 2014 FY 2005**

<u>Land Use</u>	<u>Secured Assessed Value</u>	
Residential	\$ 13,447,468,112	\$ 10,583,018,637
Commercial	1,392,608,779	1,390,568,672
Industrial	344,720,766	254,501,705
Vacant/Other	22,328,782	503,361,979
Total	\$ 15,207,126,439	\$ 12,731,450,993

**Principal Local Secured Taxpayers
For Fiscal Year 2014**

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	OC/SD Holdings LLC	Apartments	\$ 64,102,796	0.42%
2	BRE-FMCA LLC	Apartments	45,166,362	0.30%
3	Moritz Associates LLC	Apartments	44,408,101	0.29%
4	Shea Homes	Residential	39,226,509	0.26%
5	Barcelona, LLC	Apartments	38,373,258	0.25%
6	Laguna Cabot Road Business Park LP	Industrial	37,788,612	0.25%
7	Sequoia Equities – Alicante	Apartments	35,207,357	0.23%
8	Sequoia Equities – Alize	Apartments	33,670,515	0.22%
9	Costco Wholesale Corp.	Commercial	26,807,873	0.18%
10	Target Corporation	Commercial	26,609,930	0.17%
			\$ 391,361,313	2.57%

Fiscal Year 2012-13 Total Local Secured Valuation: \$ 15,207,126,439

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

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

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

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

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

Source: California Municipal Statistics, Inc.

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

Fiscal Year	General Obligation Bonds ¹	Certificates of		Operating Lease	Total Debt	Total		Est. District Population	Debt per Capita
		Participation	Loans Payable			Customer Accounts	Debt per Customer Accounts		
2005	\$ 59,560,000	\$ 33,555,234	\$ 44,705,460	\$ 6,385,000	\$ 144,205,694	53,225	\$ 2,709	165,636	\$ 871
2006	\$ 56,410,000	\$ 32,135,234	\$ 42,425,260	\$ 6,008,000	\$ 136,978,494	53,338	\$ 2,568	165,918	\$ 826
2007	\$ 53,080,000	\$ 30,670,234	\$ 40,095,949	\$ 5,596,000	\$ 129,442,183	53,514	\$ 2,419	166,168	\$ 779
2008	\$ 49,565,000	\$ 32,035,000	\$ 37,716,904	\$ 5,149,000	\$ 124,465,904	53,788	\$ 2,314	166,677	\$ 747
2009	\$ 45,765,000	\$ 30,465,000	\$ 25,507,053	\$ 4,667,000	\$ 106,404,053	53,952	\$ 1,972	166,964	\$ 637
2010	\$ 41,740,000	\$ 88,840,000	\$ 23,489,510	\$ -	\$ 154,069,510	54,144	\$ 2,846	167,408	\$ 920
2011	\$ 37,400,000	\$ 86,805,000	\$ 21,432,780	\$ -	\$ 145,637,780	54,362	\$ 2,679	164,450	\$ 886
2012	\$ 32,755,000	\$ 85,215,000	\$ 19,336,551	\$ -	\$ 137,306,551	54,533	\$ 2,518	165,272	\$ 831
2013	\$ 27,775,000	\$ 83,535,000	\$ 17,198,820	\$ -	\$ 128,508,820	54,792	\$ 2,345	168,174	\$ 764
2014	\$ 21,315,000	\$ 81,795,000	\$ 15,019,911	\$ -	\$ 118,129,911	54,899	\$ 2,152	169,212	\$ 698

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

Source: Moulton Niguel Water District Finance Department.

Moulton Niguel Water District
Ratio of Net Direct General Obligation Debt ¹
Last Ten Fiscal Years

Fiscal Year	Total General Obligation Bonds	Net Direct General	Assessed Value ²	Percent of General Obligation Debt to	Population ³	Net General Obligation Debt
	<u>Outstanding</u>	<u>Obligation Debt</u>		<u>Assessed Value</u>		<u>per Capita</u>
2005	\$ 59,560,000	\$ 5,953,813	\$ 4,635,100,705	0.13%	52,738	\$ 113
2006	\$ 56,410,000	\$ 5,620,513	\$ 5,357,123,304	0.10%	52,813	\$ 106
2007	\$ 53,080,000	\$ 5,737,513	\$ 6,256,186,514	0.09%	52,936	\$ 108
2008	\$ 49,565,000	\$ 5,855,913	\$ 6,746,635,752	0.09%	53,223	\$ 110
2009	\$ 45,765,000	\$ 5,982,738	\$ 6,734,350,793	0.09%	53,437	\$ 112
2010	\$ 41,740,000	\$ 6,022,175	\$ 6,193,574,675	0.10%	56,919	\$ 106
2011	\$ 37,400,000	\$ 6,159,813	\$ 6,062,288,925	0.10%	58,503	\$ 105
2012	\$ 32,755,000	\$ 6,263,016	\$ 6,051,286,544	0.10%	56,114	\$ 112
2013	\$ 27,775,000	\$ 6,416,000	\$ 6,093,356,189	0.11%	56,675	\$ 113
2014	\$ 21,315,000	\$ 6,466,700	\$ 6,300,950,763	0.10%	57,236	\$ 113

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

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

(3) The District population is estimated based on the California Department of Finance's annual city population estimates.

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

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

**Moulton Niguel Water District
Direct and Overlapping Debt
Current Fiscal Year**

<u>2012-2013 Assessed Valuations:</u> \$15,234,874,759 (Land only)	Total Debt 06/30/2013	% Applicable (1)	District's Share of Debt 06/30/2014
Metropolitan Water District	\$132,275,000	1.34%	\$1,769,840
Capistrano Unified School District School Facilities Improvement District No. 1	35,109,930	31.968	11,223,942
Laguna Beach Unified School District	28,470,000	1.907	542,923
Saddleback Valley Unified School District	126,840,000	22.421	28,438,796
City of San Juan Capistrano	29,965,000	0.079	23,672
Moulton-Niguel Water District, I.D. No. 6	13,855,000	100	13,855,000
Moulton-Niguel Water District, I.D. No. 7	7,460,000	100	7,460,000
South Coast Water District	1,920,000	6.614	126,989
Orange County Community Facilities Districts	6,731,997	8.075-100.	706,542
City of Aliso Viejo Community Facilities District No. 2005-01	32,270,000	100	32,270,000
City of Mission Viejo Community Facilities District No. 92-1	1,350,000	100	1,350,000
Capistrano Unified School District Community Facilities District No. 87-1	35,900,000	75.003	<u>26,926,077</u>
<i>Total Direct & Overlapping Tax and Assessment Debt</i>			<u>\$ 124,693,781</u>

Direct & Overlapping General Fund Debt:

Orange County General Fund Obligations	\$145,476,000	6.61%	\$9,613,054
Orange County Pension Obligation Bonds	32,195,288	6.608	2,127,465
Orange County Board of Education Certificates of Participation	15,500,000	6.608	1,024,240
Capistrano Unified School District Certificates of Participation	18,245,000	32.457	5,921,780
City of Aliso Viejo Certificates of Participation	7,170,000	98	7,026,600
City of Laguna Hills Certificates of Participation	12,585,000	70.14	8,827,119
City of Mission Viejo Certificates of Participation	15,115,000	34.684	5,242,487
City of San Juan Capistrano Judgment Obligations	2,200,000	0.079	1,738
Municipal Water District of Orange County Water Facilities Corporation	7,775,000	7.916	615,469
Moulton-Niguel Water District Certificates of Participation	81,795,000	100	<u>81,795,000</u>
<i>Total Gross Direct & Overlapping General Fund Debt</i>			122,194,951
Less: MWDOC Facilities Corp			615,469
<i>Total Net Direct & Overlapping General Fund Debt</i>			<u>\$ 121,579,482</u>

Overlapping Tax Incremental Debt (Successor Agency): \$ 21,070,000 0.026% \$ 5,478

Total Direct Debt	\$103,110,000
Total Gross Overlapping Debt	\$143,778,733
Total Net Overlapping Debt	\$143,163,264
Gross Combined Total Debt (3)	\$246,888,733
Net Combined Total Debt	\$246,273,264

Ratios to Land Only Assessed Valuation:

Direct Debt (\$23,315,000) (4)	0.14%
Total Direct and Overlapping Tax and Assessment Debt	0.82%

Ratios to Adjusted All Property Assessed Valuation:

Total Direct Debt (\$103,110,000)	0.35%
Gross Combined Total Debt	0.84%
Net Combined Total Debt	0.84%

(1) Percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the overlapping district's total taxable assessed value.

(2) Excludes accreted value.

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

(4) Moulton Niguel Improvement Districts.

Source: California Municipal Statistics, Inc.

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

Fiscal Year	Total Revenues ¹	Operating Expenses ²	Net Available Revenues	Annual Debt Service ^(3, 4, 5)			Coverage Ratio
				Principal	Interest	Total	
2005	\$ 46,192,399	\$ 36,250,498	\$ 9,941,901	\$ 3,577,144	\$ 2,330,239	\$ 5,907,383	1.68
2006	\$ 52,424,799	\$ 37,487,230	\$ 14,937,569	\$ 3,700,199	\$ 2,404,399	\$ 6,104,598	2.45
2007	\$ 65,783,315	\$ 42,216,143	\$ 23,567,172	\$ 7,491,753	\$ 2,667,114	\$ 10,158,867	2.32
2008	\$ 65,783,315	\$ 42,216,143	\$ 23,567,172	\$ 4,331,069	\$ 2,675,483	\$ 7,006,552	3.36
2009	\$ 63,008,926	\$ 46,993,818	\$ 16,015,108	\$ 14,261,828	\$ 2,163,186	\$ 16,425,014	0.98
2010	\$ 67,240,733	\$ 55,611,741	\$ 11,628,992	\$ 8,309,566	\$ 3,787,050	\$ 12,096,616	0.96
2011	\$ 71,267,139	\$ 55,783,588	\$ 15,483,551	\$ 3,681,716	\$ 5,701,425	\$ 9,383,141	1.65
2012	\$ 72,127,432	\$ 53,336,041	\$ 18,791,391	\$ 3,686,551	\$ 5,727,264	\$ 9,413,815	2.00
2013	\$ 76,664,834	\$ 57,089,327	\$ 19,575,507	\$ 3,572,972	\$ 5,790,836	\$ 9,363,808	2.09
2014	\$ 78,969,108	\$ 59,633,768	\$ 19,335,340	\$ 3,918,909	\$ 5,475,003	\$ 9,393,912	2.06

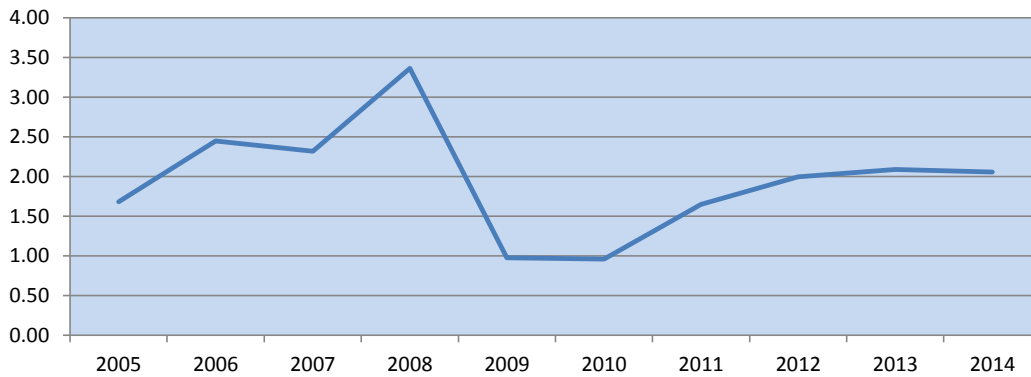
(1) Total Revenues include all operating revenues, interest income and other non-operating revenues excluding general obligation bond assessment revenues used to repay the general obligation bond debt, unrealized gains/losses and connection fees.

(2) Operating expenses exclude depreciation and amortization expense.

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

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

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



Source: Moulton Niguel Water District Finance Department.

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

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2004	165,317
2005	165,636
2006	165,918
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	168,402
2013	165,272
2014	169,212

Source: Moulton Niguel Water District Operations Department.

City of Laguna Niguel ¹				
Fiscal Year	Population	Per Capita Income	Unemployment Rate	
2004	65,620	\$ 43,907	3.30%	
2005	65,800	\$ 46,283	2.90%	
2006	65,959	\$ 49,815	2.60%	
2007	66,058	\$ 52,162	3.00%	
2008	66,522	\$ 52,705	4.10%	
2009	67,117	\$ 51,005	7.00%	
2010	67,666	\$ 47,820	7.50%	
2011	63,228	\$ 55,196	7.20%	
2012	63,691	\$ 49,804	6.80%	
2013	64,065	\$ 50,518	4.40%	
2014	64,460	\$ 50,889	3.90%	

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

Source: City of Laguna Niguel Finance Department

City of Aliso Viejo ²				
Calendar Year	Population	Total Personal Income	Per Capita Income	Unemployment Rate
2005	44,854	\$ 1,755,584,996	\$ 39,079	1.90%
2006	44,924	\$ 1,791,256,601	\$ 39,773	1.80%
2007	45,037	\$ 1,857,154,707	\$ 41,043	2.00%
2008	45,249	\$ 2,052,308,775	\$ 44,925	2.70%
2009	45,683	\$ 1,977,868,828	\$ 43,342	4.80%
2010	45,634	\$ 2,059,354,026	\$ 43,062	4.90%
2011	47,823	\$ 2,002,825,000	\$ 40,884	4.60%
2012	48,988	\$ 2,100,001,788	\$ 42,444	3.00%
2013	49,951	\$ 2,100,839,000	\$ 42,058	2.60%

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

Source: City of Aliso Viejo Finance Department

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

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

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2004	165,317
2005	165,636
2006	165,918
2007	166,168
2008	166,677
2009	166,964
2010	167,408
2011	164,450
2012	168,402
2013	168,174
2014	169,212

City of Laguna Hills ³					
Calendar Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate	
2004	32,994	\$ 1,275,828	\$ 38,677	1.90%	
2005	33,101	\$ 1,321,554	\$ 39,938	3.10%	
2006	33,129	\$ 1,384,623	\$ 41,813	2.90%	
2007	33,143	\$ 1,425,961	\$ 43,058	2.90%	
2008	33,421	\$ 1,441,089	\$ 43,346	4.00%	
2009	33,280	\$ 1,417,282	\$ 42,444	7.00%	
2010	33,593	\$ 1,500,666	\$ 44,672	8.00%	
2011	30,341	\$ 1,445,996	\$ 47,227	6.60%	
2012	30,410	\$ 1,363,858	\$ 44,421	4.80%	
2013 ⁴	30,857	\$ 1,320,001	\$ 42,778	4.20%	

Source: Moulton Niguel Water District Billing Department.

(3) The City of Laguna Hills represents approximately 13% of the total District population.

(4) Total personal income and per capita income for 2013 are not yet available.

Source: City of Laguna Hills Finance Department

City of Mission Viejo ⁵					
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate	
2004	97,845	\$ 130,200,000	\$ 52,871	2.1%	
2005	97,848	\$ 139,300,000	\$ 54,127	2.7%	
2006	98,165	\$ 150,500,000	\$ 56,114	2.6%	
2007	98,030	\$ 153,300,000	\$ 55,172	2.8%	
2008	99,781	\$ 155,000,000	\$ 53,552	3.8%	
2009	100,122	\$ 148,300,000	\$ 51,374	6.8%	
2010	93,297	\$ 153,300,000	\$ 52,124	6.9%	
2011	93,483	\$ 154,100,000	\$ 50,440	6.7%	
2012	94,196	\$ 161,700,000	\$ 52,342	5.7%	
2013	94,824	\$ 165,300,000	\$ 53,032	4.7%	
2014	95,334	\$ 172,400,000	\$ 54,839	3.9%	

(5) The City of Mission Viejo represents approximately 19% of the total District population.

Source: City of Mission Viejo Finance Department

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

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

FY 2014 ²

<u>Rank</u>	<u>Employer</u>	<u>Operating City</u>	<u>Number of Employees</u>	<u>Percent of Each City's Employment</u>
1	Mission Hospital Regional Medical Center	City of Mission Viejo	2,443	4.37%
2	Saddleback College	City of Mission Viejo	1,975	3.53%
3	Fluor Corporation	City of Aliso Viejo	1,400	7.75%
4	Saddleback Valley Unified School District	City of Mission Viejo	1,502	2.69%
5	Saddleback Memorial Hospital	City of Laguna Hills	1,020	5.86%
6	Pacific Life Insurance	City of Aliso Viejo	700	3.79%
7	Hines Growers LLC	City of Laguna Hills	600	3.44%
8	Quest Software Inc.	City of Aliso Viejo	600	3.40%
9	UPS	City of Aliso Viejo	600	3.25%
10	Dell Softwarer	City of Aliso Viejo	600	3.25%

FY 2006 ²

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

(1) Principal Employers represents blended data from the four cities the District serves: Aliso Viejo, Laguna Hills, Laguna Niguel and Mission Viejo.

(2) The District used data from the FYE 2006 - 2013 CAFRs for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo, and Laguna Hills. Data prior to 2006 was not available in comparable formats for all cities, and it is ranked according to the number of employees.

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Office of the General Manag	3	3	3	3	3	3	3	2	3	6
Human Resources	-	-	-	-	1	1	1	2	2	2
Administration	2	2	2	2	-	-	-	-	-	-
Customer Service	-	-	-	-	2	2	2	2	3	2
Utility Billing	5	5	5	5	6	6	7	7	7	6
Customer Service - Field	19	19	19	19	17	19	17	18	19	16
Customer Service - Office	8	6	6	6	5	6	6	7	5	6
Engineering - Field	10	10	10	10	10	11	9	8	9	12
Engineering - Office	3	3	3	3	3	3	7	9	14	11
Purchasing	1	1	1	1	1	2	2	2	2	3
Information Technology	2	3	3	3	3	3	3	3	3	3
Financial Services	2	2	2	2	2	2	3	2	2	2
Accounting	6	5	5	5	5	5	5	7	7	7
Operations Administration	6	6	6	6	6	6	6	6	6	4
Operations - Plant	18	18	18	18	18	14	9	10	11	17
Operations - Field	17	17	17	17	17	17	24	22	20	18
Total	102	100	100	100	99	100	104	107	113	115

Source: Moulton Niguel Water District Human Resources Department.

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

FISCAL YEAR	SERVICE CONNECTIONS	NET INCREASE PIPELINE (MILES)	MONTH OF PEAK CONSUMPTION	PEAK MONTHLY CONSUMPTION (M.G.D.)	AVERAGE DAILY CONSUMPTION (M.G.D.)	DAILY SEWAGE (M.G.D.)	POTABLE IMPORT	TAKEOUTS
2005	53,255	< 1,400	August	40.33	28.84	13.4	28.84	14
2006	53,343	< 1,400	August	39.42	29.71	13.6	29.71	14
2007	53,520	< 1,400	July	41.56	32.20	13.6	32.20	14
2008	53,804	< 1,400	July	41.21	30.69	14.6	30.69	14
2009	53,938	< 1,400	August	39.30	29.24	14.6	29.24	14
2010	54,174	<1,400	August	34.20	26.15	14.6	26.15	14
2011	54,374	<1,400	August	31.30	24.16	12.5	24.16	13
2012	54,597	<1,400	August	34.31	24.43	13.4	20.54	13
2013	54,790	<1,400	August	43.50	25.10	13.6	25.19	13
2014	54,899	<1,400	July	35.30	25.58	11.9	25.60	13

FISCAL YEAR	PUMP STATIONS ¹			RESERVOIRS ¹		NO. OF FIRE HYDRANTS	TREATMENT PLANTS ¹	MILES OF WATER	MILES OF SEWER	MILES OF RECYCLED
	RECYCLED	POTABLE	LIFT	RECYCLED	POTABLE					
2005	12	28	19	12	28	7,000	4	700	530	140
2006	12	30	19	12	28	7,150	4	700	530	140
2007	12	30	19	12	28	7,150	4	700	530	140
2008	12	30	19	12	28	7,170	4	700	530	140
2009	12	30	19	12	28	7,200	4	700	530	140
2010	12	30	19	12	28	7,250	4	700	530	144
2011	12	30	19	13	28	7,256	4	700	537	148
2012	12	30	19	13	28	7,258	4	700	537	148
2013	12	30	19	13	28	7,211	4	700	537	148
2014	12	30	19	13	28	7,141	4	700	537	148

Note: MGD = Millions of Gallons per Day.

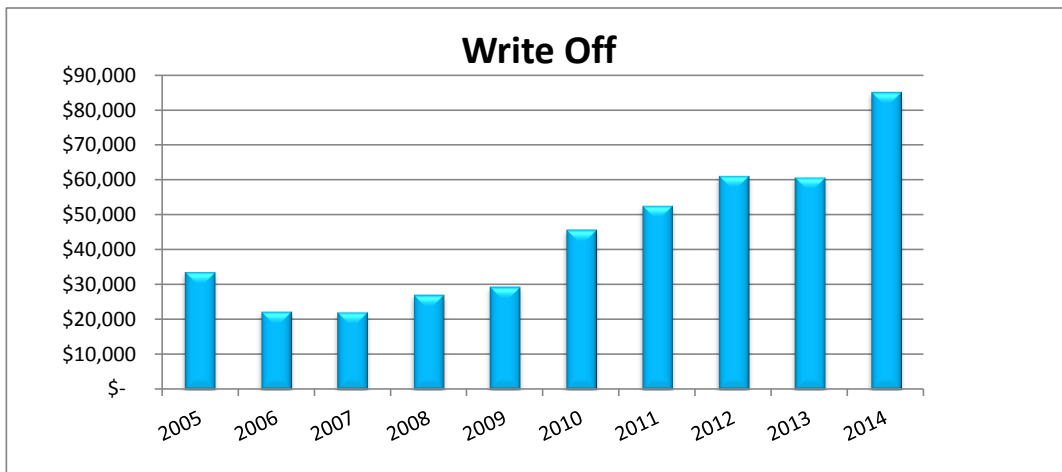
(1) The District wholly owns or has capacity rights in its pump stations, reservoirs, and treatment plants.

Source: Moulton Niguel Water District Operations and Billing Department.

Corrected 2013

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
2005	\$ 2,873,547	\$ 27,669,078	\$ 27,691,955	\$ 2,850,670	\$ 33,721	0.12%
2006	\$ 2,850,670	\$ 31,842,768	\$ 31,285,539	\$ 3,407,899	\$ 22,364	0.07%
2007	\$ 3,407,899	\$ 37,288,053	\$ 36,585,907	\$ 4,110,045	\$ 22,209	0.06%
2008	\$ 4,110,045	\$ 36,200,266	\$ 36,697,046	\$ 3,613,265	\$ 27,189	0.08%
2009	\$ 3,613,265	\$ 35,213,638	\$ 35,775,830	\$ 3,051,073	\$ 29,480	0.08%
2010	\$ 3,051,073	\$ 37,584,780	\$ 37,232,581	\$ 3,403,272	\$ 45,825	0.12%
2011	\$ 3,403,272	\$ 41,104,192	\$ 39,862,841	\$ 4,644,623	\$ 52,657	0.13%
2012	\$ 4,644,623	\$ 49,766,022	\$ 49,423,883	\$ 4,986,762	\$ 61,286	0.12%
2013	\$ 4,986,762	\$ 51,704,350	\$ 50,776,003	\$ 5,915,109	\$ 60,822	0.12%
2014	\$ 5,915,109	\$ 52,795,710	\$ 53,606,871	\$ 5,103,949	\$ 85,183	0.16%

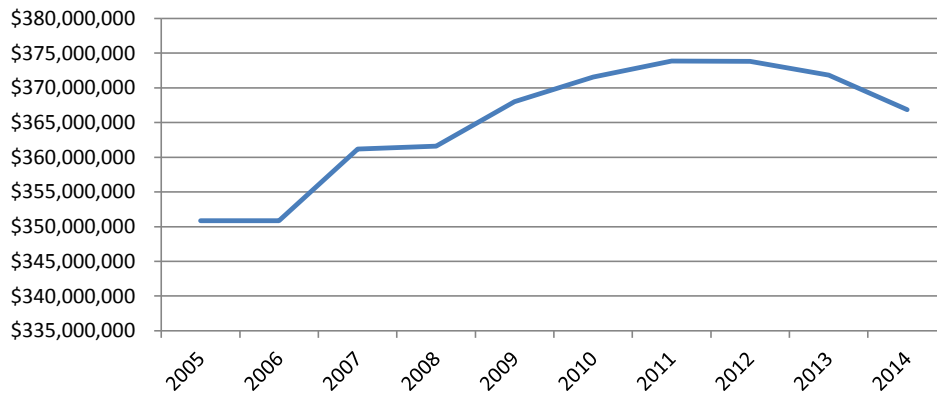


Source: Moulton Niguel Water District Finance Department.

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
2005	\$ 335,874,248	\$ -	\$ 3,898,176	\$ 4,091,970	\$ 1,091,910	\$ 5,890,330	\$ 350,846,634
2006	\$ 331,989,023	\$ -	\$ 3,744,139	\$ 3,981,016	\$ 1,091,910	\$ 10,071,400	\$ 350,877,488
2007	\$ 343,948,637	\$ -	\$ 3,617,740	\$ 3,878,408	\$ 1,091,910	\$ 8,669,543	\$ 361,206,238
2008	\$ 341,989,768	\$ -	\$ 3,455,277	\$ 3,622,842	\$ 1,091,910	\$ 11,422,556	\$ 361,582,353
2009	\$ 343,943,064	\$ -	\$ 3,365,172	\$ 4,145,584	\$ 1,091,910	\$ 15,463,838	\$ 368,009,568
2010	\$ 341,293,660	\$ 8,551,999	\$ 3,538,659	\$ 3,484,082	\$ 1,091,910	\$ 13,583,539	\$ 371,543,849
2011	\$ 335,560,748	\$ 7,995,119	\$ 3,401,805	\$ 3,448,555	\$ 1,091,910	\$ 22,383,367	\$ 373,881,504
2012	\$ 329,278,513	\$ 27,691,901	\$ 3,217,693	\$ 2,949,815	\$ 1,091,910	\$ 9,572,378	\$ 373,802,210
2013	\$ 330,699,738	\$ 27,149,621	\$ 3,119,398	\$ 2,722,514	\$ 1,091,910	\$ 7,057,346	\$ 371,840,527
2014	\$ 318,902,934	\$ 26,607,341	\$ 2,655,805	\$ 2,816,155	\$ 1,091,910	\$ 14,785,811	\$ 366,859,956

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department