



moulton niguel water district

26880 Aliso Viejo Parkway
Aliso Viejo, CA 92656



COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2019





moulton niguel water district

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

Comprehensive Annual Financial Report

Year Ended June 30, 2019

**Prepared By:
The Finance Department**

26880 Aliso Viejo Parkway
Aliso Viejo, Ca 92656

www.mnwd.com

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

Year Ended June 30, 2019

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

Year Ended June 30, 2019

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moulton niguel water district

December 6, 2019

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, 2019. This report was prepared by District staff in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants.

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

The District’s financial statements have been audited by Eide Bailly, LLP, a firm of independent certified public accountants that recently acquired the accounting firm Vavrinek, Trine, Day and Co., LLP, with whom the District contracted to perform audit services. 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, 2019, are free of material misstatement. The independent audit involved performing procedures to obtain audit evidence about 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, 2019, 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 the District

Authority, Services, and Customers

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

The District is authorized to acquire, control, store, treat, reclaim, recapture, and salvage any water (including wastewater) for the beneficial use of the District and its customers. The District's water and wastewater customers include retail customers (e.g. residential and commercial) located in incorporated areas within the District's service area. The District is also authorized to levy and collect taxes; to revise and collect rates or other charges for the delivery of water and collection of wastewater, use of facilities or property, or provisions for service. The District may also issue bonds, borrow money, and incur indebtedness.

Governance

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

Policy-making and legislative authority are vested with the Board. The Board has the authority to set rates and charges for water, recycled water, and wastewater services. The Board is responsible for, among other things, setting policies governing the operation of the District, adopting the budget, appointing committees, and hiring the General Manager. The General Manager is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the District, and for hiring staff for the various divisions (e.g. Finance/Planning, Human Resources, Engineering, and Operations).



The Moulton Niguel Water District Board of Directors

Service Area

The District's service area, located in South Orange County, California, encompasses approximately 37 square miles, serving over 172,000 in population within the cities of Laguna Niguel, Aliso Viejo, Laguna Hills, Mission Viejo, San Juan Capistrano, and Dana Point. The District distributes water to approximately 55,000 accounts, 52,000 of which also receive wastewater service. Elevation within the District ranges from 230 to 904 feet above sea level. Climate is typical of the coastal plains of Southern California, with temperatures mild and relatively uniform. The District experienced a net taxable value increase of 4.9% for the most current tax roll, which was slightly less than the countywide increase of 6.3%. The assessed net taxable valuation of the properties within the District's service area has grown to \$37.6 billion as of June 30, 2019.

Water Supply and Services



Membrane Filtration System at the Baker Water Treatment Plant

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



October 2016 and provides approximately one-third of the treated potable water to the District. The Baker WT Plant, which is owned by the District in partnership with four other water agencies, provides a secondary treatment plant that treats imported MET water and improves local water reliability. All potable water is delivered through three major transmission facilities: the South County Pipeline (“SCP”), East Orange County Feeder #2 (“EOCF#2”), and the Allen-McColloch Pipeline (“AMP”).

The District continues to exert significant efforts to reduce dependence on imported water supplies. Mission Viejo Country Club and El Niguel Country Club began using reclaimed wastewater over 50 years ago. Today, more than 1,360 recycled water meters account for approximately 25% of the District’s total water demand. The District has implemented several water-use efficiency programs, most notably the Water Budget-Based Rate Structure, and extensive rebate programs for its customers. The District continues to evaluate various alternative local water supplies to identify additional opportunities to supplement imported water, as well as implement demand management strategies and outreach programs to reduce water usage.

The District operates and maintains over 700 miles of domestic water distribution pipelines. In addition, the District has 26 steel and 2 pre-stressed concrete operational storage reservoirs for a District-wide total potable water storage capacity of approximately 70 million gallons. The District owns capacity rights in several adjoining water agencies’ reservoirs and pipelines, such as El Toro Water District R-6 reservoir, the Santa Margarita Water District Upper Chiquita Reservoir, the Joint Transmission Main (a joint powers agreement between the District and other water agencies), Eastern Transmission Main jointly owned by the District and the City of San Juan Capistrano, the South County Pipeline, which conveys water from the Allen McColloch Pipeline to several south county water agencies, and the Irvine Ranch Water District Interconnection jointly owned with Irvine Ranch Water District. The District also operates 30 pump stations to pump water from lower pressure zones to the higher pressure zones and 20 pressure reducing stations and flow control facilities to convey water from high to low zones. The District has adopted a policy to evaluate and develop reliability projects and demand management measures that will provide 31 days of average demand water supply to District customers in the event of an outage of imported water supplies. Since 2008, the District has achieved more than 75% of the stated target (24 days) with the implementation of the Baker WTP, and other water reliability projects and demand management programs.

Wastewater Services

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

Recycled Water Supply and Services

The District promotes the use of recycled water to reduce imported water and maximize the reuse of available resources. The recycled water system consists of two Advanced Water Treatment (“AWT”) plants to treat wastewater and supply recycled water, as well as 150 miles of recycled water distribution pipelines with 5 pre-stressed concrete and 6 steel storage reservoirs to service the recycled water system. In addition, the District owns 1,000 acre-feet of capacity rights in the Upper Oso recycled water reservoir owned by the Santa Margarita Water District.



Aliso Viejo Recycled Water Reservoir



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

Factors Affecting Financial Conditions

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

Local Economy

The District serves affluent communities within South Orange County and unemployment rates have historically been lower than those of the region, state, and nation. There are four major land uses in the District: (1) residential (single-family and multiple-family); (2) commercial (retail and light industrial); (3) schools; and (4) recreation areas (parks, golf courses, etc.). Residential development is the predominant land use throughout the District. The highest concentration of commercial use is in the City of Mission Viejo, which includes the Shops at Mission Viejo, an affluent shopping mall, and in the City of Aliso Viejo, which includes the Pacific Park Business Center. The highest concentration of schools (students) is in the cities of Mission Viejo and Aliso Viejo, which includes Mission Viejo High School, Capistrano Valley High School, Saddleback Community College, Aliso-Niguel High School, and Soka University. The highest concentration of recreation areas is in Laguna Niguel and Aliso Viejo, where each has a golf course and numerous community parks. Future growth will primarily occur on a redevelopment basis of existing property and land.

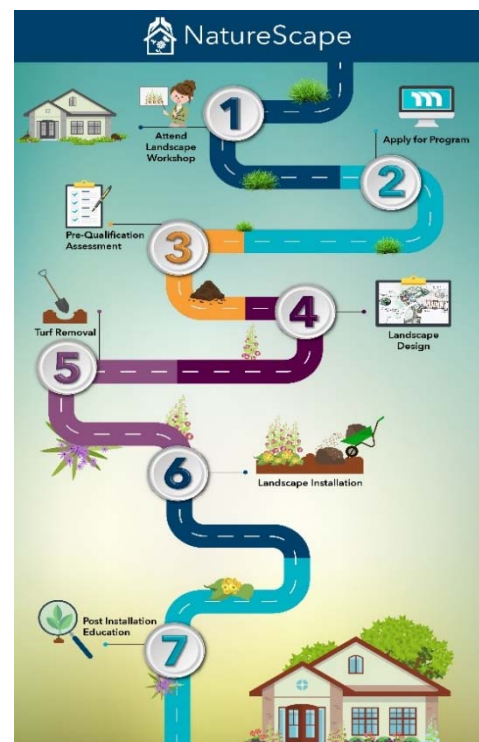
Water Efficiency

The State of California is an active partner with local agencies to address water needs as a result of the most recent drought. The State continues to maintain a set of conservative standards, which among other things, place a permanent ban on wasteful practices, such as hosing driveways and excessive watering. The State also requires monthly reporting and calls for prudent planning and preparing for continued and future drought conditions and water shortages. The State has also proposed legislation that includes a plan to make water conservation a way of life, and to set long-term urban water use efficiency standards by 2021.

The District continues to offer resources, rebates and information to help customers make conservation a California way of life. The District has ongoing partnerships with Universities to study water use, rebate programs, and other resources discussed below under “Major Initiatives” that will continue to inform prudent operational and financial decisions.

Budget Process

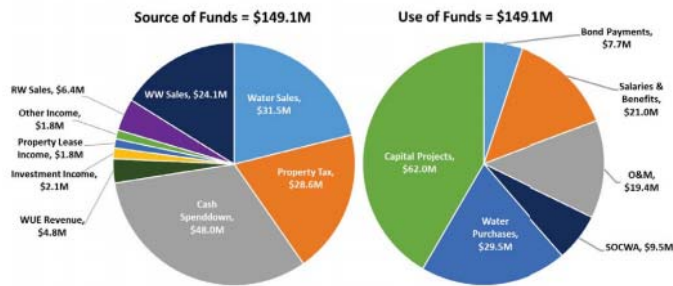
The Board adopts an operating and capital budget prior to each new fiscal year, commencing on July 1st. The development of the operating and the capital budgets are guided by the Ten-Year Cash Flow and the Ten-Year Capital Improvement



Direct-install Turf to Native Garden Program



Program. The operating and capital budgets serve as the foundation for the District’s financial planning and control of District operations and enterprise functions. The District reports its water, wastewater, and recycled water services as a single enterprise fund. On a monthly basis, a budget comparison report is submitted to the Board to provide a year-to-date comparison of the revenues and expenses against the adopted budget, and on a quarterly basis, a capital improvement program progress report is submitted to the Board to provide the status of current infrastructure projects.



Sources and Uses of Funds from District 2019-20 Budget

The District’s annual budget process includes reviewing and updating, if necessary, District policies that govern financial affairs, and contains policies for Reserves, Investments, Purchasing, Capitalization and Surplus, and Debt Management. In June 2019, the Board approved updates to each of those financial policies and adopted a Federal Grants Management Policy that complies with the requirements of the Uniform Guidance.

Each of those policies serve as an important tool in managing the financial affairs of the District. The main objective of the Reserve Policy is to set target levels for cash reserves to establish a relationship between current and anticipated future risks. The District’s reserve categories are discussed in Note 15 of the Notes to Financial Statements. The Board receives monthly updates on the status of the adopted reserve targets. The Investment Policy is used to direct the purchasing of securities, while also maintaining the flexibility to fund infrastructure improvements. The Purchasing Policy establishes procedures for acquiring services and materials, equipment and supplies, and for public works projects for the District. The Debt Management Policy is used to document the District’s goals and guidelines for the use of debt instruments for financing District water, recycled water, and wastewater infrastructure projects and other financing needs. The Capitalization and Surplus policy is intended to provide guidance for accounting and treatment related to the District’s investments in critical assets. The Federal Grants Management Policy is designed to provide guidance to District staff in executing projects and utilizing funds provided through Federal grants, and to comply with the provisions of the Uniform Guidance.

Long-term Financial Planning

The District uses various planning documents; i.e. Urban Water Management Plan (“UWMP”), Long Range Water Reliability Plan, and Long Range Financial Plan (“LRFP”) to forecast the District’s needs for water use and demand, capital improvement projects, water supply reliability projects, and financial resources. The associated financial models supporting those planning documents are significant assets to the District and have been built internally by District staff, allowing the District and the Board to consider and evaluate different scenarios for things such as: changes to the economic environment, operational requirements, or capital investments.

The objective of the LRFP is to identify strategies and actions to ensure sufficient financial resources to enable the District to achieve its mission and to utilize those financial resources effectively. Additionally, the LRFP serves as key contextual information to aid in making near-term financial decisions. The LRFP incorporates the District’s reserve policies, debt policies, coverage ratios, water demand needs, water rates, capital improvement program, and operating budget to provide a financial forecast for the District.

The District has historically maintained a strong financial position based upon conservative planning and budgeting, maintenance of adequate cash balances, and maintaining the proper debt service coverage ratios.



In January 2019, the District fully refunded its outstanding 2009 Certificates of Participation (Build America Bonds) with the 2019 Revenue Refunding Bonds. The refunding will save over \$14 million to District ratepayers over the life of the bond. Additionally, both Standard and Poor's and Fitch rating agencies have rated District debt AAA, the highest rating available. Both agencies cited the District's strong financial management practices and advanced planning tools as reasons for the AAA rating.

Additionally, the District utilizes a conservation-based rate design, as data has shown that design to be the most effective tool in reducing water usage, while still providing the necessary revenues to recover the District's expenses regardless of changing water demands. The State Water Resources Control Board ("SWRCB") has recognized the District's specific rate design as a best practice amongst more than 400 urban water utilities statewide. The rate design focuses on the cost of service for the efficient use of water as the primary basis for setting rates and identifying costs associated with conservation and water-use efficiency programs as the basis for conservation pricing. The rates are also structured to ensure that an appropriate level of fixed expenses is recovered with fixed revenue.

As a result, the District has managed to remain financially strong despite a significant reduction in water use while continuing to maintain water rates among the lowest in the region. The Board annually reviews the financial plan and projected rates through the ten-year cash flow model to ensure the District's financial forecasts are consistent with District policy and objectives while providing a strong foundation.

Internal Controls

Management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. The District's comprehensive framework of internal controls has been designed to provide reasonable assurance that the financial statements will be free from material misstatement. The Board and District staff continue to evaluate the District's internal control framework to determine if improvements are attainable, and implement feasible recommendations.

Major Initiatives


Strategic Planning

The Board provided tactical direction at the 2019 Long Range Strategic Planning Session and identified ten key initiatives for the Board and District staff to focus efforts. The identified initiatives were Outreach and Education, Labor Relations, Data Analytics and Information Management, Demand Management, Wastewater Treatment, Financial Planning, Asset Management, Water Reliability, Government Affairs, and the Plant 2A Upgrades.

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS:
S&P Rating: "AAA"
Fitch Rating: "AAA"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."



\$48,605,000

MOULTON NIGUEL WATER DISTRICT

2019 REVENUE REFUNDING BONDS

Dated: Date of Delivery **Due:** September 1, as shown below

The captioned bonds (the "Bonds") are being issued by the Moulton Niguel Water District (the "District") under an indenture of Trust dated as of March 1, 2019 (the "Indenture") between the District and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"). Proceeds of the Bonds will be used to: (i) refinance an existing installment payment obligation of the District; (ii) fund a debt service reserve fund for the Bonds; and (iii) pay the costs of issuing the Bonds. See "FINANCING PLAN."

The Bonds will be delivered as fully registered bonds, registered in the name of Cade & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of certificates representing their ownership interest in the Bonds. Interest on the Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2019, by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds.

The Bonds are subject to redemption prior to maturity. See "THE BONDS — Redemption."

The Bonds are special obligations of the District and are payable exclusively from Tax Revenues and Net Revenues (each as defined in this Official Statement) of the District and from amounts on deposit in certain funds and accounts established under the Indenture. The provisions of the Indenture relating to the passage of Tax Revenues and Net Revenues is subject to automatic amendment as described in "SECURITY FOR THE BONDS — Automatic Amendments." The District previously incurred a number of obligations that are outstanding and that are payable on a parity basis with the Bonds. In addition, under the Indenture, the District may incur additional debt secured by Tax Revenues and Net Revenues on a parity with the Bonds, provided that the conditions set forth in the Indenture are met. See "RISK FACTORS" and "SECURITY FOR THE BONDS — Parity Obligations."

THE PRINCIPAL OF AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM TAX REVENUES AND NET REVENUES PLEDGED BY THE DISTRICT AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision.

MATURITY SCHEDULE
(See inside cover)

The Bonds are offered when, as and if sold and issued, are, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by Evers & Knipfer LLP as District Counsel, and for the Underwriter by Nevins Property LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery in book-entry form on or about March 1, 2019.

Morgan Stanley

The date of this Official Statement is: January 24, 2019

Cover Page of 2019 Revenue Refunding Bonds



Water Education and Efficiency Actions

The District's Board continues to partner with local and regional agencies to provide a variety of water education and water-saving programs and opportunities to District customers. The following programs are a sample of the types of programs implemented by the District.

Through a partnership with Orange County Coastkeeper and its W.H.A.L.E.S. program, the District is bringing water education into the classroom. The program is available to middle schools and high schools located in the District's service area and consists of in-class presentations and field trips to a local watershed to learn about the importance of water quality, water efficiency and global sustainability.



This past year, the District created a video series aimed to help customers identify and detect toilet leaks. The four-part series is called "Potty Talk" and was posted to the District's YouTube channel.

The District continues to hold its annual H2O for HOAs workshop, which now includes seventeen additional regional municipal partners. The workshop provides education and information on various topics related to water management to homeowner association Board Members, Property Managers, and Professional Landscapers.

The District's NatureScape program continues to be successful. As part of this direct-install turf-to-native garden program, NatureScape participants receive a pre-qualification landscape and irrigation assessment, fifty percent off design fees, turf removal, new landscape installation, and three dollars per square foot of turf that is replaced. This past year, the District held its first NatureScape Garden Tour, which received recognition in the Orange County Register.

The District also holds additional water-efficiency educational workshops throughout the year. The District offers two types of classes, landscape and irrigation. In the landscape workshops, attendees learn how to design landscapes that are sustainable in the Orange County climate. Additionally, the class provides information on climate-appropriate plants and proper irrigation techniques, while answering questions on common landscaping problems. In the irrigation workshops, attendees learn where their water comes from, how to calculate their water budget, managing an irrigation timer and how to fix and retrofit their irrigation system.

The District also participates with the Water Education Foundation in project WET (Water Education for Teachers). This program provides science-based water education training geared toward Kindergarten through second grade teachers and the next generation science standards for those grade levels. Teachers that attend a project WET workshop receive sixty-four fun and interesting lesson plans on water topics.

The District also continues to provide a variety of rebates for outdoor and indoor use, both for residential and commercial customers. Additionally, to help schools better understand their water consumption and identify opportunities for improved water efficiency, the District developed a high efficiency device retrofit program to provide high efficiency water devices and installation to schools within the District's service area. As part of the program, the District provides a site-specific water use assessment. The schools receive a comprehensive report that includes a water balance, an inventory of water using devices, and suggested water efficiency measures to improve both their indoor and outdoor efficiency.



District staff performing water use assessment at local school



Recognition and Funding

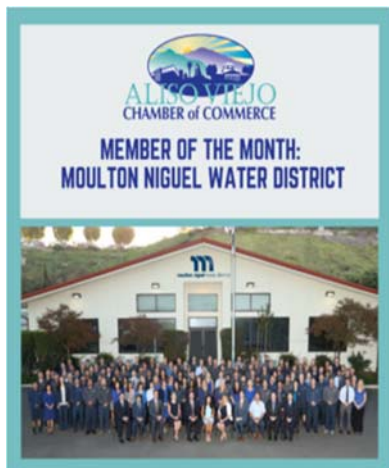
Recently, the District received notification that it would receive a third grant from the United States Bureau of Reclamation through its WaterSmart program for the District's Advanced Meter Infrastructure (AMI) program. In total, the District will receive \$2.1 million in funding from the US Bureau of Reclamation as part of the full rollout of the AMI installation. Thus far, the District has implemented AMI for approximately 6,400 meters, including a pilot program for residential and commercial meters, and all potable and recycled water dedicated landscape meters within the District. With this technology, customers can log into the customer portal to get access to near real time water usage information and receive alerts for potential leaks.

In November 2018, the District's turf transformation program was recognized by the Orange County Business Council for creating environmental sustainability and helping customers save money. To date, District customers have saved over \$6 million in water and removed approximately 6 million square feet of turf.



In December 2018, the District received the 2018 Governor's Environmental and Economic Leadership Award (GEELA). This award represents the state's highest environmental and economic honor for efforts to protect local creeks, watersheds, and beaches from pollution, and doing so in the most cost-effective manner. The District was one of only ten entities in the state to receive the 2018 GEELA Award. The project that received the award is aimed at tackling an issue that many water agencies and local governments are still facing; urban runoff. Urban runoff is the stream of excess irrigation water, dirt, chemicals and fertilizers that flow from streets and sidewalks into creeks, watersheds and ultimately the ocean. By working with local partners to develop a plan for mitigating urban runoff, the District continues to protect oceans and beaches from costly pollution.

Additionally, in December 2018, the District was honored to receive the designation of the #1 top workplace to work in Orange County by the Orange County Register (OC Register). This was the second consecutive year the District received the top workplace designation, and the OC Register provided some additional insights into what makes Moulton Niguel the top work place in its annual publication.



In February 2019, the District was awarded the "Member of the Month" from the Aliso Viejo Chamber of Commerce. As part of the press release for this designation, the Chamber cited the District's recognition from Amazon for the cloud-based infrastructure, the 2018 GEELA award, and the AAA rating awarded from both Fitch and Standard and Poor's rating agencies.

This past year, the District also received the Government and Finance Officers Association award for the 2019 Distinguished Budget Presentation for the District's Fiscal Year 2018-19 budget. The award honors government agencies that adhere to the highest principles of government budgeting and meet nationally-recognized guidelines for public transparency of budget materials.



In May of 2019, the District received the Technology Innovation Award from Government Technology, an AT&T program, as part of its 2019 Special Districts Program. The Government Technology award recognized the District's online customer portal, MyWater MNWD within its Technology Innovation Citizens category. This category recognizes special districts that have utilized technology to improve service delivery to citizens. The category also spotlights special districts who continually enhance the user's experience, accelerate access to services, and improve overall service to the customers they serve.

Water Recycling

This past year, the District celebrated its 50th year of operating one of the state's most successful water recycling programs, reusing more than 2 billion gallons of water each year. The District was one of the first agencies to begin using recycled water, and the system now supports more than 1,360 meters, and collectively supplies 7 million gallons per day for irrigation uses at parks, recreational facilities, golf courses, and street medians. In total, approximately 25% of the District's total demand is now met with recycled water.



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

Regional Collaborative Ventures

Over the next eighteen months, the District will work with world-renowned scientists and engineers at UC Davis' Center for Water and Energy Efficiency to optimize the District's energy use and reduce operating costs -- while continuing to meet every customer's water needs. The \$3.1 million project, which is funded by a grant from the California Energy Commission, will use real-time energy analytics to develop an energy management system that adapts to changing energy demands and different energy rate structures for the District's potable and recycled water systems.

In February of 2018, the District signed an agreement with Orange County Water District to collaboratively study the potential of future dry weather and emergency storage in the Orange County Groundwater Basin. The first study is to explore potential conveyance from the basin to South Orange County, with the second evaluating the economic aspects of a potential future agreement. These studies build on the existing emergency storage agreement the District has with Orange County Water District.

In early 2018, the District signed a historic Memorandum of Understanding (MOU) with the County of Orange, City of Laguna Niguel, City of Mission Viejo, City of Laguna Hills, City of Aliso Viejo, City of Dana Point, Laguna Bluebelt Coalition, and OC Coastkeeper to reduce urban runoff in order to protect local creek water quality, and ultimately, our ocean. The MOU's potential local, regional, and state-wide impact have already begun to receive recognition, with its first major project, the Smart Watershed Network. The project was recently awarded the 2018 GEELA Award and has received over \$200,000 in funding from the Metropolitan Water District of Southern California based on its innovative use of technology to address development of new water supplies.

Wastewater Treatment

In August 2018, the District's Board of Directors adopted a resolution updating the District's wastewater treatment plant capacity requirements. As part of that resolution, the District provided an update to its 1998 Revised Sewer Master Plan analyzing its wastewater treatment plant capacity requirements. The



Board also indicated they intend to maximize wastewater flows to the Regional Treatment Plant and 3A Plant to maximize recycled water to further enhance future wastewater reuse opportunities.

Major Capital Investments

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



Plant 2A Upgrades

The District awarded a Construction Manager-at-Risk Contract to Layton Construction Company, LLC (Layton) to construct various projects associated with Plant 2A upgrades. The District broke ground on these projects in August 2019. Plant 2A has served as an operations facility for the District for more than 50 years, originally developed as a wastewater treatment plant in 1965. The treatment plant was decommissioned in the early 1970s, and the site has been used for various operations activities. Since that time, only minimal improvements have been made to the facilities despite an increased customer base and growing infrastructure and operational needs associated with providing water, recycled water, and wastewater collection and treatment services to

the communities served by the District. The existing facilities are generally undersized for their current uses, and no longer sufficient to meet the changing and developing operational requirements. The District determined that several improvements were required to support the needs of operations and maintenance functions.

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



Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to Moulton Niguel Water District for its CAFR for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the 2019 CAFR continues to meet the Certificate of Achievement Program requirements and this report will mark our eleventh consecutive submission to the GFOA to determine its eligibility for another certificate. The District has received the award for its CAFR for each of the past ten years.

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**

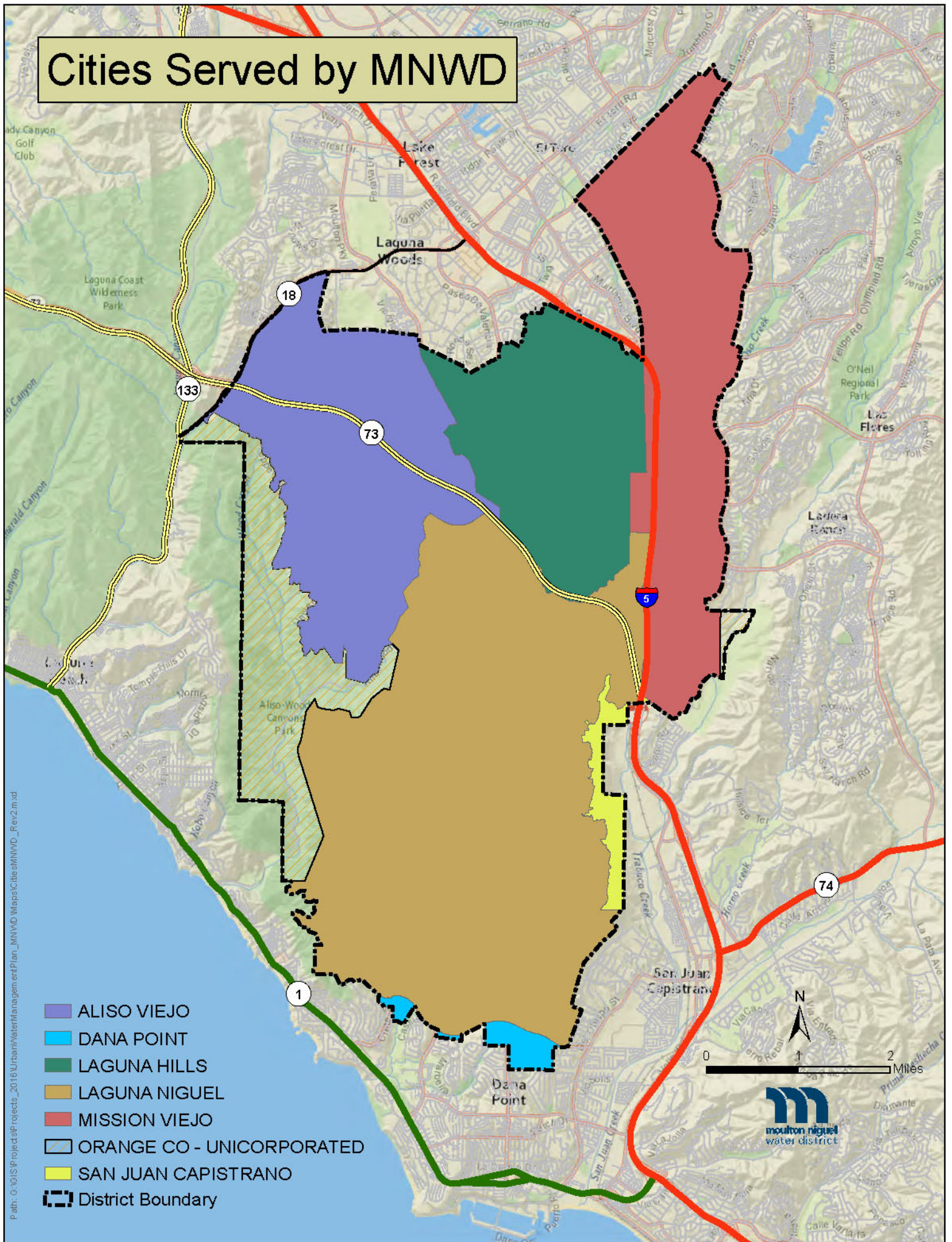
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

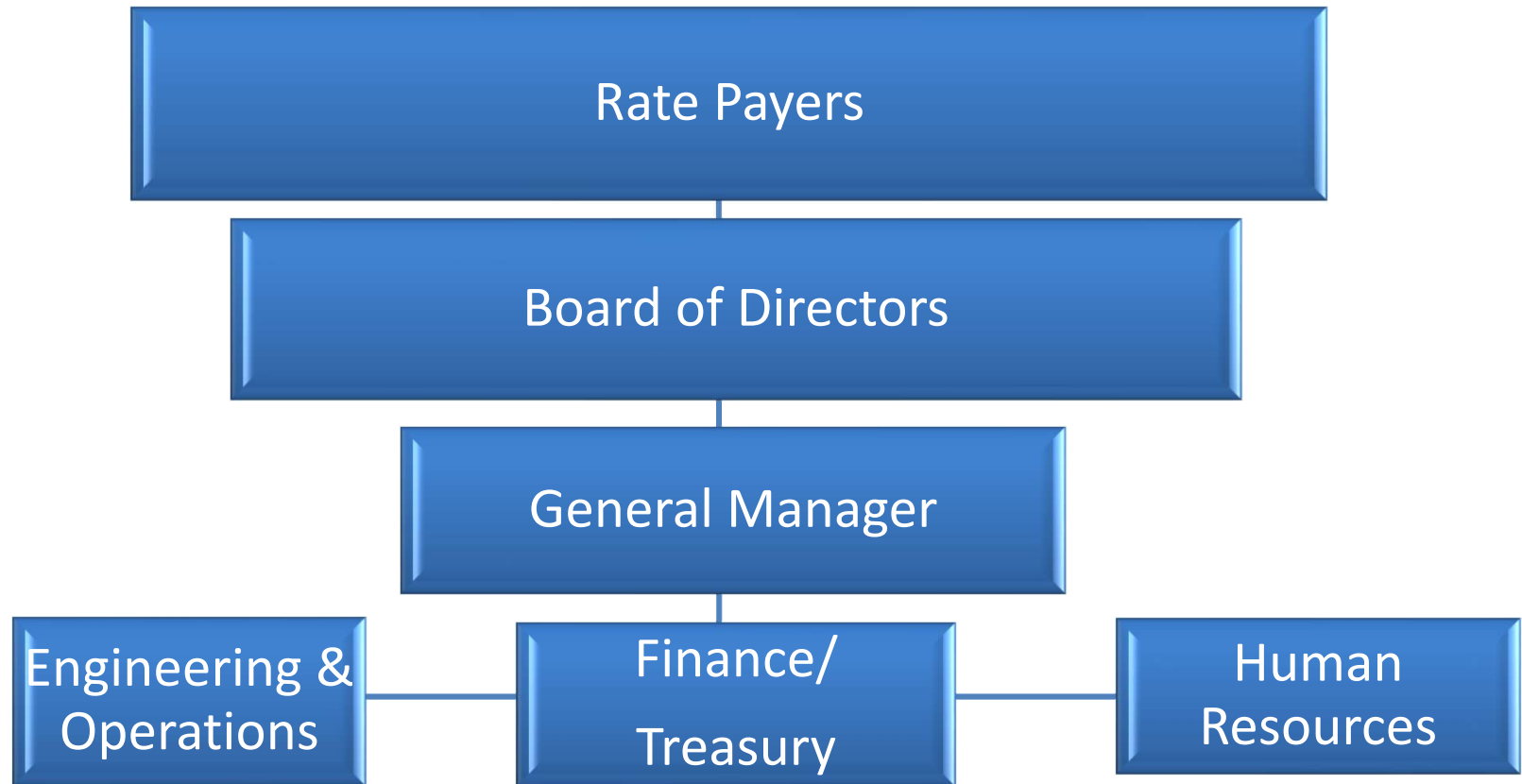
Executive Director/CEO

Cities Served by MNWD



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Moulton Niguel Water District Organization Chart



Moulton Niguel Water District Board of Directors

Brian S. Probolsky
President



Duane D. Cave
Vice President



Donald R. Froelich
Vice President



Gary R. Kurtz
Director



Kelly A. Jennings
Director



Bill B. Moorhead
Director



Richard Fiore
Director





moulton niguel water district



Independent Auditor's Report

Board of Directors
Moulton Niguel Water District
Laguna Niguel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Moulton Niguel Water District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2019, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, schedule of proportionate share of the net pension liability on page 56, schedule of plan contributions for pensions on page 57, schedule of changes in the net OPEB liability and related ratios on page 58 and schedule of contributions for the OPEB plan on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of revenues, expenses, and other sources (uses) of funds and operations & maintenance (O&M) budget comparison report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and other sources (uses) of funds, and operations & maintenance (O&M) budget comparison report are fairly stated in all material respects in relation to the basic financial statements as a whole.

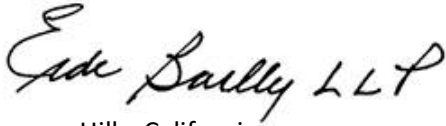
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

The financial statements of the District as of and for the year ended June 30, 2018 were audited by Vavrinek, Trine, Day & Co., LLP, who joined Eide Bailly LLP on July 22, 2019 and whose report dated December 10, 2018 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Laguna Hills, California
December 5, 2019



moulton niguel water district

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

Year Ended June 30, 2019

Overview of the Financial Statements

The Moulton Niguel Water District ("District") financial statements are prepared in conformity with Generally Accepted Accounting Principles ("GAAP") and include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Readers should evaluate the financial statements with the accompanying Notes to Financial Statements. The Notes to Financial Statements are an integral part of the financial statements and provide useful explanations and detailed information on the financial statements. Management's Discussion and Analysis precedes the financial statements and its purpose is to provide an overall analysis of the District's financial position and results of operations.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$421.6 million (total net position). Net position consists of \$319.6 million in net investment in capital assets, \$0.4 million in restricted for capital projects, and \$101.6 million of unrestricted net position. This is an increase of \$8.6 million, or 2.1% over the prior fiscal year total net position of \$413.0 million.
- Total liabilities decreased by \$5.5 million to \$112.4 million for the fiscal year ending June 30, 2019. This decrease was primarily the result of scheduled debt service payments made during the fiscal year. During the fiscal year, the District fully refunded \$60.0 million of 2009 Certificates of Participation (COPs) with \$48.6 million of 2019 Revenue Refunding Bonds.
- Total Revenues were \$103.5 million, an increase of \$10.2 million, or 10.9%, largely driven by an increase in investment income and contributions received recorded during the fiscal year. The District adheres to Governmental Accounting Standards Board Statement No. 31, which requires the District to record investments at fair market value.
- The District also received \$3.2 million in capital contributions during the fiscal year, including \$2.2 million in developer donated capital facilities. In the prior fiscal year, the District received \$0.8 million in developer donated capital facilities.
- The District received \$29.1 million for its share of the 1% ad valorem property taxes, an increase of \$1.2 million, or 4.2% over the prior fiscal year.
- Total capital assets for the year ended June 30, 2019, are \$395.9 million, an increase of \$8.3 million, or 2.1%.
- Total long-term debt was \$76.7 million at June 30, 2019, a decrease of \$6.6 million, or 7.9%. The refunding of the 2009 COPs with the 2019 Revenue Refunding Bonds will save District ratepayers over \$14 million in future debt payments.

Required Financial Statements

The *Statement of Net Position* states the financial position of the District at June 30, 2019. This statement includes five components: District assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the remaining difference between those items being reported as net position. The assets and liabilities are listed in order of their liquidity. Therefore, assets readily convertible to cash, such as cash and investments, appear first.

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

Year Ended June 30, 2019

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

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

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

District Financial Analysis

The following condensed schedules contain summary financial information extracted from the basic financial statements and are meant to assist readers in evaluating the District's overall financial position and results of operations. These schedules can be used to assess whether the District's overall financial position has improved or deteriorated. Other external factors such as changes in economic conditions, customer growth, and legislative mandates should also be considered as part of this analysis.

Financial Position Summary:

The Statement of Net Position presents the District's financial position as of June 30. The statement consists of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Total net position represents the District's net worth. A condensed Statement of Net Position is presented as part of this analysis:

Table 1 - Condensed Statement of Net Position (In Thousands)				
	2019	2018	Increase/(Decrease)	
			Amount	Percent
Current and noncurrent assets	\$ 133,276	\$ 138,224	\$ (4,948)	-3.6%
Capital assets, net	395,920	387,587	8,333	2.1%
Total Assets	529,196	525,811	3,385	0.6%
Deferred Outflows of Resources	6,005	7,321	(1,316)	-18.0%
Current liabilities	18,069	16,613	1,456	8.8%
Long-term liabilities	94,309	101,294	(6,985)	-6.9%
Total Liabilities	112,378	117,907	(5,529)	-4.7%
Deferred Inflows of Resources	1,186	2,183	(997)	-45.7%
Net investment in capital assets	319,601	304,821	14,780	4.8%
Restricted for capital projects	375	605	(230)	-38.0%
Unrestricted net position	101,661	107,616	(5,955)	-5.5%
Total Net Position	\$ 421,637	\$ 413,042	\$ 8,595	2.1%

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

Year Ended June 30, 2019

Financial Position Summary (Continued):

As shown in Table 1, the District’s total assets increased \$3.4 million, or 0.6%. The increase was primarily the result of the District’s continued investment in its infrastructure, or capital assets. Total net capital assets increased by \$8.3 million, or 2.1% over the prior fiscal year. Those capital asset investments were partially offset by a \$4.5 million reduction in unrestricted cash and investments, which was projected as part of the District’s Long-Range Financial Plan.

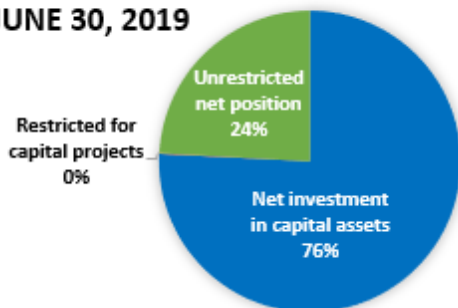
The deferred outflows of resources balance decreased to \$6.0 million, or (18.0%) as compared to the prior fiscal year balance of \$7.3 million. This is primarily the result of changes in assumptions made by the District’s pension plan administrator, CalPERS.

Total liabilities decreased by \$5.5 million, or 4.7% as compared to the previous fiscal year. The main driver for this decrease was \$4.7 million in scheduled debt service payments made by the District. Additionally, the District fully refunded \$60.0 million of 2009 Certificates of Participation (Build America Bonds) with \$48.6 million of 2019 Revenue Refunding Bonds and an associated \$10.2 million premium during the fiscal year.

Deferred inflows of resources ended the fiscal year at \$1.2 million, decreasing \$1.0 million, or 45.7% in comparison to the prior fiscal year. This decrease is mostly due to a decrease in reported deferred inflows related to the District’s pension proportion, which was \$0.5 million higher than in the prior fiscal year.

The District’s total ending net position at June 30, 2019, amounted to \$421.6 million, increasing \$8.6 million, or 2.1% during the fiscal year.

**FIGURE 1
NET POSITION
JUNE 30, 2019**



Net position consists of \$319.6 million in net investment in capital assets, \$0.4 million restricted for capital projects, and \$101.7 million in unrestricted net position. Net investment in capital assets reflects capital assets, net of accumulated depreciation or amortization and liabilities attributed to the acquisition, construction, or improvement of those assets. The District’s net investment in capital assets balance increased by \$14.8 million, or 4.8% over the prior fiscal year, and represents 75.8% of total net position.

Restricted net position ended the year at \$0.4 million, decreasing \$0.2 million as compared to the prior fiscal year.

Restricted net position represents the unspent portion of capacity fees paid by developers for connecting to the water and wastewater systems. Annually as part of the budget process, the District specifies which capital projects will be funded from these restricted monies.

Unrestricted net position was \$101.7 million at June 30, 2019, representing a decrease of \$6.0 million, or 5.5% from the balance reported at June 30, 2018. The primary reason for this decrease is due to the implementation of the District’s Long-Range Financial Plan, which focuses on capital investment to rehabilitate the District infrastructure. Additional information on unrestricted net position can be found in Note 15 in the Notes to Financial Statements.

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

Year Ended June 30, 2019

Activities and Changes in Net Position:

The Statement of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the fiscal year. A summary of the District's changes in net position for the fiscal year's ended June 30, is included in Table 2, below:

Table 2 - Revenues, Expenses and Changes in Net Position (In Thousands)				
	2019	2018	Increase/(Decrease)	
			Amount	Percent
Water charges	\$ 32,681	\$ 32,318	\$ 363	1.1%
Recycled charges	5,161	5,597	(436)	-7.8%
Sanitation charges	25,463	22,624	2,839	12.5%
Other	644	469	175	37.3%
Total Operating Revenues	63,949	61,008	2,941	4.8%
Property taxes	29,111	27,926	1,185	4.2%
GOB assessment	1,220	922	298	32.3%
Investment income	6,067	(10)	6,077	100.0%
Cellular lease income	1,770	1,898	(128)	-6.7%
Intergovernmental revenue	1,343	1,336	7	0.5%
Other	78	252	(174)	-69.0%
Total Non-operating revenues	39,589	32,324	7,265	22.5%
Total Revenues	103,538	93,332	10,206	10.9%
Water purchases	23,671	26,865	(3,194)	-11.9%
Meters	361	395	(34)	-8.6%
Utilities	1,849	2,185	(336)	-15.4%
Wastewater treatment & pumping	14,329	13,391	938	7.0%
Water transmission & distribution	2,048	1,227	821	66.9%
General, administrative & other	29,114	27,470	1,644	6.0%
Depreciation	19,744	19,375	369	1.9%
Total Operating Expenses	91,116	90,908	208	0.2%
Interest on long-term debt	4,078	4,518	(440)	-9.7%
Other	2,943	85	2,858	3362.4%
Total Non-operating Expenses	7,021	4,603	2,418	52.5%
Total Expenses	98,137	95,511	2,626	2.7%
Income (loss) before capital contributions	5,401	(2,179)	7,580	-347.9%
Capital contributions	3,194	1,764	1,430	81.1%
Change in Net Position	8,595	(415)	9,010	-266.8%
Beginning Net Position	413,042	415,077	(2,035)	-0.5%
Prior period adjustments*	-	(1,620)	1,620	0.0%
Ending Net Position	\$ 421,637	\$ 413,042	\$ (415)	-0.1%

* The prior period adjustment in 2018 relates to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

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

Year Ended June 30, 2019

Revenues:

As shown in Table 2, the District’s total revenues increased \$10.2 million, or 10.9% in fiscal year 2019, totaling \$103.5 million.

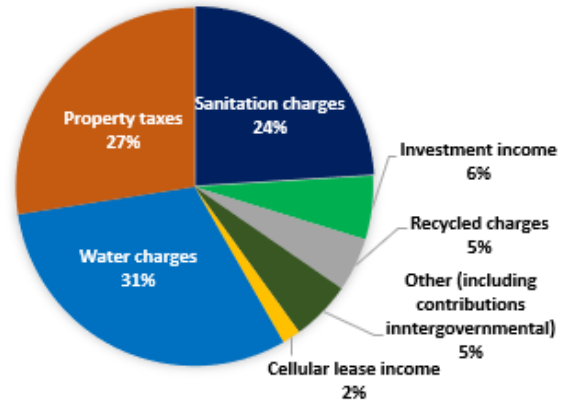
Operating revenues amounted to \$63.9 million for the fiscal year ended June 30, 2019, increasing 4.8% over the prior fiscal year total of \$61.0 million. Total operating revenues represented approximately 62% of total revenues for the fiscal year ended. Figure 2 provides an illustration of the different sources of revenue the District received during the fiscal year ended June 30, 2019.

Water charges contributed the largest share of total revenues at \$32.7 million, or 32% of total revenues. The fiscal year total for water charges represented a 1.1% increase over the prior fiscal year total of \$32.3 million.

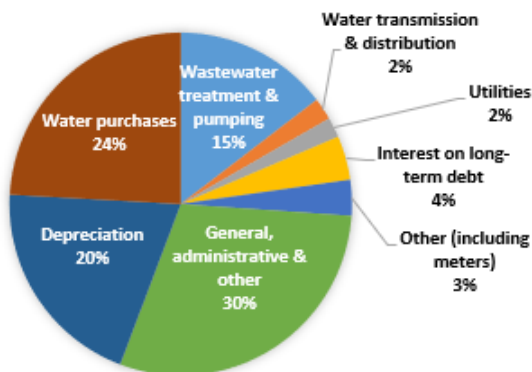
Sanitation charges increased by \$2.8 million to \$25.5 million for the fiscal year, increasing by 12.5% over the prior fiscal year. In December 2017, the Board adopted a four-year rate schedule for potable, recycled, and sanitation service charges based on recommendations from the 2017 Cost of Service Study. The fiscal year 2018-19 rate revenue for Sanitation Sales included a 5.5% increase.

Non-operating revenues totaled \$39.6 million for the fiscal year ended, an increase of 22.5% over the prior fiscal year and represents approximately 38% of total revenue. The \$7.3 million increase over the prior fiscal year is primarily related to a \$1.2 million increase in the District’s share of 1% Ad Valorem property taxes received from the County of Orange and \$6.1 million recorded as investment income. The District records investments at fair market value, which means unrealized gains and losses are recorded on investments held. In Fiscal Year 2018-19, unrealized gains were \$3.2 million, an increase of \$5.4 million as compared to the prior year, when the District was required to report an unrealized loss of (\$2.2) million.

**FIGURE 2
REVENUES FOR FISCAL YEAR
ENDED JUNE 30, 2019**



**FIGURE 3
EXPENSES FOR FISCAL YEAR
ENDED JUNE 30, 2019**



Expenses:

As seen in Table 2, total expenses for the fiscal year ended June 30, 2019, increased to \$98.1 million, representing an increase of \$2.6 million, or 2.7% over the prior fiscal year total of \$95.5 million. Operating expenses ended the fiscal year at \$91.1 million, an increase of \$0.2 million, or 0.2% over the 2018 totals. Water purchases, wastewater treatment and pumping, and water transmission and distribution amount to 41% of total expenses for the District. Water Transmission and Distribution costs increased by 66.9% to \$2.0 million during the fiscal year. This was the result of several repairs during the fiscal year in the District’s potable distribution system.

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

Year Ended June 30, 2019

Expenses (Continued):

Overall water purchases decreased by \$3.2 million, or 11.9% during the fiscal year. The District received a reimbursement from Santa Margarita Water District (SMWD) for water delivered through an intertie that connects the two systems. SMWD reimbursed the District for 2,158 Acre Feet at the Metropolitan Water District treated rate, totaling \$2.2 million. Additionally, the District’s service area experienced a wetter rainy season than in the past fiscal year. The average Evapotranspiration figure for the months of December 2018 through March 2019 was 2.34 inches, or 20% lower than in that same period in the prior fiscal year.

Non-operating expenses increased by \$2.4 million to \$7.0 million, representing a 52.5% increase over the prior fiscal year. The District resolved a lawsuit filed by the South Orange County Wastewater Authority, the City of Laguna Beach, South Coast Water District and Emerald Bay Service District (collectively “Plaintiffs”) in May 2019. The District and the Plaintiffs settled the litigation addressing past capital improvement projects and no new obligations were incurred as a result of the litigation. The parties collectively agreed that the end date for Project Committee 15 (and by proxy the District’s participation in the Coastal Treatment Plant) will be 2030, providing finality for the District’s funding obligations.

Capital Contributions:

As noted in Table 2, capital contributions increased \$1.4 million, or 81.1% to \$3.2 million during the fiscal year ended June 30, 2019. This increase was primarily driven by an increase in developer donated capital facilities, which were \$2.2 million this year, an increase of approximately \$1.4 million, or 166.2% over the prior fiscal year. That increase was due to a high number of projects that were completed by external developers and donated to the District as part of connecting to the District’s system. Additionally, the District received \$0.8 million from neighboring agencies as part of agreements related to shared facilities, such as the District’s wastewater treatment plant, Plant 3A. As the District assumed operations of that facility in fiscal year 2019, agency related contribution revenue increased by 175.0% over the prior fiscal year.

Capital Assets:

Table 3 - Condensed Capital Asset Summary (In Thousands)				
	Fiscal Year		Increase/(Decrease)	
	2019	2018	Amount	Percent
Water systems	\$ 260,191	\$ 261,018	\$ (827)	-0.3%
Capacity rights	110,611	106,003	4,608	4.3%
Buildings	1,566	1,846	(280)	-15.2%
Equipment and automobiles	8,952	10,174	(1,222)	-12.0%
Total Net Depreciable Assets	381,320	379,041	2,279	0.6%
Land	1,092	1,092	-	0.0%
Construction in Progress	13,508	7,454	6,054	81.2%
Total Non-Depreciable Assets	14,600	8,546	6,054	70.8%
Capital Assets, Net	\$ 395,920	\$ 387,587	\$ 8,333	2.1%

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

Year Ended June 30, 2019

Capital Assets (Continued):

As shown on the previous page in table 3, the District held \$395.9 million in total net capital assets as of June 30, 2019. This represented an \$8.3 million increase, or 2.1% over the prior fiscal year total. During the fiscal year, the District did not invest in additional buildings, so the \$0.3 million decrease was the result of depreciation expense. For equipment and automobiles, the \$1.2 million decrease noted is the result of depreciation exceeding the District’s investment in those assets. The District invested over \$1.1 million in additional equipment and automobiles during fiscal year 2019, however, depreciation expense on those assets amounted to \$2.3 million. Total depreciation expense was \$19.7 million for the fiscal year ended.

**FIGURE 4
TOTAL CAPITAL ASSETS
AT JUNE 30, 2019**

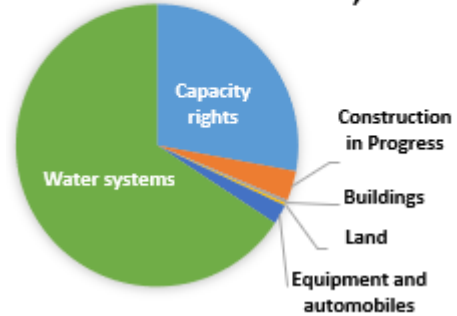
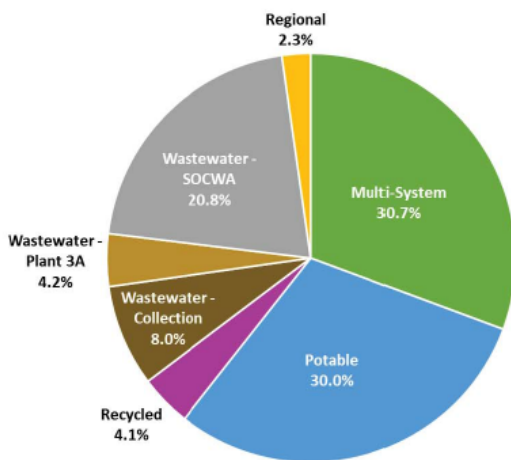


FIGURE 5

System	FY 2019-20 Proposed Budget
Multi-System	\$21,987,134
Potable Water	\$21,500,000
Recycled Water	\$2,935,000
Wastewater	
Collection	\$5,770,000
Treatment (Plant 3A)	\$2,980,135
Treatment (SOCWA)	\$14,937,197
Regional (i.e. Baker WTP, JRWSS, Upper Oso/Chiquita, etc.)	\$1,620,227
Total FY 2019-20 Proposed Budget	\$71,729,693

The District invested \$25.9 million in additional construction in progress expenses during the fiscal year. Projects completed during the fiscal year and transferred from construction in progress to depreciable capital assets amounted to \$19.8 million.

As noted in Figure 5, the District’s Fiscal Year 2019-20 Adopted Budget includes \$71.7 million in capital spending, primarily for multi-system, potable water, and wastewater related projects. As part of the Ten-Year Cashflow included in the Adopted Budget document, the District anticipates issuing \$68.0 million in 2019 Certificates of Participation to help fund these investments in infrastructure. See Note 5 in the Notes to Financial Statements for additional details on capital asset activities.



Long-term Debt:

As noted in Table 4 on the next page, the District’s total long-term liabilities at June 30, 2019, was \$76.7 million, representing a decrease of \$6.6 million, or 7.9% over the prior fiscal year.

During the fiscal year, the District fully refunded \$60.0 million of 2009 Certificates of Participation (Build America Bonds) with \$48.6 million of 2019 Revenue Refunding Bonds. Additionally, the District recorded an associated \$10.2 million premium as a result of the 2019 Revenue Refunding Bonds. That transaction lowered the total long-term liability balances by \$1.2 million.

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

Year Ended June 30, 2019

Long-term Debt (Continued):

As part of that process, the District was reviewed by both Fitch and Standard and Poor’s rating agencies and both agencies awarded the District with a AAA rating, the highest rating available. The AAA rating from Standard and Poor’s represented a credit upgrade. Other decreases noted in Table 4 were primarily due to \$4.7 million principal maturities and \$0.6 million in amortizations of premiums associated with outstanding debt issues.

Table 4 - Condensed Long-Term Debt Summary (In Thousands)				
	Fiscal Year	Fiscal Year	Increase/(Decrease)	
	2019	2018	Amount	Percent
Bonds Payable	\$ 71,646	\$ 16,633	\$ 55,013	330.7%
Certificates of Participation (COP)	-	60,000	(60,000)	-100.0%
Loans	5,088	6,661	(1,573)	-23.6%
Total Long-term Liabilities	\$ 76,734	\$ 83,294	\$ (6,560)	-7.9%

See Note 6 in the Notes to Financial Statements for detail on long-term liabilities.

Current Known Facts:

On September 27, 2019, the District received notification from the United States Bureau of Reclamation that the environmental compliance activities were completed for the District’s Advanced Meter Infrastructure Implementation Program-Phase III. As part of that announcement, the Bureau indicated that construction could begin and that the District would be entitled to the full \$1.5 million grant award.

On October 4, 2019, the District elected to pay off each of its outstanding loans prior to the original maturity date. The total principal amount paid off early was \$4.1 million.

On November 6, 2019, the District issued \$64.6 million of 2019 Certificates of Participation.

Please see Note 16 in the Notes to Financial Statements for additional information related to the early payoff of the loans and the issuance of the 2019 Certificates of Participation.

Contacting the District

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



moulton niguel water district

Moulton Niguel Water District

Statement of Net Position
 June 30, 2019
 (With Comparative Totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets:		
Current:		
Cash and investments (Note 2)	\$ 17,470,320	\$ 13,974,173
Accounts receivable:		
Water and sanitation charges	3,761,531	4,114,801
Taxes	309,158	280,221
Other accounts receivable	1,851,349	687,336
Interest receivable	802,315	825,762
Inventory	1,054,341	1,110,856
Prepaid expenses	750,393	562,137
Total Current Assets	<u>25,999,407</u>	<u>21,555,286</u>
Noncurrent:		
Investments (Note 2)	100,897,457	108,904,106
Restricted cash and investments with fiscal agent (Note 2)	5,888,857	7,257,989
Retrofit loans receivable (Note 3)	490,468	506,303
Capital assets - net of accumulated depreciation (Note 5)	381,319,918	379,040,946
Capital assets not being depreciated (Note 5):		
Land	1,091,910	1,091,910
Construction in progress	13,508,163	7,454,600
Total Noncurrent Assets	<u>503,196,773</u>	<u>504,255,854</u>
Total Assets	<u>529,196,180</u>	<u>525,811,140</u>
Deferred Outflows of Resources:		
Deferred charges on refundings (Note 6)	415,501	527,664
Deferred items related to pension (Note 8)	5,122,331	6,316,056
Deferred items related to OPEB (Note 9)	467,076	477,082
Total Deferred Outflows of Resources	<u>6,004,908</u>	<u>7,320,802</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 535,201,088</u>	<u>\$ 533,131,942</u>

Moulton Niguel Water District

Statement of Net Position
 June 30, 2019
 (With Comparative Totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
Liabilities:		
Current:		
Accounts payable	\$ 10,879,168	\$ 8,900,955
Interest payable	1,069,054	1,694,353
Unearned revenue	608,016	525,902
Compensated absences (Note 6)	869,518	749,498
Current portion of long-term debt (Note 6):		
Bonds payable	3,360,000	3,170,000
Loans payable	1,283,260	1,572,589
Total Current Liabilities	18,069,016	16,613,297
Long-Term Liabilities:		
Compensated absences (Note 6)	289,839	249,833
Long-term debt (Note 6):		
Bonds payable	68,286,102	13,462,769
Certificates of participation	-	60,000,000
Loans payable	3,805,058	5,088,317
Net pension liability (Note 8)	20,386,747	20,711,604
Net OPEB liability (Note 9)	1,540,822	1,781,885
Total Long-Term Liabilities	94,308,568	101,294,408
Total Liabilities	112,377,584	117,907,705
Deferred Inflows of Resources:		
Deferred items related to pension (Note 8)	1,184,247	2,163,337
Deferred items related to OPEB (Note 9)	1,877	19,083
Total Deferred Inflows of Resources	1,186,124	2,182,420
Net Position:		
Net investment in capital assets	319,601,072	304,821,445
Restricted for capital projects (Note 14)	375,294	604,783
Unrestricted (Note 15)	101,661,014	107,615,589
Total Net Position	421,637,380	413,041,817
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 535,201,088	\$ 533,131,942



moulton niguel water district

Moulton Niguel Water District
Statement of Revenues, Expenses,
and Changes in Net Position
Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	2019	2018
Operating Revenues:		
Water charges	\$ 32,680,545	\$ 32,317,988
Recycled charges	5,161,153	5,597,493
Sanitation charges	25,463,110	22,623,626
Other	644,182	468,673
	63,948,990	61,007,780
Operating Expenses:		
Source of supply:		
Water purchases	23,670,442	26,866,197
Meter purchases	360,439	395,365
Utilities	1,849,001	2,185,007
Pumping water	2,108,350	1,656,773
Wastewater treatment	12,221,043	11,733,752
Water transmission and distribution	2,048,008	1,226,775
Customer service	3,413,313	3,346,966
Water efficiency	4,333,171	3,448,360
General, administrative, and other	21,367,711	20,674,477
Depreciation	19,743,524	19,374,985
	91,115,002	90,908,657
	(27,166,012)	(29,900,877)
Non-Operating Revenues (Expenses):		
Investment income (loss) (Note 2)	5,859,305	(121,779)
Investment income - restricted (Note 2)	208,158	113,058
Property tax revenue	29,110,656	27,926,233
General obligation bond assessments	1,219,926	921,785
Interest on long-term debt	(4,078,474)	(4,517,784)
Intergovernmental revenue	1,342,824	1,335,648
Cellular lease and license income (Note 4)	1,769,978	1,897,765
Other non-operating revenues	78,189	252,021
Other non-operating expenses	(2,943,447)	(84,765)
	32,567,115	27,722,182
	5,401,103	(2,178,695)
Capital Contributions:		
Developer donated capital facilities	2,191,253	822,585
Capacity fees	200,375	649,528
Other contributions	802,832	291,790
	3,194,460	1,763,903
	8,595,563	(414,792)
Net Position:		
Beginning of fiscal year	413,041,817	415,077,309
Restatements	-	(1,620,700)
Beginning of fiscal year, restated	413,041,817	413,456,609
End of Fiscal Year	\$ 421,637,380	\$ 413,041,817

See Notes to Financial Statements

Moulton Niguel Water District

Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 62,042,967	\$ 62,344,539
Cash paid to suppliers	(48,157,295)	(49,581,343)
Cash paid to employees	(21,566,170)	(19,786,136)
Net Cash Provided By (Used For) Operating Activities	<u>(7,680,498)</u>	<u>(7,022,940)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash received from property taxes	29,081,719	27,979,112
Net Cash Provided By (Used For) Non-Capital Financing Activities	<u>29,081,719</u>	<u>27,979,112</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(25,884,806)	(10,558,269)
Cash received from general obligation bond assessments	1,219,926	921,785
Repayment of notes receivable	15,835	33,637
Capital contributions	1,003,207	941,318
Principal payments on long-term debt	(6,559,255)	(5,673,539)
Interest payments on long-term debt	(4,591,610)	(4,453,170)
Intergovernmental revenue	1,424,938	2,041,178
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(33,371,765)</u>	<u>(16,747,060)</u>
Cash Flows from Investing Activities:		
Investment earnings received	2,852,359	2,038,742
Proceeds from sales and maturities of investments	61,495,602	74,050,488
Purchases of investments	(50,250,402)	(86,019,950)
Net Cash Provided By (Used For) Investing Activities	<u>14,097,559</u>	<u>(9,930,720)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,127,015</u>	<u>(5,721,608)</u>
Cash and Cash Equivalents, Beginning of Year	21,232,162	26,953,770
Cash and Cash Equivalents, End of Year	<u>\$ 23,359,177</u>	<u>\$ 21,232,162</u>
Reconciliation of Cash and Cash Equivalents		
Cash and investments	\$ 17,470,320	\$ 13,974,173
Restricted cash and investments with fiscal agent	5,888,857	7,257,989
Total Cash and Cash Equivalents	<u>\$ 23,359,177</u>	<u>\$ 21,232,162</u>

Moulton Niguel Water District

Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for June 30, 2018)

	2019	2018
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating income (loss)	<u>\$ (27,166,012)</u>	<u>\$ (29,900,877)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	19,743,524	19,374,985
Other non-operating revenue	1,848,167	2,149,786
Other non-operating expense	(2,943,447)	(84,765)
Changes in net pension liability, deferred inflows/outflows of resources and pension expense	(110,222)	1,140,125
Changes in net OPEB liability, deferred inflows/outflows of resources and OPEB expense	(248,263)	(296,814)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, water and sanitation	353,270	(372,291)
(Increase) decrease in accounts receivable, other	(1,164,013)	(355,971)
(Increase) decrease in inventory	56,515	(135,580)
(Increase) decrease in prepaid expenses	(188,256)	16,528
(Increase) decrease in other current assets	-	48,168
Increase (decrease) in accounts payable	1,978,213	1,396,904
Increase (decrease) in compensated absences	160,026	(3,138)
	<u>\$ (7,680,498)</u>	<u>\$ (7,022,940)</u>
Net Cash Provided By (Used For) Operating Activities		
Non-cash Investing, Capital, and Financing Activities:		
Unrealized gain (loss) on investments	\$ 3,238,551	\$ (2,239,092)
Developer donated capital facilities	2,191,253	822,585
Amortization of deferred charges on refundings	112,163	130,921
Impairment of capital assets	-	(755,870)
Amortization of (premiums) discounts (Note 6)	(1,104,667)	(441,429)
Refunding of long-term debt (Note 6)	(60,000,000)	-
Proceeds of long-term debt (Note 6)	58,755,051	-



moulton niguel water district

Moulton Niguel Water District

Notes to Financial Statements June 30, 2019

I. Significant Accounting Policies

Note 1: Organization and Summary of Significant Accounting Policies

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

a. Description of the Reporting Entity

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

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

b. Basis of Accounting

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

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

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

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

c. MNWD Public Facilities Corporation

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

The Corporation was formed for the purpose of providing financing through the issuance of certificates of participation to construct District infrastructure necessary to provide water, wastewater, and recycled water services to existing and future customers within the District. Members of the Board of Directors of the District act as the Corporation's governing board and exert significant influence over its operations. Separate financial statements are prepared for the Corporation. To obtain complete financial information from the Corporation, please contact the District at 26880 Aliso Viejo Parkway, Aliso Viejo, Ca, 92626, or via telephone at (949) 831-2500.

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

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

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

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

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

d. Property Taxes

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

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

e. Inventory and Prepaid Expenses

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

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

f. Capital Assets

Capital assets are valued at cost where historical records are available, and at an estimated historical cost where no historical records exist. Donated assets are valued at their acquisition value on the date received. The District capitalizes all assets with a historical cost of at least \$3,000 and a useful life of at least five years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are expensed.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

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

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

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

g. Compensated Absences

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

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

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

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

h. Cash and Cash Equivalents

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

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

i. Investments

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

j. Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

k. Net Pension Liabilities

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

l. Net OPEB Liabilities

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

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

Valuation Date	January 1, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

m. Deferred Outflows and Inflows of Resources

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

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

n. Net Position

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

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

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

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

o. Use of Estimates

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

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

p. Prior year data

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

q. New Accounting Pronouncements Implemented

The following accounting pronouncements were implemented effective July 1, 2018:

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information in the notes to financial statements be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset.

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, 2019:

Statement of Net Position:	
Cash and Investments-Current	\$ 17,470,320
Investments-Noncurrent	100,897,457
Restricted Cash and Investments with Fiscal Agent	<u>5,888,857</u>
Total Cash and Investments	<u>\$ 124,256,634</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 2: Cash and Investments (Continued)

Cash and Investments held by the District at June 30, 2019, consisted of the following:

Cash:	
Petty Cash on Hand	\$ 1,000
Deposits with Financial Institutions	<u>738,375</u>
Total Cash	<u>739,375</u>
Investments:	
State Treasurer's Investment Pool	16,759,585
US Treasury Notes	19,432,168
Federal Agency Securities	39,561,783
Medium Term Notes	25,528,914
Asset Backed Securities	15,608,815
Negotiable Certificates of Deposit	1,201,104
Money Market Funds	<u>5,424,890</u>
Total Investments	<u>123,517,259</u>
Total Cash and Investments	<u>\$ 124,256,634</u>

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

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

	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Municipal Securities	5 years	30%	5%
U.S. Treasury Obligations	10 years**	None	None
Federal Agency Securities	10 years**	None	25%
Bankers Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Collateralized Bank and Time Deposits	5 years	20%	None
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	5%
Mutual Funds ***	N/A	20%	10%
Money Market Mutual Funds ***	N/A	20%	None
Asset Backed Securities	5 years	20%	5%
Local Agency Investment Fund (LAIF)	N/A	\$65M	None
Local Government Investment Pools	N/A	None	None
Supranationals	5 years	30%	10%

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 2: Cash and Investments (Continued)

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

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

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

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 2: Cash and Investments (Continued)

Investment Type	Total	12 Months or Less	13 to 36 Months	37 to 60 Months	More Than 60 Months
State Investment Pool	\$ 16,759,585	\$ 16,759,585	\$ -	\$ -	\$ -
US Treasury Notes	18,941,929	747,630	5,777,786	7,190,858	5,225,655
Federal Agency Securities	38,755,367	3,067,291	19,162,113	3,838,676	12,687,287
Medium Term Notes	25,528,914	2,757,078	10,967,515	11,804,321	-
Asset Backed Securities	15,608,815	-	7,063,293	8,545,522	-
Negotiable Certificates of Deposit	1,201,104	1,201,104	-	-	-
Money Market Funds	832,687	832,687	-	-	-
Held by Fiscal Agent:					
US Treasury Notes	490,239	24,836	265,454	199,949	-
Federal Agency Securities	806,416	94,853	278,830	432,733	-
Money Market Funds	4,592,203	4,592,203	-	-	-
Total	\$ 123,517,259	\$ 30,077,267	\$ 43,514,991	\$ 32,012,059	\$ 17,912,942

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 rating agency (or Standard and Poor's if Moody's rating is unavailable) 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	\$ 16,759,585	N/A	\$ -	\$ -	\$ -	\$ 16,759,585
US Treasury Notes	18,941,929	N/A	18,941,929	-	-	-
Federal Agency Securities	38,755,367	N/A	38,755,367	-	-	-
Medium Term Notes	25,528,914	A	6,247,057	4,796,037	14,485,820	-
Asset Backed Securities	15,608,815	AA	15,608,815	-	-	-
Negotiable Certificates of Deposit	1,201,104	A	-	-	1,201,104	-
Money Market Funds	832,687	Highest rated	832,687	-	-	-
Held by Fiscal Agent:						
US Treasury Notes	490,239	N/A	490,239	-	-	-
Federal Agency Securities	806,416	N/A	806,416	-	-	-
Money Market Funds	4,592,203	Highest rated	4,592,203	-	-	-
Total	\$ 123,517,259		\$ 86,274,713	\$ 4,796,037	\$ 15,686,924	\$ 16,759,585

* Minimum legal rating according to California Government Code or Investment Policy

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 or the District's Investment Policy. Investments in any one issuer (excluding U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 2: Cash and Investments (Continued)

<u>Investment Type</u>	<u>Year-end Balance</u>
Federal Home Loan Bank	\$ 17,531,854
Federal National Mortgage Assoc.	11,224,173
Federal Home Loan Mortgage Corp.	8,226,426
Tennessee Valley Authority	6,330,691

Disclosures Relating to Fair Value Measurements

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

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

The District had the following recurring fair value measurements as of June 30, 2019:

<u>Investment Type</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Uncategorized</u>
State Investment Pool	\$ 16,759,585	\$ -	\$ -	\$ 16,759,585
US Treasury Notes	18,941,929	-	18,941,929	-
Federal Agency Securities	38,755,367	-	38,755,367	-
Medium Term Notes	25,528,914	-	25,528,914	-
Asset Backed Securities	15,608,815	-	15,608,815	-
Negotiable Certificates of Depo	1,201,104	-	1,201,104	-
Money Market Funds	832,687	832,687	-	-
Held by Fiscal Agent:				
US Treasury Notes	490,239	-	490,239	-
Federal Agency Securities	806,416	-	806,416	-
Money Market Funds	4,592,203	4,592,203	-	-
Total	\$ 123,517,259	\$ 5,424,890	\$ 101,332,784	\$ 16,759,585

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

The State Investment Pool is managed by the State Treasurer, and by law is regulated by the California Government Code. Deposits and withdrawals in the State Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the District's investments in LAIF at June 30, 2019, of \$16,759,585 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 2: Cash and Investments (Continued)

Custodial Credit Risk

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

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

State Treasurer's Investment Pool

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

Investment Earnings

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments and as a result, realized gains and losses of the current period include unrealized amounts from prior periods. Investment earnings consist of the following for the year ended June 30, 2019:

Interest income	\$	2,892,773
Realized gain (loss)		(63,861)
Unrealized gain (loss)		<u>3,238,551</u>
Total investment income (loss)	\$	<u>6,067,463</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 3: Other Receivables

Retrofit Loans

In November 1996, the Board adopted Resolution 96-26 which allowed for qualifying non-profit entities and public agency applicants to obtain a loan through the District to finance the cost for on-site recycled water retrofits of the applicant's irrigation system. The program offers incentive to customers who would otherwise have difficulties financing the cost of the recycled water retrofits. As of the end of the fiscal year, the District has 49 loans outstanding totaling \$490,468, which includes both principal and interest. The re-payment of the loan agreement is structured based on a volumetric consumption amount of recycled water at \$0.25 a billing unit per month. Since re-payment is based on usage, it is difficult to provide a structured repayment schedule. On average, the District receives approximately \$30,000 a year towards the principal and interest portion of the loan. The majority of the loans are re-paid within 10 years with the balance of the loans to be repaid within 30+ years from the date of the agreement.

Note 4: Operating Leases and Licenses

The District leases a portion of its facilities for cellular tower antenna sites. Lessees purchase and install the wireless equipment. These leases are non-cancelable for a period of 10 years, with one renewal period of 5 years. Inception dates range from 1996 to the present. The lease agreement allows for a 3% annual CPI increase to the lease payments. At the lease termination, lessees must remove all equipment and restore the site to its original state. Since the start of fiscal year 2015-2016, any new agreement or renewal is classified as a license. The combined cost of District facilities that are included as part of these agreements was \$47,870,441, with a carrying value at June 30, 2019, of \$22,959,738, and the difference of \$24,910,703 being accumulated depreciation. The total cellular lease and license revenue for the fiscal year was \$1,769,978. Future minimum lease payments are as follows:

Fiscal Year Ended June 30	Amount
2020	\$ 1,800,265
2021	1,870,512
2022	1,943,515
2023	2,019,384
2024	2,098,232
Thereafter	<u>11,507,048</u>
Total	<u>\$ 21,238,956</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued) June 30, 2019

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2019, is as follows:

Capital Assets	Balance at June 30, 2018	Transfers	Additions	Deletions	Balance at June 30, 2019
Depreciable assets					
Water systems	\$ 577,729,644	\$ 11,582,132	\$ 1,852,553	\$ (122,590)	\$ 591,041,739
Capacity rights	125,410,598	7,648,660	-	-	133,059,258
Building	5,755,374	-	-	-	5,755,374
Automobiles and equipment	23,836,393	571,897	487,396	(231,669)	24,664,017
Total cost of depreciable assets	<u>732,732,009</u>	<u>19,802,689</u>	<u>2,339,949</u>	<u>(354,259)</u>	<u>754,520,388</u>
Less accumulated depreciation					
Water systems	(316,711,384)	-	(14,142,263)	2,448	(330,851,199)
Capacity rights	(19,407,731)	-	(3,040,286)	-	(22,448,017)
Buildings	(3,909,631)	-	(279,869)	-	(4,189,500)
Automobiles and equipment	(13,662,317)	-	(2,281,106)	231,669	(15,711,754)
Total accumulated depreciation	<u>(353,691,063)</u>	<u>-</u>	<u>(19,743,524)</u>	<u>234,117</u>	<u>(373,200,470)</u>
Net depreciable assets	379,040,946	19,802,689	(17,403,575)	(120,142)	381,319,918
Capital assets not depreciated					
Land	1,091,910	-	-	-	1,091,910
Construction in progress	7,454,600	(19,802,689)	25,856,252	-	13,508,163
Capital assets net	<u>\$ 387,587,456</u>	<u>\$ -</u>	<u>\$ 8,452,677</u>	<u>\$ (120,142)</u>	<u>\$ 395,919,991</u>

Depreciation expense for the year ended June 30, 2019, was \$19,743,524.

Note 6: Long-Term Liabilities

Long-Term liabilities for the year ended June 30, 2019, are as follows:

	Balance at June 30, 2018	Addition	Deletion	Ending June 30, 2019	Due Within One Year
Bonds payable:					
2014 GOB	\$ 2,830,000	\$ -	\$ (1,365,000)	\$ 1,465,000	\$ 1,465,000
Add: Premium	141,362	-	(141,362)	-	-
2015 Refunding	12,265,000	-	(1,805,000)	10,460,000	1,895,000
Add: Premium	1,396,407	-	(265,983)	1,130,424	-
2019 Refunding	-	48,605,000 *	-	48,605,000	-
Add: Premium	-	10,150,051 *	(164,373)	9,985,678	-
Total Bonds	<u>16,632,769</u>	<u>58,755,051</u>	<u>(3,741,718)</u>	<u>71,646,102</u>	<u>3,360,000</u>
Certificates of Participation:					
2009 COPs	60,000,000	-	(60,000,000) *	-	-
Total COPs	<u>60,000,000</u>	<u>-</u>	<u>(60,000,000)</u>	<u>-</u>	<u>-</u>
Loans Payable:					
CIEDB	725,047	-	(173,547)	551,500	178,592
State Revolving Fund	5,935,859	-	(1,399,041)	4,536,818	1,104,668
Total Loans	<u>6,660,906</u>	<u>-</u>	<u>(1,572,588)</u>	<u>5,088,318</u>	<u>1,283,260</u>
Compensated Absences:					
Vacation pay	612,189	1,043,930	(926,903)	729,216	546,912
Sick Pay	387,142	371,281	(328,282)	430,141	322,606
Total Compensated Absences	<u>999,331</u>	<u>1,415,211</u>	<u>(1,255,185)</u>	<u>1,159,357</u>	<u>869,518</u>
Total:	<u>\$ 84,293,006</u>	<u>\$ 60,170,262</u>	<u>\$ (66,569,491)</u>	<u>\$ 77,893,777</u>	<u>\$ 5,512,778</u>

* The 2019 Revenue Refunding Bonds refunded the 2009 Certificates of Participation

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

Note 6: Long-Term Liabilities (Continued)

Bonds Payable

2014 Consolidated Refunding (General Obligation) Bonds

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

2015 Revenue Refunding Bond

On June 1, 2015, the District issued \$12,265,000 of 2015 Revenue Refunding Bonds ("2015 Revenue Bonds"). Proceeds from the issuance were used to refund the 2003 Refunding Certificates of Participation, fund a debt service reserve fund for the Bonds, and pay the costs of issuing the Bonds. Interest on the Bonds is payable on March 1 and September 1 of each year at 5% per annum. The Bonds mature between September 1, 2018, and end on September 1, 2023. The Bonds are special obligations of the District and are payable exclusively from Tax Revenues and Net Revenues of the District, and from amounts on deposit in certain funds and accounts established under the Indenture. The remaining deferred charges related to this refunding at June 30, 2019, is \$415,501, and will be amortized over the life of the bonds.

As of June 30, 2019, the Reserve Requirement for the 2015 Revenue Refunding Bond was \$1,226,500 and the District had \$1,305,064 in the reserve account.

Certificates of Participation

2009 Certificates of Participation (COP)

In December 2009, the District issued \$60,000,000 of Certificates of Participation federally taxable "Build America Bonds" pursuant to an installment sale agreement with the Corporation to construct projects that provide greater water supply reliability for the distribution of potable and recycled water. The District has adopted a resolution which states the intention to develop adequate capacity to sustain at least a 31-day average potable water supply outage and be able to sustain a 7-day interruption in Metropolitan Water District ("MET") deliveries.

Moulton Niguel Water District

**Notes to Financial Statements (Continued)
June 30, 2019**

Note 6: Long-Term Liabilities (Continued)

As of June 30, 2019, the 2009 Certificates of Participation were fully refunded by the 2019 Revenue Refunding Bonds.

2019 Revenue Refunding Bonds

In January 2019, the District issued \$48,605,000 of 2019 Revenue Refunding Bonds ("2019 Revenue Bonds"). Proceeds from the issuance were used to refund the 2009 Certificates of Participation, fund a debt service reserve fund for the Bonds, and pay the costs of issuing the Bonds. Interest on the Bonds is payable on March 1 and September 1 of each year at 5% per annum. The Bonds mature starting September 1, 2024, and end on September 1, 2039. The Bonds are special obligations of the District and are payable exclusively from Tax Revenues and Net Revenues of the District, and from amounts on deposit in certain funds and accounts established under the Indenture. The refunding provided for a cumulative savings of \$14,487,235 over the life of the bonds, resulting in an economic gain of \$9,587,297.

As of June 30, 2019, the Reserve Requirement for the 2019 Revenue Refunding Bond was \$4,487,500 and the District had \$4,490,894 in the reserve account.

Loans Payable

California Infrastructure and Economic Development Bank (CIEDB)

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

State Revolving Fund Loans (SRF)

The District obtained three State Revolving Fund loans totaling \$36,053,400 with the State Water Resources Control Board. They were used to finance the Phase III Revised Expansion Project, consisting of expanding the District's reclamation system to serve an additional 500 irrigated landscape sites with 4,502 acre-feet per year of reclaimed water and Phase 4 Expansion of the Reclaimed Water Distribution System. The loans accrue interest at rates ranging from 1.727% to 1.811%. Principal and interest payments are due annually through September 3, 2022. As of June 30, 2019, two of the three loans had fully matured. The matured loans had an original principal balance of \$13,591,805.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

Note 6: Long-Term Liabilities (Continued)

Compensated Absences

All accrued vacation and sick leave pay is recorded as an expense and a liability at the time the benefit is earned. As of June 30, 2019, the District's compensated absences liability was \$1,159,357.

Remaining Payments on Long-Term Liabilities

The long-term obligations of the District, excluding amortizations of deferred charges, at June 30, 2019, are as follows:

June 30	Bonds Payable Principal	Interest
2020	\$ 3,360,000	\$ 2,931,250
2021	1,990,000	2,808,750
2022	2,085,000	2,706,875
2023	2,190,000	2,600,000
2024	2,300,000	2,487,750
2025-2029	11,355,000	10,786,725
2030-2034	14,485,000	7,572,375
2035-2039	18,495,000	3,469,875
2040-2044	4,270,000	106,750
Total	\$ 60,530,000	\$ 35,470,350

June 30	Loans Payable Principal	Interest
2020	\$ 1,283,260	\$ 95,960
2021	1,307,912	71,307
2022	1,333,059	46,160
2023*	1,164,087	20,508
Total	\$ 5,088,318	\$ 233,935

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

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, 2019:

Debt Service Coverage

Operating Revenues:	
Water sales and service charges	\$ 37,841,698
Wastewater service charges	25,463,110
Meter sales & other	644,182
Total Operating Revenues	<u>63,948,990</u> (A)
Operations & Maintenance Expenses:	
Source of supply	25,879,882
Pumping water	2,108,350
Wastewater treatment	12,221,043
Water transmission & distribution	2,048,008
Customer service	3,413,313
Water efficiency	4,333,171
General, administrative & other	21,367,711
Total Operations & Maintenance Expenses	<u>71,371,478</u> (B)
Net Operating Income (Loss)	(7,422,488) (A-B)
Non-Operating Revenues (Expenses):	
Capacity fees	200,375
Cellular lease income	1,769,978
Investment income (loss)	6,067,463
Intergovernmental revenue	1,342,824
Other contributions	2,994,085
Other income	78,189
Other expense	(2,943,447)
Total Non-Operating Revenues	<u>9,509,467</u> (C)
Net Revenues	2,086,979 (A-B+C)
Property Tax Revenues	<u>29,110,656</u>
Sum of Net & Tax Revenues	<u>\$ 31,197,635</u> (D)
Debt Service	
2009 COP	\$ 4,098,976
Governmental loans	1,698,440
2015 Refunding Revenue Bonds	2,373,125
Total Debt Service	<u>\$ 8,170,541</u> (E)
Calculated Debt Service Coverage Percentage	382% (D/E)

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 8: Pension Plans

Defined Benefit Plan

Plan Description

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

Benefits Provided

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

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

Note 8: Pension Plans (Continued)

	Tier 1	Tier 2	PEPRA
	Hired by District		
CalPERS enrollment date*	and enrolled prior to July 28, 2009	Prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.426% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	7.000%	7.000%	6.500%
Required employer contribution rates	11.362%	10.411%	7.383%
Unfunded actuarial liability payment	\$1,026,431	\$6,342	\$7,099

*A District employee enrolled in CalPERS at another agency prior to January 1, 2013, may be eligible for the District's Tier 2 plan. Tier 1 is closed to new entrants.

Contribution Description

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

For the year ended June 30, 2019, contributions to the plan were \$2,224,257, matching the Actuarially Determined Contribution.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the collective net pension liability as \$20,386,747.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 8: Pension Plans (Continued)

The District's net pension liability at June 30, 2019, for the plan was measured as the proportionate share of the collective cost-sharing plan. The District's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard actuarial update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the actuarially determined projected contributions of all participating employers. The District's proportion of the collective net pension liability as of June 30, 2017 and 2018, was as follows:

	Pension Plans
Proportion - June 30, 2017	0.20884%
Proportion - June 30, 2018	0.21156%
Change - Increase (Decrease)	0.00272%

Recognition of Gains and Losses

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

For the year ended June 30, 2019, the District recognized pension expense of \$2,114,035. At June 30, 2019, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 516,024	\$ -
Change in assumptions	1,754,546	-
Differences between Projected and Actual Investment	100,787	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	(1,177,679)
Change in Employer's Proportion	526,717	(6,568)
Contribution subsequent to measurement date	2,224,257	-
Total	\$ 5,122,331	\$ (1,184,247)

\$2,224,257 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 8: Pension Plans (Continued)

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

June 30:	Deferred Outflows/(Inflows) of Resources	
2020	\$	1,677,885
2021		887,722
2022		(668,413)
2023		(183,367)
Total	\$	<u>1,713,827</u>

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

The EARSL is calculated by dividing the total future service years of active employees by the total number of plan participants in PERF C. Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund. As of the June 30, 2018, measurement period, the EARSL was 3.8 years.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018, measurement date total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) on the CalPERS website.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 8: Pension Plans (Continued)

Long-term Expected Rate of Return

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

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

The expected real rates of return by asset class are as follows:

Asset Class ¹	Current Target Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

¹ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% was used for this period.

³ An expected inflation of 2.92% was used for this period.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

Note 8: Pension Plans (Continued)

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

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

	Discount Rate - 1%	Current Discount	Discount Rate +1%
	6.15%	7.15%	8.15%
District's proportionate share of the Net Pension Liability:	\$ 32,403,877	\$ 20,386,747	\$ 10,466,803

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

The District sponsors the Moulton Niguel Water District 401(a) Plan and Trust (“401(a) Plan”), a single employer defined contribution pension plan. The District’s Board of Directors established the 401(a) Plan and is authorized to amend the 401(a) Plan and to name its trustees. All employees participating in the Deferred Compensation Plan and all members of executive management are eligible to participate in the 401(a) Plan. Plan investments are held in trust by Lincoln Financial.

The District matches up to 2% of an employees’ salary to the 401(a) Plan if the employee elects to participate in the District’s 457 Deferred Compensation Plan. Employer contributions were \$232,721 and recognized as pension expense for the year ended June 30, 2019. All contributions are fully vested. The trustee maintains individual accounts for each participant. Each participant provides direction for investment of their account balance. Contributions, plus investment returns, are distributed to participants after separation from employment.

Note 9: Other Post-Employment Benefits (OPEB)

Plan Description

Under the authority of the District’s Board of Directors, the District has established a Retiree Healthcare Plan (HC Plan), and participates in an agent multiple-employer defined benefit retiree healthcare plan. These benefits may be amended at the discretion of the Board of Directors. To mitigate the costs of increasing healthcare, the District has imposed a three-tier structure for its employees. Employees hired prior to July 1, 2008, retiring from the District at age 55 with ten years of service to the District, receive post-retirement health benefits for themselves and their dependents.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

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

Employees hired after July 1, 2008, but before July 1, 2017, retiring from the District at age 60 with fifteen years of continuous employment, receive post-retirement health benefits for themselves and their dependents. Employees hired on or after July 1, 2017, are not eligible for retiree health benefits. Board members elected after January 1, 1995, are not eligible for retiree health coverage, regardless of age and years of service at retirement.

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

Employees Covered

As of the June 30, 2018, actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active plan members	130
Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to, but not yet receiving benefits	<u>1</u>
Total	<u><u>170</u></u>

Contributions

The HC Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, District cash contributions were \$316,895 (including payments made to the trust and retiree payments made outside the trust) and the estimated implied subsidy was \$150,182, resulting in total payments of \$467,077.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2017, that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

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

Actuarial Assumptions:

Discount Rate	6.50%
Inflation	2.50%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	6.50% per year; assumes the District invests in the CERBT asset allocation Strategy 2 with a margin for adverse deviation of 23 bps
Mortality Rate ¹	Derived using CalPERS' membership data for all funds
Pre-Retirement Turnover Increase ²	Derived using CalPERS' membership data for all funds
Healthcare Trend Rate	7.00% HMO/7.0% PPO decreasing 0.5% per year to 5.00% HMO/5.00% PPO

Notes:

¹ Pre and post retirement mortality rates used in CalPERS pension valuation as of June 30, 2016, including a projection to year 2028 with scale BB to account for mortality improvement.

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

Actuarial Cost Method

The actuarial cost method for determining the benefit obligations is the individual Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit.

Asset Class	Expected Arithmetic Nominal Return (50 years)	Long-term expected real rate of return
Global Equity	8.08%	40.0%
US Fixed Income	5.88%	43.0%
Treasury Inflation-Protected Securities	3.67%	5.0%
Real Estate Investment Trusts	7.91%	8.0%
Commodities	5.38%	4.0%
Total		

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. Under GASB 75, the discount rate should reflect the long-term rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits. To the extent that OPEB plan assets along with expected future investment returns and expected future contributions are sufficient to finance all OPEB benefits, the discount rate should be based on the assumed investment return on plan assets. Currently, the District had set a funding policy of funding the OPEB liabilities in an amount equal to the service cost plus an amortization of the Net OPEB Liability. Therefore, current assets and expected future investment returns and expected future contributions are expected to be sufficient to fund all OPEB liabilities.

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

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

Changes in the OPEB Liability

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

	Increase (Decrease)		Net OPEB Liability/(Asset) (c) = (a) - (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balance at June 30, 2018 <i>(Measurement Date June 30, 2017)</i>	\$ 5,175,696	\$ 3,393,811	\$ 1,781,885
Changes recognized for the measurement period:			
Service cost	111,097	-	111,097
Interest	328,136	-	328,136
Contributions - employer	-	477,082	(477,082)
Net investment income	-	204,998	(204,998)
Benefit payments	(477,082)	(477,082)	-
Administrative expense	-	(1,784)	1,784
Net Changes	(37,849)	203,214	(241,063)
Balance at June 30, 2019 <i>(Measurement Date June 30, 2018)</i>	\$ 5,137,847	\$ 3,597,025	\$ 1,540,822

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	Discount Rate - 1%	Current Discount Rate	Discount Rate +1%
	5.50%	6.50%	7.50%
Net OPEB Liability	\$ 1,962,221	\$ 1,540,822	\$ 1,169,097

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(5.00%HMO/5.50%PPO decreasing to 4.00%HMO/4.00%PPO)	(6.00%HMO/6.50%PPO decreasing to 5.00%HMO/5.00%PPO)	(7.00%HMO/7.50%PPO decreasing to 6.00%HMO/6.00%PPO)
Net OPEB Liability	\$ 1,293,857	\$ 1,540,822	\$ 1,822,493

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

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

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from the CalPERS website www.calpers.ca.gov under Forms and Publications.

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts (if applicable)	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2018)

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

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$218,814. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ (1,877)
Contributions subsequent to measurement date	467,076	-
Total	\$ 467,076	\$ (1,877)

The \$467,076 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

June 30:	Deferred Outflows/(Inflows) of Resources
2020	\$ (1,662)
2021	(1,662)
2022	(1,662)
2023	3,109
Total	<u>\$ (1,877)</u>

Moulton Niguel Water District

Notes to Financial Statements (Continued)
June 30, 2019

Note 10: Blended Component Unit

The Corporation has been included as part of the District financial statements as a blended component unit. In accordance with GASB 61, the following summarized information as of June 30, 2019, for the Corporation is required:

The Corporation has no assets, liabilities, or net position at June 30, 2019.

Corporation Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2019:

Nonoperating revenues	<u>\$ 2,732,650</u>
Nonoperating expenses	<u>2,732,650</u>
Change in net position	<u>-</u>
Net Position, beginning of year	<u>-</u>
Net Position, end of year	<u><u>\$ -</u></u>

Corporation Condensed Statement of Cash Flows for the Year Ended June 30, 2019:

Net Cash Provided by (Used for):	
Operating activities	\$ -
Capital and related financing activities	(1,366,325)
Investing activities	<u>1,366,325</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>-</u>
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>
Non-cash Investing, Capital and Financing Activities:	
Refunding of long-term debt	\$ (60,000,000)
Repayment of installment agreement	60,000,000

Note 11: Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA JPIA"), which offers risk management and self-insurance and insured programs. The program provides workers' compensation, property, and employment liability and general liability coverage for the District. The membership includes 363 public water agencies within California. A Board of Directors consisting of representatives from member agencies governs the ACWA JPIA. The general Board of Directors elects Executive Board members to provide oversight of the operations of the ACWA JPIA, including selection of management and approval of the operating budget.

The District maintains \$60,000,000 in commercial general liability insurance, auto liability, employment practices liability coverage and public official's error & omissions. The District also has a \$3 million cyber liability commercial insurance policy through ACWA JPIA which, is not a risk-sharing program. The property damage insurance program provided for up to \$500 million in limits, per occurrence, on structures and contents with a \$25,000 deductible per loss, and underground storage tank coverage of \$1,000,000.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 11: Risk Management (Continued)

The District has a \$50,000 retrospective allocation point (self-insured retention) per claim for general and automobile liability for the year. Workers' Compensation coverage provides statutory limits for bodily injury by each accident and bodily injury per occurrence, and Employer's Liability is \$2 million per occurrence. If the District's deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference can take place. The District promotes safety in the workplace through an extensive safety program. As a result of the program, the District has received retrospective refunds from the ACWA JPIA Rate Stabilization Fund. The District also maintains a self-insurance reserve to provide for expenses incurred to the District for the deductible amounts on insurance claims under \$50,000. See Note 15 on the District's reserve funds for additional information. Settlements have not exceeded insured limits in the past three fiscal years.

To obtain complete financial information contact ACWA JPIA at P.O. Box 619082, Roseville, CA, 95661, or via telephone at (800) 231-5742. Information may be available at www.acwajpia.com.

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

Note 12: Commitments and Contingencies

The District considers the following to be material commitments, or existing arrangements to enter into future transactions or events, at June 30, 2019:

Project Name	Total Project Budget	Cumulative Expenses as of June 30, 2019	Outstanding Commitments
Valencia LS Refurbishment	\$ 1,024,022	\$ 380,696	\$ 578,503
Asset Management Program/CMMS Implementation	961,779	241,763	739,434
54-Inch CIP Improvements	2,460,840	1,103,290	1,143,898
Camino Capistrano Operations Yard Improvements	1,687,500	915,000	630,705
Electrical System Improvements - PW	1,315,546	110,018	1,043,389
Reservoir Management System Replacement	5,487,394	767,008	4,249,131
Valve Replacement	2,698,663	1,464,069	1,257,708
PW Main Replacement at I-5 Oso Creek Crossing	4,401,368	246,303	3,762,551
RW Main Installation at I-5 Oso Creek Crossing	4,401,368	229,553	3,762,551
Rehabilitation of the Bear Brand No. 2 Reservoir	934,204	264,755	594,999
Rehabilitation of the Saddleback Reservoir	927,214	86,970	761,520
Administration Facility	16,406,203	635,108	15,022,275
Field Maintenance Facility	6,461,462	317,554	5,811,977
Emergency Generator	1,545,514	127,022	1,311,063
Fleet Services Building	4,508,314	254,043	4,004,844
Warehouse Improvements	1,357,694	101,617	1,167,175
Fueling Station	1,628,262	101,617	1,431,144
Site Reconfiguration and Geopiers	4,191,147	254,043	3,695,413
Site Utilities	2,174,130	127,022	1,924,347
Site Improvements	10,486,758	508,087	9,443,962
Landscape and Irrigation	966,356	50,809	864,084

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 13: Joint Powers Authorities and Joint Ventures

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

The District is one of ten member agencies that participate in SOCWA. SOCWA treats, beneficially reuses, and disposes of wastewater in South Orange County. SOCWA operates three wastewater treatment plants (“WWTP”) and two ocean outfalls in the region. SOCWA has ten member agencies, including three cities and seven water districts. A Board of Directors consisting of representatives from member agencies governs SOCWA. The Board of Directors governs the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has Project Committees that member agencies participate in financially at various levels, depending on their capacity rights. Each WWTP is a project, as well as various other physical facilities, such as outfall pipelines. The District’s overall participation level is the highest of the member agencies, approximating 44% of SOCWA. The District deposits money with SOCWA to cover its share of operation and capital in the project committees the District participates. At fiscal year-end SOCWA analyzes its actual costs and refunds or collects additional money from its members as appropriate. Construction deposits made to SOCWA for capital projects are recorded as capacity rights capital assets on the District’s financial statements. The District remitted \$17,814,604 to SOCWA for the year ended June 30, 2019, consisting of \$11,450,577 for operations and maintenance (“O&M”) and \$6,364,027 for capital projects.

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

The District recently resolved a lawsuit filed by SOCWA, the City of Laguna Beach, South Coast Water District and Emerald Bay Service District (collectively “Plaintiffs”) in May 2019. The lawsuit addressed issues with the duration and procedure for budget approval of contracts to operate and fund the Coastal Treatment Plant within Project Committee 15. In particular, the lawsuit focused on capital improvement projects and the parties’ collective responsibility to approve and fund the same within the SOCWA budget. The District and the Plaintiffs settled the litigation addressing past capital improvement projects and no new obligations were incurred outside of the existing responsibility to fund capital improvement projects approved following the annual budget adoption process. The parties collectively agreed that the end date for PC 15 (and by proxy the District’s participation in the Coastal Treatment Plant) will be 2030, providing finality for the District’s funding obligations.

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

The District is one of nine members who participate in the Joint Regional Water Supply System (“JRWSS”). JRWSS owns and operates several pipelines, including the Joint Transmission Main that serves the District. The pipelines deliver drinking water to the nine member agencies. South Coast Water District (“SCWD”) serves as Trustee of JRWSS. As Trustee, SCWD maintains the infrastructure, collects money to cover expenses from the member agencies and keeps records for JRWSS.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

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

The District deposits money with JRWSS to cover its share of operation and capital costs. At fiscal year-end, JRWSS analyzes its actual costs and refunds or collects additional money from its members as appropriate. The District remitted \$1,536,678 to JRWSS for the year ended June 30, 2019, consisting of \$1,062,610 for capital projects and \$474,068 for O&M.

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

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the San Juan Basin Authority ("SJBA") a joint powers authority formed to secure and develop water rights for its member agencies. It currently has permits for using the San Juan Groundwater Basin ("Basin") and is best classified as an underground stream. It holds a capacity of 40,000 acre-feet, with about half as usable storage, where storm flows are recharged and withdrawn by various production wells. The state has granted SJBA water rights to divert water from the Basin for beneficial purposes. The objective of the District's membership is to diversify and increase its water sources in the future.

SJBA's membership includes the District along with Santa Margarita Water District, City of San Juan Capistrano and South Coast Water District. A Board of Directors consisting of representatives from member agencies governs SJBA. The Board of Directors oversees contracts and approves the annual budget. SJBA has Project Committees that member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects. Surplus balances at fiscal year-end are refunded to member agencies or added to their reserves as determined by the Board of Directors. The District remitted \$157,846 to SJBA for the year ended June 30, 2019, consisting entirely of O&M.

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

Santiago Aqueduct Commission (a California Joint Powers Authority)

The District is a member of the Santiago Aqueduct Commission ("SAC") with five other member agencies. SAC operates and maintains the Baker Pipeline. The District has 13 cubic feet per second (cfs) of capacity rights in the Baker Pipeline and is responsible for costs to operate and maintain the Baker Pipeline. Irvine Ranch Water District maintains the infrastructure, collects money to cover expenses from the members, and maintains the records for SAC. The District remitted \$20,820 to SAC for the year ended June 30, 2019, consisting entirely of O&M.

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 13: 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 14: Restricted Net Position

At June 30, 2019, the District held \$375,294 in unspent capacity fee revenue. By State law the capacity fees must be spent on capital projects. All interest earned on these funds are added to the total restricted fund balance.

Note 15: Unrestricted Net Position

A portion of the District's unrestricted net position has been designated by the Board of Directors for specific purposes. The detail of unrestricted net position at June 30, 2019, is as follows:

Unrestricted net position:	
Designated for rate stabilization	\$ 14,826,780
Designated for replacement and refurbishment	3,025,764
Designated for self-insurance reserves	241,424
Designated for planning and construction	16,552,204
Designated for water efficiency	7,166,522
Designated for water supply reliability	346,493
Designated for emergency reserves	35,300,000
Designated for operating reserves	24,201,827
Total unrestricted net position	<u>\$ 101,661,014</u>

Rate Stabilization

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

Replacement & Refurbishment

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

Self-Insurance

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

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 15: Unrestricted Net Position (Continued)

Planning and Construction Reserves

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

Water Efficiency Fund

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

Water Supply Reliability

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

Emergency Reserve

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

General Operating Reserve

The District will maintain a General Operating Reserve in order to provide sufficient liquidity for funding the day-to-day operating expenses and District cash flow needs during normal operations due to standard delays between the receipt of revenues and the payment of expenses.

The target balance in the General Operating Reserve will equal three months of operating expenses, consistent with best practices in the industry for agencies with monthly rate revenue.

Moulton Niguel Water District

Notes to Financial Statements (Continued)

June 30, 2019

Note 16: Subsequent Events

Early payoff of outstanding loans

On October 4, 2019, the District elected to pay off outstanding state loans, enabling the release of restricted bond reserves and reduce the District's outstanding annual debt obligations. The 2019 Revenue Refunding Bonds included language permitting the release of the restricted bond reserve once all District state loans had been paid off. The remaining balance of the loans on October 4, 2019, was as follows:

<u>Loan</u>	<u>Outstanding Principal</u>
CIEDB Loan 01-120	\$ 329,447
CIEDB Loan 02-026	222,054
SWRCB 120	<u>3,553,485</u>
Total outstanding principal	4,104,986
2019 Revenue Bond reserve balance October 4, 2019:	4,515,576
Net Cash Flow to District	\$ 410,590

2019 Certificates of Participation

On November 6, 2019, the District issued \$64,570,000 of 2019 Certificates of Participation ("2019 Certificates") pursuant to an installment sale agreement with the Corporation. The 2019 Certificates were issued to finance the acquisition and construction of certain capital improvements and pay for the costs of issuance. The 2019 Certificates accrue interest at rates between 2% and 5% and mature between September 1, 2020, and September 1, 2049. Interest is payable on September 1 and March 1 of each year.

Operating Lease

The District entered into an operating lease that commenced on August 1, 2019 for the use of office space in the City of Aliso Viejo. The term of the lease is for 48 months; however, the District has the option to terminate the lease after 30 months. Future lease payments are as follows:

Year	<u>Lease payment</u>
2020	\$ 1,300,345
2021	1,338,430
2022	1,377,640
2023	<u>1,418,351</u>
Total	\$ 5,434,766

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

Last Ten Fiscal Years ¹	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Proportion of the Net Pension Liability	0.19721%	0.18844%	0.20318%	0.20884%	0.21156%
Proportionate Share of the Net Pension Liability	<u>\$ 12,251,838</u>	<u>\$ 12,934,337</u>	<u>\$ 17,581,392</u>	<u>\$ 20,711,604</u>	<u>\$ 20,386,747</u>
Covered Payroll	<u>\$ 7,060,907</u>	<u>\$ 7,735,097</u>	<u>\$ 8,936,374</u>	<u>\$ 9,739,736</u>	<u>\$ 11,147,956</u>
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	174%	167%	197%	213%	183%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability ²	79.82%	78.40%	74.06%	73.31%	75.26%

Notes to Schedule:

Benefit Changes:

None

Changes of Assumptions:

- a Discount rate changed from 7.50% at the June 30, 2014, measurement date, to 7.65% at the June 30, 2015, measurement date.
- b In Fiscal Year 2016-17, the financial reporting discount for the PERF C was lowered from 7.65% to 7.15%.
- c In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

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

² Plan represents the total CalPERS risk pool.

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

Last Ten Fiscal Years ¹

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
All Plans					
Actuarially Determined Contribution	\$ 997,427	\$ 1,351,327	\$ 1,539,047	\$ 1,820,425	2,224,257
Contribution in Relation to the Actuarially Determined Contribution	(997,427)	(1,351,327)	(1,539,047)	(1,820,425)	(2,224,257)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 7,735,097	\$ 8,936,374	\$ 9,739,736	\$ 11,147,956	\$ 12,330,405
Contributions as a Percentage of Covered Payroll	12.89%	15.12%	15.80%	16.33%	18.04%

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

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

Last Ten Measurement Periods ¹

	<u>2018</u>	<u>2019</u>
Total OPEB Liability		
Service cost	\$ 104,316	\$ 111,097
Interest on the total OPEB liability	329,346	328,136
Benefit payments	<u>(441,013)</u>	<u>(477,082)</u>
Net change in total OPEB liability	(7,351)	(37,849)
Total OPEB liability - beginning	<u>5,183,047</u>	<u>5,175,696</u>
Total OPEB liability - ending (a)	<u><u>5,175,696</u></u>	<u><u>5,137,847</u></u>
Plan Fiduciary Net Position		
Contribution - employer	559,297	477,082
Net investment income	225,973	204,998
Benefit payments	(441,013)	(477,082)
Administrative expense	<u>(1,664)</u>	<u>(1,784)</u>
Net change in plan fiduciary net position	342,593	203,214
Plan fiduciary net position - beginning	<u>3,051,218</u>	<u>3,393,811</u>
Plan fiduciary net position - ending (b)	<u><u>3,393,811</u></u>	<u><u>3,597,025</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 1,781,885</u></u>	<u><u>\$ 1,540,822</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	65.6%	70.0%
Covered employee payroll	\$ 10,391,010	\$ 10,389,025
Net OPEB liability as a percentage of covered employee payroll	17.1%	14.8%

Notes to schedule:

Measurement date June 30, 2017 June 30, 2018

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

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

Last Ten Fiscal Years ¹

	2018	2019
Actuarially Determined Contribution (ADC)	\$ 392,230	\$ 403,997
Contributions in relation to ADC	477,082	467,077
Contribution deficiency (excess)	\$ (84,852)	\$ (63,080)
Covered employee payroll	\$ 10,389,025	\$ 10,102,781
Contributions as a percentage of covered-employee payroll	4.6%	4.6%

Notes to schedule:

* Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 and 2019 were from the January 1, 2017 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.50% per annum
Payroll Growth	3.00% per annum, in aggregate
Investment Rate of Return	6.50% per year; assumes the District invests in the CERBT asset allocation Strategy 2 with a margin for adverse deviation of 23 bps
Healthcare cost-trend rates	7.00% HMO/7.00% PPO decreasing to 5.00% HMO/5.00% PPO According to the retirement rates under the most recent CalPERS pension plan experience study. According to the following retirement tables:
	Miscellaneous Tier 1: 2.00% @ 55
Retirement Age	Miscellaneous Tier 2: 2.00% @ 62
Mortality	Pre-retirement mortality probability based on the most recent CalPERS pension plan experience study. Post-retirement mortality probability based on the most recent CalPERS pension plan experience study covering participants in CalPERS

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

Moulton Niguel Water District

Schedule of Revenues, Expenses, and Other Sources (Uses) of Funds
Year Ended June 30, 2019

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.

	2018-19 Final Budget*	2018-19 Actual*	Variance with Budget Over (Under)	% Variance with Budget Over (Under)
Revenues				
Potable Water Sales	\$ 29,719,565	\$ 28,539,750	\$ (1,179,815)	-3.97%
Recycled Water Sales	6,126,568	5,161,153	(965,415)	-15.76%
Wastewater Sales	22,677,534	25,463,110	2,785,576	12.28%
WBBRS Efficiency Funds	3,835,379	4,140,795	305,417	7.96%
Ad Valorem Property Tax	28,194,179	29,110,656	916,477	3.25%
General Obligation Bond Assessment	1,168,659	1,219,926	51,267	4.39%
Investment Income ¹	1,758,346	6,067,463	4,309,117	245.07%
Other Income ²	1,857,940	1,366,843	(491,097)	-26.43%
Cellular Lease Income	1,732,671	1,769,978	37,307	2.15%
Intergovernmental Revenue	1,331,147	1,342,824	11,677	0.88%
Total Revenues	\$ 98,401,987	\$ 104,182,498	\$ 5,780,511	
Expenses, Debt Obligations, and Capital Improvement Projects				
Operations and Maintenance	78,037,033	71,764,911	(6,272,122)	-8.04%
Capital Outlay ³	429,189	634,848	205,659	47.92%
General Obligation Bonds Debt Service	1,449,875	1,447,210	(2,665)	-0.18%
Other Debt Service	8,172,716	9,249,672	1,076,956	13.18%
Depreciation ⁴	-	19,743,524	19,743,524	-
Replacement and Refurbishment Projects ³	25,654,932	13,725,382	(11,929,550)	-46.50%
Regional Agency Projects	17,452,722	7,648,660	(9,804,062)	-56.17%
Water Supply Reliability Projects ³	950,000	641,936	(308,064)	-32.43%
Planning and Construction Projects ³	4,900,382	939,807	(3,960,575)	-80.82%
Total Expenses, Debt Obligations, and Capital Improvement Projects	\$ 137,046,849	\$ 125,795,950	\$ (11,250,899)	
Net Income (Deficit)*	\$ (38,644,862)	\$ (21,613,452)	\$ 17,031,410	

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

¹ Investment income was impacted by an unrealized gain of \$3.2 million due to the GASB standard of recording investments at fair value.

² The District received approximately \$3.0 million in capital contributions for the year, which are not included in the budget to be conservative.

³ The adopted budget included 74 construction projects and 11 additional capital outlay purchases for the fiscal year. At the end of fiscal year 2018-19, 28 construction projects were closed and 22 capital outlay purchases were completed. The remaining projects and purchases will be carried forward to fiscal year 2019-20.

⁴ Depreciation is not included as part of the budget as the transaction does not involve cash.

Moulton Niguel Water District

Operations & Maintenance (O&M) Budget Comparison Report
Year Ended June 30, 2019

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

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual Expense</u>	<u>Remaining Budget</u>
General Fund				
Salaries	\$ 12,691,035	\$ 13,090,470	\$ 12,351,646	\$ 738,824
Retirement Program	2,351,577	2,431,299	2,349,758	81,541
Educational Courses	76,420	76,420	42,309	34,111
Travel and Meetings	299,710	299,710	291,470	8,240
Recruitment and Employee Relations	93,343	93,343	24,361	68,982
General Services	488,149	488,149	444,251	43,898
Annual Audit	54,000	54,000	34,468	19,532
Member Agencies O&M	469,266	469,266	510,296	(41,030)
Dues and Memberships	134,415	134,415	189,586	(55,171)
Election Expenses	135,000	135,000	101,675	33,325
Consulting Services	1,567,200	1,567,200	1,242,708	324,492
Equipment Rental	61,500	61,500	50,611	10,889
District Fuel	260,000	260,000	284,618	(24,618)
Insurance - District	507,850	507,850	355,498	152,352
Insurance - Personnel	371,758	371,758	370,874	884
Insurance - Benefits	3,418,508	3,522,949	3,595,607	(72,658)
Legal Services	1,930,000	1,930,000	1,621,373	308,627
District Office Supplies	560,875	635,875	776,827	(140,952)
District Operating Supplies	797,904	797,904	808,078	(10,174)
Repairs and Maintenance - Equipment	743,362	743,362	841,901	(98,539)
Repairs and Maintenance - Facilities ¹	4,245,828	4,320,828	5,289,528	(968,700)
Safety Program and Compliance Requirements	324,725	324,725	442,214	(117,489)
Wastewater Treatment ²	11,454,088	11,454,088	9,482,006	1,972,082
Special Outside Assessments	114,500	114,500	141,070	(26,570)
Utilities	2,359,573	2,359,573	2,229,358	130,215
Water Purchases ³	25,903,491	25,903,491	23,670,442	2,233,049
Meter/Vault Purchases	441,000	441,000	360,439	80,561
Water Efficiency Fund				
Labor	1,514,774	1,514,774	1,300,616	214,158
Educational Courses	2,500	2,500	5,358	(2,858)
Travel and Meetings	28,500	28,500	32,106	(3,606)
Dues and Memberships	26,484	26,484	17,677	8,807
Consulting Services	900,000	900,000	1,072,709	(172,709)
Legal Services	20,000	20,000	34,099	(14,099)
Conservation Supplies	293,100	293,100	244,911	48,189
Repairs and Maintenance - Equipment	13,000	13,000	72,771	(59,771)
Safety Program & Compliance Requirements	-	-	1,547	(1,547)
Water Efficiency ⁴	2,650,000	2,650,000	1,080,142	1,569,858
Total O&M	\$ 77,303,435	\$ 78,037,033	\$ 71,764,911	\$ 6,272,122

¹ Water Transmission and Distribution costs increased by \$0.8 million during the fiscal year as a result of several repairs to the potable distribution system.

² The District assumed operations of wastewater treatment plant, Plant 3A, during the year. As a result, expenses associated with that plant were spread across line items similar to other District operations (i.e. salaries, retirement, benefits, etc.). The budget included an assumption that the District would operate the plant starting on July 1, 2019, but that timeline was adjusted during the year.

³ The District executed an agreement with Santa Margarita Water District (SMWD) to reimburse the District for \$2.2 million of water delivered through an intertie that connects the two systems. The reimbursement was applied to water purchases.

⁴ The District includes a conservative budget in water efficiency expenses, which represents the dollar amount in rebates the District intends to provide to its customers.



moulton niguel water district

**Moulton Niguel Water District
Statistical Section Overview**

Year Ended June 30, 2019

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

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Moulton Niguel Water District

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

	2010	2011	2012	2013	2014
Assets:					
Current & other assets	\$ 182,990,924	\$ 174,874,392	\$ 178,970,721	\$ 180,037,968	\$ 179,892,333
Capital assets	371,543,848	373,881,504	373,802,210	371,840,527	366,859,960
Total Assets	554,534,772	548,755,896	552,772,931	551,878,495	546,752,293
Deferred Outflows of Resources: ¹	-	-	-	1,318,562	1,136,314
Total Assets and Deferred Outflows of Resources	554,534,772	548,755,896	552,772,931	553,197,057	547,888,607
Liabilities:					
Current and other liabilities	20,038,911	18,166,398	20,048,452	21,174,407	19,459,691
Long-term liabilities	145,122,499	136,276,375	127,632,200	120,022,562	110,150,054
Total Liabilities	165,161,410	154,442,773	147,680,652	141,196,969	129,609,745
Deferred Inflows of Resources: ¹	-	-	-	-	-
Net Position:					
Net investment in capital assets	268,089,986	267,962,257	272,169,901	272,287,164	269,994,246
Restricted for capital projects	119,402	312,742	326,175	424,363	931,603
Unrestricted	121,163,974	126,038,124	132,596,203	139,288,561	147,353,013
Total Net Position ²	\$ 389,373,362	\$ 394,313,123	\$ 405,092,279	\$ 412,000,088	\$ 418,278,862

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

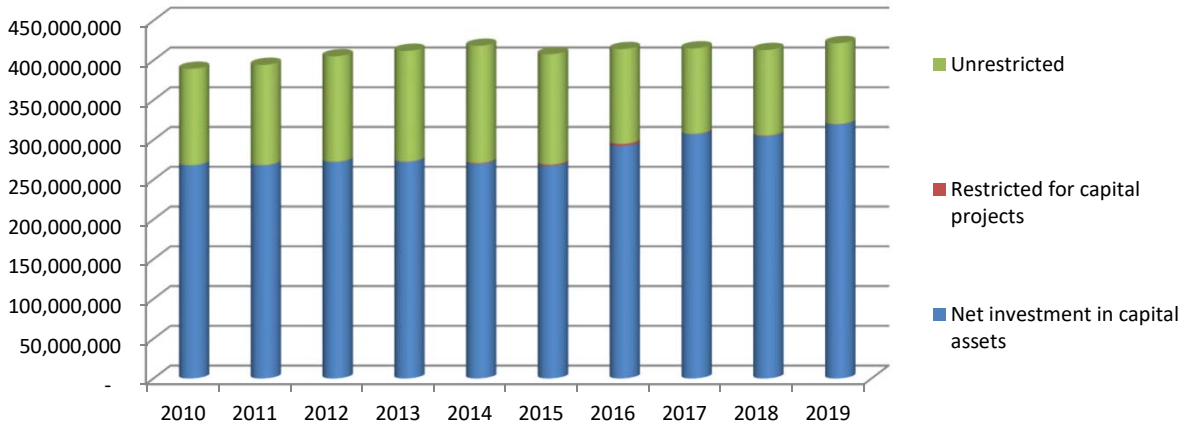
² Beginning net position was restated for FY 2013, 2015, and 2018.

Source: Moulton Niguel Water District Audited Financial Statements.

Moulton Niguel Water District

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

2015	2016	2017	2018	2019	
					Assets:
\$ 166,631,779	\$ 148,655,677	\$ 133,490,291	\$ 138,223,685	\$ 133,276,189	Current & other assets
375,845,562	390,974,342	395,581,587	387,587,456	395,919,991	Capital assets
542,477,341	539,630,019	529,071,878	525,811,141	529,196,180	Total Assets
2,920,477	2,356,834	5,269,166	7,320,802	6,004,908	Deferred Outflows of Resources: ¹
545,397,818	541,986,853	534,341,044	533,131,943	535,201,088	Total Assets and Deferred Outflows of
					Liabilities:
19,942,207	21,768,761	15,499,289	16,613,298	18,069,016	Current and other liabilities
112,757,545	102,531,779	101,316,497	101,294,408	94,308,568	Long-term liabilities
132,699,752	124,300,540	116,815,786	117,907,706	112,377,584	
4,936,619	3,530,389	2,447,949	2,182,420	1,186,124	Deferred Inflows of Resources: ¹
					Net Position:
267,393,560	292,404,060	307,272,958	304,821,445	319,601,072	Net investment in capital assets
1,508,109	2,632,947	291,818	604,783	375,294	Restricted for capital projects
138,859,778	119,118,917	107,512,539	107,615,589	101,661,014	Unrestricted
\$ 407,761,447	\$ 414,155,924	\$ 415,077,309	\$ 413,041,817	\$ 421,637,380	Total Net Position ²



Moulton Niguel Water District

Changes in Net Position Last Ten Fiscal Years

	2010	2011	2012	2013	2014
Operating Revenue:					
Water charges	\$ 20,578,666	\$ 22,520,064	\$ 28,866,153	\$ 30,633,036	\$ 30,503,803
Recycled water charges	4,446,515	4,340,197	4,530,175	4,612,874	5,005,391
Sanitation charges	12,542,595	14,448,835	16,826,066	16,941,327	17,135,446
Other	572,611	444,346	429,064	1,035,873	562,871
Total Operating Revenue	38,140,387	41,753,442	50,651,458	53,223,110	53,207,511
Operating Expenses:					
Source of supply ¹	22,505,838	22,088,538	24,415,284	28,049,259	29,770,326
Pumping water	349,221	419,633	1,593,316	2,135,266	2,100,550
Sewage treatment	9,093,471	8,588,172	8,665,958	9,841,299	9,647,000
Water transmission and distribution	4,267,727	3,752,224	1,020,852	2,299,355	2,138,767
Customer service	332,685	311,483	1,202,302	2,711,672	2,750,999
Water efficiency	-	-	-	1,446,759	1,448,498
General, administrative and other	12,788,639	13,130,167	16,481,929	10,652,698	11,236,876
Post retirement medical benefits (OPEB) ²	-	-	-	-	591,372
Depreciation	14,572,711	15,162,538	15,566,287	13,472,995	16,554,024
Total Operating Expenses	63,910,292	63,452,755	68,945,928	70,609,303	76,238,412
Operating Income (Loss)	(25,769,905)	(21,699,313)	(18,294,470)	(17,386,193)	(23,030,901)
Non-Operating Revenues (Expenses):					
Interest income ³	6,846,993	4,009,900	6,271,001	(533,131)	2,931,831
Property tax revenue & GOB assessments	27,407,480	27,250,759	27,221,147	28,528,175	29,083,747
Interest on long-term debt	(6,766,600)	(7,897,888)	(7,608,336)	(5,850,174)	(6,781,711)
Intergovernmental Revenue	54,212	20,530	-	-	-
Cellular lease income	1,491,862	1,498,290	1,562,383	1,642,410	1,694,478
Other non-operating revenues	1,438,137	1,480,660	1,557,431	1,522,360	1,361,984
Other non-operating expenses	-	-	-	-	-
Total Non-operating Revenues (Expenses)	30,472,084	26,362,251	29,003,626	25,309,640	28,290,329
Income (Loss) before Capital Contributions	4,702,179	4,662,938	10,709,156	7,923,447	5,259,428
Capital Contributions:					
Developer donated capital facilities	2,069,786	94,332	70,000	60,000	495,000
Connection fees	15,723	182,491	-	83,038	489,346
Other contributions	-	-	-	-	35,000
Change in Net Position	6,787,688	4,939,761	10,779,156	8,066,485	6,278,774
Net Position - Beginning of Year⁴	382,585,674	389,373,362	394,313,123	403,933,603	412,000,088
Net Position - End of Year	\$ 389,373,362	\$ 394,313,123	\$ 405,092,279	\$ 412,000,088	\$ 418,278,862

¹ Source of Supply includes: water purchases, meter purchases and utilities.

² GASB 75 was implemented in FY 2018, and modified the presentation of the OPEB expense. OPEB expense is now recorded in General, administrative and other.

³ Interest income is combined with unrealized gain/loss on investments. For FY 2013, 2017, and 2018, the unrealized loss on investments exceeded investment income.

⁴ Beginning Net Position was restated for FY 2013, 2015, and 2018.

Source: Moulton Niguel Water District Audited Financial Statements.

Moulton Niguel Water District

Changes in Net Position Last Ten Fiscal Years

2015	2016	2017	2018	2019	
					Operating Revenue:
\$ 28,604,894	\$ 29,812,128	\$ 32,149,585	\$ 32,317,988	\$ 32,680,545	Water charges
4,880,742	4,850,326	5,030,973	5,597,493	5,161,153	Recycled water charges
16,182,197	18,963,978	20,156,723	22,623,626	25,463,110	Sanitation charges
329,755	415,565	417,705	468,673	644,182	Other
49,997,588	54,041,997	57,754,986	61,007,780	63,948,990	Total Operating Revenue
					Operating Expenses:
28,610,139	26,357,342	26,681,334	29,446,569	25,879,882	Source of supply ¹
2,596,544	3,177,393	1,629,215	1,656,773	2,108,350	Pumping water
9,519,199	10,705,495	11,452,080	11,733,752	12,221,043	Sewage treatment
959,193	1,341,220	1,546,693	1,226,775	2,048,008	Water transmission and distribution
2,839,137	3,047,070	3,094,606	3,346,966	3,413,313	Customer service
3,472,838	6,749,664	4,037,455	3,448,360	4,333,171	Water efficiency
14,702,063	14,947,755	18,319,946	20,674,477	21,367,711	General, administrative and other
361,057	388,058	289,096	-	-	Post retirement medical benefits (OPEB)
16,708,439	17,123,278	17,811,064	19,374,985	19,743,524	Depreciation
79,768,609	83,837,275	84,861,489	90,908,657	91,115,002	Total Operating Expenses
(29,771,021)	(29,795,278)	(27,106,503)	(29,900,877)	(27,166,012)	Operating Income (Loss)
					Non-Operating Revenues (Expenses):
2,624,306	4,139,084	(438,180)	(8,721)	6,067,463	Interest income ²
28,946,309	30,604,182	28,507,929	28,848,018	30,330,582	Property tax revenue & GOB assessments
(6,160,882)	(4,910,737)	(4,629,947)	(4,517,784)	(4,078,474)	Interest on long-term debt
6,401,510	3,382,555	1,670,403	1,335,648	1,342,824	Intergovernmental Revenue
1,731,352	1,623,544	1,772,941	1,897,765	1,769,978	Cellular lease income
3,661,818	(9,718)	126,847	252,021	78,189	Other non-operating revenues
-	-	(85,430)	(84,765)	(2,943,447)	Other non-operating expenses
37,204,413	34,828,910	26,924,563	27,722,182	32,567,115	Total Non-operating Revenues (Expenses)
7,433,392	5,033,632	(181,940)	(2,178,695)	5,401,103	Income (Loss) before Capital Contributions
					Capital Contributions:
294,000	-	109,100	822,585	2,191,253	Developer donated capital facilities
551,179	1,046,335	331,393	649,528	200,375	Connection fees
-	314,510	662,832	291,790	802,832	Other contributions
8,278,571	6,394,477	921,385	(414,792)	8,595,563	Change in Net Position
399,482,876	407,761,447	414,155,924	413,456,609	413,041,817	Net Position - Beginning of Year³
\$ 407,761,447	\$ 414,155,924	\$ 415,077,309	\$ 413,041,817	\$ 421,637,380	Net Position - End of Year

Moulton Niguel Water District

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

Water & Wastewater Services	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	\$ 22,541,546	\$ 25,283,507	\$ 31,624,818	\$ 32,670,666	\$ 32,924,779
Commercial	3,832,129	4,301,909	4,919,168	5,380,650	5,291,358
Multi-Family Commercial	4,791,190	5,512,126	6,710,800	6,576,362	6,468,560
Irrigation ¹	1,934,477	1,846,244	2,383,616	2,903,695	2,910,423
Recycled Water ¹	4,446,515	4,340,197	4,530,175	4,612,874	5,005,391
Hydrant ¹	21,920	25,112	53,818	42,991	44,129
Total Water & Wastewater Services	\$ 37,567,777	\$ 41,309,095	\$ 50,222,395	\$ 52,187,238	\$ 52,644,640
Metered Accounts	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	46,649	46,840	46,996	47,197	47,305
Commercial	4,824	4,839	4,841	4,901	4,898
Irrigation	1,395	1,387	1,395	1,369	1,367
Recycled Water	1,244	1,262	1,265	1,292	1,299
Hydrant	32	34	36	33	30
Total Metered Accounts	54,144	54,362	54,533	54,792	54,899

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

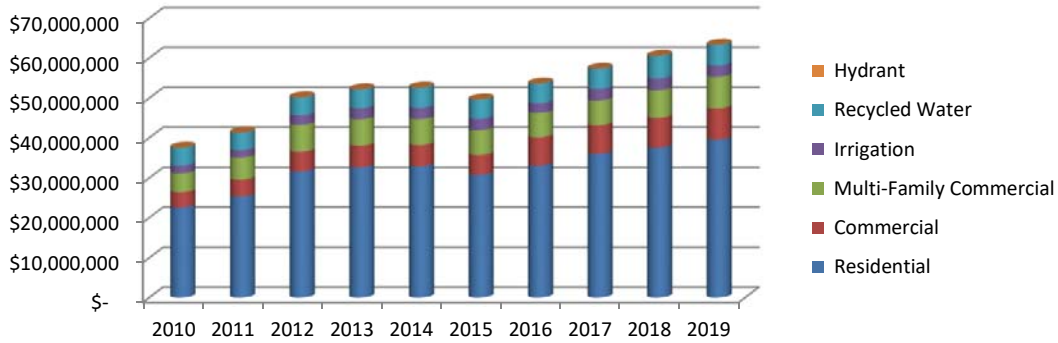
Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	Water & Wastewater Services
\$	30,767,071	\$ 33,081,103	\$ 35,988,870	\$ 37,563,077	\$ 39,540,260	Residential
	4,983,870	7,029,909	7,176,604	7,421,598	7,903,411	Commercial
	6,154,836	6,126,794	6,241,262	6,981,747	7,864,301	Multi-Family Commercial
	2,842,933	2,516,562	2,887,963	2,957,065	2,818,794	Irrigation ¹
	4,880,742	4,850,326	5,030,973	5,597,493	5,161,153	Recycled Water ¹
	38,381	21,738	11,609	18,128	16,889	Hydrant ¹
						Total Water & Wastewater Services
\$	49,667,833	\$ 53,626,432	\$ 57,337,281	\$ 60,539,108	\$ 63,304,808	

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	Metered Accounts
	47,586	47,535	47,333	47,333	47,332	Residential
	4,804	4,738	5,006	5,032	5,060	Commercial
	1,338	1,286	1,313	1,294	1,291	Irrigation
	1,257	1,247	1,356	1,369	1,380	Recycled Water
	34	43	22	39	45	Hydrant
	55,019	54,849	55,030	55,067	55,108	Total Metered Accounts



Moulton Niguel Water District

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

Fiscal Year	Usage (AF)	Purchase Price ¹	Average cost per AF	Metered Accounts	Average AF per Metered Account	Average Cost per Metered Account
2010	29,491	\$ 20,131,901	\$ 683	54,144	0.54	\$ 369
2011	27,360	19,908,518	728	54,362	0.50	364
2012	28,047	21,625,497	771	54,533	0.51	393
2013	28,920	24,434,327	845	54,792	0.53	448
2014	29,516	25,689,087	870	54,899	0.54	470
2015	27,285	24,257,752	889	55,019	0.50	445
2016	28,762	21,829,003	759	54,849	0.52	395
2017	22,916	20,933,121	913	55,030	0.42	383
2018	26,797	24,041,011	897	55,067	0.49	440
2019	23,676	22,557,276	953	55,108	0.43	410

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 & Multi-Family Potable Water Rate by Fiscal Year								
Consumption Tiers	2010 (Note 1)	2011 (Note 1)	2012-2014 (Note 2)	2015 (Note 3)	2016	2017	2018	2019
Tier 1	\$ 1.00	\$ 1.16	\$ 1.38	\$ 1.41	\$ 1.49	\$ 1.56	\$ 1.69	\$ 1.82
Tier 2	1.12	1.30	1.54	1.61	1.70	1.78	1.94	2.10
Tier 3	1.35	1.57	2.75	2.49	2.62	2.73	3.32	3.41
Tier 4	1.58	1.84	5.51	4.25	4.38	4.49	5.12	5.21
Tier 5	1.70	1.97	11.02	9.04	9.17	9.28	9.59	9.68

Commercial & Irrigation Potable Water Rate by Fiscal Year ²								
Consumption Tiers	2010	2011	2012-2014 (Note 3)	2015 (Note 3)	2016	2017	2018	2019
Former Irr. Uniform Rate	\$ 1.70	\$ 1.97	\$ 2.29	\$ -	\$ -	\$ -	\$ -	\$ -
Former Comm. Tier 1	1.00	1.16	1.38	-	-	-	-	-
Tier 1	1.12	1.30	1.54	1.61	1.70	1.78	1.94	2.10
Tier 2	1.35	1.57	2.75	2.49	2.62	2.73	3.32	3.41
Tier 3	1.58	1.84	5.51	4.25	4.38	4.49	5.12	5.21
Tier 4	1.70	1.97	11.02	9.04	9.17	9.28	9.59	9.68

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

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

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

Meter Size	Monthly Basic Service Charge for Potable Water ⁴												
	Uniform Charge					2015					2016		
	2010	2011	2012 - 2014	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.79	\$ 6.64	\$ 5.93	\$ 16.88	\$ 3.58	\$ 11.39	\$ 7.01	\$ 6.26	\$ 17.83	\$ 3.78
3/4"	7.67	8.91	10.36	10.79	6.64	5.93	16.88	3.58	11.39	7.01	6.26	17.83	3.78
1"	7.67	8.91	10.36	10.79	6.64	5.93	16.88	3.58	11.39	7.01	6.26	17.83	3.78
1.5"	13.48	15.66	34.53	35.97	22.13	19.77	56.27	11.94	37.98	23.37	20.88	59.42	12.61
2"	22.78	26.46	55.25	57.55	35.41	31.63	90.03	19.11	60.77	37.39	33.40	95.07	20.18
3"	30.91	35.92	120.87	125.89	77.47	69.19	196.94	41.80	132.94	81.81	73.06	207.97	44.14
4"	42.53	49.42	207.20	215.80	132.80	118.60	337.60	71.65	227.88	140.24	125.24	356.51	75.66
6"	65.77	76.42	431.67	449.94	276.89	247.28	703.90	149.27	475.14	292.40	261.13	743.32	157.63
8"	89.01	103.43	621.60	647.40	398.40	355.80	1,012.80	214.95	683.65	420.71	375.72	1,069.52	226.99
10"	65.77	76.42	431.67	1,043.39	642.09	573.43	1,632.30	346.31	1,101.82	678.05	605.54	1,723.71	365.70

Meter Size	Monthly Basic Service Charge for Potable Water ⁴														
	2017					2018					2019				
	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection	Residential	Multi family	Commercial	Irrigation	Fire Protection
5/8"	\$ 11.91	\$ 7.33	\$ 6.55	\$ 18.65	\$ 3.95	\$ 11.22	\$ 10.78	\$ 5.54	\$ 18.06	\$ 4.29	\$ 10.71	\$ 10.59	\$ 4.91	\$ 17.24	\$ 4.42
3/4"	11.91	7.33	6.55	18.65	3.95	11.22	10.78	5.54	18.06	4.29	10.71	10.59	4.91	17.24	4.42
1"	11.91	7.33	6.55	18.65	3.95	11.22	10.78	5.54	18.06	4.29	10.71	10.59	4.91	17.24	4.42
1.5"	39.73	24.45	21.84	62.15	13.19	37.41	25.20	18.46	60.21	14.31	35.69	24.22	16.35	57.45	14.74
2"	63.57	39.11	34.94	99.44	21.11	59.85	37.56	29.54	96.34	22.90	57.11	35.91	26.16	91.93	23.59
2.5"	-	-	-	-	33.64	-	-	-	-	36.50	-	-	-	-	37.60
3"	139.06	85.57	76.42	217.54	46.17	130.94	76.70	64.61	210.76	50.10	124.95	72.93	57.23	201.11	51.60
4"	238.36	146.69	131.00	372.91	79.14	224.46	128.19	110.76	361.29	85.88	214.19	121.63	98.10	344.75	88.46
6"	497.00	305.85	273.14	777.51	164.88	467.62	262.09	230.76	752.68	178.92	446.23	248.27	204.38	718.24	184.29
8"	715.10	440.06	393.00	1,118.72	237.43	673.37	375.38	332.29	1,083.86	257.65	642.56	355.42	294.31	1,034.25	265.38
10"	1,152.50	709.24	633.39	1,803.00	382.52	1,084.87	601.96	535.36	1,746.22	415.10	1,035.24	569.72	474.17	1,666.30	427.55

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

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

Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

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

Fiscal Year 2019

<u>Customer</u>	<u>Type of Property</u>	<u>Total Water Sales¹</u>	<u>Percentage of Total Water Sales</u>
Soka University Of America	Private University	\$ 155,328	0.48%
City of Laguna Niguel	Parks, Slopes, Medians	154,706	0.47%
Moritz Associates LLC	Multi Family Residential	138,728	0.42%
Mission Hospital Reg Med Ctr	Medical Facility	128,221	0.39%
Hidden Hills Apts	Multi Family Residential	118,949	0.36%
Heather Ridge Condo Assn	Multi Family Residential	118,760	0.36%
Fpa-Reit Holdings LLC	Multi Family Residential	114,799	0.35%
Barcelona LLC	Multi Family Residential	114,578	0.35%
Bre Properties	Multi Family Residential	110,870	0.34%
Laguna Sur Villa	Multi Family Residential	<u>109,985</u>	<u>0.34%</u>
		\$ 1,264,924	3.86%
Total Water Sales for FY 2018-19 \$		32,680,545	

Fiscal Year 2010

<u>Customer</u>	<u>Type of Property</u>	<u>Total Water Sales 1</u>	<u>Percentage of Total Water Sales</u>
Mission Hospital Reg Med Ctr	Medical Facility	\$ 73,521	0.36%
Soka University of America	Private University	64,381	0.31%
The Shops at Mission Viejo	Retail Center	49,444	0.24%
Saddleback Community College	Public University	42,127	0.20%
Mission Imports	Retail Center	35,967	0.17%
Shea Properties/City Lights	Multi Family Residential	26,492	0.13%
Renaissance Hotel Operating Co.	Retail Business	19,953	0.10%
K&M Royal Group LLC	Retail Center	17,838	0.09%
Shapell Industries, Inc.	Retail Center	17,110	0.08%
Saddleback Business Park	Commercial Offices	<u>15,347</u>	<u>0.07%</u>
		\$ 362,180	1.75%
Total Water Sales for FY 2009-10 \$		20,578,666	

¹ Total water sales includes only potable water sales.

Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

Wastewater Rates
Last Ten Fiscal Years

RESIDENTIAL WASTEWATER RATES										
	2010	2011	2011	2013	2014	2015	2016	2017	2018	2019
Basic Service Charges	\$ 8.25	\$ 9.59	\$ 11.14	\$ 11.14	\$ 11.14	\$ 22.68	\$ 24.83	\$ 26.22	\$ 14.36	\$ 15.15
Per Person Charge									\$ 4.31	\$ 4.55
Volumetric Charge										
1-25 B.U.	0.65	0.76	0.88	0.88	0.88	-	-	-	-	
26+ B.U.										
Maximum per month	24.50	28.59	33.14	33.14	33.14	-	-	-	-	

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

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

Meter Size	2017					2018				
	MFR	Comm 1	Comm 2	Comm 3	Comm 4	MFR	Comm 1	Comm 2	Comm 3	Comm 4
5/8"	20.66	122.31	44.02	90.56	97.70	16.94	20.84	49.92	107.85	117.98
3/4"	20.66	122.31	44.02	90.56	97.70	16.94	20.84	49.92	107.85	117.98
1"	20.66	122.31	44.02	90.56	97.70	16.94	20.84	49.92	107.85	117.98
1.5"	61.35	400.52	139.21	294.33	318.12	51.38	64.39	161.31	354.40	388.15
2"	96.23	639.03	220.81	469.01	507.08	80.91	101.73	256.81	565.75	619.76
2.5"	-	639.03	-	-	-	-	-	-	-	-
3"	206.69	1,394.36	479.25	1,022.23	1,105.51	174.42	219.98	559.23	1,235.12	1,353.26
4"	352.02	2,388.09	819.25	1,750.04	1,892.81	297.44	375.55	957.11	2,115.74	2,318.26
6"	729.89	4,971.94	1,703.30	3,642.47	3,939.89	617.32	780.05	1,991.64	4,405.47	4,827.39
8"	1,049.61	7,158.19	2,451.32	5,243.70	5,671.99	887.98	1,122.30	2,866.98	6,342.87	6,950.43
10"	1,689.08	11,530.82	3,947.40	8,446.24	9,136.27	1,429.31	1,806.83	4,617.72	10,217.77	11,196.63

2019					
Meter Size	MFR	Comm 1	Comm 2	Comm 3	Comm 4
5/8"	17.87	21.99	52.66	113.78	124.46
3/4"	17.87	21.99	52.66	113.78	124.46
1"	17.87	21.99	52.66	113.78	124.46
1.5"	54.20	67.94	170.18	373.89	409.50
2"	85.35	107.33	270.93	596.87	653.84
3"	184.01	232.08	589.99	1,303.05	1,427.69
4"	313.80	396.20	1,009.75	2,232.10	2,445.76
6"	651.27	822.95	2,101.18	4,647.77	5,092.90
8"	936.82	1,184.03	3,024.67	6,691.73	7,332.71
10"	1,507.92	1,906.21	4,871.69	10,779.75	11,812.45

Wastewater Classes:

- Class 1 : Typical users include residential, banks, car washes, churches, department and retail stores, laundromats, professional offices, schools and colleges.
- Class 2: Typical users includes beauty and barber shops, hospitals and convalescent facilities, commercial laundry, repair shops, service stations and veterinary hospitals.
- Class 3: Typical users include hotels with dining facilities, markets with garbage disposals, mortuaries and fast-food restaurants
- Class 4: Typical users include restaurants, auto steam cleaning facilities and bakeries. Classifications are subject to change upon inspection by the District in order to comply with the intent of MNWD's rules and regulations and regulatory mandates.

Per Person Wastewater Charge applies to Residential and Multi-Family Residential Customers

Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

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

Fiscal Year 2019

<u>Customer</u>	<u>Type of Property</u>	Total Charges for Wastewater <u>Services</u>	Percentage of Total <u>Wastewater Charges</u>
Moritz Associates LLC	Multi-family Residential	\$ 240,914	0.95%
Barcelona LLC	Multi-family Residential	175,878	0.69%
Heather Ridge Condo Assn	Multi-family Residential	127,974	0.50%
Laguna Gardens Apartments	Multi-family Residential	123,077	0.48%
Aliso Creek - Sares	Multi-family Residential	118,036	0.46%
Shea Properties/City Lights	Multi Family Residential	112,511	0.44%
ERP Operating LP LN	Multi Family Residential	111,000	0.44%
Bre Properties	Multi Family Residential	110,789	0.44%
Aliso Meadows Condo Assoc	Multi Family Residential	101,244	0.40%
Alize at Aliso Viejo	Multi Family Residential	98,670	<u>0.39%</u>
		<u>\$ 1,320,093</u>	5.19%

Total Wastewater Services for FY 2018-19 \$ 25,463,110

Fiscal Year 2010

<u>Customer</u>	<u>Type of Property</u>	Total Charges for Wastewater <u>Services</u>	Percentage of Total <u>Wastewater Charges</u>
Soka University of America	Private University	\$ 53,299	0.42%
The Shops at Mission Viejo	Shopping Mall	38,324	0.31%
Mission Hospital Regional Med Center	Hospital and Medical	37,208	0.30%
Saddleback Business Park	Commercial Offices	24,573	0.20%
Shea Properties/City Lights	Multi Family Residential	16,056	0.13%
Saddleback Community College	Public College	15,570	0.12%
Mission Imports	Retail Center	14,051	0.11%
K&M Royal Group LLC	Retail Center	13,501	0.11%
Renaissance Hotel Operating Co.	Retail Business	13,090	0.10%
Shapell Industries, Inc.	Retail Center	11,901	<u>0.09%</u>
		<u>\$ 237,573</u>	1.89%

Total Wastewater Services for FY 2009-10 \$ 12,542,595

Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

Recycled Water Rates
Last Ten Fiscal Years

Recycled Water Rates by Fiscal Year										
Consumption Tiers (Note 1)	2010	2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Notes 2&3)	2016	2017	2018	2019
All B.U.'s	\$ 1.36	\$ 1.58	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1 - 50 B.U.	-	-	-	-	-	-	-	-	-	-
51+ B.U.	-	-	-	-	-	-	-	-	-	-
Tier 1	-	-	1.23	1.23	1.23	1.17	1.24	1.29	1.39	1.47
Tier 2	-	-	1.23	1.23	1.23	1.66	1.74	1.81	2.51	2.69
Tier 3	-	-	2.20	2.20	2.20	3.42	3.50	3.57	4.31	4.49
Tier 4	-	-	4.41	4.41	4.41	8.21	8.29	8.36	8.78	8.96
Tier 5	-	-	8.81	8.81	8.81	-	-	-	-	-

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

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

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

Recycled Water Basic Service Charge										
Meter Size	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
5/8"	\$ 7.67	\$ 8.91	\$ 10.36	\$ 10.36	\$ 10.36	\$ 16.88	\$ 17.83	\$ 18.65	\$ 18.06	\$ 17.24
3/4"	7.67	8.91	10.36	10.36	10.36	16.88	17.83	18.65	18.06	17.24
1"	7.67	8.91	10.36	10.36	10.36	16.88	17.83	18.65	18.06	17.24
1.5"	13.48	15.66	34.53	34.53	34.53	56.27	59.42	62.15	60.21	57.45
2"	22.78	26.47	55.25	55.25	55.25	90.03	95.07	99.44	96.34	91.93
3"	30.91	35.92	120.87	120.87	120.87	196.94	207.97	217.54	210.76	201.11
4"	42.53	49.42	207.20	207.20	207.20	337.60	356.51	372.91	361.29	344.75
6"	65.77	76.42	431.37	431.37	431.37	703.90	743.32	777.51	752.68	718.24
8"	89.01	103.43	621.60	621.60	621.60	1,012.80	1,069.52	1,118.72	1,083.86	1,034.25
10"	112.25	130.43	1,001.47	1,001.47	1,001.47	1,632.30	1,723.71	1,803.00	1,746.22	1,666.30

Source: Moulton Niguel Water District Billing Department.

Mouton Niguel Water District

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

Fiscal Year 2019

<u>Customer</u>	<u>Type of Property</u>	<u>Total Recycled Water Sales</u>	<u>Percentage of Total Sales</u>
Aliso Viejo Comm Assn	Parks, Slopes, Medians	\$ 611,579	11.85%
City of Laguna Niguel	Parks, Slopes, Medians	374,201	7.25%
City of Mission Viejo	Parks, Slopes, Medians	230,758	4.47%
Mission Viejo Country Club	Golf Course	180,498	3.50%
Marina Hills Pca	Parks, Slopes, Medians	162,314	3.14%
Aliso Viejo Country Club	Golf Course	159,674	3.09%
El Niguel Country Club	Golf Course	156,956	3.04%
City of Laguna Hills	Parks, Slopes, Medians	154,223	2.99%
Arroyo Trabuco Golf Club	Golf Course	133,798	2.59%
City of San Juan Capistrano	Parks, Slopes, Medians	<u>106,043</u>	<u>2.05%</u>
		\$ 2,270,044	43.97%

Total Recycled Water Sales for Fiscal Year 2018-19 \$ 5,161,153

Fiscal Year 2010

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

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

Source: Moulton Niguel Water District Billing Department.

Moulton Niguel Water District

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

Levy Year	Total Tax Levy	Collected within the Levy Year		Collections from Prior Years	Total Collections to Date	
		Amount ¹	Percentage of Levy		Amount	Percentage of Levy
2010	21,679,649	20,656,502	95.28%	968,078	21,624,580	99.75%
2011	21,638,200	20,835,460	96.29%	511,337	21,346,797	98.65%
2012	22,143,993	20,666,470	93.33%	475,230	21,141,700	95.47%
2013	22,511,515	21,304,598	94.64%	555,032	21,859,630	97.10%
2014	22,890,247	22,311,794	97.47%	211,474	22,523,268	98.40%
2015	24,520,773	23,957,232	97.70%	54,284	24,011,516	97.92%
2016	25,996,107	25,252,413	97.14%	45,652	25,298,065	97.31%
2017	27,121,477	26,200,549	96.60%	233,561	26,434,110	97.47%
2018	28,757,033	27,873,354	96.93%	52,879	27,926,233	97.11%
2019	29,303,633	28,946,616	98.78%	164,040	29,110,656	99.34%

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
Orange County Auditor-Controller's office.

Moulton Niguel Water District

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

<u>Land Use</u>	<u>Assessed Land Values by Use</u> ¹	
	<u>FY 2019</u>	<u>FY 2010</u>
	<u>Secured Assessed Value</u>	
Residential	\$ 19,405,014,298	\$ 12,615,415,203
Commercial	2,016,175,988	1,479,670,281
Industrial	393,847,765	313,163,849
Vacant/Other	22,702,460	255,904,704
Total	\$ 21,837,740,511	\$ 14,664,154,037

**Principal Local Secured Taxpayers
For Fiscal Year 2019**

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Moritz Associates LLC	Apartments	\$ 126,990,000	0.58%
2	Barcelona LLC	Apartments	106,590,000	0.49%
3	BRE-FMCA LLC	Apartments	77,786,136	0.36%
4	HTA-Mission Mob LLC	Commercial	60,688,976	0.28%
5	Monarch Coast I Owner LLC	Apartments	42,708,358	0.20%
6	Valuerock Aliso Viejo	Commercial	42,344,280	0.19%
7	TR Polaris LLC	Commercial	41,407,920	0.19%
8	Shops at Mission Viejo LLC	Commercial	40,885,680	0.19%
9	Summit Office LLC	Commercial	38,870,593	0.18%
10	Sequoia Equities - Alize	Apartments	38,103,569	0.17%
			<u>\$ 616,375,512</u>	2.82%

Fiscal Year 2018-19 Total Local Secured Net Taxable Value: \$ 21,837,740,511

**Principal Local Secured Taxpayers
For Fiscal Year 2010**

<u>Rank</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total</u>
1	Shea Homes LP & Shea Homes Vantis Inc.	Residential	\$ 152,859,380	1.04%
2	OC/SD Holdings LLC	Apartments	89,802,053	0.61%
3	Arden Realty LP	Commercial	46,612,368	0.32%
4	Target Corporation	Commercial	45,239,828	0.31%
5	BRE Properties, Inc.	Apartments	43,190,405	0.29%
6	Moritz Associates LLC	Apartments	42,465,318	0.29%
7	Summit Enterprise LLC	Commercial	39,639,239	0.27%
8	Barcelona, LLC	Apartments	36,694,492	0.25%
9	Prisa Acquisition LLC	Industrial	35,612,019	0.24%
10	Rreef America REIT II Corp. FFF	Commercial	33,782,705	0.23%
			<u>\$ 565,897,807</u>	3.86%

Fiscal Year 2009-10 Local Secured Net Taxable Value: \$ 14,664,154,037

¹ Values are for land only and do not include any improvements.

Source: HDL
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 Participation ²	Loans Payable	Total Debt	Total			
					Customer Accounts	Debt per Customer Accounts	Est. District Population ³	Debt per Capita
2010	\$ 41,740,000	\$ 88,672,820	\$ 23,489,486	\$ 153,902,306	54,144	\$ 2,842	167,408	\$ 919
2011	37,400,000	87,590,679	21,432,781	146,423,460	54,362	2,693	164,450	890
2012	32,755,000	85,873,271	19,336,551	137,964,822	54,533	2,530	165,272	835
2013	27,775,000	84,065,864	17,160,816	129,001,680	54,792	2,354	168,174	767
2014	22,816,846	82,198,457	14,998,798	120,014,101	54,899	2,186	169,212	709
2015	31,326,483	65,836,049	12,794,395	109,956,927	55,019	1,999	170,326	646
2016	24,890,785	63,928,642	10,688,013	99,507,440	54,849	1,814	170,610	583
2017	18,327,964	61,946,234	8,693,016	88,967,214	55,030	1,617	171,178	520
2018	16,632,769	60,000,000	6,660,906	83,293,675	55,067	1,513	172,324	483
2019	71,646,102	-	5,088,318	76,734,420	55,108	1,392	171,661	447

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

² The 2009 Certificates of Participation were fully refunded by the 2019 Revenue Refunding Bonds

³ Estimated District Population is based on the most recent available data

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

Moulton Niguel Water District

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

<u>Fiscal Year</u>	<u>Total General Obligation Bonds Outstanding</u> ¹	<u>Net Direct General Obligation Debt</u>	<u>Assessed Value</u> ²	<u>Percent of General Obligation Debt to Assessed Value</u>	<u>Population</u> ³	<u>Net General Obligation Debt per Capita</u>
2010	\$ 41,740,000	\$ 6,022,175	\$ 6,193,574,675	0.10%	56,919	\$ 106
2011	37,400,000	6,159,813	6,062,288,925	0.10%	58,503	105
2012	32,755,000	6,263,016	6,051,286,544	0.10%	56,114	112
2013	27,775,000	6,416,000	6,093,356,189	0.11%	56,675	113
2014	22,816,846	6,466,700	6,300,950,763	0.10%	57,236	113
2015	16,867,130	6,227,747	5,749,154,516	0.11%	57,613	108
2016	10,697,414	6,240,500	6,159,717,218	0.10%	57,709	108
2017	4,400,575	6,365,900	6,559,781,425	0.10%	58,289	109
2018	2,971,362	1,419,500	7,001,618,675	0.02%	58,483	24
2019	1,465,000	1,449,875	1,794,786,384	0.08%	58,512	25

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

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

³ The District population is estimated by the California State University at Fullerton Center for Demographic Research (CDR) and is based on the most recent available data.

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

Moulton Niguel Water District

Direct and Overlapping Debt Current Fiscal Year

2018-19 Assessed Valuations: \$21,860,129,665 (Land only)

Direct & Overlapping Tax and Assessment Debt: (Based on all property assessed valuation of \$37,557,287,338)

	Total Debt 06/30/2019	% Applicable ¹	District's Share of Debt 06/30/2019
Metropolitan Water District	\$ 48,050,000	1.288%	\$ 618,884
Capistrano Unified School District School Facilities Improvement Distri	21,748,753	30.245%	6,577,910
Laguna Beach Unified School District	21,715,000	1.778%	386,093
Saddleback Valley Unified School District	107,700,000	21.192%	22,823,784
City of San Juan Capistrano	27,155,000	0.013%	3,530
Moulton-Niguel Water District, I.D. No. 7	1,465,000	100.000%	1,465,000
City of Aliso Viejo Community Facilities District No. 2005-01	30,225,000	100.000%	30,225,000
<i>Total Direct & Overlapping Tax and Assessment Debt</i>			<u><u>\$ 62,100,201</u></u>

Direct & Overlapping General Fund Debt:

Orange County General Fund Obligations	\$ 388,720,000	6.344%	\$ 24,660,397
Orange County Pension Obligation Bonds	407,629,239	6.344%	25,859,999
Orange County Board of Education Certificates of Participation	13,490,000	6.344%	855,806
Capistrano Unified School District Certificates of Participation	28,790,000	31.390%	9,037,181
City of Laguna Hills Certificates of Participation	5,845,000	69.537%	4,064,438
City of Mission Viejo Certificates of Participation	33,987,326	34.672%	11,784,086
City of San Juan Capistrano Judgment Obligations	875,000	0.013%	114
Moulton-Niguel Water District General Fund Obligations²	59,065,000	100.000%	59,065,000
<i>Total Direct & Overlapping General Fund Debt</i>			<u>135,327,021</u>

TOTAL DIRECT DEBT			\$ 60,530,000
TOTAL OVERLAPPING DEBT			136,897,222
Combined Total Debt ³			\$ 197,427,222

Ratios to Land Only Assessed Valuation:

Direct Debt (\$1,465,000) ⁴	0.01%
Total Direct and Overlapping Tax and Assessment Debt	0.28%

Ratios to All Property Assessed Valuation:

Total Direct Debt (\$60,530,000)	0.16%
Combined Total Debt	0.53%

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

² Excludes accreted value.

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

⁴ Moulton Niguel Improvement Districts.

Moulton Niguel Water District

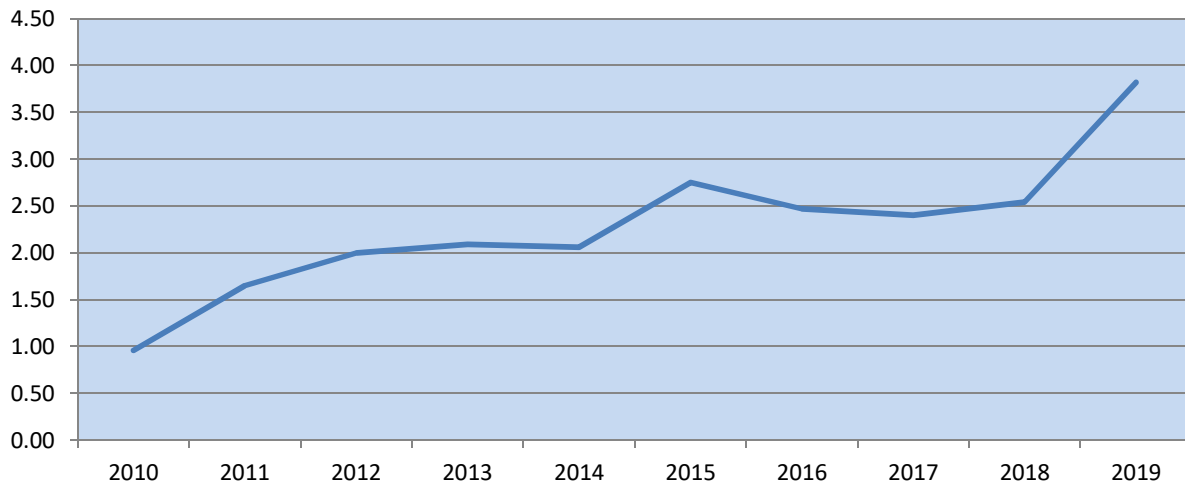
**Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Total Revenues ¹	Total Expenses ²	Net Available Revenues	Annual Debt Service ³			Coverage Ratio
				Principal	Interest	Total	
2010	67,240,733	55,611,741	11,628,992	8,309,566	3,787,050	12,096,616	0.96
2011	71,267,139	55,783,588	15,483,551	3,681,716	5,701,425	9,383,141	1.65
2012	72,127,432	53,336,041	18,791,391	3,686,551	5,727,264	9,413,815	2.00
2013	76,664,834	57,089,327	19,575,507	3,572,972	5,790,836	9,363,808	2.09
2014	78,969,108	59,633,768	19,335,340	3,918,909	5,475,003	9,393,912	2.06
2015	88,604,859	63,060,170	25,544,689	3,821,389	5,478,923	9,300,312	2.75
2016	88,604,859	66,713,997	21,890,862	3,766,711	5,093,380	8,860,091	2.47
2017	88,339,002	67,050,425	21,288,577	3,849,998	5,027,110	8,877,108	2.40
2018	94,089,864	71,533,672	22,556,192	3,957,110	4,914,398	8,871,508	2.54
2019	105,512,560	74,314,925	31,197,635	3,377,588	4,792,953	8,170,541	3.82

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

² Total expenses exclude depreciation and amortization expense.

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



Source: Moulton Niguel Water District Finance Department.

Moulton Niguel Water District

Demographic and Economic Statistics Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2009	166,964
2010	167,408
2011	164,450
2012	165,272
2013	168,174
2014	169,212
2015	170,326
2016	170,610
2017	171,178
2018	171,661

City of Laguna Niguel ¹				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2009	66,522	\$ 3,423,303	\$ 52,705	4.1%
2010	67,117	3,235,788	51,005	7.0%
2011	67,666	3,880,866	47,820	7.5%
2012	63,691	3,172,067	49,804	6.8%
2013	64,065	3,236,436	50,518	4.4%
2014	64,460	3,280,305	50,889	3.9%
2015	64,449	3,215,232	49,888	5.0%
2016	66,142	3,327,443	50,308	4.1%
2017	66,689	3,337,813	50,050	3.7%
2018	65,377	3,380,822	51,713	3.3%

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

¹ The District serves 100% of the City of Laguna Niguel which represents approximately 39% of the total District population.

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

City of Aliso Viejo ²				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2009	45,249	\$ 2,052,309	\$ 44,925	2.7%
2010	45,683	1,977,869	43,342	4.8%
2011	45,634	2,059,354	43,062	4.9%
2012	47,823	2,002,825	40,884	4.6%
2013	48,988	2,100,002	42,444	3.0%
2014	49,951	2,100,839	42,058	2.6%
2015	49,939	2,181,535	43,684	3.5%
2016	50,509	2,223,991	44,032	3.6%
2017	50,312	2,274,460	45,207	3.1%
2018	51,950	2,311,366	44,492	2.6%

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

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

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

Moulton Niguel Water District

Demographic and Economic Statistics Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2009	166,964
2010	167,408
2011	164,450
2012	165,272
2013	168,174
2014	169,212
2015	170,326
2016	170,610
2017	171,178
2018	171,661

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

City of Laguna Hills ³					
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate	
2009	33,421	\$ 1,441,089	\$ 43,346	4.0%	
2010	33,280	1,417,282	42,444	7.0%	
2011	33,593	1,500,666	44,672	8.0%	
2012	30,341	1,445,996	47,227	6.6%	
2013	30,410	1,363,858	44,421	4.8%	
2014	30,857	1,320,001	42,778	4.2%	
2015	30,848	1,336,181	43,315	5.0%	
2016	30,681	1,373,184	44,757	4.1%	
2017	31,544	1,479,761	46,911	3.7%	
2018	31,818	1,587,577	49,896	2.6%	

³ The City of Laguna Hills represents approximately 18% of the total District population.

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

City of Mission Viejo ⁴				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2009	100,122	\$ 148,300,000	\$ 51,374	6.8%
2010	93,297	153,300,000	52,124	6.9%
2011	93,483	154,100,000	50,440	6.7%
2012	94,196	161,700,000	52,342	5.7%
2013	94,824	165,300,000	53,032	4.7%
2014	95,334	172,400,000	55,096	3.9%
2015	96,652	185,400,000	57,133	4.2%
2016	96,701	189,800,000	59,303	4.1%
2017	95,985	195,200,000	60,523	3.4%
2018	95,987	214,600,000	66,479	3.1%

⁴ The City of Mission Viejo represents approximately 57% of the total District population.

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

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

Moulton Niguel Water District

Demographic and Economic Statistics Last Ten Fiscal Years

Moulton Niguel Water District	
Fiscal Year	Estimated District Population
2009	166,964
2010	167,408
2011	164,450
2012	165,272
2013	168,174
2014	169,212
2015	170,326
2016	170,610
2017	171,178
2018	171,661

City of Dana Point ⁵				
Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Income	Unemployment Rate
2009	35,822	\$ 1,681,000	\$ 46,926	6.4%
2010	35,561	1,706,000	47,974	6.9%
2011	35,109	1,816,000	51,725	6.3%
2012	33,054	1,663,000	50,312	5.5%
2013	33,398	1,723,000	51,590	5.9%
2014	33,625	1,699,000	50,528	5.5%
2015	33,710	1,649,000	48,917	5.2%
2016	33,415	1,742,949	52,161	4.2%
2017	34,902	1,811,000	58,218	3.8%
2018	34,619	1,841,000	61,088	3.2%

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

⁵ The City of Dana Point represents approximately 20% of the total District population.

Source: City of Dana Point Finance Department. Based on most recent data available.

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

Moulton Niguel Water District

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

FY 2019^{1,2}

<u>Rank</u>	<u>Employer</u>	<u>Operating City</u>	<u>Number of Employees</u>	<u>Percent of Each City's Employment*</u>
1	Saddleback College	City of Mission Viejo	2,752	5.49%
2	Mission Hospital Regional Medical Center	City of Mission Viejo	2,600	5.19%
3	United States Government	City of Laguna Niguel	2,200	6.38%
4	Capistrano Unified School District	Cities of Mission Viejo, Laguna Niguel, Aliso Viejo	1,677	1.32%
5	Saddleback Valley Unified School District	Laguna Hills	1,136	1.68%
6	United Parcel Service	City of Aliso Viejo	1,000	4.04%
7	Pacific Life	City of Aliso Viejo	811	3.28%
8	Coldwell Banker	City of Mission Viejo	740	1.48%
9	Costco Wholesale Corporation	City of Laguna Niguel	665	1.93%
10	Microvention	City of Aliso Viejo	650	2.63%

*The percentage represented for employers operating in multiple Cities uses each City's aggregate total employment figures to determine the percentage for this table.

FY 2010^{1,2}

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

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

² The District used data from the FYE 2009 - 2018 CAFRs for the cities of Aliso Viejo, Laguna Niguel, Mission Viejo, and Laguna Hills, Mission Viejo and Dana Point.

Moulton Niguel Water District

Full Time Employees by Function Last Ten Fiscal Years

<u>Function</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Office of the General Manager	3	3	2	3	6	6	7	6	6	8
Human Resources	1	1	2	2	2	2	2	2	2	2
Customer Service - Admin	2	2	2	3	2	1	1	1	1	1
Utility Billing	6	7	7	7	6	-	-	-	-	-
Customer Service - Field	19	17	18	19	16	16	16	16	16	16
Customer Accounts	6	6	7	5	6	12	12	13	13	14
Engineering - Admin	3	7	9	14	11	9	8	10	10	4
Engineering										12
Inspection	11	9	8	9	12	11	12	13	13	13
Purchasing	2	2	2	2	3	3	3	3	4	2
Information Technology	3	3	3	3	3	3	4	6	6	7
Finance & Planning	2	3	2	2	2	3	3	3	3	4
Accounting	5	5	7	7	7	6	6	6	6	6
Operations - Admin	6	6	6	6	4	6	8	6	6	2
Operations - Facilities	14	9	10	11	17	18	19	16	16	19
Operations - Utilities	17	24	22	20	18	19	22	28	28	28
Water Efficiency	-	-	-	-	-	3	6	9	9	8
Wastewater Treatment Plant Operations	-	-	-	-	-	-	-	-	-	6
Total	100	104	107	113	115	118	129	138	139	152

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.) ²	AVG. DAILY SEWAGE (M.G.D.)	AVG. DAILY POTABLE IMPORT (M.G.D.)	TAKEOUTS
2010	54,174	<1,400	August	34.20	26.15	14.6	26.15	14
2011	54,374	<1,400	August	31.30	24.16	12.5	24.16	13
2012	54,597	<1,400	August	34.31	24.43	13.4	20.54	13
2013	54,790	<1,400	August	43.50	25.10	13.6	25.19	13
2014	54,899	<1,400	July	35.30	25.58	11.9	25.6	13
2015	55,019	<1,400	August	39.94	29.10	11.2	24.03	13
2016	54,849	<1,400	June	31.66	24.75	11.2	20.72	13
2017	55,030	<1,400	September	37.32	24.28	10.9	22.47	9
2018	55,067	<1,400	September	35.44	26.28	10.8	22.94	9
2019	55,108	<1,400	August	38.34	23.69	10.6	21.30	9

FISCAL YEAR	PUMP STATIONS ¹			RESERVOIRS ¹		NO. OF FIRE HYDRANTS	TREATMENT PLANTS ¹	MILES OF WATER	MILES OF WASTEWATER	MILES OF RECYCLED
	RECYCLED	POTABLE	LIFT	RECYCLED	POTABLE					
2010	12	30	19	12	28	7,250	4	700	530	144
2011	12	30	19	13	28	7,256	4	700	537	148
2012	12	30	19	13	28	7,258	4	700	537	148
2013	12	30	19	13	28	7,211	4	700	537	148
2014	12	30	19	13	28	7,141	4	700	537	148
2015	10	25	18	11	28	7,112	4	663	504	140
2016	10	25	18	11	28	7,149	4	668	505	141
2017	9	23	17	11	28	7,154	4	655	501	142
2018	9	23	17	11	28	7,163	4	656	501	142
2019	9	23	17	11	28	7,148	4	656	501	142

Note: MGD = Millions of Gallons per Day.

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

² Consumption includes Recycled Water

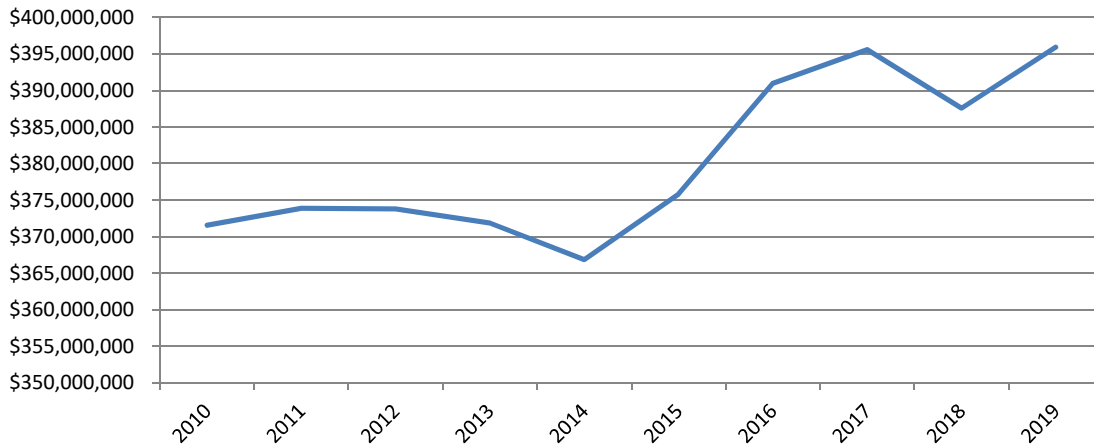
Source: Moulton Niguel Water District Operations and Billing Department.

Moulton Niguel Water District

**Capital Asset Statistics
Last Ten Fiscal Years**

Fiscal Year	Water Systems	Capacity Rights	Buildings	Automobiles & Equipment	Land	Construction in Progress	Capital Assets, Net of Depreciation
2010	\$ 341,293,660	\$ 8,551,999	\$ 3,538,659	\$ 3,484,082	\$ 1,091,910	\$ 13,583,539	\$ 371,543,849
2011	335,560,748	7,995,119	3,401,805	3,448,555	1,091,910	22,383,367	373,881,504
2012	329,278,513	27,691,901	3,217,693	2,949,815	1,091,910	9,572,378	373,802,210
2013	330,699,738	27,149,621	3,119,398	2,722,514	1,091,910	7,057,346	371,840,527
2014	319,084,402	26,607,341	2,864,432	2,426,058	1,091,910	14,785,817	366,859,960
2015	311,408,504	26,065,062	2,689,869	2,947,705	1,091,910	31,642,242	375,845,292
2016	271,113,215	63,993,270	2,408,058	7,232,783	1,091,910	45,135,106	390,974,342
2017	267,966,653	67,862,518	2,126,682	11,685,232	1,091,910	44,848,592	395,581,587
2018	261,018,260	106,002,867	1,845,743	10,174,076	1,091,910	7,454,600	387,587,456
2019	260,190,540	110,611,241	1,565,874	8,952,263	1,091,910	13,508,163	395,919,991

Capital Assets, Net of Depreciation



Source: Moulton Niguel Water District Accounting Department