

popular

ANNUAL FINANCIAL REPORT

(CUSTOMER FINANCIAL TRANSPARENCY REPORT)

Fiscal Year Ended

JUNE 30, 2023

moulton niguel water district

26161 GORDON ROAD, LAGUNA HILLS, CALIFORNIA

moulton niguel water district

RESILIENT TOGETHER

BOARD OF DIRECTORS

Duane D. Cave
PRESIDENT

Brian S. Probolsky
VICE PRESIDENT

Diane Rifkin
VICE PRESIDENT

Richard S. "Dick" Fiore
DIRECTOR

Donald R. Froelich
DIRECTOR

William "Bill" Moorhead
DIRECTOR

Sherry Wanninger
DIRECTOR

To Our Valued Customers:

The Moulton Niguel Board of Directors and staff are pleased to present Moulton Niguel Water District's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2023. The PAFR summarizes the District's Annual Comprehensive Financial Report (ACFR). This report supplements the ACFR to feature the District's overall financial position in a concise, easy-to-read format.

For all our financial reports, Moulton Niguel follows Generally Accepted Accounting Principles (GAAP), the gold standard for excellence in financial reporting. For more information and greater detail about items referenced in this report, please review the 2023 ACFR at mnwd.com/finance.

This report will continue demonstrating the District's integrity and transparency with its finances in providing water, wastewater, and recycled water services to over 170,000 people across six South Orange County cities. Should you have any questions or comments, please contact the District at (949) 831-2500.

Serving as your safe and reliable water service provider is an honor.

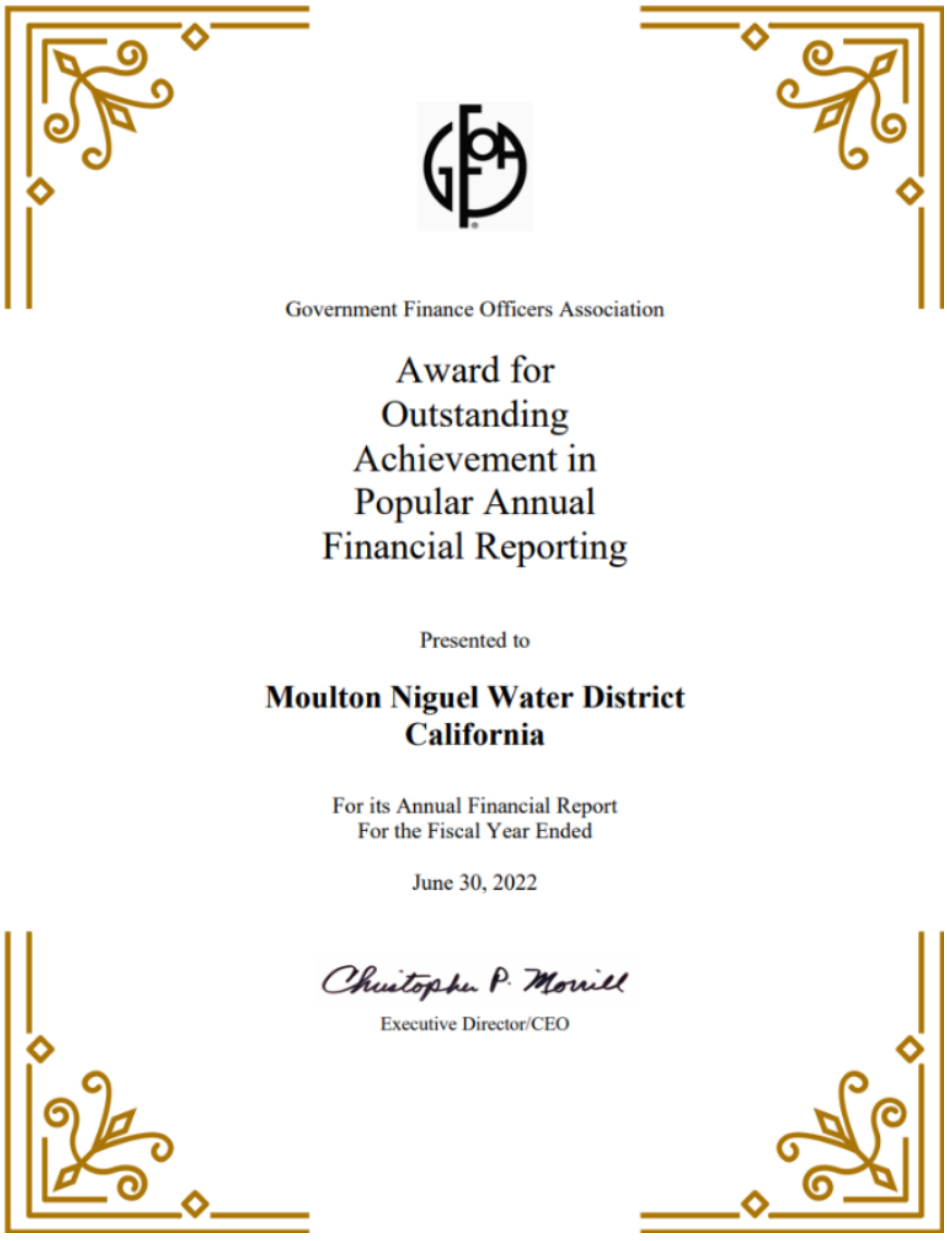
Sincerely,

JOONE KIM-LOPEZ
General Manager & Chief Executive Officer
Moulton Niguel Water District

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Moulton Niguel Water District for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe this current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for award.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

Moulton Niguel Water District
California

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



MEET OUR TEAM

BOARD OF DIRECTORS



Duane D. Cave
President



Brian S. Probolsky
Vice President



Diane Rifkin
Vice President



Richard S. "Dick" Fiore
Director



Donald R. Froelich
Director



William "Bill" Moorhead
Director



Sherry Wanninger
Director

EXECUTIVE MANAGEMENT



Joone Kim-Lopez
General Manager &
Chief Executive Officer

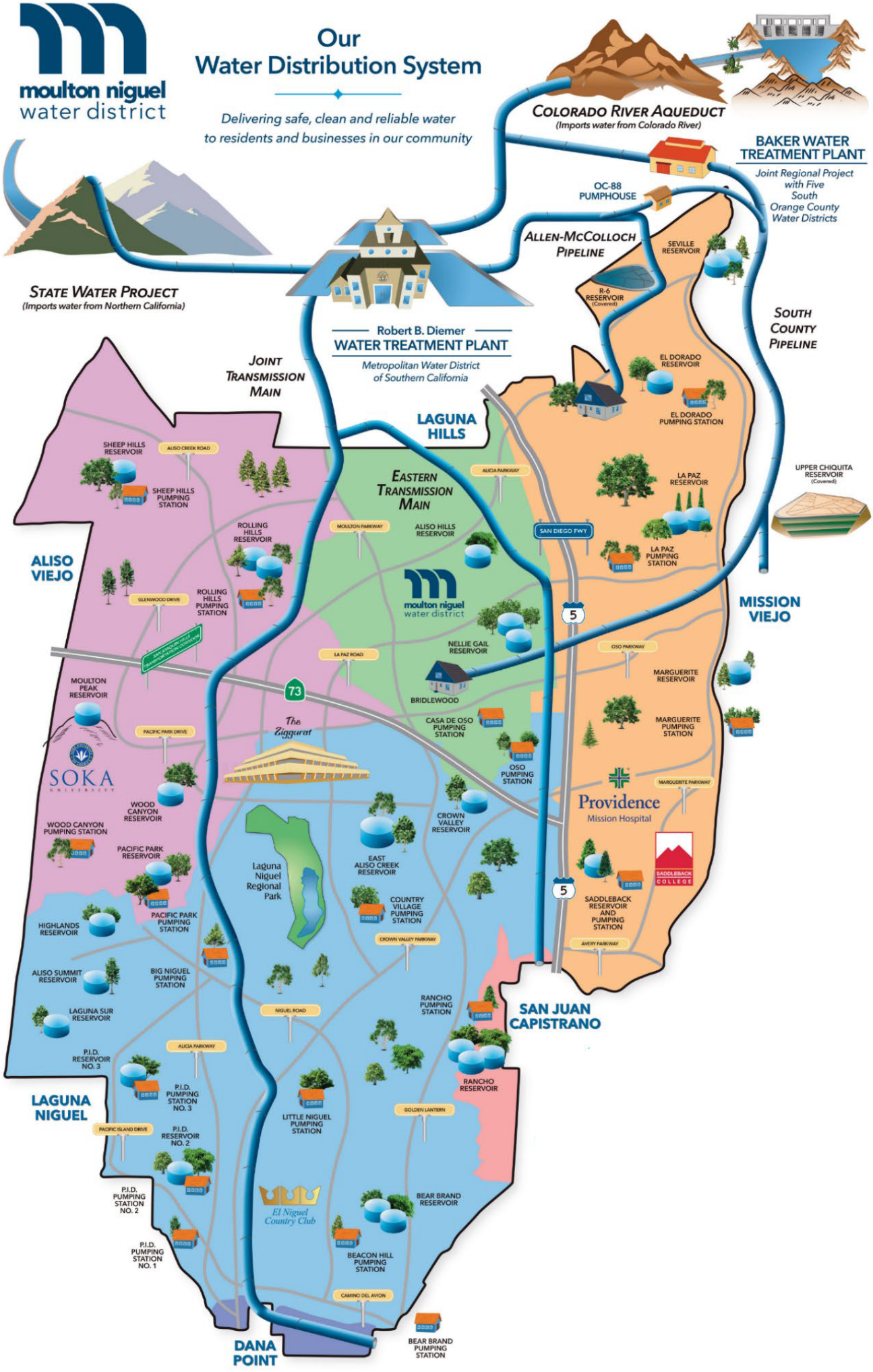


Matt Collings
Assistant General Manager

moulton niguel water district

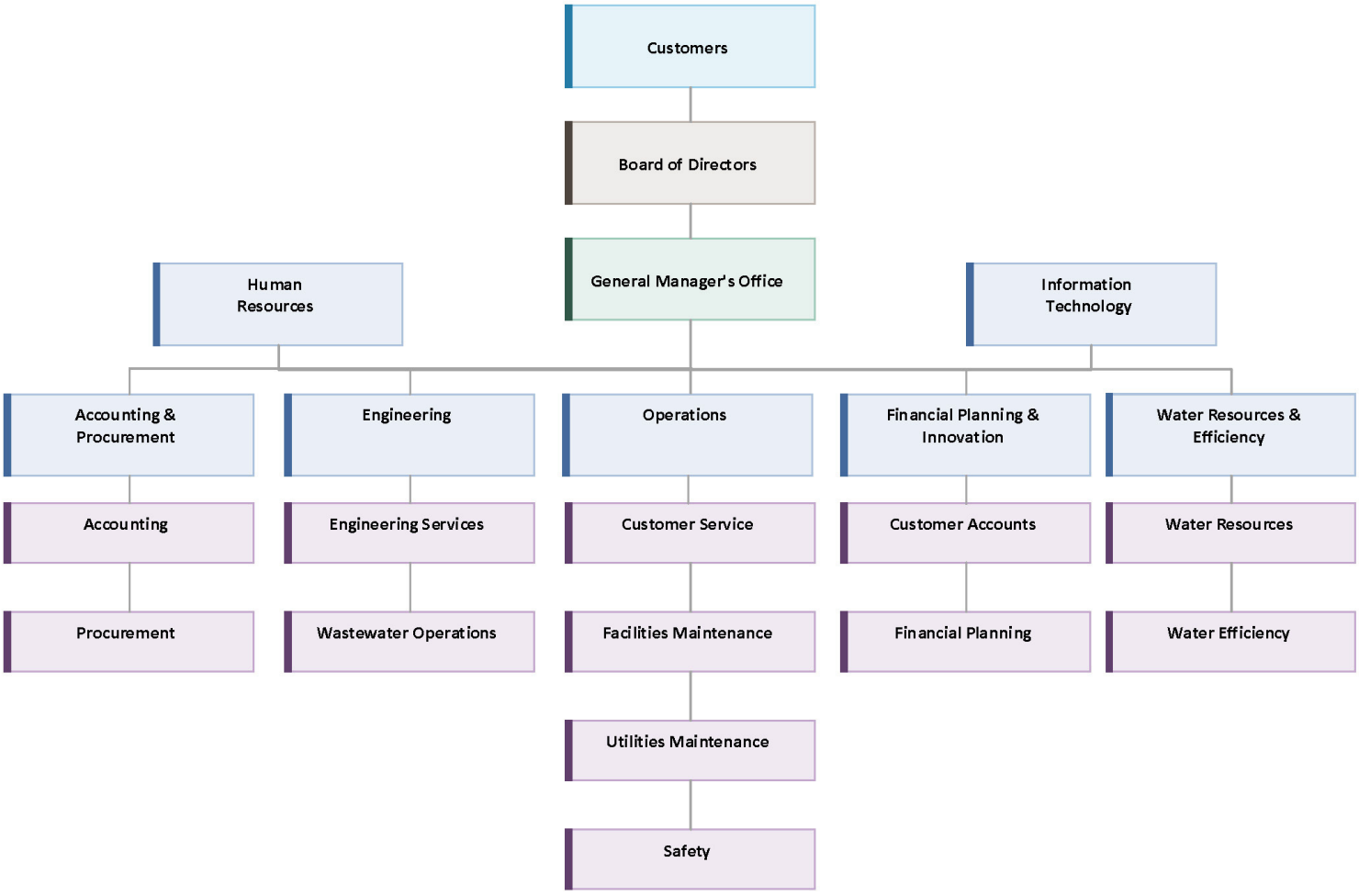
Our Water Distribution System

Delivering safe, clean and reliable water to residents and businesses in our community





ORGANIZATIONAL CHART





DISTRICT BY THE NUMBERS

37
Total Service Area in Square Miles

170K+
Residents Served Daily

100
Percent of Potable (Drinking) Water Imported

500
Miles of Wastewater Pipeline

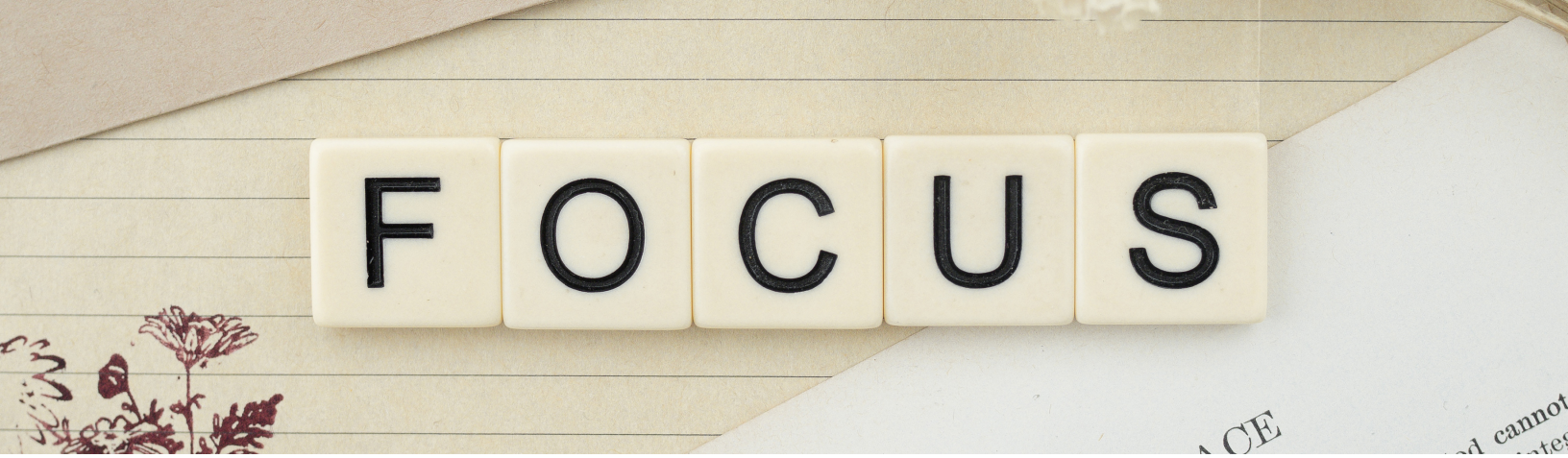
140
Miles of Recycled Water Pipeline

655
Miles of Potable Water Pipelines

32
Days of Available Water Supply Storage

25
Percent of Total Water Supply that is Recycled Water

28
Potable Water Storage Reservoirs



STRATEGIC PLAN

Every year - the Moulton Niguel Board of Directors, General Manager and staff have conducted an annual strategic planning session to identify the District's key goals, objectives, and priorities for the upcoming fiscal year.

Key goals focus on five (5) areas: Fiscal Responsibility, Operational Optimization, Community and Government Relations, Unified Workforce, and Secure and Reliable Service.





PROJECT HIGHLIGHTS

The District maintains over $2 billion worth of water and wastewater infrastructure assets. To help manage these assets and assist with capital planning, the District recently completed implementation of a new computerized asset management system. The development of the Capital Improvement Program is an on-going and iterative process. As part of the budget process, staff conducts internal workshops to develop a risk-based prioritization of capital projects over the next ten years. Key project highlights from Fiscal Year 2022-23 include:



Potable Water Steel Reservoirs Seismic Retrofits

The District operates a total of 28 water storage reservoirs as part of the potable water distribution systems. Of these reservoirs, 26 are above-ground steel tanks. The project included seismic improvements at 17 steel tanks to improve their resilience during an earthquake, allowing the District to ensure continued safe and reliable water service. These improvements consisted of new piping with flexible connections, as well as improvements to tank foundations. The District received a $4.1 million federal grant to fund the project.



Reservoir Management System Replacements Phase 3

The District operates a total of 20 Reservoir Management Systems (RMS) to maintain water quality throughout the District's potable water distribution system. The RMS Replacement Program replaced all RMS facilities installed in the early 2000s. The District completed the third phase of the program at five reservoir sites. The District demolished the existing RMS facilities and constructed new ones consisting of new block buildings, tanks and metering pumps, reservoir mixing systems, and related equipment. The remaining phases of the program, Phases 4 and 5, are planned to be completed over the next few years.



PROJECT HIGHLIGHTS



Saddleback Auxiliary Pump and Engine Replacement

The Saddleback Pump Station helps to supply water to customers in Mission Viejo, including the Mission Hospital Regional Medical Center. The project replaced the existing auxiliary pump with a new diesel engine-driven pump and new fuel piping, storage tanks, and related equipment. The auxiliary pump allows the pump station to continue to operate during a loss of utility power. These improvements will ensure that this critical facility will continue to provide reliable service to the District's customers for many years to come.



Northern Transmission Main Condition Assessment

The District employed innovative technology to assess the condition of a critical transmission pipeline. The 40-year-old Northern Transmission Main is a 2.3-mile-long buried steel pipeline in Mission Viejo. The District performed two types of inspections: a PipeDiver Electromagnetic Inspection and a SmartBall Acoustic Inspection. Both inspections provided data to pinpoint specific areas within the pipeline that may require maintenance or rehabilitation. This project allowed the District to prioritize activities to maximize the life of this critical infrastructure and ensure continued reliable service while achieving significant cost savings.



FINANCIAL PERFORMANCE



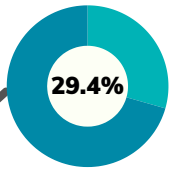
All financial information and data are based on the District's Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

www.mnwd.com/finance



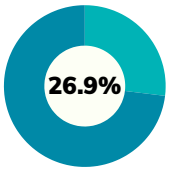
SOURCES OF REVENUE





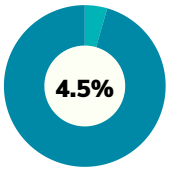
WATER SERVICE
$33,715,000

Volumetric water service revenue is the consumption of potable water and monthly service charges based on the size of connected meters.



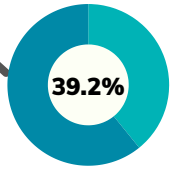
WASTEWATER SERVICE
$30,864,000

Fixed monthly wastewater service charge is the size of the meter and the number of people in a household (residential) or class of business (commercial).



RECYCLED WATER SERVICE
$5,145,000

Volumetric recycled water service is recycled water usage and monthly service charges on the size of connected meters.

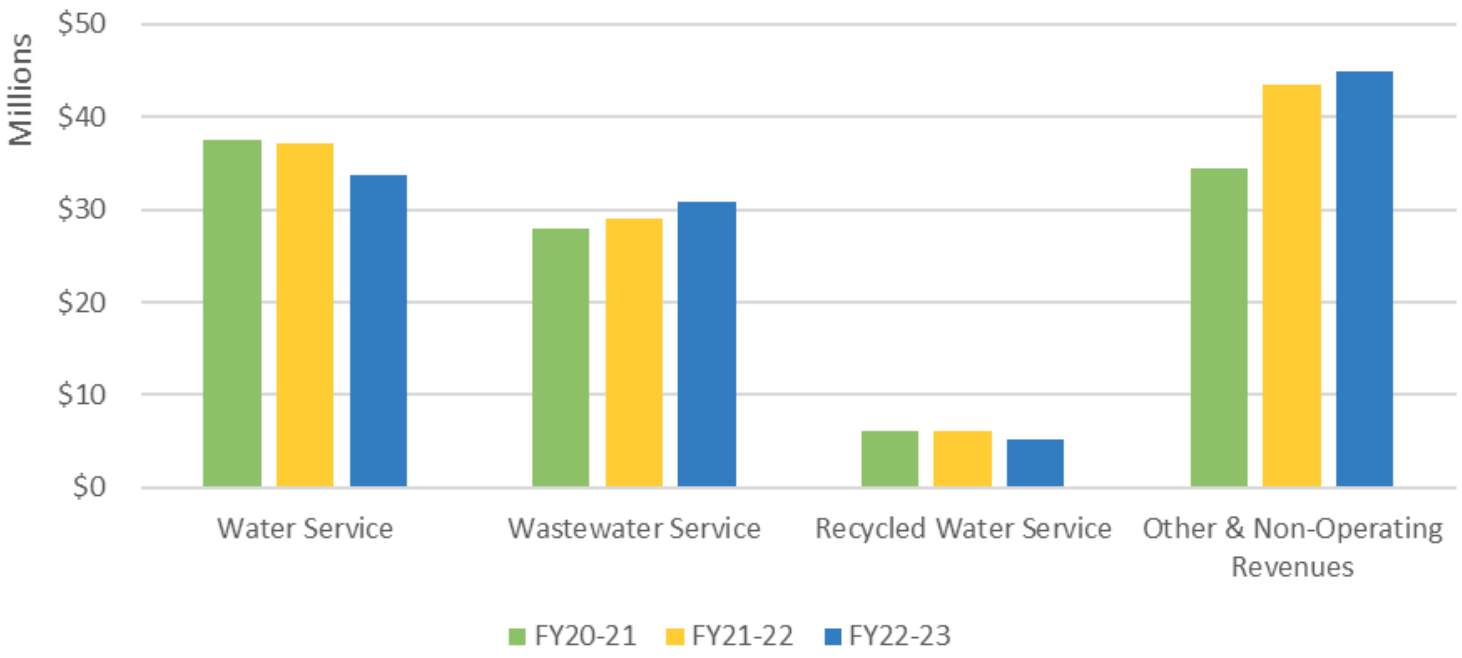


OTHER & NON-OPERATING REVENUES
$44,866,000

Various operating and non-operating revenues such as property taxes, investment income, interest income, cellular lease income, etc.



REVENUE TRENDS



Water service revenues had a $3.4 million (9.2%) decrease compared to the prior fiscal year due to efficient water use by the District's customers during the heavy rains. Wastewater service revenues increased by $1.9 million (6.5%) due to approved rate increases. Recycled Water service revenues decreased by $0.9 million (14.7%) over the prior fiscal year, again due to reduced overall water use in response to heavy rainfall experienced this year.

Other & Non-Operating Revenues increased by $1.3 million (3.0%) because property tax revenue increased by $2.3 million (7.1%). The District also received $2.1 million (128.7%) more non-operating revenue due to grant funding.



OPERATING EXPENSES

WATER SUPPLY
Expenses related to the purchase of imported water conveyed from the Colorado River or Sacramento Bay Delta.

$29,216,000 | 27.8%

WASTEWATER TREATMENT
Operating expenses related to the treatment of wastewater and conversion to recycled water.

$19,554,000 | 18.6%

WATER EFFICIENCY
Expenses to support customers' efficient use of water, meet conservation goals/ policies and develop new sources of supply to meet District water reliability objectives.

$4,557,000 | 4.3%

$105,197,000

TOTAL OPERATING EXPENSES

GENERAL O&M
Expenses related to supporting the day-to-day management and staffing of the District to provide reliable water and wastewater services.

$24,748,000 | 23.5%

UTILITIES
Electric, natural gas, and water expenses related to operating facilities.

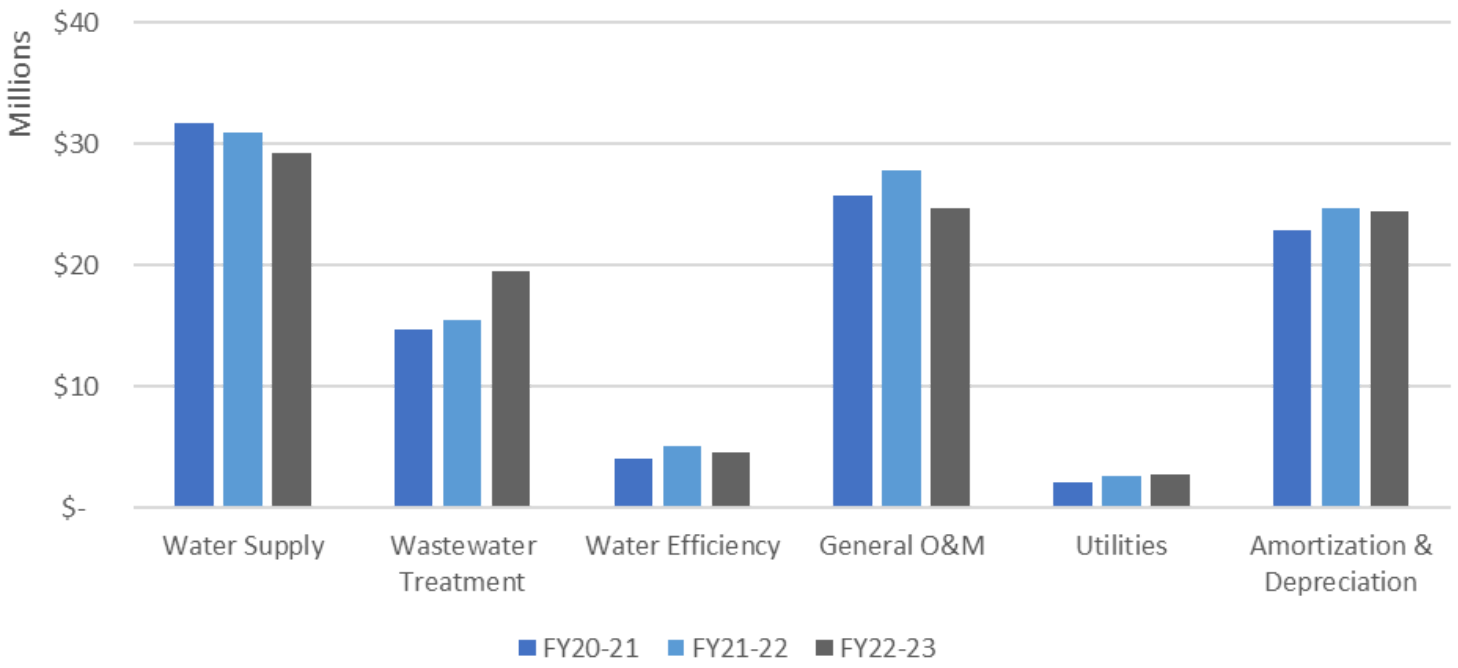
$2,716,000 | 2.6%

AMORTIZATION & DEPRECIATION
Accounting practice of spreading the cost of an asset over its useful life and expensing of fixed assets over its useful life.
This is a non-cash expenditure.

$24,406,000 | 23.2%



OPERATING EXPENSES TREND



Water supply purchases decreased by $2.7 million (9%), due to efficient water usage and heavy rainfalls, as noted in the revenue section. Wastewater treatment costs increased by $4.1 million (26.4%) due to higher chemical prices, pumping expenses, and increasing cost related to participation in the South Orange County Wastewater Authority. General O&M decreased $3.7 million (11.1%) due to changes in actuarial value of the net pension liability.

Water efficiency, utilities, amortization, and depreciation were relatively consistent with the prior fiscal years.



LONG TERM DEBT

The District utilizes long-term debt to fund approved and budgeted capital expenditures. Like a personal credit score, public agencies receive ratings to determine debt risk and fiscal stability. Credit rating agencies, Fitch Ratings and S&P Global Ratings, have each affirmed Moulton Niguel's AAA-credit rating, the highest possible credit rating.

2015

$12,265,000 REVENUE REFUNDING BOND

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.

2019

$48,605,000 REVENUE REFUNDING BOND

Proceeds from the issuance were used to refund the 2009 Certificates of Participation and pay the costs of issuing the Bonds.

2019

$64,570,000 CERTIFICATES OF PARTICIPATION

The 2019 Certificates were issued to finance the acquisition and construction of certain capital improvements and pay for the costs of issuance.

2021

$56,495,000 CERTIFICATES OF PARTICIPATION

The 2021 Certificates were issued to finance the acquisition and construction of certain capital improvements and pay for the costs of issuance.



NET POSITION

Assets & Deferred Outflow of Resources

Resources with economic value that the District owns or controls with the expectation that it will provide a future benefit, and resources consumed by the District that are used in a future period.

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Liabilities & Deferred Inflow of Resources

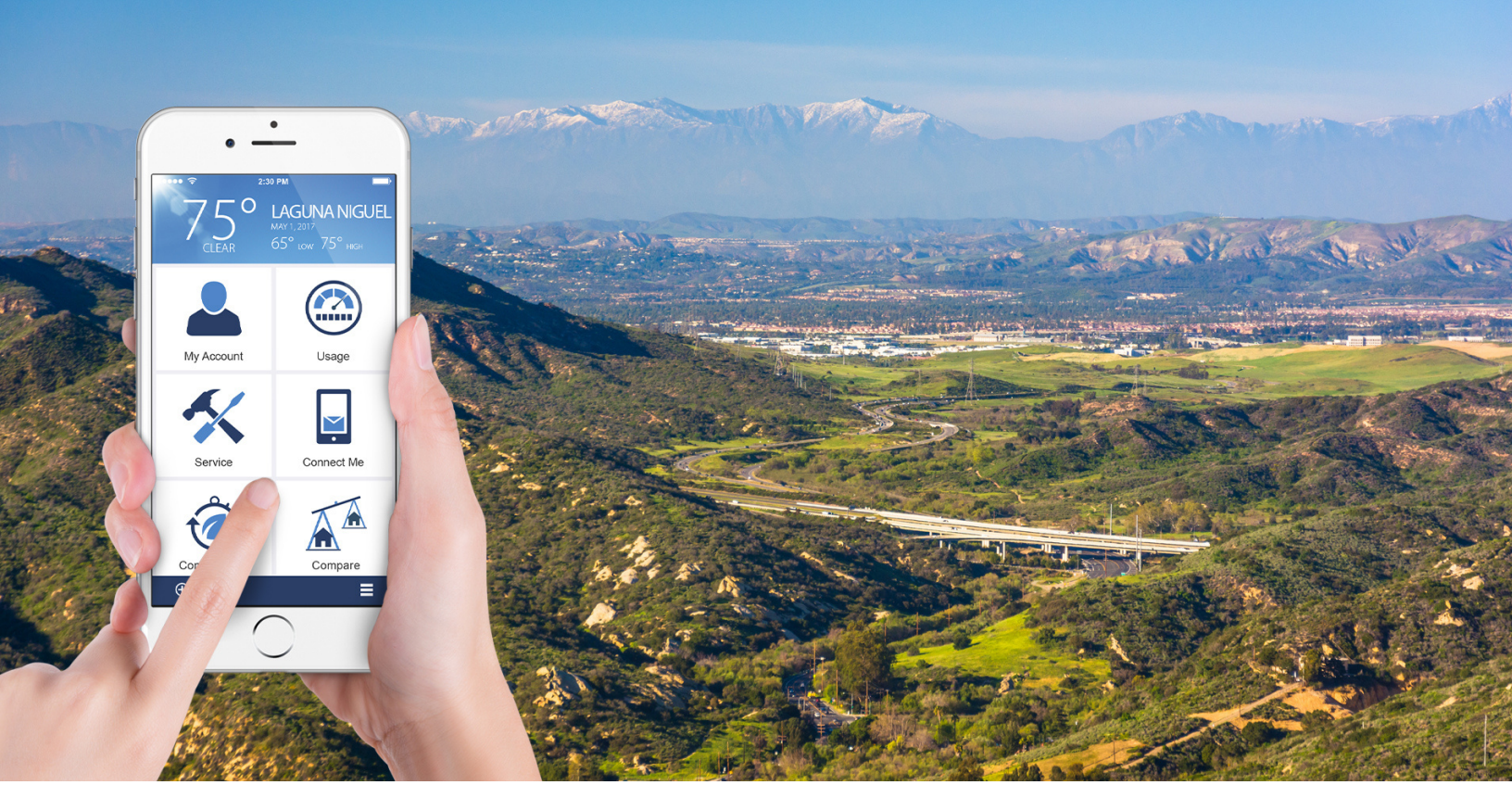
Legal financial debts and/or obligations that arise during business operations and resources acquired by the District that are used in a future period.

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NET POSITION: $433,406,913

The District's fiscal position after assets, liabilities, and deferred outflow/inflow have been balanced. Net position also includes net investment in capital assets.

total



CONTACT INFORMATION

moulton niguel water district

26161 Gordon Rd
Laguna Hills, CA 92653
(949) 831-2500
M-F: 8:00 AM - 5:00 PM
www.mnwd.com

@ MNWDWater