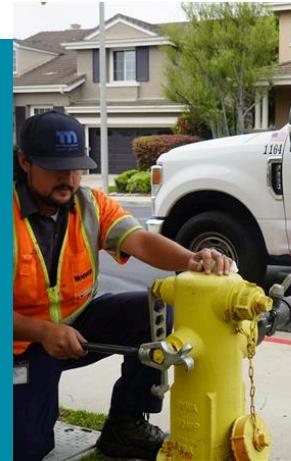




moulton niguel water district
26161 Gordon Road, Laguna Hills CA

popular

ANNUAL FINANCIAL REPORT
(CUSTOMER FINANCIAL TRANSPARENCY REPORT)



Fiscal Year Ended June 30, 2025

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Contact Information





BOARD OF DIRECTORS

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:

Moulton Niguel Water District is pleased to share our 2025 Popular Annual Financial Report.

This report provides our customers and the public with a brief summary of our Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025. This report includes information on our latest programs, services and investments that will continue to ensure safe and reliable water and wastewater services for decades to come.

For all of our financial reports, Moulton Niguel follows Generally Accepted Accounting Principles (GAAP), which are the gold standard for excellence in financial reporting. Our strong financial management has earned us the highest-possible AAA credit rating from Fitch and S&P Global.

As a public utility agency, we rely on rates to keep our infrastructure and operations running. Over the next decade, Moulton Niguel is planning to invest more than \$605 million to build and maintain a best-in-class infrastructure network of treatment plants, reservoirs, pipelines, and pump stations.

If you are looking for more detailed information about the District's finances, please check out our 2025 Annual Comprehensive Financial Report, which is available online at mnwd.com/finance.

On behalf of the Moulton Niguel Board of Directors, staff and management team, we are honored to serve as your safe and reliable water, wastewater, and recycled water service provider.

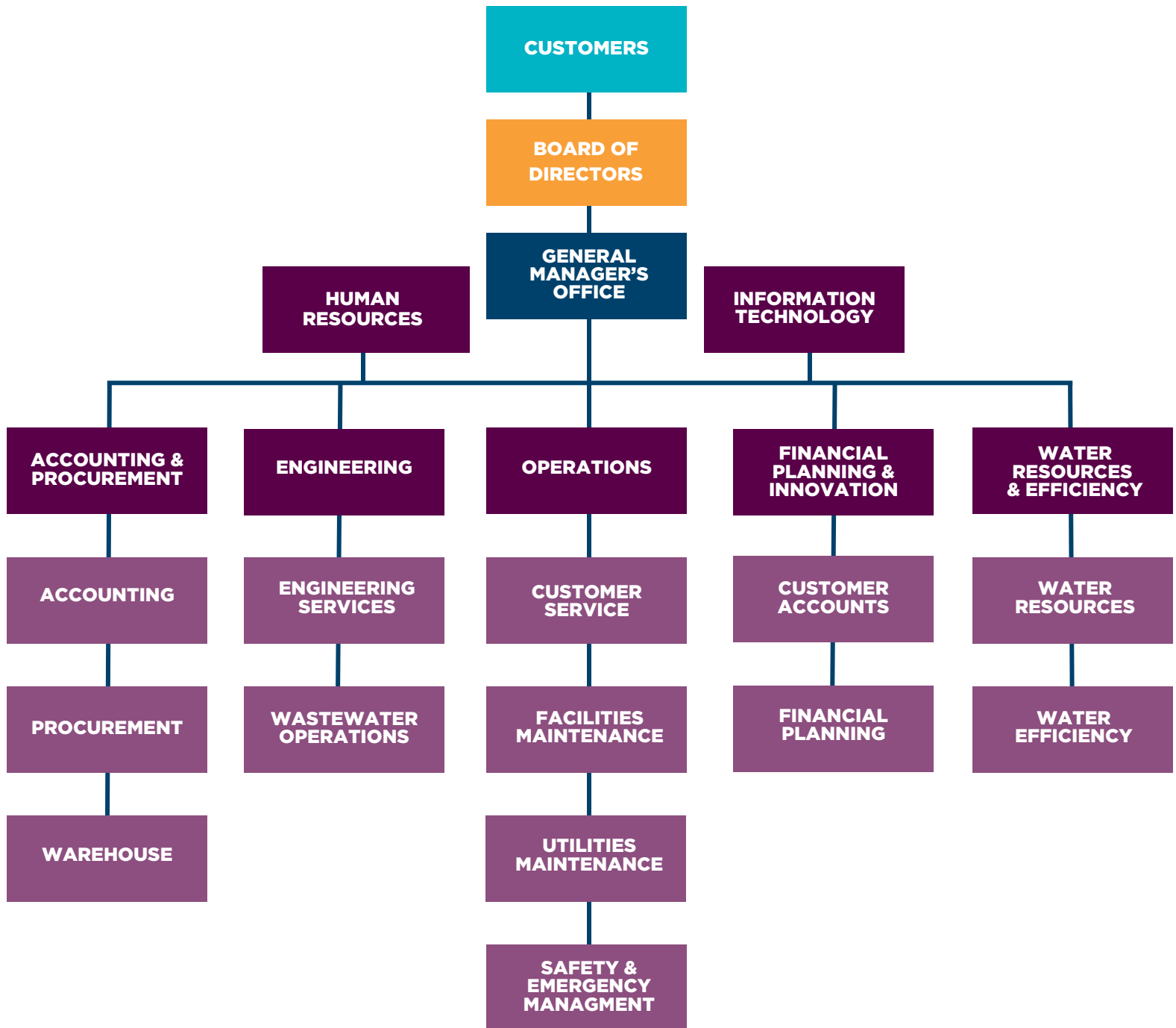
Sincerely,

A handwritten signature in blue ink that reads 'Joone Kim-Lopez'.

JOONE KIM-LOPEZ
CEO & General Manager
Moulton Niguel Water District

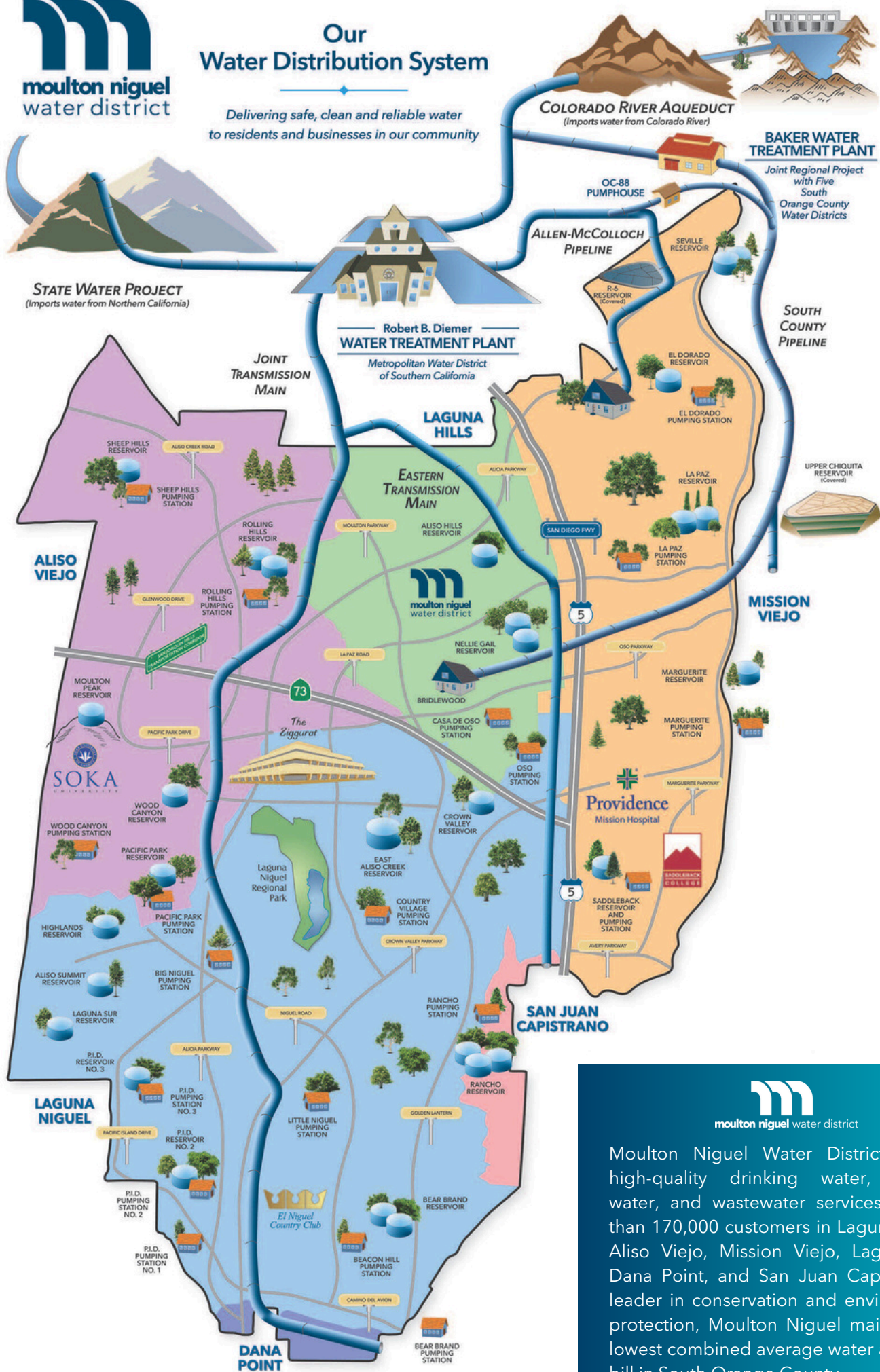


MEET OUR DISTRICT TEAM



Our Water Distribution System

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





DISTRICT BY THE NUMBERS

SERVICE AREA & COMMUNITY

37
Square Miles

170K+
Customers Served Daily

INFRASTRUCTURE

500
Miles of Wastewater Pipelines

140
Miles of Recycled Water Pipelines

700
Miles of Potable Water Pipelines

28
Reservoirs

WATER SUPPLY

100%
Drinking Water Imported

32
Days of Available Water Supply Storage

21%
Total Recycled Water Supply Demand

WATER USE & TREATMENT

6.9B
Gallons of Drinking Water Delivered

1.8B
Gallons of Recycled Water for Irrigation

3.2B
Gallons of Wastewater Treated

12K
Water Quality Tests Performed



STRATEGIC PLAN

Every year, the Moulton Niguel Board of Directors, General Manager, and staff conduct 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 more than \$2 billion in water and wastewater infrastructure assets. To effectively manage these assets and support long-term capital planning, the District employs a strategic, data-driven approach to asset management. The development of the Capital Improvement Program is an ongoing, iterative process in which staff continuously refines innovative methods and tools to leverage the District's extensive data resources, optimize infrastructure investments, and maximize value for customers. Each year, as part of the budget process, this work culminates in a prioritization of capital projects for the next ten years and beyond. Key project highlights from Fiscal Year 2024-25 include:



Crown Valley Pipeline Replacements

The Crown Valley Pipeline Replacements Project upgraded essential water and wastewater infrastructure located within Crown Valley Parkway in the cities of Laguna Niguel and Dana Point. The purpose of the project was to replace pipelines that were nearing the end of their useful lives to ensure continued safe and reliable water and wastewater services for the District's customers and strengthen emergency preparedness year-round. Approximately two miles of new water transmission main and sewer force main were placed into service in the Spring of 2025. Additionally, an important connection to a regional water supply pipeline, which serves many of the District's customers, was relocated and upgraded with new infrastructure. This work was conducted without any disruptions to customers' water or wastewater services. The District invested approximately \$9.25 million on this project during the 2024 - 2025 Fiscal Year and approximately \$17.75 million since project inception.



Fire Hydrant Maintenance Program

The District maintains more than 7,000 fire hydrants throughout its water distribution system, each serving the critical purpose of providing water during a fire. To ensure hydrants are ready in emergencies, our staff regularly inspects and tests each hydrant to confirm it is operating properly. Any hydrant found to be underperforming is promptly taken out of service and replaced to protect the integrity and reliability of the system.

The District has invested approximately \$1 million in testing and replacing hydrants during the 2024 - 2025 Fiscal Year. The District anticipates an additional \$0.5 million to be spent in Fiscal Year 2025-2026.



PROJECT HIGHLIGHTS



Reservoir Management System Phase 4

Since 2018, the District has been upgrading its reservoirs with advanced reservoir management systems designed to maintain consistent water quality throughout the drinking water distribution system. These systems are essential for ensuring safe, reliable drinking water for residents and businesses, while also enabling staff to maximize available storage. This enhanced control strengthens the District's emergency preparedness during fire or earthquake events, when maintaining a reliable water supply is critical.

To date, 13 reservoir sites have been upgraded with these new systems. This fourth phase of the program adds four more, bringing the total to 17. The District invested approximately \$6.25 million in Phase 4 of this program during the current fiscal year and approximately \$9.75 million since its beginning. An additional \$1 million is anticipated over the next year to complete the planned upgrades associated with this current phase.



North Aliso Lift Station Reconstruction

The reconstruction of the North Aliso Lift Station is part of the District's long-term vertical asset rehabilitation and replacement program, which aims to upgrade all water and wastewater stations. Located in Mission Viejo in the northern portion of the District's service area, this station collects wastewater from nearby homes and businesses and pumps it to an elevation where it can then flow by gravity to the Plant 3A wastewater treatment facility for processing.

Originally built in 1969, the lift station is being modernized with new pumps, piping, and a new building to house upgraded electrical and instrumentation equipment. Construction of the new facilities is occurring while the existing station remains in operation, minimizing wastewater service disruptions for customers. The project is scheduled for completion in the Spring of 2027.

The District has invested approximately \$3 million in this project during the 2024 - 2025 Fiscal Year and approximately \$3.75 million since the project began. An additional \$8.5 million is anticipated over the next two years to complete the upgrades.



FINANCIAL PERFORMANCE

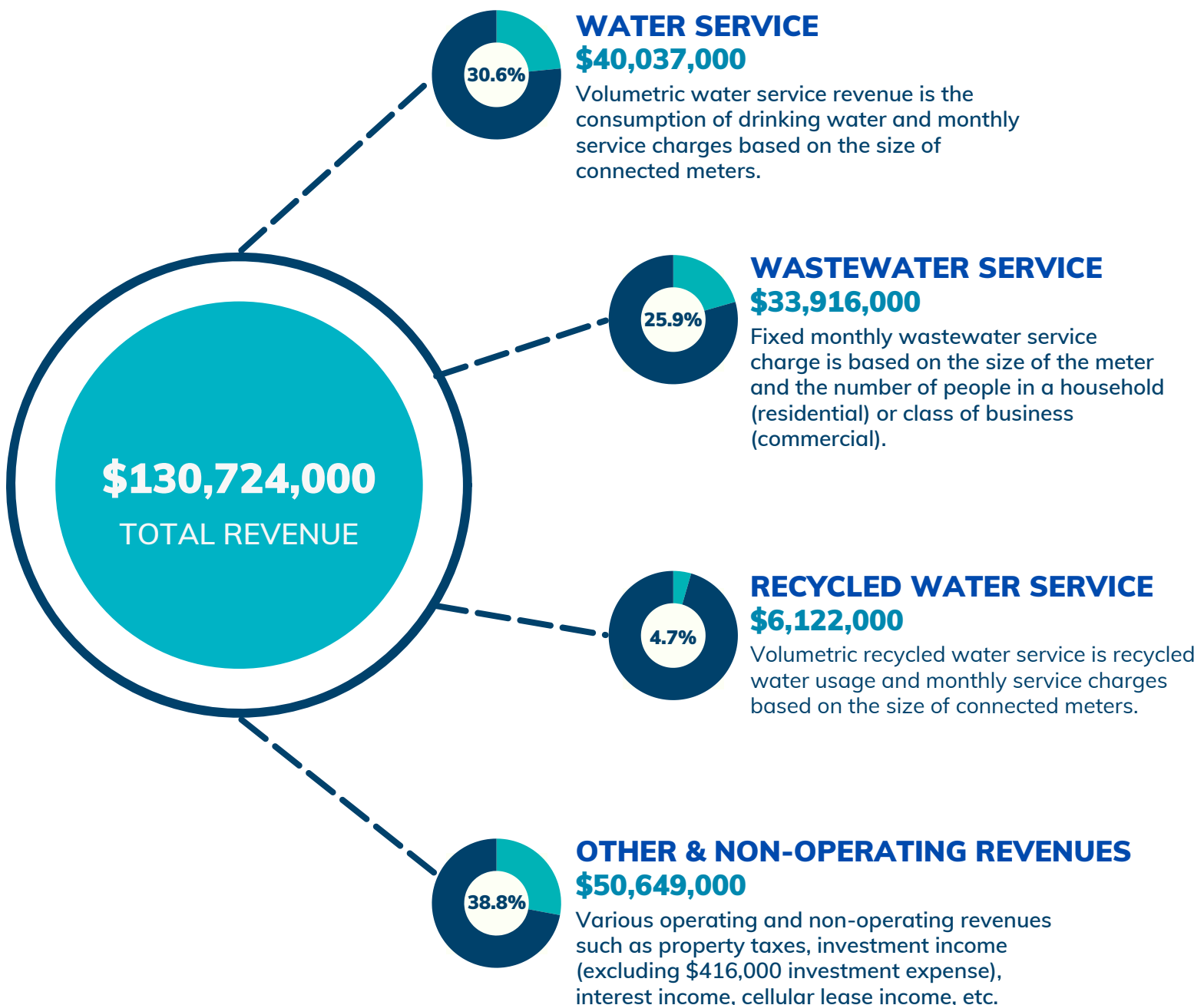


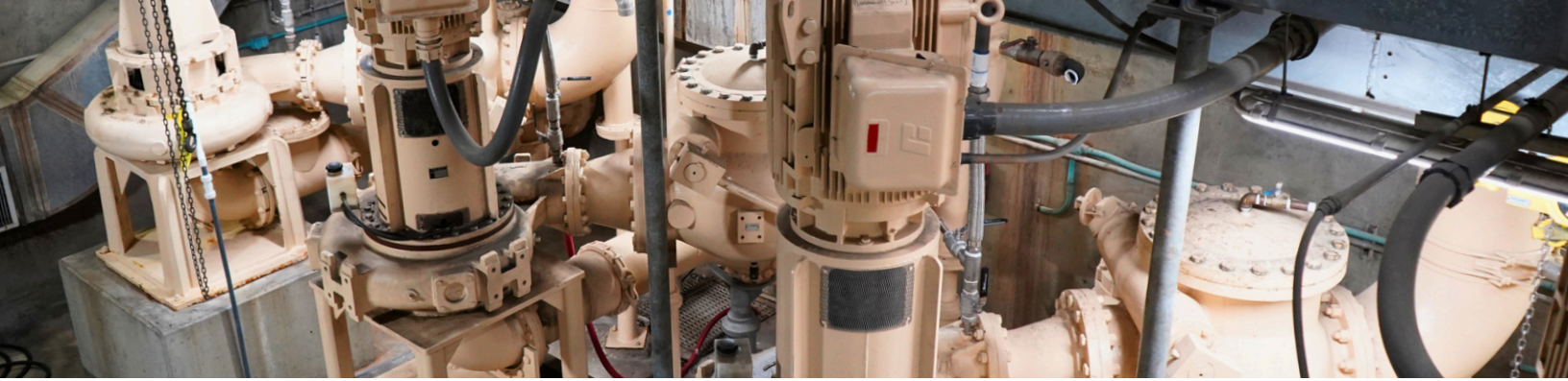
All financial information and data are based on the District's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

www.mnwd.com/finance

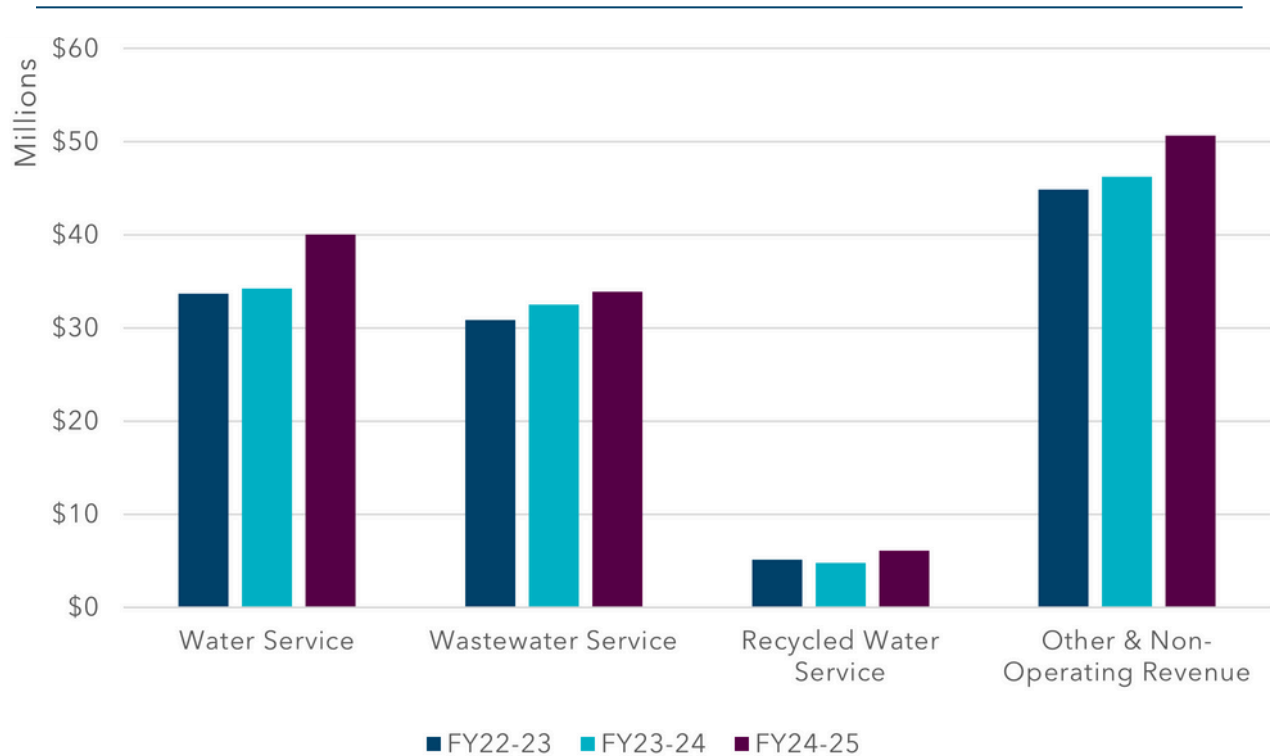


SOURCES OF REVENUE





REVENUE TRENDS



In comparison to the prior fiscal year, water service revenues increased \$5.8 million (16.9%). Total consumption during the fiscal year was 9.27 million billing units, an increase of 1.03 million billing units from the prior fiscal year, primarily due to drier conditions. Wastewater service revenues increased by \$1.4 million (4.2%). Recycled water service revenues increased by \$1.3 million (27.0%) over the prior fiscal year as result of an increase in consumption, primarily due to drier conditions. Recycled water customers consumed 2.47 million billing units in during the fiscal year compared to 1.73 million billing units in the prior fiscal year.

Other and non-operating revenues increased by \$4.4 million (9.4%). Ad-valorem property tax revenues are the largest portion of non-operating revenues which totaled \$37.0 million, representing an increase of 4.2% when compared to the prior fiscal year. The property tax revenues serve as an important revenue stream that the District uses to offset rate revenue requirements that allows for critical investments in system infrastructure. Also contributing to the increase in non-operating revenues was \$1.3 million (19.6%) higher investment income due to higher unrealized gains on investments as compared to the prior fiscal year. In addition, intergovernmental revenue increased by \$0.5 million (52.2%) due to grant awards for capital projects.



OPERATING EXPENSES

WATER SUPPLY

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

\$36,008,000 | 28.2%

WASTEWATER TREATMENT

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

\$22,097,000 | 17.3%

CUSTOMER SERVICES & 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.

\$9,909,000 | 7.8%

\$127,467,000
TOTAL
OPERATING
EXPENSES

SYSTEM OPERATIONS & MAINTENANCE

Expenses related to supporting the necessary daily operations and staffing of the District to provide reliable water and wastewater services.

\$29,808,000 | 23.4%

UTILITIES

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

\$3,206,000 | 2.5%

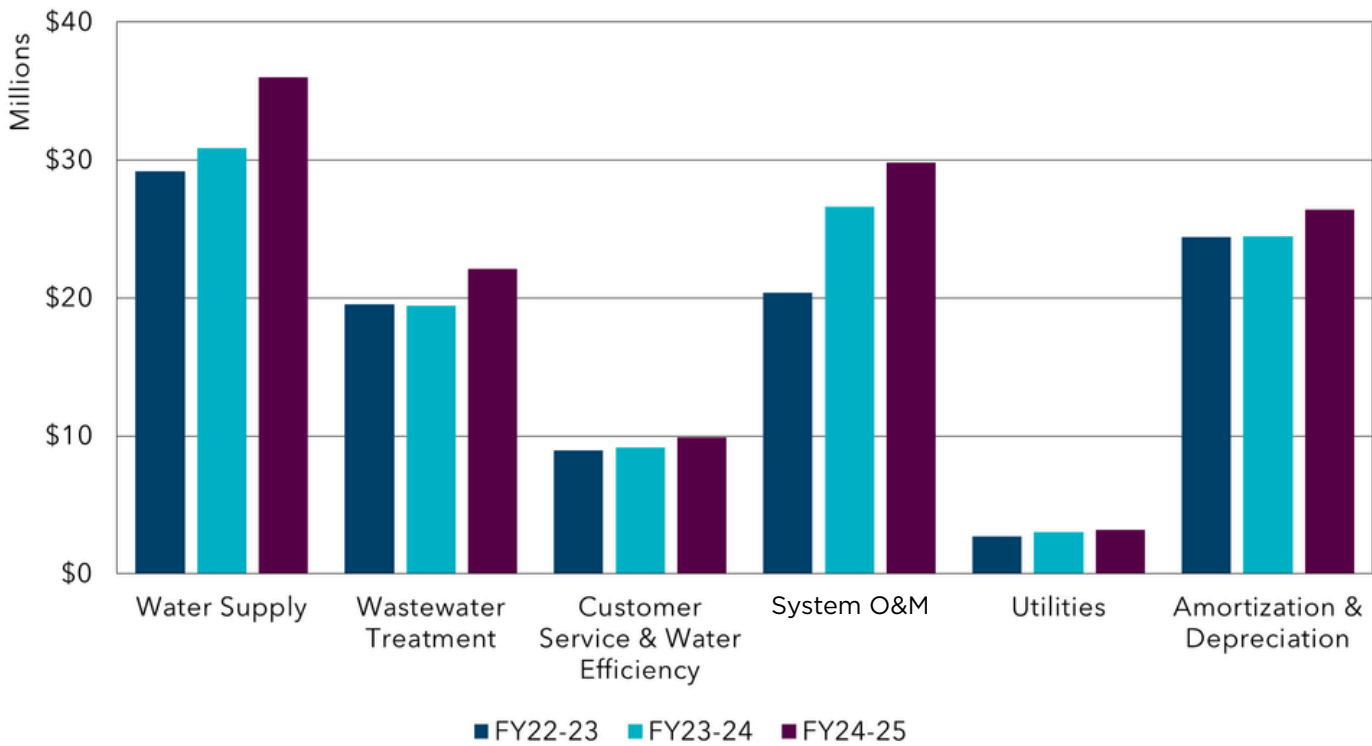
AMORTIZATION & DEPRECIATION

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.

\$26,439,000 | 20.8%



OPERATING EXPENSES TRENDS



Water supply increased by \$5.1 million (16.6%), primarily due to increased water supply costs from the Metropolitan Water District. Wastewater treatment increased by \$2.7 million (13.8%) primarily due to increased costs for chemicals at the wastewater treatment plants. Customer service and water efficiency costs increased \$0.8 million (8.3%) due to increased costs associated with the District's conservation and water efficiency efforts focused on water supply reliability. System operations and maintenance expenses increased \$3.2 million (12.1%) from the previous fiscal year mainly due to inflationary factors on supplies and materials costs as well as property and general liability insurance premiums. Depreciation and amortization increased \$1.9 million (7.9%) due to over \$56.5 million invested in capital infrastructure including the acquisition of the Regional Treatment Plant.

Utilities costs were relatively consistent with the prior fiscal years although the District continues to see rising costs for utilities related to inflationary factors.



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 assigned Moulton Niguel a AAA rating, the highest possible credit rating, due to its affordable rates, healthy financial profile, and successful long-term planning to secure a diversified and reliable water supply for its customers. The AAA rating lowers financing costs for major infrastructure projects and saves our customers money.

AAA

FitchRatings
S&P Global

2019 \$46,550,000
REVENUE REFUNDING BONDS:

2019 \$58,425,000
CERTIFICATES OF PARTICIPATION:

2021 \$53,575,000
CERTIFICATES OF PARTICIPATION:

2025 \$71,260,000
CERTIFICATES OF PARTICIPATION:

Proceeds from the issuance were used to refinance the 2009 “Build America Bonds” which were originally issued to construct the Baker Water Treatment Plant, Upper Chiquita Reservoir, Emergency Interconnection with the Orange County groundwater basin and additional projects that increase water supply reliability during emergencies and disasters. By refinancing, the District saved approximately \$11.0 Million.

Proceeds from the certificates were used for the replacement and upgrade of the District’s reservoir management systems, pump stations, pipeline improvements, and other infrastructure. Due to the historically low interest rates in 2021, District staff advanced a planned future issuance, which ultimately reduced total issuance costs by \$14 million compared to if the certificates were issued when originally planned.

2025
\$14,013,000
PROMISSORY NOTE PAYABLE:

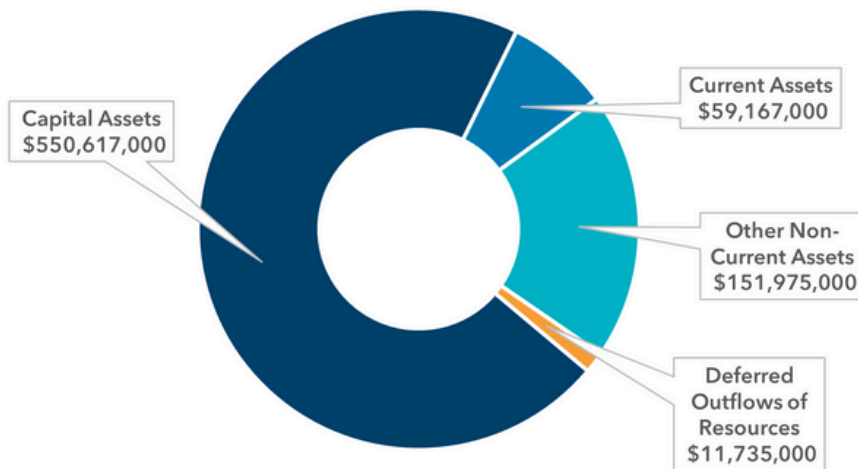
The District acquired the Regional Treatment Plant from the South Orange County Wastewater Authority during the 2024 - 2025 Fiscal Year for \$21.5 million. A portion of the cost was paid at acquisition in December 2024, and the remainder will be paid in installments in December 2025 and December 2026. The acquisition enables the District to advance its regional long-term objectives for water reuse to enhance local water resources and ensure reliable, cost-effective wastewater treatment.

TOTAL OUTSTANDING LONG TERM DEBT = \$243,823,000



NET POSITION

ASSETS & DEFERRED OUTFLOWS: \$773,494,000



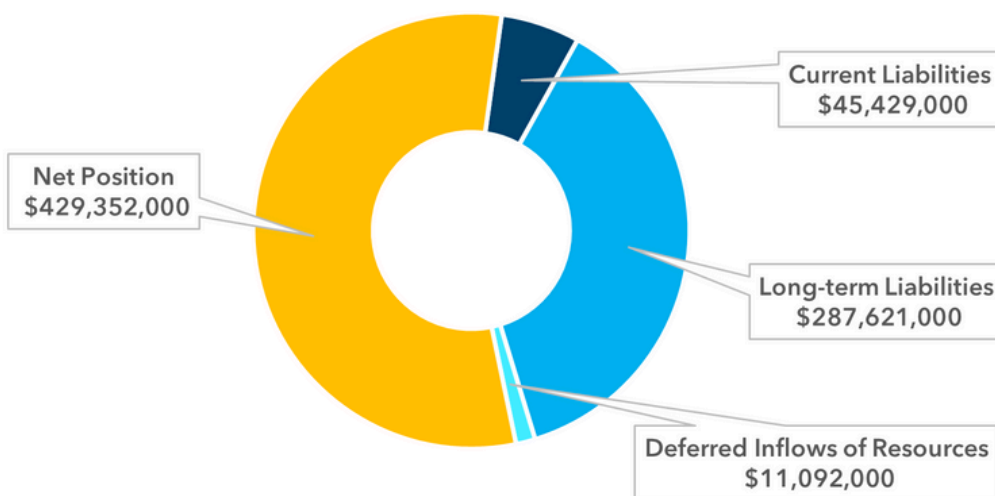
Current Assets: Includes cash and cash equivalents, short-term investments, receivables, inventory, prepaid items, short-term leases receivable and other liquid assets that can be readily convertible to cash.

Capital Assets: Includes land, buildings, water and wastewater systems, capacity rights, equipment, automobiles, software and information technology infrastructure.

Other Non-Current Assets: Includes investments, regulated assets, loans and long-term leases receivable.

Deferred Outflow of Resources: Resources consumed by the District that are used in a future period.

LIABILITIES & DEFERRED INFLOWS: \$344,142,000



Current Liabilities: Present obligations and payments due, including debt service payments, amounts owed to vendors, and payments due for payroll. Also includes the current portion of lease and subscription liabilities.

Long-Term Liabilities: Long-term financial obligations including payments for bonds, certificates of participation, and retirement benefits. Also includes the long-term portion of lease and subscription liabilities.

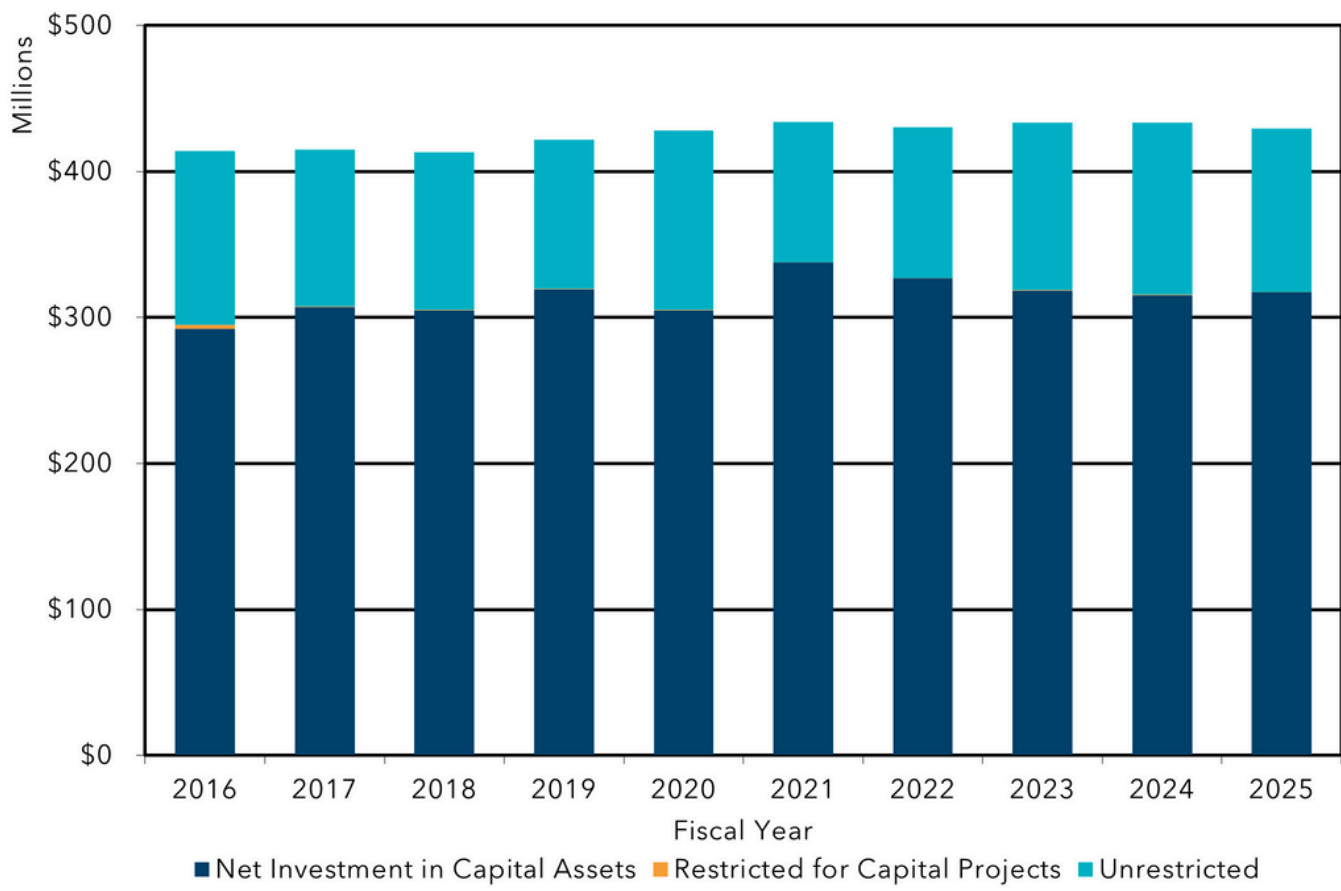
Deferred Inflow of Resources: Resources acquired by the District that are used in a future period.

NET POSITION: \$429,352,000

The District's fiscal position after assets, liabilities, and deferred outflows/inflows have been balanced. Net position includes net investment in capital assets, restricted, and unrestricted amounts.



NET POSITION TRENDS



The District's total ending net position at June 30, 2025 was \$429.4 million, a decrease of \$4.1 million (0.9%) from the prior fiscal year. The balance in net investment in capital assets increased by \$2.1 million (0.7%), primarily due to an increase in capital assets, net of accumulated depreciation. Restricted net position ended the fiscal year at \$0.1 million, which represents the unspent portion of capacity fees paid by developers for connecting to the District's water and wastewater system. Unrestricted net position decreased \$6.1 million (5.2%) from the prior year due to the increase in net investment in capital assets of \$2.1 million and net loss from operating and non-operating activities of \$4.5 million, offset by capital contributions of \$0.9 million.



CONTACT INFORMATION



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www.mnwd.com



Safe, Reliable & Resilient.